

INFORMATION MEMORANDUM



REPUBLIC OF ITALY

*Programme for the
Issuance of Debt Instruments*

Application has been made to the Luxembourg Stock Exchange for debt instruments (the “Instruments”) issued under the programme (the “Programme”) described in this Information Memorandum to be listed on the Luxembourg Stock Exchange during the period of twelve months after the date hereof.

This Information Memorandum replaces in its entirety the Information Memorandum dated 23 July 2003.

Arranger

MORGAN STANLEY

Dealers

**ABN AMRO
BARCLAYS CAPITAL
CABOTO
CREDIT SUISSE FIRST BOSTON
GOLDMAN SACHS INTERNATIONAL
HVB CORPORATES & MARKETS
JPMORGAN
MERRILL LYNCH INTERNATIONAL
MPS FINANCE BANCA MOBILIARE S.P.A.
RBC CAPITAL MARKETS
UBM—UNICREDIT BANCA MOBILIARE**

**BANCA IMI
BNP PARIBAS
CITIGROUP
DEUTSCHE BANK
HSBC
ING FINANCIAL MARKETS
LEHMAN BROTHERS
MORGAN STANLEY
NOMURA INTERNATIONAL
UBS INVESTMENT BANK
WESTLB AG**

23 July 2004

The Republic of Italy (the “Issuer”), acting through a duly authorised delegate of the Director-General of the Treasury Department empowered thereunto by the Minister of Economy and Finance, accepts responsibility for the information contained in this Information Memorandum. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

References herein to the “Programme Date” are to the date specified on the cover of the Information Memorandum.

This Information Memorandum should be read and construed with any amendment or supplement thereto and with any other documents incorporated by reference and, in relation to any Series (as defined herein) of Instruments, should be read and construed together with the relevant Pricing Supplement(s) (as defined herein).

The Issuer has confirmed to the dealers (the “Dealers”) named under “Subscription and Sale” below that the Information Memorandum is true, accurate and complete in all material respects and is not misleading; that the opinions and intentions expressed therein are honestly held and based on reasonable assumptions; that there are no other facts in relation to the information contained or incorporated by reference in this Information Memorandum the omission of which would, in the context of the Programme or the issue of the Instruments, make any statement therein or opinions or intentions expressed therein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. The Issuer has further confirmed to the Dealers that this Information Memorandum (together with the relevant Pricing Supplement) contains all such information as may be required by all applicable laws, rules and regulations.

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Information Memorandum or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained in this Information Memorandum. Neither the delivery of this Information Memorandum or any Pricing Supplement nor the offering, sale or delivery of any Instrument shall, in any circumstances, create any implication that the information contained in this Information Memorandum is true subsequent to the date thereof or the date upon which this Information Memorandum has been most recently amended or supplemented or that there has been no adverse change in the financial situation of the Issuer since the date thereof or, if later, the date upon which this Information Memorandum has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Information Memorandum and any Pricing Supplement and the offering, sale and delivery of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum or any Pricing Supplement comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of this Information Memorandum or any Pricing Supplement and other offering material relating to the Instruments, see “Subscription and Sale”. In particular, Instruments have not been and will not be registered under the United States Securities Act of 1933 (as amended) and may include Instruments in bearer form which are subject to U.S. tax law requirements. Subject to certain exceptions, Instruments may not be offered, sold or delivered within the United States or to U.S. persons. In addition, the Issuer has not authorised any offer of Instruments to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (the “Regulations”). Instruments 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.

Neither this Information Memorandum nor any Pricing Supplement may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Neither this Information Memorandum nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Instruments and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Information Memorandum or any Pricing Supplement should subscribe for or purchase any Instruments. Each recipient of this Information Memorandum or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

All references in this Information Memorandum to “U.S.\$”, “U.S. dollars” or “USD” are to the lawful currency of the United States of America and all references to “Euro” or “euro” are to the single currency introduced at the third stage of European Economic and Monetary Union, pursuant to the Treaty establishing the European Communities, as amended (the “Treaty”).

DOCUMENTS INCORPORATED BY REFERENCE

All amendments and supplements to this Information Memorandum prepared by the Issuer from time to time shall be deemed to be incorporated in, and to form part of, this Information Memorandum save that any statement contained in this Information Memorandum or in any of the documents incorporated by reference in, and forming part of, this Information Memorandum shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

The Issuer has undertaken, in connection with the listing of the Instruments, that if, while Instruments of the Issuer are outstanding and listed on the Luxembourg Stock Exchange, there shall occur any adverse change in the financial situation of the Issuer or any change in the information set out under “Terms and Conditions of the Instruments” that is material in the context of issuance under the Programme which is not reflected in this Information Memorandum (or any of the documents incorporated by reference in this Information Memorandum) the Issuer will prepare or procure the preparation of an amendment or supplement to this Information Memorandum or, as the case may be, publish a new Information Memorandum for use in connection with any subsequent issue by the Issuer of Instruments to be listed on the Luxembourg Stock Exchange.

The Issuer will, at the specified offices of the Paying Agents, provide, free of charge, upon the oral or written request therefor, a copy of this Information Memorandum (or any document incorporated by reference in this Information Memorandum). Written or oral requests for such documents should be directed to the specified office of any Paying Agent or the specified office of the Listing Agent in Luxembourg.

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IN CONNECTION WITH THE ISSUE OF ANY TRANCHE (AS DEFINED HEREIN) OF INSTRUMENTS UNDER THE PROGRAMME, THE DEALER (IF ANY) WHO IS SPECIFIED IN THE RELEVANT PRICING SUPPLEMENT AS THE STABILISING INSTITUTION (OR ANY PERSON ACTING FOR THE STABILISING INSTITUTION) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE INSTRUMENTS OF THE SERIES OF WHICH SUCH TRANCHE FORMS PART AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER THERE MAY BE NO OBLIGATION ON SUCH STABILISING INSTITUTION (OR ANY AGENT OF SUCH STABILISING INSTITUTION) TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

SUMMARY OF THE PROGRAMME

The following is a brief summary only and should be read in conjunction with the rest of this document and, in relation to any Instruments, in conjunction with the relevant Pricing Supplement and, to the extent applicable, the Terms and Conditions of the Instruments set out herein.

Issuer:	The Republic of Italy, acting through a duly authorised delegate of the Director-General of the Treasury Department empowered thereunto by the Minister of Economy and Finance.
Arranger:	Morgan Stanley & Co. International Limited.
Dealers:	ABN AMRO Bank N.V., Banca Caboto s.p.a., Banca IMI S.p.A., Barclays Bank PLC, Bayerische Hypo- und Vereinsbank AG, BNP Paribas, Citigroup Global Markets Limited, Credit Suisse First Boston (Europe) Limited, Deutsche Bank AG London, Goldman Sachs International, HSBC Bank plc, ING Bank N.V., Lehman Brothers International (Europe), Merrill Lynch International, J.P. Morgan Securities Ltd., Morgan Stanley & Co. International Limited, MPS Finance Banca Mobiliare S.p.A., Nomura International plc, Royal Bank of Canada Europe Limited and UBS Limited, UniCredit Banca Mobiliare S.p.A., WestLB AG and any other dealer appointed from time to time by the Issuer in respect of the Programme.
Fiscal Agent:	Citibank, N.A., London office.
Registrar:	Citibank, N.A., London office.
Alternative Registrar:	Citibank International Plc, Belgium Branch.
Luxembourg Listing Agent:	Kredietbank S.A. Luxembourgise.
Authorized Amount:	U.S.\$48,000,000,000 (and, for this purpose, any Instruments denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Instruments using the spot rate of exchange for the purchase of such currency against payment of U.S. dollars being quoted by the Fiscal Agent on the date on which the relevant agreement in respect of the relevant Tranche (as defined below) was made or such other rate as the Issuer and the relevant Dealer may agree) in aggregate principal amount of Instruments outstanding at any one time. The maximum aggregate principal amount of Instruments which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement as defined under “Subscription and Sale”.
Issuance in Series:	Instruments will be issued in series (each, a “Series”). Each Series may comprise one or more tranches (“Tranches” and each, a “Tranche”) issued on different issue dates. The Instruments of each Series will all be subject to identical terms, except that (i) the issue date and the amount of the first payment of interest may be different in respect of different Tranches and (ii) a Series may comprise Instruments in bearer form and Instruments in registered form and Instruments in more than one denomination. The Instruments of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Instruments in bearer form and Instruments in registered form and may comprise Instruments of different denominations.

Form of Instruments:

Instruments may be issued in bearer form or in registered form. In respect of each Tranche of Instruments issued in bearer form, the Issuer will deliver a temporary global Instrument or (if so specified in the relevant Pricing Supplement in respect of Instruments to which U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (the “TEFRA C Rules”) applies (as so specified in such Pricing Supplement)) a permanent global Instrument. Such global Instrument will be deposited on or before the relevant issue date therefor with a depositary or a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) and/or Clearstream Banking, société anonyme, Luxembourg (“Clearstream, Luxembourg”) and/or any other relevant clearing system. Each temporary global Instrument will be exchangeable for a permanent global Instrument or, if so specified in the relevant Pricing Supplement, for Instruments in definitive bearer form and/or (in the case of a Series comprising both bearer and registered Instruments and if so specified in the relevant Pricing Supplement) registered form in accordance with its terms. Each permanent global Instrument will be exchangeable for Instruments in definitive bearer form and/or (in the case of a Series comprising both bearer and registered Instruments and if so specified in the relevant Pricing Supplement) registered form in accordance with its terms. Instruments in definitive bearer form will, if interest-bearing, either have interest coupons (“Coupons”) attached and, if appropriate, a talon (“Talon”) for further Coupons and will, if the principal thereof is repayable by instalments, have a grid for recording the payment of principal endorsed thereon or, if so specified in the relevant Pricing Supplement, have payment receipts (“Receipts”) attached. Instruments in registered form may not be exchanged for Instruments in bearer form.

Notwithstanding the above, in accordance with currently applicable legislation, including the provisions of Legislative Decree No. 213 of 24 June 1998, the Issuer is allowed to issue debt instruments in bearer form and in dematerialised form only. References in these Terms and Conditions and the documentation relating to the Programme to Registered Instruments and to Definitive Instruments shall be read accordingly.

Currencies:

Instruments may be denominated in any currency or currencies (including, without limitation, Australian Dollars (“AUD”), Canadian Dollars (“CAD”), Czech Koruna (“CZK”), Danish Kroner (“DKK”), Euro, Hong Kong Dollars (“HKD”), Japanese Yen (“JPY”), New Zealand Dollars (“NZD”), Norwegian Kroner (“NKR”), Polish Zloty (“PLN”), Pounds Sterling (“GBP”), South African Rand (“ZAR”), Swedish Kronor (“SEK”), Swiss Francs (“CHF”) and United States dollars (“USD”)) subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Any Instruments in respect of which the issue proceeds are received by the Issuer in the United Kingdom and which have a maturity of less than one year from their date of issue must (a) have a minimum denomination of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of

investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (“FSMA”) by the Issuer.

Status:	Instruments will be issued on an unsubordinated basis.
Issue Price:	Instruments may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Pricing Supplement.
Maturities:	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Redemption:	<p>Instruments may be redeemable at par or at such other Redemption Amount (detailed in a formula or otherwise) as may be specified in the relevant Pricing Supplement.</p> <p>Any Instruments in respect of which the issue proceeds are received by the Issuer in the United Kingdom and which have a maturity of less than one year from their date of issue must (a) have a minimum denomination of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (“FSMA”) by the Issuer.</p>
Early Redemption:	Early redemption will be permitted only to the extent specified in the relevant Pricing Supplement.
Interest:	Instruments may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed or floating rate and may vary during the lifetime of the relevant Series.
Denominations:	<p>Instruments will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.</p> <p>Any Instruments in respect of which the issue proceeds are received by the Issuer in the United Kingdom and which have a maturity of less than one year from their date of issue must (a) have a minimum denomination of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (“FSMA”) by the Issuer.</p>
Taxation:	All payments of principal and interest in respect of the Instruments by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or within the Republic of Italy or by or within any district, municipality or other political subdivision or taxing

authority therein or thereof unless such withholding or deduction is required by law.

- Governing Law and Jurisdiction:** The Instruments and all related contractual documentation will be governed by, and construed in accordance with, Italian law and the Italian courts shall have exclusive jurisdiction in accordance with all applicable Italian laws.
- Listing:** Each Series may be listed on the Luxembourg Stock Exchange and/or any other stock exchange as may be agreed between the Issuer and the relevant Dealer and specified in the relevant Pricing Supplement or may be unlisted.
- Terms and Conditions:** A Pricing Supplement will be prepared in respect of each Tranche of Instruments a copy of which will, in the case of Instruments to be listed on the Luxembourg Stock Exchange be delivered to the Luxembourg Stock Exchange on or before the date of issue of such Instruments. The terms and conditions applicable to each Tranche will be those set out herein under “Terms and Conditions of the Instruments” as supplemented, modified or replaced by the relevant Pricing Supplement.
- Clearing Systems:** Euroclear, Clearstream, Luxembourg and/or, in relation to any Instruments, any other clearing system as may be specified in the relevant Pricing Supplement.
- Selling Restrictions:** For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of offering material in the United States of America, the United Kingdom, Japan, the Federal Republic of Germany, the Republic of France and the Republic of Italy, see under “Subscription and Sale”.

TERMS AND CONDITIONS OF THE INSTRUMENTS

The following are the Terms and Conditions of the Instruments which as supplemented, modified or replaced in relation to any Instruments by the relevant Pricing Supplement, will be applicable to each Series of Instruments:

The Instruments are issued pursuant to and in accordance with an issue and paying agency agreement (as amended, supplemented or replaced, the “Issue and Paying Agency Agreement”) dated 15 July 1998, and made between the Republic of Italy (the “Issuer”), acting through a duly authorised delegate of the Director-General of the Treasury Department empowered thereunto by the Minister of Economy and Finance, Citibank, N.A., London office in its capacities as fiscal agent (the “Fiscal Agent”, which expression shall include any successor to Citibank, N.A., London office in its capacity as such) and as principal registrar (the “Principal Registrar”, which expression shall include any successor to Citibank, N.A., London office in its capacity as such), Citibank International Plc, Belgium Branch in its capacity as alternative registrar (the “Alternative Registrar”, which expression shall include any successor to Citibank International Plc, Belgium Branch in its capacity as such) and the paying agents named therein (the “Paying Agents”, which expression shall include the Fiscal Agent and any substitute or additional paying agents appointed in accordance with the Issue and Paying Agency Agreement). Copies of the Issue and Paying Agency Agreement are available for inspection during normal business hours at the specified office of each of the Paying Agents, the Principal Registrar and the Alternative Registrar. All persons from time to time entitled to the benefit of obligations under any Instruments shall be deemed to have notice of, and shall be bound by, all of the provisions of the Issue and Paying Agency Agreement insofar as they relate to the relevant Instruments.

The Instruments are issued in series (each, a “Series”), and each Series may comprise one or more tranches (“Tranches” and each, a “Tranche”) of Instruments. Each Tranche will be the subject of a pricing supplement (each, a “Pricing Supplement”), a copy of which will be available for inspection during normal business hours at the specified office of the Fiscal Agent and/or, as the case may be, the Registrar (as defined in Condition 2.2). In the case of a Tranche of Instruments in relation to which application has not been made for listing on any stock exchange, copies of the Pricing Supplement will only be available for inspection by a Holder of such Instruments.

References in these Terms and Conditions to Instruments are to Instruments of the relevant Series and any references to Coupons (as defined in Condition 1.6) and Receipts (as defined in Condition 1.7) are to Coupons and Receipts relating to Instruments of the relevant Series.

References in these Terms and Conditions to the Pricing Supplement are to the Pricing Supplement or Pricing Supplement(s) prepared in relation to the Instruments of the relevant Tranche or Series.

In respect of any Instruments, references herein to these Terms and Conditions are to these terms and conditions as supplemented or modified or (to the extent thereof) replaced by the Pricing Supplement.

In accordance with currently applicable legislation, including the provisions of Legislative Decree No. 213 of 24 June 1998, the Issuer is allowed to issue debt instruments in bearer form and in dematerialised form only. References in these Terms and Conditions and the documentation relating to the Programme to Registered Instruments and to Definitive Instruments shall be read accordingly.

1. Form and Denomination

1.1 Instruments are issued in bearer form (“Bearer Instruments”), in dematerialised form as provided by Legislative Decree n.213 of 24 June 1998 or in registered form (“Registered Instruments”), as specified in the Pricing Supplement and are serially numbered. Registered Instruments will not be exchangeable for Bearer Instruments.

Bearer Instruments

1.2 The Pricing Supplement shall specify whether U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) (the “TEFRA D Rules”) or U.S. Treasury Regulation § 1.163-5(c)(2)(i)(C) (the “TEFRA C Rules”) shall apply. Each Tranche of Bearer Instruments is represented upon issue by a temporary global Instrument

(a “Temporary Global Instrument”), unless the Pricing Supplement specifies otherwise and the TEFRA C Rules apply.

Where the Pricing Supplement applicable to a Tranche of Bearer Instruments specifies that the TEFRA C Rules apply, such Tranche is (unless otherwise specified in the Pricing Supplement) represented upon issue by a Permanent Global Instrument.

Interests in the Temporary Global Instrument may be exchanged for:

- (i) interests in a permanent global Instrument (a “Permanent Global Instrument”); or
- (ii) if so specified in the Pricing Supplement, definitive instruments in bearer form (“Definitive Instruments”) and/or (in the case of a Series comprising both Bearer Instruments and Registered Instruments and if so specified in the Pricing Supplement) Registered Instruments.

Exchanges of interests in a Temporary Global Instrument for Definitive Instruments or, as the case may be, a Permanent Global Instrument will be made only on or after the Exchange Date (as specified in the Pricing Supplement) and (unless the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Instruments) provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Instrument or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received. An exchange for Registered Instruments will be made at any time or from such date as may be specified in the Pricing Supplement, in each case, without any requirement for certification.

1.3 The bearer of any Temporary Global Instrument shall not (unless, upon due presentation of such Temporary Global Instrument for exchange (in whole but not in part only) for a Permanent Global Instrument or for delivery of Definitive Instruments and/or Registered Instruments, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Instruments represented by such Temporary Global Instrument which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.

1.4 Unless the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Instruments and subject to Condition 1.3 above, if any date on which a payment of interest is due on the Instruments of a Tranche occurs whilst any of the Instruments of that Tranche are represented by a Temporary Global Instrument, the related interest payment will be made on the Temporary Global Instrument only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Instrument or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received by Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) or Clearstream Banking, société anonyme, Luxembourg (“Clearstream, Luxembourg”) or any other relevant clearing system including the Clearstream Banking AG Frankfurt. Payments of principal, interest or any other amounts due in respect of a Permanent Global Instrument or (subject to Condition 1.3 above) a Temporary Global Instrument (if the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Instruments) will be made through Euroclear or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.

1.5 Interests in a Permanent Global Instrument will be exchanged by the Issuer in whole but not in part only at the option of the Holder of such Permanent Global Instrument, for Definitive Instruments and/or (in the case of a Series comprising both Bearer and Registered Instruments and if so specified in the Pricing Supplement) Registered Instruments, (a) if an Event of Default occurs in respect of any Instrument of the relevant Series; or (b) if either Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of fourteen days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so; or (c) if so specified in the Pricing Supplement, at the option of the Holder of such Permanent Global Instrument upon such Holder’s request, in all cases at the cost and expense of the Issuer. In order to exercise the option contained in paragraph (c) of the preceding sentence, the Holder must, not less than forty-five days before the date upon which the delivery of such Definitive Instruments and/or Registered Instruments is required, deposit the relevant Permanent Global Instrument with the Fiscal Agent at its specified office, or the Paying Agent in Luxembourg at its specified office, with the form of exchange

notice endorsed thereon duly completed. If the Issuer does not make the required delivery of Definitive Instruments and/or Registered Instruments by 6.00 p.m. (London time) on the day on which the relevant notice period expires or, as the case may be, the thirtieth day after the day on which such Permanent Global Instrument becomes due to be exchanged and, in the case of (a) above, such Instrument is not duly redeemed (or the funds required for such redemption are not available to the Fiscal Agent for the purposes of effecting such redemption and remain available for such purpose) by 6.00 p.m. (London time) on the thirtieth day after the day at which such Instrument became immediately redeemable then the bearer of the Permanent Global Instrument or any accountholder or participant with a clearing system holding an interest in the Permanent Global Instrument will thereupon be able to enforce against the Issuer all rights which they would have had if they had been holding Definitive Instruments in an amount equal to the value of their holding in the relevant clearing system.

1.6 Interest-bearing Definitive Instruments have attached thereto at the time of their initial delivery coupons (“Coupons”), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. Interest-bearing Definitive Instruments, if so specified in the Pricing Supplement, have attached thereto at the time of their initial delivery, a talon (“Talon”) for further coupons and the expression “Coupons” shall, where the context so requires, include Talons.

1.7 Instruments, the principal amount of which is repayable by instalments (“Instalment Instruments”) which are Definitive Instruments, have endorsed thereon a grid for recording the repayment of principal or, if so specified in the Pricing Supplement, have attached thereto at the time of their initial delivery, payment receipts (“Receipts”) in respect of the instalments of principal.

Denomination

Denomination of Bearer Instruments

1.8 Bearer Instruments are in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Pricing Supplement. Bearer Instruments of one denomination may not be exchanged for Bearer Instruments of any other denomination.

Denomination of Registered Instruments

1.9 Registered Instruments are in the minimum denomination specified in the Pricing Supplement or integral multiples thereof.

Currency of Instruments

1.10 The Instruments are denominated in such currency as may be specified in the Pricing Supplement. Any currency may be so specified (including, without limitation, Australian Dollars (“AUD”), Canadian Dollars (“CAD”), Czech Koruna (“CZK”), Danish Kroner (“DKK”), Euro (“Euro”), Hong Kong Dollars (“HKD”), Japanese Yen (“JPY”), New Zealand Dollars (“NZD”), Norwegian Kroner (“NKR”), Polish Zloty (“PLN”), Pounds Sterling (“GBP”), South African Rand (“ZAR”), Swedish Kronor (“SEK”), Swiss Francs (“CHF”) and United States dollars (“USD”)), subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Partly Paid Instruments

1.11 Instruments may be issued on a partly paid basis (“Partly Paid Instruments”) if so specified in the Pricing Supplement. The subscription moneys therefor shall be paid in such number of instalments (“Partly Paid Instalments”) in such amounts, on such dates and in such manner as may be specified in the Pricing Supplement. The first such instalment shall be due and payable on the date of issue of the Instruments. For the purposes of these Terms and Conditions, in respect of any Partly Paid Instrument, (“Paid Up Amount”) means the aggregate amount of all Partly Paid Instalments in respect thereof as shall have fallen due and been paid up in full in accordance with the Terms and Conditions.

Not less than 14 days nor more than 30 days prior to the due date for payment of any Partly Paid Instalment (other than the first such Instalment) the Issuer shall publish a notice in accordance with Condition 14 stating the due date for payment thereof and stating that failure to pay any such Partly Paid Instalment on or prior to such date will entitle the Issuer to forfeit the Instruments with effect from such

date (“Forfeiture Date”) as may be specified in such notice (not being less than 14 days after the due date for payment of such Partly Paid Instalment), unless payment of the relevant Partly Paid Instalment together with any interest accrued thereon is paid prior to the Forfeiture Date. The Issuer shall procure that any Partly Paid Instalments paid in respect of any Instruments subsequent to the Forfeiture Date in respect thereof shall be returned promptly to the persons entitled thereto. The Issuer shall not be liable for any interest on any Partly Paid Instalment so returned.

Interest shall accrue on any Partly Paid Instalment which is not paid on or prior to the due date for payment thereof at the Interest Rate (in the case of non-interest bearing Instruments, at the rate applicable to overdue payments) and shall be calculated in the same manner and on the same basis as if it were interest accruing on the Instruments for the period from and including the due date for payment of the relevant Partly Paid Instalment up to but excluding the Forfeiture Date. For the purpose of the accrual of interest, any payment of any Partly Paid Instalment made after the due date for payment shall be treated as having been made on the day preceding the Forfeiture Date (whether or not a Business Day as defined in Condition 5.9).

Unless an Event of Default shall have occurred and be continuing, on the Forfeiture Date, the Issuer shall forfeit all of the Instruments in respect of which any Partly Paid Instalment shall not have been duly paid, whereupon the Issuer shall be entitled to retain all Partly Paid Instalments previously paid in respect of such Instruments and shall be discharged from any obligation to repay such amount or to pay interest thereon, or (where such Instruments are represented by a Temporary Global Instrument or a Permanent Global Instrument) to exchange any interests in such Instrument for interests in a Permanent Global Instrument or to deliver Definitive Instruments or Registered Instruments in respect thereof, but shall have no other rights against any person entitled to the Instruments which have been so forfeited.

Without prejudice to the right of the Issuer to forfeit any Instruments, for so long as any Partly Paid Instalment remains due but unpaid, and except in the case where an Event of Default shall have occurred and be continuing (a) no interests in a Temporary Global Instrument may be exchanged for interests in a Permanent Global Instrument and (b) no transfers of Registered Instruments or exchanges of Bearer Instruments for Registered Instruments may be requested or effected.

Until such time as all the subscription moneys in respect of Partly Paid Instruments shall have been paid in full and except in the case where an Event of Default shall have occurred and be continuing or if any of Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so, no interests in a Temporary Global Instrument or a Permanent Global Instrument may be exchanged for Definitive Instruments or Registered Instruments.

2. Title and Transfer

2.1 Title to Bearer Instruments, Receipts and Coupons passes by delivery. References herein to the “Holders” of Bearer Instruments or of Receipts or Coupons are to the bearers of such Bearer Instruments or such Receipts or Coupons.

2.2 Title to Registered Instruments passes by registration in the register which the Issuer shall procure to be kept by the Registrar. For the purposes of these Terms and Conditions, “Registrar” means, in relation to any Series comprising Registered Instruments, the Principal Registrar or, as the case may be, the Alternative Registrar, as specified in the Pricing Supplement, provided always that where such Series is listed on the Luxembourg Stock Exchange, “Registrar” shall mean, for so long as the Rules of the Luxembourg Stock Exchange require, an agent resident in the Grand Duchy of Luxembourg, as specified in the Pricing Supplement. References herein to the “Holders” of Registered Instruments are to the persons in whose names such Registered Instruments are so registered in the relevant register.

2.3 The Holder of any Bearer Instrument, Coupon or Registered Instrument will (except as otherwise required by applicable law or regulatory requirement) 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 interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

Transfer of Registered Instruments and exchange of Bearer Instruments for Registered Instruments

2.4 A Registered Instrument may, upon the terms and subject to the conditions set forth in the Issue and Paying Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum denomination specified in the Pricing Supplement) upon the surrender of the Registered Instrument to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar, or the specified office of the Paying Agent in Luxembourg. A new Registered Instrument will be issued to the transferee and, in the case of a transfer of part only of a Registered Instrument, a new Registered Instrument in respect of the balance not transferred will be issued to the transferor. Registered Instruments held in global form shall be transferred in accordance with the rules and regulations of the relevant clearing systems.

2.5 If so specified in the Pricing Supplement, the Holder of Bearer Instruments may exchange the same for the same aggregate principal amount of Registered Instruments upon the terms and subject to the conditions set forth in the Issue and Paying Agency Agreement. In order to exchange a Bearer Instrument for a Registered Instrument, the Holder thereof shall surrender such Bearer Instrument at the specified office outside the United States of the Fiscal Agent or of the Registrar together with a written request for the exchange. Each Bearer Instrument so surrendered must be accompanied by all unmatured Receipts and Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined in Condition 2.6) where the exchange date would, but for the provisions of Condition 2.6, occur between the Record Date (as defined in Condition 9B.3) for such payment of interest and the date on which such payment of interest falls due.

2.6 Each new Registered Instrument to be issued upon the transfer of a Registered Instrument or the exchange of a Bearer Instrument for a Registered Instrument will, within three Relevant Banking Days of the transfer date or, as the case may be, the exchange date be available for collection by each relevant Holder at the specified office of the Registrar or, at the option of the Holder requesting such exchange or transfer be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer or request for exchange received by the Registrar or the Fiscal Agent after the Record Date in respect of any payment due in respect of Registered Instruments shall be deemed not to be effectively received by the Registrar or the Fiscal Agent until the day following the due date for such payment.

For the purposes of these Terms and Conditions,

- (i) “Relevant Banking Day” means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Instrument for a Registered Instrument where such request for exchange is made to the Fiscal Agent, in the place where the specified office of the Fiscal Agent is located;
- (ii) the “exchange date” shall be the Relevant Banking Day following the day on which the relevant Bearer Instrument shall have been surrendered for exchange in accordance with Condition 2.5; and
- (iii) the “transfer date” shall be the Relevant Banking Day following the day on which the relevant Registered Instrument shall have been surrendered for transfer in accordance with Condition 2.4.

2.7 The issue of new Registered Instruments on transfer or on the exchange of Bearer Instruments for Registered Instruments will be effected without charge by or on behalf of the Issuer, the Fiscal Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Fiscal Agent or the Registrar may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

2.8 Upon the transfer, exchange or replacement of Registered Instruments bearing the private placement legend (the “Private Placement Legend”) set forth in the form of Registered Instrument scheduled to the Issue and Paying Agency Agreement, the Registrar shall deliver only Registered Instruments that also bear such legend unless either (i) such transfer, exchange or replacement occurs three or more years after the later of (1) the original issue date of such Instruments or (2) the last date on

which the Issuer or any affiliates (as defined below) of the Issuer as notified to the Registrar by the Issuer as provided in the following sentence, was the beneficial owner of such Instrument (or any predecessor of such Instrument) or (ii) there is delivered to the Registrar an opinion reasonably satisfactory to the Issuer of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States to the effect that neither such legend nor the restrictions on transfer set forth therein are required in order to maintain compliance with the provisions of such laws. The Issuer covenants and agrees that it will not acquire any beneficial interest, and will cause its “affiliates” (as defined in paragraph (a)(1) of Rule 144 under the Securities Act of 1933, as amended (the “Securities Act”)) not to acquire any beneficial interest, in any Registered Instrument bearing the Private Placement Legend unless it notifies the Registrar of such acquisition. The Registrar and all Holders shall be entitled to rely without further investigation on any such notification (or lack thereof).

2.9 For so long as any of the Registered Instruments bearing the Private Placement Legend remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer covenants and agrees that it shall, during any period in which it is not subject to Section 13 or 15(d) under the United States Securities Exchange Act of 1934 nor exempt from reporting pursuant to Rule 12g3-2(b) under such Act, make available to any Holder in connection with any sale thereof and any prospective purchaser of such Instruments from such Holder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144(d)(4) under the Securities Act.

3. Status of the Instruments

The Instruments constitute direct, unconditional and general obligations of the Issuer and rank *pari passu* among themselves and equally with all other unsecured External Indebtedness of the Issuer.

The Instruments shall be equivalent in all respects to Italian public debt securities and the proceeds of the issue of Instruments shall be equivalent in all respects to the proceeds of Italian public debt securities.

For this purpose, “External Indebtedness” means all indebtedness of the Issuer in respect of moneys borrowed by the Issuer on the international market.

4. Negative Pledge

So long as any of the Instruments remain outstanding, the Issuer will not grant or have outstanding any mortgage, lien (other than a lien arising by operation of law), pledge or other charge upon the whole or any part of its revenues, property or assets, present or future, to secure any bonds, notes or like securities (or any guarantee thereof) that are placed outside the Republic of Italy without at the same time according to the Instruments the same security as is granted or is outstanding in respect thereof.

5. Interest

Interest

5.1 Instruments may be interest-bearing or non interest-bearing, as specified in the Pricing Supplement. Words and expressions appearing in this Condition 5 and not otherwise defined herein or in the Pricing Supplement shall have the meanings given to them in Condition 5.9.

Interest-bearing Instruments

5.2 Instruments which are specified in the Pricing Supplement as being interest-bearing shall bear interest from their Interest Commencement Date at the Interest Rate payable in arrear on each Interest Payment Date.

Floating Rate Instruments

5.3 If the Pricing Supplement specifies the Interest Rate applicable to the Instruments as being Floating Rate it shall also specify which page (the “Relevant Screen Page”) on the Reuters Screen or Telerate or any other information vending service shall be applicable. If such a page is so specified, the Interest Rate applicable to the relevant Instruments for each Interest Accrual Period shall be determined by the Calculation Agent on the following basis:

- (i) the Calculation Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Accrual Period on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) if, on any Interest Determination Date, no such rate for deposits so appears (or, as the case may be, if fewer than two such rates for deposits so appear) or if the Relevant Screen Page is unavailable, the Calculation Agent will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the relevant currency are offered by four major banks in the London interbank market (or, in the case where the Floating Rate basis is EURIBOR, in the Euro-zone interbank Market), selected by the Issuer in accordance with the Calculation Agent, at approximately the Relevant Time on the Interest Determination Date to prime banks in the London interbank market (or, in the case where the Floating Rate basis is EURIBOR, in the Euro-zone interbank Market) for a period of the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;
- (iii) if, on any Interest Determination Date, only two or three rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted; or
- (iv) if fewer than two rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates quoted by four major banks in the Relevant Financial Centre (or, in the case of Instruments denominated in Euro, in such financial centre or centres within the euro-zone as the Calculation Agent may select) selected by the Issuer in accordance with the Calculation Agent, at approximately 11.00 a.m. (Relevant Financial Centre time (or local time at such other financial centre or centres in the Euro-zone as aforesaid)) on the first day of the relevant Interest Accrual Period for loans in the relevant currency to leading European banks for a period for the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;

and the Interest Rate applicable to such Instruments during each Interest Accrual Period will be the sum of the relevant margin (the “Relevant Margin”) specified in the Pricing Supplement and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) so determined provided, however, that, if the Calculation Agent is unable to determine a rate (or, as the case may be, an arithmetic mean of rates) in accordance with the above provisions in relation to any Interest Accrual Period, the Interest Rate applicable to such Instruments during such Interest Accrual Period will be the sum of the Relevant Margin and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) determined in relation to such Instruments in respect of the last preceding Interest Accrual Period.

ISDA Rate Instruments

5.4 If the Pricing Supplement specifies the Interest Rate applicable to the Instruments as being ISDA Rate, each Instrument shall bear interest as from such date, and at such rate or in such amounts, and such interest will be payable on such dates, as would have applied (regardless of any event of default or termination event or tax event thereunder) if the Issuer had entered into an interest rate swap transaction with the Holder of such Instrument under the terms of an agreement to which the ISDA Definitions applied and under which:

- the Fixed Rate Payer, Fixed Amount Payer, Fixed Price Payer, Floating Rate Payer, Floating Amount Payer or, as the case may be, the Floating Price Payer is the Issuer (as specified in the Pricing Supplement);
- the Effective Date is the Interest Commencement Date;
- the Termination Date is the Maturity Date;

- the Calculation Agent is the Calculation Agent as specified in the Pricing Supplement;
- the Calculation Periods are the Interest Accrual Periods;
- the Period End Dates are the Interest Period End Dates;
- the Payment Dates are the Interest Payment Dates;
- the Reset Dates are the Interest Period End Dates;
- the Calculation Amount is the principal amount of such Instrument;
- the Day Count Fraction applicable to the calculation of any amount is that specified in the Pricing Supplement or, if none is so specified, as may be determined in accordance with the ISDA Definitions;
- the Applicable Business Day Convention applicable to any date is that specified in the Pricing Supplement or, if none is so specified, as may be determined in accordance with the ISDA Definitions; and
- the other terms are as specified in the Pricing Supplement.

Maximum or Minimum Interest Rate

5.5 If any Maximum or Minimum Interest Rate is specified in the Pricing Supplement, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified.

Accrual of Interest

5.6 Interest shall accrue on the Outstanding Principal Amount of each Instrument during each Interest Accrual Period from the Interest Commencement Date. Interest will cease to accrue as from the due date for redemption therefor (or, in the case of an Instalment Instrument, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount) unless upon due presentation or surrender thereof (if required), payment in full of the Redemption Amount (as defined in Condition 6.9) or the relevant Instalment Amount is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue on the principal amount in respect of which payment has been improperly withheld or refused or default has been made (as well after as before any demand or judgment) at the Interest Rate then applicable or such other rate as may be specified for this purpose in the Pricing Supplement until the date on which, upon due presentation or surrender of the relevant Instrument (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Instrument is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Instruments in accordance with Condition 14 that the Fiscal Agent or, as the case may be, the Registrar has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

Interest Amount(s), Calculation Agent and Reference Banks

5.7 If a Calculation Agent is specified in the Pricing Supplement, the Calculation Agent, as soon as practicable after the Relevant Time on each Interest Determination Date (or such other time on such date as the Calculation Agent may be required to calculate any Redemption Amount or Instalment Amount, obtain any quote or make any determination or calculation) will determine the Interest Rate and calculate the amount(s) of interest payable (the “Interest Amount(s)”) in respect of each denomination of the Instruments (in the case of Bearer Instruments) and the minimum denomination (in the case of Registered Instruments) for the relevant Interest Accrual Period, calculate the Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date or, as the case may be, the Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Registrar (in the case of Registered Instruments), the Issuer, the Holders in accordance with Condition 14 and, if the Instruments are listed on a stock exchange and the rules of such exchange so requires, such exchange as soon as possible after their determination or calculation but in no event later than the fourth London Banking Day thereafter or, if earlier in the case of notification to

the stock exchange, the time required by the relevant stock exchange. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of an Interest Accrual Period or the Interest Period. If the Instruments become due and payable under Condition 7, the Interest Rate and the accrued interest payable in respect of the Instruments shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made. The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon the Issuer and the Holders and neither the Calculation Agent nor any Reference Bank shall have any liability to the Holders in respect of any determination, calculation, quote or rate made or provided by it.

The Issuer will procure that there shall at all times be such Reference Banks as may be required for the purpose of determining the Interest Rate applicable to the Instruments and a Calculation Agent, if provision is made for one in the Terms and Conditions.

If the Calculation Agent is incapable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for any Interest Accrual Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint the London office of a leading bank engaged in the London interbank market to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

Calculations and Adjustments

5.8 The amount of interest payable in respect of any Instrument for any period shall be calculated by multiplying the product of the Interest Rate and the Outstanding Principal Amount by the Day Count Fraction, save that (i) if the Pricing Supplement specifies a specific amount in respect of such period, the amount of interest payable in respect of such Instrument for such period will be equal to such specified amount and (ii) in the case of Instruments where the Interest Rate is fixed and a specific amount is not specified in the Pricing Supplement as described above, the amount of interest shall be calculated on the following basis:

- (a) if “Actual/Actual (ISMA)” is specified in the Pricing Supplement as the Day Count Fraction, and the relevant period falls during a Regular Period (as defined below), on the basis that the relevant Day Count Fraction will be the number of days in the relevant period divided by the product of (A) the number of days in the Regular Period in which the relevant period falls and (B) the number of Regular Periods in any period of one year; or
- (b) If “Actual/Actual (ISMA)” is specified hereon and the relevant period begins in one Regular Period and ends in the next succeeding Regular Period, interest will be calculated on the basis of the sum of:
 - (A) the number of days in the relevant period falling within the first such Regular Period divided by the product of (1) the number of days in the first such Regular Period and (2) the number of Regular Periods in any period of one year; and
 - (B) the number of days in the relevant period falling within the second such Regular Period divided by the product of (1) the number of days in the second such Regular Period and (2) the number of Regular Periods in any period of one year;
- (c) if “30/360” is specified in the Pricing Supplement on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed; or
- (d) on such other basis as is specified in the Pricing Supplement (including, without limitation, if the Interest Payment Dates do not fall at regular intervals between the Issue Date and the Maturity Date).

For the purposes of this Condition:

- (i) the day and month (but not the year) on which any Interest Payment Date falls shall be a “Regular Date”; and
- (ii) each period from and including a Regular Date falling in any year to but excluding the next succeeding Regular Date shall be a “Regular Period”.

For the purposes of any calculations referred to in these Terms and Conditions (unless otherwise specified in the Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States Dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in Euro or any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

Definitions

5.9 “Applicable Business Day Convention” means the “Business Day Convention” which may be specified in the Pricing Supplement as applicable to any date in respect of the Instruments unless the Pricing Supplement specifies “No Adjustment” in relation to any date in which case such date shall not be adjusted in accordance with any Business Day Convention. Different Business Day Conventions may apply, or be specified in relation to, the Interest Payment Dates, Interest Period End Dates and any other date or dates in respect of any Instruments.

“Banking Day” means, in respect of any city, any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in that city.

“Business Day” means a day (other than a Saturday or Sunday):

- (i) in relation to Instruments denominated or payable in Euro, on which the TARGET System is operating;
- (ii) in relation to Instruments payable in any other currency, on which commercial banks are open for business and foreign exchange markets settle payments in the Relevant Financial Centre in respect of the relevant currency; and
- (iii) in either case, on which commercial banks are open for business and foreign exchange markets settle payments in any place specified in the relevant Pricing Supplement.

“Business Day Convention” means a convention for adjusting any date if it would otherwise fall on a day that is not a Business Day and the following Business Day Conventions, where specified in the Pricing Supplement in relation to any date applicable to any Instruments, shall have the following meanings:

- (i) “Following Business Day Convention” means that such date shall be postponed to the first following day that is a Business Day;
- (ii) “Modified Following Business Day Convention” or “Modified Business Day Convention” means that such date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) “Preceding Business Day Convention” means that such date shall be brought forward to the first preceding day that is a Business Day; and
- (iv) “FRN Convention” or “Eurodollar Convention” means that each such date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Pricing Supplement after the calendar month in which the preceding such date occurred Provided that:
 - (a) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

- (b) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
- (c) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred.

“Calculation Agent” means such agent as may be specified in the Pricing Supplement as the Calculation Agent and if none is so specified, then the Fiscal Agent.

“Day Count Fraction” means, in respect of the calculation of an amount for any period of time (“Calculation Period”), such day count fraction as may be specified in the Pricing Supplement and:

- (i) if “Actual/365” or “Actual/Actual (ISDA)” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “Actual/360” is so specified, means the actual number of days in the Calculation Period divided by 360; and
- (iii) if “30/360” is specified in the Pricing Supplement on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed;
- (iv) if “30E/360” or “Eurobond Basis” is so specified means, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

“Euro-zone” means the zone comprising the Member States of the European Union that participate or are participating in European Monetary Union and that adopt or have adopted the Euro as their lawful currency.

“Interest Accrual Period” means, in respect of an Interest Period, each successive period beginning on and including an Interest Period End Date and ending on but excluding the next succeeding Interest Period End Date during that Interest Period provided always that the first Interest Accrual Period shall commence on and include the Interest Commencement Date and the final Interest Accrual Period shall end on but exclude the date of final maturity.

“Interest Commencement Date” means the date of issue of the Instruments (as specified in the Pricing Supplement) or such other date as may be specified as such in the Pricing Supplement.

“Interest Determination Date” means, in respect of any Interest Accrual Period, the date falling such number (if any) of Banking Days in such city(ies) as may be specified in the Pricing Supplement prior to the first day of such Interest Accrual Period, or if none is specified:

- (i) in the case of Instruments denominated in Pounds Sterling, the first day of such Interest Accrual Period; or
- (ii) in the case of Instruments denominated in Euro, the date falling two TARGET Business Days prior to the first day of such Interest Accrual Period; or
- (iii) in any other case, the date falling two London Banking Days prior to the first day of such Interest Accrual Period.

“Interest Payment Date” means the date or dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement and, if an Applicable Business Day Convention is specified in

the Pricing Supplement, as the same may be adjusted in accordance with the Applicable Business Day Convention or if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Pricing Supplement as being the Interest Period, each of such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the date of issue of the Instruments (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

“Interest Period” means each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date provided always that the first Interest Period shall commence on and include the Interest Commencement Date and the final Interest Period shall end on but exclude the date of final maturity.

“Interest Period End Date” means the date or dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement and, if an Applicable Business Day Convention is specified in the Pricing Supplement, as the same may be adjusted in accordance with the Applicable Business Day Convention or, if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Pricing Supplement as the Interest Accrual Period, such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the Interest Commencement Date (in the case of the first Interest Period End Date) or the previous Interest Period End Date (in any other case) or, if none of the foregoing is specified in the Pricing Supplement, means the date or each of the dates which correspond with the Interest Payment Date(s) in respect of the Instruments.

“Interest Rate” means the rate or rates (expressed as a percentage per annum) or amount or amounts (expressed as a price per unit of relevant currency) of interest payable in respect of the Instruments specified in, or calculated or determined in accordance with the provisions of, the Pricing Supplement.

“ISDA Definitions” means the 1991 ISDA Definitions and the 2000 ISDA Definitions (incorporating the June 2000 version of the Annex) (as amended and updated as at the date of issue of the first Tranche of the Instruments of the relevant Series (as specified in the Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.).

“Outstanding Principal Amount” means, in respect of an Instrument, its principal amount less, in respect of any Instalment Instrument, any principal amount on which interest shall have ceased to accrue in accordance with Condition 5.6 or, in the case of a Partly Paid Instrument, the Paid Up Amount of such Instrument or otherwise as indicated in the Pricing Supplement.

“Reference Banks” means such banks as may be specified in the Pricing Supplement as the Reference Banks or, if none are specified, “Reference Banks” has the meaning given in the ISDA Definitions, *mutatis mutandis*.

“Relevant Financial Centre” means such financial centre or centres as may be specified in relation to the relevant currency for the purposes of the definition of “Business Day” in the ISDA Definitions.

“Relevant Time” means the time as of which any rate is to be determined as specified in the Pricing Supplement or, if none is specified, at which it is customary to determine such rate.

“Reuters Screen” means, when used in connection with a designated page and any designated information, the display page so designated on the Reuter Monitor Money Rates Service (or such other page as may replace that page on that service for the purpose of displaying such information).

“TARGET Business Day” means a day on which the TARGET System is operating.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System.

“Telerate” means, when used in connection with any designated page and any designated information, the display page so designated on Moneyline Telerate (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 such information).

Non-Interest Bearing Instruments

5.10 If any Maturity Redemption Amount (as defined in Condition 6.1) in respect of any Instrument which is non-interest bearing is not paid when due, interest shall accrue on the overdue amount at a rate per annum (expressed as a percentage per annum) equal to the Amortisation Yield defined in, or determined in accordance with the provisions of, the Pricing Supplement or at such other rate as may be specified for this purpose in the Pricing Supplement until the date on which, upon due presentation or surrender of the relevant Instrument (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Instrument is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Instruments in accordance with Condition 14 that the Fiscal Agent or, as the case may be, the Registrar has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder). The amount of any such interest shall be calculated in accordance with the provisions of Condition 5.8 as if the Interest Rate was the Amortisation Yield, the Outstanding Principal Amount was the overdue sum and the Day Count Fraction was as specified for this purpose in the Pricing Supplement or, if not so specified, 30E/360 (as defined in Condition 5.9).

6. Redemption and Purchase

Redemption at Maturity

6.1 Unless previously redeemed, or purchased and cancelled or unless such Instrument is stated in the Pricing Supplement as having no fixed maturity date, each Instrument shall be redeemed at its maturity redemption amount (the “Maturity Redemption Amount”) (which shall be its Outstanding Principal Amount or such other redemption amount as may be specified in or determined in accordance with the Pricing Supplement) (or, in the case of Instalment Instruments, in such number of instalments and in such amounts (“Instalment Amounts”) as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement) on the date or dates (or, in the case of Instruments which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the Pricing Supplement.

Optional Early Redemption (Call)

6.2 If this Condition 6.2 is specified in the Pricing Supplement as being applicable, then the Issuer may, having given the appropriate notice and subject to such conditions as may be specified in the Pricing Supplement, redeem all (but not, unless and to the extent that the Pricing Supplement specifies otherwise, some only) of the Instruments of the relevant Series at their call early redemption amount (the “Early Redemption Amount (Call)”) (which shall be their Outstanding Principal Amount or, in the case of Instruments which are non-interest bearing, their Amortised Face Amount (as defined in Condition 6.10) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement), together with accrued interest (if any) thereon on the date specified in such notice.

The Issuer may not exercise such option in respect of any Instrument which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Instrument under Condition 6.5.

6.3 The appropriate notice referred to in Condition 6.2 is a notice given by the Issuer to the Holders of the Instruments of the relevant Series in accordance with Condition 14, which notice shall be irrevocable and shall specify:

- the Series of Instruments subject to redemption;
- whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of and (except in the case of a Temporary Global Instrument or Permanent Global Instrument) the serial numbers of the Instruments of the relevant Series which are to be redeemed;
- the due date for such redemption, which shall be not less than thirty days nor more than sixty days after the date on which such notice is given and which shall be such date or the next of

such dates (“Call Option Date(s)”) or a day falling within such period (“Call Option Period”), as may be specified in the Pricing Supplement and which is, in the case of Instruments which bear interest at a floating rate, a date upon which interest is payable; and

- the Early Redemption Amount (Call) at which such Instruments are to be redeemed.

Partial Redemption

6.4 If the Instruments of a Series are to be redeemed in part only on any date in accordance with Condition 6.2:

- in the case of Bearer Instruments (other than a Temporary Global Instrument or Permanent Global Instrument), the Instruments to be redeemed shall be drawn by lot in such European city as the Fiscal Agent may specify, or identified in such other manner or in such other place as the Fiscal Agent may approve and deem appropriate and fair;
- in the case of a Temporary Global Instrument or a Permanent Global Instrument, the Instruments to be redeemed shall be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system; and
- in the case of Registered Instruments, the Instruments shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, provided always that the amount redeemed in respect of each Instrument shall be equal to the minimum denomination thereof or an integral multiple thereof,

subject always to compliance with all applicable laws and the requirements of any stock exchange on which the relevant Instruments may be listed.

In the case of the redemption of part only of a Registered Instrument, a new Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Conditions 2.4 to 2.9 which shall apply as in the case of a transfer of Registered Instruments as if such new Registered Instrument were in respect of the untransferred balance.

Optional Early Redemption (Put)

6.5 If this Condition 6.5 is specified in the Pricing Supplement as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Instrument of the relevant Series, redeem such Instrument on the date specified in the relevant Put Notice (as defined below) at its put early redemption amount (the “Early Redemption Amount (Put)”) (which shall be its Outstanding Principal Amount or, if such Instrument is non-interest bearing, its Amortised Face Amount (as defined in Condition 6.10) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than forty-five days before the date on which such redemption is required to be made as specified in the Put Notice (which date shall be such date or the next of the dates (“Put Date(s)”) or a day falling within such period (“Put Period”) as may be specified in the Pricing Supplement), deposit the relevant Instrument (together, in the case of an interest-bearing Definitive Instrument, with all unmatured Coupons appertaining thereto other than any Coupon maturing on or before the date of redemption (failing which the provisions of Condition 9A.6 apply)) during normal business hours at the specified office of, in the case of a Bearer Instrument, any Paying Agent or, in the case of a Registered Instrument, the Registrar together with a duly completed early redemption notice (“Put Notice”) in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar specifying, in the case of a Temporary Global Instrument or Permanent Global Instrument or Registered Instrument, the aggregate principal amount in respect of which such option is exercised (which must be the minimum denomination specified in the Pricing Supplement or an integral multiple thereof). No Instrument so deposited and option exercised may be withdrawn (except as provided in the Issue and Paying Agency Agreement).

In the case of the redemption of part only of a Registered Instrument, a new Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Conditions 2.4 to 2.9 which shall apply as in the case of a transfer of Registered Instruments as if such new Registered Instrument were in respect of the untransferred balance.

The holder of an Instrument may not exercise such option in respect of any Instrument which is the subject of an exercise by the Issuer of its option to redeem such Instrument under Condition 6.2.

Purchase of Instruments

6.6 The Issuer may at any time purchase Instruments in the open market or otherwise and at any price provided that all unmatured Receipts and Coupons appertaining thereto are purchased therewith. If purchases are made by tender, tenders must be available to all Holders of Instruments alike.

Cancellation of Redeemed and Purchased Instruments

6.7 All unmatured Instruments and Coupons redeemed or purchased in accordance with this Condition 6 will be cancelled forthwith and may not be reissued or resold.

Further Provisions applicable to Redemption Amount and Instalment Amounts

6.8 The provisions of Condition 5.7 and the last paragraph of Condition 5.8 shall apply to any determination or calculation of the Redemption Amount or any Instalment Amount required by the Pricing Supplement to be made by the Calculation Agent (as defined in Condition 5.9).

6.9 References herein to “Redemption Amount” shall mean, as appropriate, the Maturity Redemption Amount, the final Instalment Amount, Early Redemption Amount (Tax), Early Redemption Amount (Call), Early Redemption Amount (Put) and Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement.

6.10 In the case of any Instrument which is non-interest bearing, the “Amortised Face Amount” shall be an amount equal to the sum of:

- (i) the Issue Price specified in the Pricing Supplement; and
- (ii) the product of the Amortisation Yield (compounded annually) being applied to the Issue Price from (and including) the Issue Date specified in the Pricing Supplement to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Instrument becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of the Day Count Fraction (as defined in Condition 5.9) specified in the Pricing Supplement for the purposes of this Condition 6.10.

6.11 If any Redemption Amount (other than the Maturity Redemption Amount) is improperly withheld or refused or default is otherwise made in the payment thereof, the Amortised Face Amount shall be calculated as provided in Condition 6.10 but as if references in subparagraph (ii) to the date fixed for redemption or the date upon which such Instrument becomes due and repayable were replaced by references to the earlier of:

- (i) the date on which, upon due presentation or surrender of the relevant Instrument (if required), the relevant payment is made; and
- (ii) (except where presentation or surrender of the relevant Instrument is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Instruments in accordance with Condition 14 of that circumstance (except to the extent that there is a failure in the subsequent payment thereof to the relevant Holder).

7. Events of Default

7.1 The following events or circumstances as modified by, and/or such other events as may be specified in, the Pricing Supplement (each an “Event of Default”) shall be acceleration events in relation to the Instruments of any Series, namely:

- (i) *Non-payment*: the Issuer fails to pay any amount of principal or interest in respect of the Instruments of the relevant Series or any of them within 30 days of the due date for payment thereof; or
- (ii) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Instruments of the relevant Series or the Issue and Paying Agency Agreement and (except in any case where such default is incapable of remedy when no such continuation or notice, as is hereinafter mentioned, will be required) such default remains unremedied for 30 days after written notice requiring such default to be remedied has been delivered to the Issuer at the specified office of the Fiscal Agent by the Holder of any such Instrument; or
- (iii) *Non-payment of External Indebtedness*: if the Issuer fails to pay any principal or interest on any External Indebtedness on its due date or any External Indebtedness has become due for premature repayment as a result of acceleration of maturity by reason of default.

7.2 If any Event of Default shall occur in relation to any Series of Instruments, any Holder of an Instrument of the relevant Series may, by written notice to the Issuer, at the specified office of the Fiscal Agent, declare that such Instrument and (if the Instrument is interest-bearing) all interest then accrued on such Instrument shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (the “Early Termination Amount”) (which shall be its Outstanding Principal Amount or, if such Instrument is non-interest bearing, its Amortised Face Amount (as defined in Condition 6.10) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement), together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Instruments to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Instruments of the relevant Series shall have been cured.

8. Taxation

8.1 All amounts payable (whether in respect of principal, interest or otherwise) in respect of the Instruments will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic of Italy or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by the Holder after such withholding or deduction shall equal the respective amounts which would have been receivable by such Holder in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Instrument or Coupon:

- (i) to, or to a third party on behalf of, a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Instrument or Coupon by reason of his having some connection with the Republic of Italy other than by reason of (a) the mere holding of such Instrument or Coupon or (b) the receipt of principal, interest or other amount in respect of such Instrument or Coupon; or
- (ii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on or before the expiry of such period of thirty days; or
- (iii) presented for payment in the Republic of Italy; or
- (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- (v) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Instrument or Coupon to another Paying Agent in a Member State of the EU.

8.2 For the purposes of these Terms and Conditions, the “Relevant Date” means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Fiscal Agent, or as the case may be, the Registrar on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to Holders, notice to that effect shall have been duly given to the Holders of the Instruments of the relevant Series in accordance with Condition 14.

8.3 If the Issuer becomes subject generally at any time to any taxing jurisdiction other than or in addition to the Republic of Italy references in Condition 8.1 to the Republic of Italy shall be read and construed as references to the Republic of Italy and/or to such other jurisdiction(s).

8.4 Any reference in these Terms and Conditions to “principal” and/or “interest” in respect of the Instruments shall be deemed also to refer to any additional amounts which may be payable under this Condition 8. Unless the context otherwise requires, any reference in these Terms and Conditions to “principal” shall include any premium payable in respect of an Instrument, any Instalment Amount or Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and “interest” shall include all amounts payable pursuant to Condition 5 and any other amounts in the nature of interest payable pursuant to these Terms and Conditions.

9. Payments

9A Payments — Bearer Instruments

9A.1 This Condition 9A is applicable in relation to Instruments in bearer form.

9A.2 Payment of amounts (other than interest) due in respect of Bearer Instruments will be made against presentation and (save in the case of partial payment or payment of an Instalment Amount (other than the final Instalment Amount)) surrender of the relevant Bearer Instruments at the specified office of any of the Paying Agents.

Payment of Instalment Amounts (other than the final Instalment Amount) in respect of an Instalment Instrument which is a Definitive Instrument with Receipts will be made against presentation of the Instrument together with the relevant Receipt and surrender of such Receipt at the specified office of any of the Paying Agents.

The Receipts are not and shall not in any circumstances be deemed to be documents of title and if separated from the Instrument to which they relate will not represent any obligation of the Issuer. Accordingly, the presentation of an Instrument without the relative Receipt or the presentation of a Receipt without the Instrument to which it appertains shall not entitle the Holder to any payment in respect of the relevant Instalment Amount.

9A.3 Payment of amounts in respect of interest on Bearer Instruments will be made:

- (i) in the case of a Temporary Global Instrument or Permanent Global Instrument, against presentation of the relevant Temporary Global Instrument or Permanent Global Instrument at the specified office of any of the Paying Agents outside (unless Condition 9A.4 applies) the United States and, in the case of a Temporary Global Instrument, upon due certification as required therein;
- (ii) in the case of Definitive Instruments without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Instruments at the specified office of any of the Paying Agents outside (unless Condition 9A.4 applies) the United States; and
- (iii) in the case of Definitive Instruments delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the

relevant Definitive Instruments, in either case at the specified office of any of the Paying Agents outside (unless Condition 9A.4 applies) the United States.

9A.4 Payments of amounts due in respect of interest on the Bearer Instruments and exchanges of Talons for Coupon sheets in accordance with Condition 9A.7 will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Instruments when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable United States law. If paragraphs (a) and (b) of the previous sentence apply, the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

9A.5 If the due date for payment of any amount due in respect of any Bearer Instrument is not a Relevant Financial Centre Day (as defined in Condition 9C.3), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by cheque on any local banking day, and will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.6 or, if appropriate, Condition 5.10.

9A.6 Each Definitive Instrument initially delivered with Coupons, Talons or Receipts attached thereto should be presented and, save in the case of partial payment of the Redemption Amount, surrendered for final redemption together with all unmatured Receipts, Coupons and Talons relating thereto, failing which:

- (i) if the Pricing Supplement specifies that this paragraph (i) of Condition 9A.6 is applicable (and, in the absence of specification, this paragraph (i) shall apply to Definitive Instruments which bear interest at a fixed rate or rates or in fixed amounts) and subject as hereinafter provided, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the Redemption Amount paid bears to the total Redemption Amount due) (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within ten years of the Relevant Date applicable to payment of such Redemption Amount;
- (ii) if the Pricing Supplement specifies that this paragraph (ii) of Condition 9A.6 is applicable (and, in the absence of specification, this paragraph (ii) shall apply to Instruments which bear interest at a floating rate or rates or in variable amounts) all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) relating to such Definitive Instruments (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them;
- (iii) in the case of Definitive Instruments initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them; and
- (iv) in the case of Definitive Instruments initially delivered with Receipts attached thereto, all Receipts relating to such Instruments in respect of a payment of an Instalment Amount which (but for such redemption) would have fallen due on a date after such due date for redemption (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them.

The provisions of paragraph (i) of this Condition 9A.6 notwithstanding, if any Definitive Instruments should be issued with a maturity date and an Interest Rate or Rates such that, on the presentation for payment of any such Definitive Instrument without any unmatured Coupons attached thereto or

surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the Redemption Amount otherwise due for payment, then, upon the due date for redemption of any such Definitive Instrument, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the Redemption Amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Instrument to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates (Payments of interest and principal on Global Instruments will be made in accordance with the rules and regulations of the relevant clearing systems).

9A.7 In relation to Definitive Instruments initially delivered with Talons attached thereto, on or after the due date for the payment of interest 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 outside (unless Condition 9A.4 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10 below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

9B Payments — Registered Instruments

9B.1 This Condition 9B is applicable in relation to Instruments in registered form.

9B.2 Payment of the Redemption Amount (together with accrued interest) due in respect of Registered Instruments will be made against presentation and, save in the case of partial payment of the Redemption Amount, surrender of the relevant Registered Instruments at the specified office of the Registrar. If the due date for payment of the Redemption Amount of any Registered Instrument is not a Relevant Financial Centre Day (as defined in Condition 9C.3), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by cheque on any local banking day, and, will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.6 or, as appropriate, Condition 5.10.

9B.3 Payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Instruments will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar as at opening of business (local time in the place of the specified office of the Registrar) on the fifteenth Relevant Banking Day (as defined in Condition 2.6) before the due date for such payment (the “Record Date”).

9B.4 Notwithstanding the provisions of Condition 9C.2, payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Instruments will be made in the currency in which such amount is due by cheque (in the case of payment in sterling, drawn on a town clearing branch of a bank in the city of London) and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof (or, in the case of joint Holders, the first-named) on the Relevant Banking Day (as defined in Condition 2.6) not later than the relevant due date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first-named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Relevant Financial Centre Day, then the Holder thereof will not be entitled to payment thereof until the first day thereafter which is a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle

payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.6 or, as appropriate, Condition 5.10.

9C Payments — General Provisions

9C.1 Save as otherwise specified in these Terms and Conditions, this Condition 9C is applicable in relation to Instruments whether in bearer or in registered form.

9C.2 Payments of amounts due (whether principal, interest or otherwise) in respect of Instruments will be made in the currency in which such amount is due by cheque (in the case of payment in sterling, drawn on a bank in the city of London) or by transfer to an account denominated in the relevant currency specified by the payee. Payments will, without prejudice to the provisions of Condition 8, be subject in all cases to any applicable fiscal or other laws and regulations.

9C.3 For the purposes of these Terms and Conditions:

- (i) “Relevant Financial Centre Day” means, in the case of any currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre and in any other place specified in the Pricing Supplement or in the case of payment in Euro, a TARGET Business Day; and
- (ii) “local banking day” means a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Instrument or, as the case may be, Coupon.

9C.4 No commissions or expenses shall be charged to the holders of Instruments or Coupons in respect of such payments.

10. Prescription

10.1 Claims against the Issuer for payment of principal and interest in respect of Instruments will be prescribed and become void unless made within five years of the Relevant Date (as defined in Condition 8.2) for payment thereof.

10.2 In relation to Definitive Instruments initially delivered with Talons attached thereto, 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 Condition 9A.6 or the due date for the payment of which would fall after the due date for the redemption of the relevant Instrument or which would be void pursuant to this Condition 10 or any Talon the maturity date of which would fall after the due date for redemption of the relevant Instrument.

11. The Paying Agents, the Registrars and the Calculation Agent

11.1 The initial Paying Agents and Registrars and their respective initial specified offices are specified below. The Calculation Agent in respect of any Instruments shall be specified in the Pricing Supplement. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent) or the Registrar or the Calculation Agent and to appoint additional or other Paying Agents or another Registrar or another Calculation Agent Provided that it will at all times maintain (i) a Fiscal Agent, (ii) in the case of Registered Instruments, a Registrar, (iii) a Paying Agent (which may be the Fiscal Agent) with a specified office in a continental European city, (iv) so long as the Instruments are listed on the Luxembourg Stock Exchange and/or any other stock exchange, a Paying Agent (which may be the Fiscal Agent) or a Registrar, as applicable, with a specified office in Luxembourg and/or in such other place as may be required by the rules of such other stock exchange, (v) in the circumstances described in Condition 9A.4, a Paying Agent with a specified office in New York City, (vi) a Paying Agent in a EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive, and (vii) a

Calculation Agent where required by the Terms and Conditions applicable to any Instruments (in the case of (i), (ii), (iii), (iv), (v) and (vi) with a specified office located in such place (if any) as may be required by the Terms and Conditions). The Paying Agents, the Registrar and the Calculation Agent reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of any Paying Agent, the Registrar or the Calculation Agent will be given promptly by the Issuer to the Holders in accordance with Condition 14.

11.2 The Paying Agents, the Registrar and the Calculation Agent act solely as agents of the Issuer and, save as provided in the Issue and Paying Agency Agreement or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Instrument, Receipt or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Issue and Paying Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

12. Replacement of Instruments

If any Instrument, Receipt or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent or such Paying Agent or Paying Agents as may be specified for such purpose in the Pricing Supplement (in the case of Bearer Instruments and Coupons) or of the Registrar (in the case of Registered Instruments) (“Replacement Agent”), subject to all applicable laws and the requirements of any stock exchange or other relevant authority on which the Instruments are listed, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Replacement Agent may require. Mutilated or defaced Instruments, Receipts and Coupons must be surrendered before replacements will be delivered therefor.

13. Meetings of Holders and Modification

The Issue and Paying Agency Agreement contains provisions (which shall have effect as if incorporated herein) for convening meetings of the Holders of Instruments of any Series to consider any matter affecting their interest, including (without limitation) the modification by Extraordinary Resolution (as defined in the Issue and Paying Agency Agreement) of these Terms and Conditions insofar as the same may apply to such Instruments. An Extraordinary Resolution passed at any meeting of the Holders of Instruments of any Series will be binding on all Holders of the Instruments of such Series, whether or not they are present at the meeting, and on all Holders of Coupons relating to Instruments of such Series.

The Issuer may, with the consent of the Fiscal Agent, but without the consent of the Holders of the Instruments of any Series or Coupons, amend these Terms and Conditions insofar as they may apply to such Instruments to correct a manifest error. Subject as aforesaid, no other modification may be made to these Terms and Conditions except with the sanction of an Extraordinary Resolution.

14. Notices

To Holders of Bearer Instruments

14.1 Notices to Holders of Bearer Instruments will, save where another means of effective communication has been specified herein or in the Pricing Supplement, be deemed to be validly given if (i) published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*) (ii) in the case of any Instruments which are listed on the Luxembourg Stock Exchange (so long as such Instruments are listed on the Luxembourg Stock Exchange and the rules of that exchange so require), in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or (in the case of (i) or (ii)), if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe (or, if permitted by the rules of the relevant stock exchange, in the case of Instruments represented by a Temporary Global Instrument or Permanent Global Instrument, if delivered to Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system for communication by them to the persons shown in their respective records as having interests therein). The Issuer shall also ensure that notices are duly published in compliance with the requirements of each stock exchange on which the Instruments are listed. Any notice so given will be deemed to have been validly given on the

date of first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers) or, as the case may be, on the fourth weekday after the date of such delivery to Euroclear and Clearstream, Luxembourg and/or such other clearing system. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Instruments in accordance with this Condition.

To Holders of Registered Instruments

14.2 Notices to Holders of Registered Instruments will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day. With respect to Registered Instruments listed on the Luxembourg Stock Exchange, any notices to holders must also be published in a Luxembourg daily newspaper and, in addition to the foregoing, will be deemed validly given only after the date of such publication.

15. Further Issues

The Issuer may from time to time, without the consent of the Holders of any Instruments or Coupons, create and issue further instruments, bonds or debentures having the same terms and conditions as such Instruments in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single series with the Instruments of any particular Series.

16. Currency Indemnity

The currency in which the Instruments are denominated or, if different, payable, as specified in the Pricing Supplement (the “Contractual Currency”), is the sole currency of account and payment for all sums payable by the Issuer in respect of the Instruments, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of an Instrument or Coupon in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of an Instrument or Coupon in respect of such Instrument or Coupon the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer’s other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of an Instrument or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Instruments or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of an Instrument or Coupon and no proof or evidence of any actual loss will be required by the Issuer.

17. Waiver and Remedies

No failure to exercise, and no delay in exercising, on the part of the Holder of any Instrument, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

18. Law and Jurisdiction

18.1 The Instruments and the Issue and Paying Agency Agreement are governed by, and shall be construed in accordance with Italian law. The Italian Courts shall have exclusive jurisdiction in accordance with all applicable Italian laws.

18.2 To the extent that the Issuer may be entitled to claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that there may be attributed to itself or its assets immunity (whether or not claimed), the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by Italian law.

PROVISIONS RELATING TO THE INSTRUMENTS WHILST IN GLOBAL FORM

(A) Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of an Instrument represented by a Global Instrument (which expression includes a Temporary Global Instrument and a Permanent Global Instrument) must look solely to Euroclear, Clearstream, Luxembourg or such other clearing system (as the case may be) for such person's share of each payment made by the Issuer to the bearer of such Global Instrument (or the registered holder of the Global Registered Instrument, as the case may be), and in relation to all other rights arising under the Global Instruments, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be). Payments of interest and principal on Global Instruments will be made in accordance with the rules and regulations of the relevant clearing systems. Such persons shall have no claim directly against the Issuer in respect of payments due on the Instruments for so long as the Instruments are represented by such Global Instrument or Global Registered Instrument and such obligations of the Issuer will be discharged by payment to the bearer of such Global Instrument (or the registered holder of the Global Registered Instrument, as the case may be), in respect of each amount so paid. References in these provisions relating to the Instruments in global form to "holder" or "accountholder" are to those persons shown in the records of the relevant clearing system as a holder of an Instrument.

(B) Form and Exchange — Bearer Global Instruments

(1) *TEFRA D or TEFRA C*: The Pricing Supplement shall specify whether U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) (the "TEFRA D Rules") or U.S. Treasury Regulation § 1.163-5(c)(2)(i)(C) (the "TEFRA C Rules") shall apply. Each Tranche of Bearer Instruments is represented upon issue by a temporary global Instrument (a "Temporary Global Instrument"), unless the Pricing Supplement specifies otherwise and the TEFRA C Rules apply.

Where the Pricing Supplement applicable to a Tranche of Bearer Instruments specifies that the TEFRA C Rules apply, such Tranche is (unless otherwise specified in the Pricing Supplement) represented upon issue by a Permanent Global Instrument.

Interests in a Temporary Global Instrument may be exchanged for:

- (i) interests in a permanent global Instrument (a "Permanent Global Instrument"); or
- (ii) if so specified in the Pricing Supplement, definitive Instruments in bearer form ("Definitive Instruments") and/or (if so specified in the Pricing Supplement) Registered Instruments.

Exchanges of interests in a Temporary Global Instrument for Definitive Instruments or, as the case may be, a Permanent Global Instrument will be made only on or after the Exchange Date (as specified in the Pricing Supplement) and (unless the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Instruments) provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Instrument or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received. An exchange for Registered Instruments will be made at any time or from such date as may be specified in the Pricing Supplement, in each case, without any requirement for certification.

(2) *Limitation on entitlement under a Temporary Global Instrument after Exchange Date:* Holders of interests in any Temporary Global Instrument shall not (unless, upon due presentation of such Temporary Global Instrument for exchange (in whole but not in part only) for a Permanent Global Instrument or for delivery of Definitive Instruments and/or Registered Instruments, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Instruments represented by such Temporary Global Instrument which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.

(3) *Certification of non-U.S. beneficial ownership:* Unless the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Instruments and subject to paragraph (2) above, if any date on which a payment of interest is due on the Instruments of a Tranche occurs whilst any of the Instruments of that Tranche are represented by a Temporary Global Instrument, the related interest payment will be made on the Temporary Global Instrument only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Instrument or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received by Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) or Clearstream Banking, société anonyme, Luxembourg (“Clearstream, Luxembourg”) or any other relevant clearing system which may be specified in the Pricing Supplement. Payments of amounts due in respect of a Permanent Global Instrument or (subject to paragraph (2) above) a Temporary Global Instrument (if the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Instruments) will be made through Euroclear or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.

(4) *Exchange for Definitive Instruments:* Interests in a Permanent Global Instrument will be exchanged (subject to the period allowed for delivery as set out in (i) below), in whole but not in part only and at the request of the Holder of such Global Instrument, for Definitive Instruments and/or (if so specified in the Pricing Supplement) Registered Instruments, (a) if Euroclear or Clearstream, Luxembourg or any other relevant clearing system 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 circumstances described in Condition 7 occurs or, (c) at any time on the request of the bearer, if so specified in the Pricing Supplement. Whenever a Permanent Global Instrument is to be exchanged for Definitive Instruments and/or Registered Instruments, the Issuer shall procure the prompt delivery of such Definitive Instruments and/or Registered Instruments, duly authenticated and where and to the extent applicable, with Receipts, Coupons and Talons attached (each as defined in Condition 1.6 and Condition 1.7), in an aggregate principal amount equal to the principal amount of such Permanent Global Instrument to the Holder of the Permanent Global Instrument against its surrender at the specified office of the Fiscal Agent within 30 days of the Holder requesting such exchange. Furthermore, if,

- (i) Definitive Instruments have not been delivered in accordance with the foregoing by 5.00 p.m. (London time) on the thirtieth day after the Holder has requested exchange, or
- (ii) the Permanent Global Instrument (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Permanent Global Instrument has occurred and, in either case, payment in full of the amount of the Redemption Amount (as defined in Condition 6.9) together with all accrued interest thereon has not been made to the Holder in accordance with the Conditions on the due date for payment,

then the terms of such Permanent Global Instrument provide for relevant account holders (which, for the purposes hereof, shall be deemed to be the Holder of the relevant Instrument as referred to in Condition 7) with Euroclear and Clearstream, Luxembourg and any other agreed clearing system as applicable, to be able to enforce against the Issuer all rights which they would have had if they had been holding Definitive Instruments to the relevant value at the time of such event.

Notwithstanding the above, in accordance with currently applicable legislation, including the provisions of Legislative Decree No. 213 of 24 June 1998, the Issuer is allowed to issue debt instruments in bearer form and in dematerialised form only. References in these Terms and Conditions and the documentation

relating to the Programme to Registered Instruments and to Definitive Instruments shall be read accordingly.

(C) Form and Exchange— Global Registered Instruments

(1) *Global Registered Instrument:* Registered Instruments held in Euroclear and/or Clearstream, Luxembourg (or other clearing system) will be represented by a Global Registered Instrument which will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg (or such other relevant clearing system).

(2) *Exchange:* The Global Registered Instrument will become exchangeable in whole, but not in part, for individual Registered Instruments 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, (b) any of the circumstances described in Condition 7 occurs, or (c) at any time at the request of the registered Holder if so specified in the Pricing Supplement.

Whenever the Global Registered Instrument is to be exchanged for Registered Instruments, such Registered Instruments will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Instrument within five business days of the delivery, by or on behalf of the registered Holder of the Global Registered Instrument, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Registered Instruments (including, without limitation, the names and addresses of the persons in whose names the Registered Instruments are to be registered and the principal amount of each such person's holding) against the surrender of the Global Registered Instrument at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Issue and Paying Agency Agreement and the regulations concerning the transfer and registration of Instruments scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If (a) Registered Instruments have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Registered Instrument or (b) any of the Instruments evidenced by the Global Registered Instrument has become due and payable in accordance with the Conditions or the date for final redemption of the Instruments 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 Holder of the Global Registered Instrument on the due date for payment in accordance with the terms of the Global Registered Instrument, then the terms of such Global Registered Instrument provide for relevant account holders (which, for the purposes hereof, shall be deemed to be the Holder of the relevant Instrument as referred to in Condition 7) with Euroclear and Clearstream, Luxembourg and any other agreed clearing system as applicable, to be able to enforce against the Issuer all rights which they would have had if they had been holding Definitive Instruments to the relevant value at the time of such event. Payments by the Issuer to the relevant account holders will be considered as payments to the relevant Holder and operate as full and final discharge to the Issuer in this respect.

(D) Amendment to Conditions

The Temporary Global Instruments, Permanent Global Instruments and Global Registered Instruments contain provisions that apply to the Instruments that they represent, some of which modify the effect of the Terms and Conditions of the Instruments set out in this Information Memorandum. The following is a summary of certain of those provisions:

(1) *Meetings:* The holder of a Permanent Global Instrument or of the Instruments represented by a Global Registered Instrument shall (unless such Permanent Global Instrument or Global Registered Instrument represents only one Instrument) be treated as being two persons for the purposes of any quorum requirements of a meeting of holders and, at any such meeting, the holder of a Permanent Global Instrument shall be treated as having one vote in respect of each minimum Denomination of Instruments for which such Global Instrument may be exchanged. (All holders of Registered Instruments are entitled

to one vote in respect of each Instrument comprising such holder's holding, whether or not represented by a Global Registered Instrument.)

(2) *Cancellation:* Cancellation of any Instrument represented by a Permanent Global Instrument that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Permanent Global Instrument.

(3) *Purchase:* Instruments represented by a Permanent Global Instrument may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

(4) *Issuer's Options:* Any option of the Issuer provided for in the Conditions of the Instruments while such Instruments are represented by a Permanent Global Instrument or a Global Registered Instrument shall be exercised by the Issuer giving notice to the holders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Instruments drawn in the case of a partial exercise of an option and accordingly no drawing of Instruments shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Instruments of any Series, the rights of accountholders with a clearing system in respect of the

Instruments will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

(5) *Holders' Options:* Any option of the holders provided for in the Conditions of any Instruments while such Instruments are represented by a Permanent Global Instrument or a Global Registered Instrument may be exercised by the Holder of such Permanent Global Instrument or Global Registered Instrument, giving notice to the Fiscal Agent within the time limits relating to the deposit of Instruments with a Paying Agent or the Registrar, in the case of a Global Registered Instrument substantially in the form of the notice available from any Paying Agent (or the Registrar, in the case of a Global Registered Instrument), except that the notice shall not be required to contain the serial numbers of the Instruments in respect of which the option has been exercised, and stating the principal amount of Instruments in respect of which the option is exercised and at the same time presenting for notation the Permanent Global Instrument or the Global Registered Instrument to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, (or the Registrar, in the case of a Global Registered Instrument).

(6) *Notices:* So long as any Instruments are represented by a Permanent Global Instrument or Registered Global Instrument and such Permanent Global Instrument or Global Registered Instrument is held on behalf of a clearing system, notices to the holders of Instruments of that Series may be given by delivery of the relevant notice to the clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the Holder of the Permanent Global Instrument or Global Registered Instrument except that so long as the Instruments are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notice shall also be published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

FORM OF PRICING SUPPLEMENT

Pro Forma Pricing Supplement for an issue by the Republic of Italy under the Programme for the Issuance of Debt Instruments

PRICING SUPPLEMENT

Series No.: []
Tranche No.: []

Republic of Italy
U.S.\$48,000,000,000

Programme for the Issuance of Debt Instruments

Issue of
[Aggregate Principal Amount of Tranche]
[Title of Instruments]

The Instruments constitute direct, unconditional and general obligations of the issuer and rank *pari passu* among themselves and equally with all other unsecured External Indebtedness (as defined in the Information Memorandum dated 23 July 2004 (the “Information Memorandum”) in relation to the Programme) of the Issuer.

This Pricing Supplement (as referred to in the Information Memorandum) relates to the Tranche of Instruments referred to above, contains the final terms and conditions of the Instruments and should be read in conjunction with the Information Memorandum dated 23 July 2004.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Information Memorandum with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Information Memorandum dated [original date]. This Pricing Supplement contains the final terms and conditions of the Instruments and must be read in conjunction with the Information Memorandum dated [current date] [and the supplemental Information Memorandum dated [●], save in respect of the Conditions which are extracted from the Information Memorandum dated [original date] and are attached hereto.]

The particulars to be specified in relation to such Tranche are as follows:

1. Issuer: Republic of Italy
2. [Arranger[s]]: [Name]
3. Relevant Dealer/Lead Manager: [Name]
4. Syndicated: [Yes/No]
5. Other Dealers/Managers (if any): [Name]
6. Status: Unsubordinated
7. Currency: [Specify]
— of Denomination
— of Payment
(Condition 1.10)
8. Aggregate Principal Amount of:
 [(i)] Series [Specify]
 [(ii)] Tranche [Specify]

9. If interchangeable with existing Series, [Specify]
Series No:
10. Issue Date: [Specify]
11. Issue Price: [] per cent. of the Aggregate Principal Amount of Tranche [plus accrued interest from *[insert date]* *(in the case of fungible issues only, if applicable)*]
12. [Commission Payable: [] per cent. flat]
13. [Selling Concession: [] per cent.]
14. [Expenses: [If Definitive Instruments specify that the Issuer must bear the cost for producing Definitive Instruments]
15. (a) Form of Instruments: [Bearer/Registered]
(b) Bearer Instruments exchangeable for Registered Instruments: [Yes/No]
16. If issued in Bearer form:
(a) Initially represented by a Temporary Global Instrument or Permanent Global Instrument: [Specify. If nothing is specified and this Pricing Supplement does not specify that the TEFRA C Rules apply, Instruments will be represented initially by a Temporary Global Instrument.]
(Condition 1.2)
(b) Temporary Global Instrument exchangeable for Definitive Instruments and/or [(if the relevant Series comprises both Bearer and Registered Instruments)] Registered Instruments: [Yes/No. Specify Exchange Date.]
Specify date (if any) from which exchanges for Registered Instruments will be made. (Condition 1.2)
If nothing is specified, exchanges will be made at any time. (Exchanges for a Permanent Global Instrument or Definitive Instruments will be made on or after the Exchange Date).
(c) Permanent Global Instrument exchangeable at the option of the bearer for Definitive Instruments and/or [(if the relevant Series comprises both Bearer Instruments and Registered Instruments)] Registered Instruments: [Yes/No]
(Condition 1.5)
(d) Talons for future Coupons to be attached to Definitive Instruments: [Yes/No]
(Condition 1.6)
(e) Receipts to be attached to Instalment Instruments which are Definitive Instruments: [Yes/No]
(Condition 1.7)
(f) Definitive Instruments to be in IPMA or successors format: [Yes/No. If nothing is specified Definitive Instruments will be security printed and in ISMA or successor's format]

17. Denomination(s):
(Condition 1.8 or 1.9) [Specify] *[Instruments (including Instruments denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of S. 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies)]*
18. Partly Paid Instruments:
(Condition 1.11) [Yes/No]

If yes, specify number, amounts and dates for, and method of, payment of instalments of subscription moneys and any further additional provisions (including Forfeiture Dates in respect of late payment of Partly Paid Instalments) [Give details]
19. If issued in Registered Form:
— Registrar:
(Condition 2.2) [Name and specified office]
20. Interest:
(Condition 5) [Interest bearing/Non-interest bearing]
21. Interest Rate:
(Condition 5.2) [Specify rate (if fixed) or Floating Rate (if floating) or ISDA Rate or formula.]
- FIXED RATE INSTRUMENT PROVISIONS** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
22. (a) Rate[(s)] of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (b) Interest Payment Date(s): [] in each year [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*/not adjusted]
- (c) Fixed Coupon Amount[(s)]: [] per [] in Nominal Amount
- (d) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]*
- (e) Day Count Fraction:
(Condition 5.9) [30/360/Actual/Actual (ISMA/ISDA)/other]
- (f) Determination Dates: [] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ISMA))*
- (g) Other terms relating to the method of calculating interest [Not Applicable/give details]
for Fixed Rate Instruments:

FLOATING RATE INSTRUMENT PROVISIONS

23. Relevant Screen Page: (Condition 5.3) [Reuters Screen/Telerate/Other] page [].
24. Relevant Margin: (Condition 5.3) [Plus/Minus] [] per cent. per annum.
25. ISDA Rate: (Condition 5.4) Issuer is [Fixed Rate/Fixed Amount/Fixed Price/
Floating Rate/Floating Amount/Floating Price]
Payer.
26. Minimum Interest Rate: (Condition 5.5) [] per cent. per annum.
27. Maximum Interest Rate: (Condition 5.5) [] per cent. per annum.
28. Interest Payment Dates (or if the Applicable Business Day Convention is the FRN Convention) Interest Period: [Specify dates (or if the Applicable Business Day Convention is the FRN Convention) number of months].
29. Interest Period End Dates (or if the Applicable Business Day Convention is the FRN Convention) Interest Accrual Period: [Specify. If nothing is specified Interest Period End Dates will correspond with Interest Payment Dates].
30. Applicable Business Day Convention: [Specify, unless no adjustment is required in which case specify “No Adjustment”. If nothing is specified there will be no adjustment. Care should be taken to match the maturity date (as well as other key dates) of the Instruments with any underlying swap transaction. Since maturity dates do not automatically move with business day conventions under ISDA, it may be necessary to specify “No Adjustment” in relation to the maturity date of the Instruments to disapply the Applicable Business Day Convention.]
 - for Interest Payment Dates: []
 - for Interest Period End Dates: []
 - for Maturity Date: []
 - any other date: []
31. Definition of Business Day: (Condition 5.9) [Specify any additional places or days for the purpose of adjusting any date in accordance with a Business Day Convention]
32. Day Count Fraction: (Condition 5.9) [Specify the Day Count fraction to apply]
33. Interest Commencement Date: (Condition 5.9) [Specify, if different from the Issue Date]
34. Interest Determination Date: (Condition 5.9) Specify number of Banking Days in which city(ies), if different from Condition 5.9]
35. Relevant Time: (Condition 5.9) [][a.m./p.m.][Specify city] time
36. Default Interest Rate: (Condition 5.6) [Specify if different from the Interest Rate]
37. Calculation Agent: (Condition 5.9) [Name and specified office]
38. Reference Banks: (Condition 5.9) [Specify]
39. If non-interest bearing:
 - Amortisation Yield: [Specify]
 - rate of interest on overdue amounts [Specify, if not the Amortisation Yield]
 - Day Count Fraction [Specify for the purposes of Condition 5.10 and Condition 6.11]

PROVISIONS RELATING TO REDEMPTION

- | | |
|---|---|
| 40. Maturity Date: (Condition 6.1) | [Specify date (or Interest Payment Date occurring in month and year if FRN Convention applies)] |
| 41. Dates for payment of Instalment Amounts (Instalment Instruments): (Condition 6.1) | [Specify dates (or Interest Payment Dates occurring in months and years if FRN Convention applies)] |
| 42. Maturity Redemption Amount: (Condition 6.1) | [Specify, if not the Outstanding Principal Amount] |
| 43. Instalment Amounts: (Condition 6.1) | [Specify] |
| 44. Optional Early Redemption (Call): (Condition 6.3) | [Yes/No] |
| (a) Early Redemption Amount (Call): | [Specify, if not the Outstanding Principal Amount or, in the case of any Instruments which are non-interest bearing, the Amortised Face Amount] |
| (b) Series redeemable in part: | [Specify, otherwise redemption will only be permitted of entire Series] |
| (c) Call Option Date(s)/Call Option Period: | [Specify] |
| 45. Optional Early Redemption (Put): (Condition 6.6) | [Yes/No] |
| (a) Early Redemption Amount (Put): | [Specify, if not the Outstanding Principal Amount or, in the case of any Instruments which are non-interest bearing, the Amortised Face Amount] |
| (b) Put Date(s)/Put Period: | [Specify] |
| 46. Events of Default (Condition 7.1): | |
| (a) Early Termination Amount: | [Specify, if not the Outstanding Principal Amount or, in the case of any Instruments which are non-interest bearing, the Amortised Face Amount] |
| (b) Any additional (or modifications to) Events of Default: | [Specify] |
| 47. Payments: (Condition 9) | |
| (a) Unmatured Coupons missing upon Early Redemption: | [Specify whether paragraph (i) of Condition 9A.6 or paragraph (ii) of Condition 9A.6 applies. If nothing is specified paragraph (i) will apply to fixed rate or fixed coupon amount Instruments and paragraph (ii) will apply to floating rate or variable coupon amount Instruments] |
| (b) Relevant Financial Centre Day: (Condition 9C.3) | [Specify any additional places] |
| 48. Replacement of Instruments: (Condition 12) | [In the case of Bearer Instruments specify Replacement Agent, if other than (or in addition to) the Fiscal Agent] |
| 49. Notices: (Condition 14) | Specify any other means of effective communication] |
| 50. Listing: | [Yes/No]
[if Yes, specify which Stock Exchange(s)] |

DISTRIBUTION

51. Selling Restrictions:

United States of America:

Category 1 restrictions apply to the Instruments

[Specify whether the Instruments are subject to TEFRA C or TEFRA D Rules. In the absence of specification TEFRA D Rules will apply]

[Specify Exchange Date]

Other:

[Specify any modifications of or additions to selling restrictions contained in Dealership Agreement]

52. Stabilising Institution:

[In connection with the issue of the Instruments, [name of stabilising institution] (or any person acting for [name of stabilising institution]) may over-allot or effect transactions with a view to supporting the market price of the Instruments at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on such stabilising institution (or any agent of such stabilising institution) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.]

53. If syndicated, names of Managers:

[Not Applicable/*give names*]

54. If non-syndicated, name of Dealer:

[Not Applicable/*give names*]

55. ISIN:

[]

56. Common Code:

[]

57. Common Depositary:

[]

58. Any Clearing System other than Euroclear and Clearstream, Luxembourg:

[]

59. Settlement Procedures:

[Specify whether customary medium term note/eurobond/other settlement and payment procedures apply]

60. Other Relevant Terms and Conditions:

[]

[LISTING APPLICATION]

This Pricing Supplement comprises the final terms required to list the issue of Instruments described herein pursuant to the U.S.\$48,000,000,000 Debt Issuance Programme of The Republic of Italy.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

CONFIRMED

REPUBLIC OF ITALY

By: _____
Authorised Signatory

Date: _____

USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Instruments will be applied by the Issuer to meet part of its general financing requirements.

ITALIAN TAXATION

The Information provided below does not purport to be a complete summary of Italian tax law and practice currently applicable. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisers.

No Italian income or other Italian taxes will be levied or applied by the Issuer by way of withholding, deduction or otherwise in connection with any payments by the Issuer of principal or interest in respect of the Instruments to non residents of the Republic of Italy (“**Italy**”) having no permanent establishment in Italy.

If the Instruments are held by Italian resident companies or similar commercial entities and the Instruments are deposited with an authorised intermediary, interest and other income from the Instruments must be included in the relevant holder’s income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the “status” of the holder, also to IRAP, the regional tax on productive activities).

If the Instruments are held by individuals resident of Italy acting in a business capacity, interest in respect of the Instruments will be subject to a substitute tax (currently at the rate of 12.5 per cent.) withheld by the authorized intermediary in Italy making the payment; interest and other income from the Instruments must also be included in the relevant holder’s income tax return and the 12.5 per cent. substitute tax is creditable against the overall tax due.

If the Instruments are held by residents of Italy who are individuals not acting in a business capacity, non-business partnerships (simple partnerships other than business partnerships and other organizations considered by law as business partnerships or limited partnerships), public or private entities not exercising business activities including national or local government entities or other entities or organizations not subject to corporation income taxes, the 12.5 per cent. substitute tax shall be a final tax. If holders of Instruments subject to such final tax hold the Instruments through an authorized intermediary in Italy having asset management power over such Instruments, such holders may opt to pay a final 12.5 per cent. tax levied by the intermediary on all interest, other payments and gains deriving from such management on an annual basis (“**managed savings option**”). However, if holders of Instruments subject to such substitute tax on account of income taxes hold Instruments through such an assets manager, interest, other payments and gains will be taxed as part of their overall income.

If interest or principal are paid outside of Italy by an entity other than an authorized intermediary in Italy to residents of Italy who would otherwise be subject to the above 12.5 per cent. final tax, holders of Instruments must include the payments received in their income tax return and the payments shall be subject to a separate tax at a 12.5 per cent. rate or, at the holders’ option, to income taxes at the applicable rates to their overall income with a tax credit for taxes paid abroad.

If the Instruments are held by an Italian pension fund and are deposited with an authorised intermediary, interest, premium and other income relating to the Instruments and accrued during the holding period will not be subject to the substitute tax, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 11 per cent. substitute tax.

If the Instruments are held by an Italian authorized investment fund investing in securities and are deposited with an authorised intermediary, interest, premium and other income relating to the Instruments and accrued during the holding period will not be subject to the substitute tax, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 12.5 per cent. substitute tax.

If the Instruments are held by an Italian real estate investment fund investing and are deposited with an authorised intermediary, interest, premium and other income relating to the Instruments and accrued during the holding period will not be subject to the substitute tax.

Non-residents of Italy having no permanent establishment in Italy will not be subject to Italian capital gains taxes in respect of the disposal or the redemption of the Instruments.

Gains realized on the disposal or redemption of Instruments by residents of Italy who are individuals not acting in a business capacity or by non-business partnerships and similar organizations will be subject to a

final capital gains tax currently at the rate of 12.5 per cent. The tax applies to all gains and losses realized in the relevant year and losses may be carried forward to the subsequent four years. Said holders of Instruments may opt to pay capital gains tax declaring the gains in their annual income tax return or, if the Instruments are deposited with an authorized intermediary in Italy, authorizing the intermediary to levy the said capital gains tax (“**administered savings option**”). If they have elected the managed savings option, gains realized will be subject to the tax applicable thereto. Instead, gains realized by residents of Italy who are individuals acting in a business capacity, partnerships, limited partnerships, corporations or permanent establishments of foreign corporations shall be subject to income or corporation taxes as part of the overall income; gains realized by investment funds will be subject to the taxes applicable thereto.

Death duties and gift taxes no longer apply in Italy.

European Withholding Tax Directive

On 3 June 2003 the EU Council of Economic and Finance Ministers (“**ECOFIN**”) adopted Directive 2003/48/EC regarding the taxation of savings income. The directive is scheduled to be applied by member states of the European Union (each a “**Member State**” and together, “**Member States**”) from 1 January 2005, provided that certain non-EU countries adopt similar measures from the same date. Under the directive each Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

SUBSCRIPTION AND SALE

Instruments may be sold from time to time by the Issuer to any one or more of ABN AMRO Bank N.V., Banca IMI S.p.A., Barclays Bank PLC, Bayerische Hypo- und Vereinsbank AG, BNP Paribas, Banca Caboto s.p.a., Citigroup Global Markets Limited, Credit Suisse First Boston (Europe) Limited, Deutsche Bank AG London, Goldman Sachs International, HSBC Bank plc, ING Bank N.V., Lehman Brothers International (Europe), Merrill Lynch International, J.P. Morgan Securities Ltd., Morgan Stanley & Co. International Limited, MPS Finance Banca Mobiliare S.p.A., Nomura International plc, Royal Bank of Canada Europe Limited, UBS Limited, UniCredit Banca Mobiliare S.p.A. and WestLB AG (the “Dealers”). The arrangements under which Instruments may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a dealership agreement dated 15 July 1998 as amended and restated on 26 August 1999, supplemented on 9 August 2000, amended and restated on 23 July 2003 and on 23 July 2004 (the “Dealership Agreement”) and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Instruments, the price at which such Instruments will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Instruments.

United States of America: *Regulation S Category 1 TEFRA D, unless TEFRA C is specified as applicable in the relevant Pricing Supplement;*

The Instruments have not been and will not be registered under the United States Securities Act of 1933 as amended (the “Securities Act”) and include Instruments in bearer form which are subject to U.S. tax law requirements. Subject to certain exceptions, Instruments may not be offered, sold or delivered within the United States or to U.S. persons. Each of the Dealers has agreed that it will not offer, sell or deliver any Instruments in bearer form within the United States or to U.S. persons except as permitted by the Dealership Agreement.

In addition, until 40 days after the commencement of any offering, an offer or sale of Instruments from that offering within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Dealer has represented, warranted and agreed that:

- (a) **No deposit-taking:** in relation to any Instruments having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Instruments other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,where the issue of the Instruments would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Instruments in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

Japan

The Instruments have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, each Dealer has undertaken that it will not offer or sell any Instruments directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, “Japanese Person” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Federal Republic of Germany

Each Dealer has confirmed that it is aware of the fact that no German selling prospectus (*Verkaufsprospekt*) has been or will be published with respect to the Programme and that it will comply with the Securities Selling Prospectus Act (the “Act”) of the Federal Republic of Germany (*Wertpapier-Verkaufsprospektgesetz*). In particular each Dealer has undertaken not to engage in public offering (*öffentliches Anbieten*) in the Federal Republic of Germany with respect to any Instruments issued under the Programme otherwise than in accordance with the Act and any other act replacing or supplementing the Act and all other applicable laws and regulations.

Republic of France

Instruments will be issued outside the Republic of France and may not be publicly offered in the Republic of France, and each Dealer has represented and agreed that, and each further Dealer under the Programme will be required to represent and agree that, in connection with their initial distribution it has not offered or sold Instruments in the Republic of France, whether or not such Instruments are listed on the Paris Bourse, except in compliance with the relevant regulations issued from time to time by the Commission des Opérations de Bourse to (i) qualified investors (*investisseurs qualifiés*) or (ii) a limited number of investors (*cercle restreint d'investisseurs*) each as defined in and in accordance with Article L.411-2 of the French *Code monétaire et financier* and the French Decree no. 98.880 dated 1 October, 1998.

In addition, each Dealer has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France, the Information Memorandum or any other offering material relating to the Instruments other than to investors to whom offers and sales of Instruments in the Republic of France may be made as described above.

Republic of Italy

The Instruments may not be offered, sold or delivered and neither the Information Memorandum nor any other document relating to the Instruments may be distributed or made available in the Republic of Italy except 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, Legislative Decree No. 58 of 24 February 1998 and any other applicable laws and regulations.

General

Other than with respect to the listing of the Instruments on the relevant stock exchange, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Instruments, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Information Memorandum or any Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, in applicable laws and regulations,

no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed “General” above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Instruments) or (in any other case) in a supplement to this document.

RECENT DEVELOPMENTS

The Italian Economy

Italy's real GDP grew at a seasonally adjusted rate of 0.4 per cent in the first quarter of 2004 and of 0.8 per cent during the twelve months ended March 31, 2004, based on ISTAT data. Consumer prices, as measured by the harmonized EU consumer price index, increased at a rate of 2.3 per cent during the twelve months ended May 31, 2004.

Real GDP and Expenditures

The following table sets forth information relating to real GDP and expenditures for the periods indicated, including revisions of data previously published for 1999 through 2002.

	1999	2000	2001	2002	2003
	(millions of euro)				
Real GDP	985,253	1,015,077	1,032,985	1,036,701	1,039,367
Add: Imports of goods and services	267,349	286,418	287,798	287,164	285,302
Less: Exports of goods and services	276,584	303,311	308,131	297,733	286,144
Total goods and services available for domestic expenditure ⁽¹⁾	976,018	998,184	1,012,652	1,026,131	1,038,525
Domestic expenditure					
Private sector consumption.....	595,251	611,570	616,427	619,232	627,092
Public sector consumption	174,188	177,227	184,011	187,468	191,633
Total domestic consumption.....	769,439	788,797	800,438	806,700	818,725
Gross fixed investment	195,623	209,217	213,121	215,622	211,126
Changes in inventories	10,958	171	(906)	3,810	8,673
Total domestic expenditures ⁽¹⁾	976,020	998,185	1,012,653	1,026,132	1,038,524

Source: Annual Report of the Bank of Italy (2004) for the year ended December 31, 2003.

(1) Total goods and services available for domestic expenditure do not match total domestic expenditure figures due to the effect of rounding.

Selected Balance of Payments Indicators 1999 through 2003

The following table illustrates the balance of payments for the periods indicated, including revisions of data previously published for 1999 through 2002.

	1999	2000	2001	2002	2003
	(millions of euro)				
Current Account.....	7,692	(6,305)	(740)	(10,014)	(18,363)
Capital Account.....	2,789	3,195	936	(67)	2,454
Financial Account	(8,867)	4,287	(3,294)	8,532	16,775
Errors and omissions	(1,614)	(1,177)	3,098	1,549	(865)

Source: Annual Report of the Bank of Italy (2004) for the year ended December 31, 2003.

Italy's current account showed a deficit of €18.4 billion in 2003, compared to €10 billion in 2002. The deterioration in Italy's current account was principally due to the decrease in the visible trade surplus from €14 billion in 2002 to €8.8 billion in 2003, an increase in income deficit from €15.4 billion in 2002 to €17 billion in 2003 and increase in current transfers deficit from €5.6 billion in 2002 to €7.1 billion in 2003. Italy's deficit on services remained substantially unchanged in 2003 and 2002 at approximately €3 billion.

Italy recorded a capital account surplus of €2.5 billion in 2003, compared to a deficit of €0.1 billion in 2002.

The financial account showed a surplus of €16.8 billion in 2003, compared to €8.5 billion in 2002. This was principally attributable to an increase in net direct investment inflow to €6.5 billion in 2003, compared to a net direct investment outflow of €2.7 billion in 2002, and to an increase in surplus on “other investments” from €1 billion in 2002 to €13.1 billion in 2003 reflecting an increase in net inflows to Italian banks of €39.4 billion in 2003, compared to a net outflows of €41.7 billion in 2002, and an increase of cash repatriated by Italian residents. The improvement in the financial account was offset in part by a decrease in portfolio investment from a surplus of €13.4 billion to a deficit of €1.5 billion.

Public Finance – General Government Revenues and Expenditures

The table below sets forth general Government revenues and expenditures for the five-year period ended at December 31, 2003, including revisions of data previously published for 1999 through 2002. The table does not include revenues from privatizations, which are deposited into a special fund for the repayment of outstanding Treasury securities and cannot be used to finance current expenditures. Accordingly, proceeds from privatizations do not affect the financial balance, but, when used to repay outstanding Treasury securities, do contribute to a decrease in the public debt and consequently the ratio of public debt to GDP.

	1999	2000	2001 ⁽¹⁾	2002	2003
	(millions of euro)				
Expenditures					
Current expenditures	492,017	512,253	540,990	556,642	581,500
<i>of which</i>					
Total consumption	196,114	209,206	224,721	232,918	245,886
<i>of which</i>					
Wages and salaries	117,955	123,480	131,084	136,423	143,606
Cost of goods and services.....	78,159	85,726	93,637	96,495	102,280
Interest expense	74,738	75,333	79,570	72,547	69,291
Production grants	13,681	13,903	14,670	13,641	14,510
Social services	189,990	195,460	202,291	214,035	224,210
Other current expenditures	17,494	18,351	19,738	23,501	27,603
Capital expenditures ⁽²⁾	44,088	29,691	47,851	43,365	53,095
Investments	26,773	27,807	30,196	23,768	34,428
Investment grants	13,297	13,292	15,688	17,823	17,302
Other capital expenditures	4,018	(11,408)	1,967	1,774	1,365
Total expenditures	536,105	541,944	588,841	600,007	634,595
% of GDP	48.4%	46.5%	48.3%	47.6%	48.8%
Revenues					
Current revenues	511,396	529,290	553,177	566,018	578,265
<i>of which</i>					
Tax revenues	333,935	345,718	359,182	364,080	365,892
<i>of which</i>					
Direct taxes	166,435	170,547	182,690	178,964	177,370
Indirect taxes.....	167,500	175,171	176,492	185,116	188,522
Social security contributions.....	141,131	148,083	153,905	161,325	171,028
Revenues from capital.....	7,115	5,617	7,686	7,673	7,828
Other current revenues	29,215	29,872	32,404	32,940	33,517
Capital revenues	5,584	5,110	3,402	5,586	24,498
Total revenues	516,980	534,400	556,579	571,604	602,763
% of GDP	46.7%	45.8%	45.7%	45.3%	46.3%
Current account surplus/(deficit)	19,379	17,037	12,187	9,376	(3,235)
% of GDP	1.7%	1.5%	1.0%	0.7%	(0.2)%
Net borrowing	19,125	7,544	32,262	28,403	31,832
% of GDP	1.7%	0.6%	2.6%	2.3%	2.4%
Primary balance	55,613	67,789	47,308	44,144	37,459
% of GDP	5.0%	5.8%	3.9%	3.5%	2.9%
GDP (nominal value)	1,107,994	1,166,548	1,218,535	1,260,428	1,300,926

Source: Annual Report of the Bank of Italy (2004) for the year ended December 31, 2003.

(1) The Statistical Office of the European Communities, or Eurostat, published in July 2002 a decision relating to the methods of accounting for securitizations. Pursuant to the Eurostat decision, Italy is required to account for receipts, aggregating approximately €6.7 billion, from certain real estate and state lottery proceeds securitization transactions, which took place in 2001, in the three-year period 2002-2004 and not in 2001. The general government revenues and expenditures figures for 2001 presented in the table above take into account the effects of the Eurostat decision. As a result of the Eurostat decision, Italy's net borrowing for 2001 rose of 0.6 percentage points over GDP.

(2) Includes revenues from UMTS licenses (deducted from capital expenditures) for the year 2000 (€13,815 million, or 1.2 per cent of GDP) and revenues from the disposal of state-owned real estate (deducted from capital expenditures) for the year 2001 (€1,600 million, or 0.2 per cent of GDP) and 2002 (€10,800 million, or 0.9 per cent of GDP).

General government expenditures and revenues have increased in each of the last five years and are expected to increase in 2004. General government expenditures increased 5.8 per cent in 2003, compared to 1.2 per cent in 2002. Faster expenditure growth in 2003 was due to a 4.5 per cent increase in current

expenditures, reflecting in particular higher social services costs, wages and salaries and costs of goods and services as well as higher investment in 2003. As a percentage of GDP, general government expenditures increased from 47.6 per cent in 2002 to 48.8 per cent in 2003.

General government revenues increased 5.5 per cent in 2003 primarily due to a growth in capital revenues attributable to receipts from the tax amnesty introduced in 2003 and higher social security contributions. As a percentage of GDP, general government revenues increased 1.0 percentage points to 46.3 per cent in 2003 from 45.3 per cent in 2002.

Italy's current account surplus has decreased steadily since 1999 and Italy registered a €3.2 billion account deficit in 2003 principally attributable to a rise in wage and salaries and costs of goods and services, which was only partially offset by the slight rise in tax receipts.

The following table sets forth the composition of tax revenues for each of the five fiscal years ended December 31, 2003.

	1999	2000	2001	2002	2003
	(millions of euro)				
Direct taxes⁽¹⁾					
Personal income tax.....	114,661	113,970	120,931	120,204	124,134
Corporate income tax.....	29,759	28,622	32,521	29,651	28,948
Local income tax.....	366	165	195	145	59
Investment income tax.....	11,535	18,426	15,174	12,620	10,505
Other ⁽²⁾	5,492	3,774	8,739	7,693	13,769
Total direct taxes.....	161,813	164,957	177,560	170,313	177,415
Indirect taxes⁽¹⁾					
VAT.....	75,775	89,022	91,515	93,881	97,401
Other transaction-based taxes.....	16,464	15,042	14,519	16,497	18,377
Production taxes.....	26,945	26,532	25,936	26,034	27,436
Tax on State monopolies.....	6,398	7,357	7,305	7,685	7,770
National Lottery.....	11,701	8,887	7,722	8,858	6,839
Others.....	701	679	637	638	3,760
Total indirect taxes.....	137,983	147,519	147,634	153,593	161,583
Total taxes.....	299,797	312,476	325,194	323,906	338,998

Source: Annual Report of the Bank of Italy (2004) for the year ended December 31, 2003.

(1) The data presented is prepared for the State sector budget and does not correspond precisely to the general government budget figures contained in the table entitled "General Government Revenues and Expenditures under "—Revenues and Expenditures", primarily because the latter include indirect taxes levied by regional and local governments.

(2) The taxes classified as "other" are non-recurring and, accordingly, this item is highly variable.

In 2003, direct taxes receipts increased by 4.2 per cent from €170.3 billion in 2002 to €177.4 billion in 2003. The increase was primarily due to receipts resulting from the tax amnesty introduced in 2003 which amounted to €7.8 billion.

Indirect taxes include VAT, excise duties, stamp duties and other taxes levied on expenditures. Indirect tax receipts increased approximately 5.2 per cent from €153.6 billion in 2002 to €161.6 billion in 2003.

Public Debt

The following table shows the total debt incurred by the Treasury as of the dates indicated. Total debt incurred by the Treasury differs from Italy's total public debt as it does not include liabilities to holders of postal savings accounts and debt incurred by other state sector entities and other general government entities.

Public Debt of the Treasury

	December 31, 2003	March 31, 2004
	(millions of euro)	
Short term bonds (BOT)	119,645	141,605
Medium and long term bonds (initially incurred or issued in Italy)	952,111	964,210
External bonds (initially incurred or issued outside Italy)....	84,930	90,743 ⁽¹⁾
Total debt incurred by the Treasury ⁽²⁾	1,156,686	1,196,557

Source: Ministry of Economy and Finance.

- (1) Italy often enters into currency swap agreements in the ordinary course of the management of its debt. The total amount of external bonds shown above takes into account the effect of these arrangements.

In addition, the total amount of external bonds shown above includes (i) US\$989 million of debt originally incurred outside Italy by Ferrovie dello Stato S.p.A., or FS, the State railway entity, and assumed by the Treasury by law in 1996 and (ii) approximately €3,986 million in obligations outstanding at March 31 under Italy's €10 billion Commercial Paper program, with maturities of less than one year.

The amount of external bonds shown above does not correspond to the total amount of external bonds indicated in the table "External Bonds of the Treasury as of March 31, 2004" below, which does not take into account (i) the effect of currency swaps, (ii) FS debt incurred outside Italy, and (iii) Italy's Commercial Paper program.

The following table shows the external bonds of the Treasury issued and outstanding as of March 31, 2004.

**External Bonds of the Treasury
as of March 31, 2004**

Title	Interest Rate(%)	Initial Public Offering Price	Date of Issue	Maturity Date	Original Principal Amount	Principal Amount Outstanding	Equivalent in euro
US\$(¹)							
\$3,500,000,000	6.875%	98.725%	September 27, 1993	September 27, 2023	3,500,000,000	3,500,000,000	2,863,219,895
\$1,500,000,000	6.025%-6.88 %	100.000%	March 5, 1996	Mar 5, 2004/12	1,500,000,000	1,500,000,000	1,227,094,241
\$750,000,000	5.81%-6.70%	100.000%	March 5, 1996	Mar 5, 2002/10	750,000,000	750,000,000	613,547,120
\$1,500,000,000	5.97%-6.25%	100.000%	December 20, 1996	December 20, 2004/12	1,500,000,000	1,500,000,000	1,227,094,241
\$2,500,000,000	6.000%	99.755%	May 29, 1998	May 29, 2008	2,500,000,000	2,500,000,000	2,045,157,068
\$2,000,000,000	7.250%	99.682%	February 7, 2000	February 7, 2005	2,000,000,000	2,000,000,000	1,636,125,654
\$2,000,000,000	6.000%	99.274%	February 22, 2001	February 22, 2011	2,000,000,000	2,000,000,000	1,636,125,654
\$2,000,000,000	5.250%	99.506%	April 5, 2001	April 5, 2006	2,000,000,000	2,000,000,000	1,636,125,654
\$100,000,000	5.000%	99.635%	May 15, 2001	May 15, 2005	100,000,000	100,000,000	81,806,283
\$85,930,000	Zero Coupon	100.000%	May 25, 2001	various	85,930,000	85,930,000	70,296,139
\$3,000,000,000	4.375%	99.468%	October 25, 2001	October 25, 2006	3,000,000,000	3,000,000,000	2,454,188,482
\$2,000,000,000	4.375%	98.007%	January 28, 2002	October 25, 2006	2,000,000,000	2,000,000,000	1,636,125,654
\$2,000,000,000	5.625%	99.893%	March 1, 2002	June 15, 2012	2,000,000,000	2,000,000,000	1,636,125,654
\$2,000,000,000	4.625%	99.594%	March 22, 2002	June 15, 2005	2,000,000,000	2,000,000,000	1,636,125,654
\$1,000,000,000	5.625%	99.392%	May 8, 2002	June 15, 2012	1,000,000,000	1,000,000,000	818,062,827
\$300,000,000	3 mth libor – 0.065%	100.000%	August 1, 2002	August 1, 2007	300,000,000	300,000,000	245,418,848
\$3,000,000,000	3.625%	99.721%	September 4, 2002	September 4, 2007	3,000,000,000	3,000,000,000	2,454,188,482
\$3,000,000,000	2.500%	99.767%	January 30, 2003	March 31, 2006	3,000,000,000	3,000,000,000	2,454,188,482
\$2,000,000,000	5.375%	98.436%	February 27, 2003	June 15, 2033	2,000,000,000	2,000,000,000	1,636,125,654
\$2,000,000,000	4.375%	99.694%	February 27, 2003	June 15, 2013	2,000,000,000	2,000,000,000	1,636,125,654
\$1,250,000,000	3.250%	99.949%	May 6, 2003	May 6, 2008	1,250,000,000	1,250,000,000	1,022,578,534
\$2,000,000,000	2.500%	99.521%	July 3, 2003	July 15, 2008	2,000,000,000	2,000,000,000	1,636,125,654
\$3,000,000,000	2.750%	99.901%	November 13, 2003	December 15, 2006	3,000,000,000	3,000,000,000	2,454,188,482
\$100,000,000	4.170%	100.000%	November 14, 2003	November 15, 2010	100,000,000	100,000,000	81,806,283
\$100,000,000	4.060%	100.000%	December 9, 2003	December 9, 2010	100,000,000	100,000,000	81,806,283
\$2,000,000,000	2.75%	100.239%	January 14, 2004	December 15, 2006	2,000,000,000	2,000,000,000	1,636,125,654
\$2,000,000,000	3.25%	99.515%	March 3, 2004	May 15, 2009	2,000,000,000	2,000,000,000	1,636,125,654
Euro(²)							
€1,000,000,000	3 mth libor	100.000%	October 30, 1990	October 30, 2005	1,000,000,000	1,000,000,000	1,000,000,000
€2,500,000,000	9.250%	98.160%	March 7, 1991	March 7, 2011	2,500,000,000	2,500,000,000	2,500,000,000
€1,022,583,762	3 mth libor+ 0.0625%	99.887%	December 11, 1995	December 20, 2002/10	1,022,583,762	1,022,583,762	1,022,583,762
€1,000,000,000	6.000%	99.250%	April 2, 1997	April 2, 2004	1,000,000,000	1,000,000,000	1,000,000,000
€567,225,275	6.250%	100.790%	May 29, 1997	May 29, 2012	567,225,275	567,225,275	567,225,275
€762,245,086	5.875%	101.594%	July 2, 1997	July 2, 2007	762,245,086	762,245,086	762,245,086
€1,533,875,644	5.750%	101.663%	July 10, 1997	July 10, 2007	1,533,875,644	1,533,875,644	1,533,875,644
€60,000,000	FRN/FX	99.610%	October 8, 1998	October 8, 2018	60,000,000	60,000,000	60,000,000
€300,000,000	Index linked	101.425%	October 15, 1998	October 15, 2018	300,000,000	300,000,000	300,000,000
€1,000,000,000	4.000%	99.342%	October 26, 1998	October 26, 2005	1,000,000,000	1,000,000,000	1,000,000,000
€1,000,000,000	CMS	99.950%	May 6, 1999	May 6, 2019	1,000,000,000	1,000,000,000	1,000,000,000
€1,000,000,000	CMS	101.600%	June 28, 1999	June 28, 2029	1,000,000,000	905,000,000	905,000,000
€1,000,000,000	CMS	100.750%	August 30, 1999	August 30, 2019	1,000,000,000	1,000,000,000	1,000,000,000
€1,000,000,000	5.250%	99.952%	March 10, 2000	March 10, 2005	1,000,000,000	1,000,000,000	1,000,000,000
€2,000,000,000	4.750%	99.706%	January 23, 2001	January 23, 2006	2,000,000,000	2,000,000,000	2,000,000,000
€150,000,000	Zero Coupon	100.000%	February 20, 2001	February 20, 2031	150,000,000	150,000,000	150,000,000
€3,000,000,000	5.750%	100.040%	July 25, 2001	July 25, 2016	3,000,000,000	3,000,000,000	3,000,000,000
€400,000,000	3 mth libor – 0.06%	100.000%	January 22, 2002	January 22, 2012	400,000,000	400,000,000	400,000,000
€1,000,000,000	3 mth euribor – 0.06%	100.000%	July 24, 2003	January 24, 2007	1,000,000,000	1,000,000,000	1,000,000,000
Swiss Francs(³)							
ChF 300,000,000	Zero Coupon	30.873%	December 11, 1985	December 11, 2005	300,000,000	300,000,000	192,381,685
ChF 1,000,000,000	3.250%	102.250%	July 1, 1997	July 1, 2004	1,000,000,000	1,000,000,000	641,272,284
ChF 1,000,000,000	3.500%	102.900%	September 25, 1998	September 25, 2008	1,000,000,000	1,000,000,000	641,272,284
ChF 1,500,000,000	3.125%	99.825%	January 15, 1999	July 15, 2010	1,500,000,000	1,500,000,000	961,908,426
ChF 1,000,000,000	3 mth libor – 0.1%	100.060%	March 24, 2000	March 24, 2005	1,000,000,000	1,000,000,000	641,272,284
ChF 1,000,000,000	3.625%	100.820%	January 10, 2001	January 10, 2006	1,000,000,000	1,000,000,000	641,272,284
ChF 1,000,000,000	3.000%	100.180%	February 11, 2002	August 11, 2006	1,000,000,000	1,000,000,000	641,272,284
ChF 1,000,000,000	2.000%	100.470%	January 30, 2003	April 30, 2009	1,000,000,000	1,000,000,000	641,272,284
ChF 1,000,000,000	1.250%	99.775%	August 11, 2003	February 9, 2007	1,000,000,000	1,000,000,000	641,272,284
ChF 1,000,000,000	1.750%	100.09%	February 3, 2004	March 3, 2008	1,000,000,000	1,000,000,000	641,272,284
Pounds Sterling(⁴)							
£400,000,000	10.500%	100.875%	April 28, 1989	April 28, 2014	400,000,000	400,000,000	600,690,794
£1,500,000,000	6.000%	98.565%	August 4, 1998	August 4, 2028	1,500,000,000	1,500,000,000	2,252,590,479
£105,000,000	6mth libor – 0.3%	99.700%	May 2, 2000	May 2, 2005	105,000,000	105,000,000	157,681,334
£600,000,000	3mth libor – 0.15%	100.000%	March 5, 2003	March 5, 2008	600,000,000	600,000,000	901,036,192

Title	Interest Rate(%)	Initial Public Offering Price	Date of Issue	Maturity Date	Original Principal Amount	Principal Amount Outstanding	Equivalent in euro
Norwegian Kroners⁽⁵⁾							
NOK 2,000,000,000	6.150%	100.000%	September 25, 2002	September 25, 2012	2,000,000,000	2,000,000,000	237,079,184
NOK 2,000,000,000	4.34%	100.000%	June 23, 2003	June 23, 2015	2,000,000,000	2,000,000,000	237,079,184
Japanese Yen⁽⁶⁾							
¥200,000,000,000	5.000%	99.540%	December 15, 1994	December 15, 2004	200,000,000,000	200,000,000,000	1,575,175,238
¥125,000,000,000	5.500%	100.000%	December 15, 1994	December 15, 2014	125,000,000,000	125,000,000,000	984,484,524
¥225,000,000,000	3.750%	100.000%	June 8, 1995	June 8, 2005	225,000,000,000	225,000,000,000	1,772,072,143
¥125,000,000,000	4.500%	100.000%	June 8, 1995	June 8, 2015	125,000,000,000	125,000,000,000	984,484,524
¥150,000,000,000	3.800%	100.000%	April 4, 1996	March 27, 2008	150,000,000,000	150,000,000,000	1,181,381,429
¥100,000,000,000	3.700%	100.000%	November 14, 1996	November 14, 2016	100,000,000,000	100,000,000,000	787,587,619
¥100,000,000,000	3.450%	99.800%	March 24, 1997	March 24, 2017	100,000,000,000	100,000,000,000	787,587,619
¥100,000,000,000	1.800%	99.882%	February 23, 2000	February 23, 2010	100,000,000,000	100,000,000,000	787,587,619
¥100,000,000,000	0.375%	99.936%	October 10, 2001	October 10, 2006	100,000,000,000	100,000,000,000	787,587,619
¥100,000,000,000	0.375%	99.800%	April 2, 2002	October 10, 2006	100,000,000,000	100,000,000,000	787,587,619
Australian Dollar⁽⁷⁾							
A\$1,000,000,000	5.88%	99.803%	February 27, 2004	August 14, 2008	1,000,000,000	1,000,000,000	622,975,330
TOTAL OUTSTANDING							80,122,090,491⁽⁸⁾

Source: Ministry of Economy and Finance.

- (1) U.S. dollar amounts have been converted into euro at \$1.2224/€1.00, the exchange rate prevailing at March 31, 2004.
- (2) External debt denominated in currencies of countries that have adopted the euro have been converted into euro at the fixed rate at which those currencies were converted into euro upon their issuing countries becoming members of the European Monetary Union.
- (3) Swiss Franc amounts have been converted into euro at ChF1.5594/€1.00, the exchange rate prevailing at March 31, 2004.
- (4) Pounds Sterling amounts have been converted into euro at £0.6659/€1.00, the exchange rate prevailing at March 31, 2004.
- (5) Norwegian Kroner amounts have been converted into euro at NOK8.436/€1.00, the exchange rate prevailing at March 31, 2004.
- (6) Japanese Yen amounts have been converted into euro at ¥126.97/€1.00, the exchange rate prevailing at March 31, 2004.
- (7) Australian Dollar amounts have been converted into euro at A\$1.6052/€1.00, the exchange rate prevailing at March 31, 2004.
- (8) Italy often enters into swap agreements in the ordinary course of the management of its debt. The total amount shown above does not give effect to these arrangements. The following table summarizes the effects on the Treasury's external bonds after giving effect to currency swaps. Total external bonds before and after swap do not include US\$989 million of debt originally incurred outside Italy by FS and assumed by the Treasury by law in 1996.

Currency	As of March 31, 2004	
	Before Swap	After Swap
US Dollars.....	47.67%	7.20%
Euro.....	25.21%	68.72%
Swiss Francs	7.84%	7.97%
Pounds Sterling.....	4.88%	3.43%
Norwegian Kroner	0.59%	0.00%
Japanese Yen	13.02%	12.68%
Australian Dollar	0.78%	0.00%
Total External Bonds (in millions of Euro)	€78,486	€85,947

Source: Ministry of Economy and Finance

The total amount shown above does not include US\$989 million of debt originally incurred outside Italy by FS and assumed by the Treasury by law in 1996.

The total amount shown above does not include approximately €3,986 million outstanding under Italy's Commercial Paper program.

GENERAL INFORMATION

1. Application has been made to list the Instruments to be issued under the Programme on the Luxembourg Stock Exchange. In connection herewith, the Luxembourg Stock Exchange has assigned registration number 12079 to the Programme.

However, Instruments may be issued pursuant to the Programme which will not be listed on the Luxembourg Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree.

2. The Instruments have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Instruments of each Series will be specified in the Pricing Supplement relating thereto. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Instruments for clearance together with any further appropriate information.

3. Bearer Instruments (other than Temporary Global Instruments) and any Coupon appertaining thereto will bear a legend substantially 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 Bearer Instrument or Coupon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Instrument or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

4. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Fiscal Agent or, as the case may be, the Registrar in relation to each Tranche of Instruments.

5. There are no legal, arbitration or administrative proceedings against or affecting the Issuer (and no such proceedings are pending or threatened) which have or may have, individually or in the aggregate, a significant effect on the financial position of the Issuer.

6. For so long as the Programme remains in effect or any Instruments shall be outstanding, copies and, where appropriate, English translations of the following documents may be inspected, and in the case of (a) and (d) below, copies will be obtainable during normal business hours at the specified office of the Paying Agent in Luxembourg:

- (a) the Information Memorandum and any document is incorporated by reference therein;
- (b) the Issue and Paying Agency Agreement;
- (c) the Dealership Agreement;
- (d) any Pricing Supplement relating to Instruments which are listed on any stock exchange, which will be made available free of charge. In the case of any Instruments which are not listed on any stock exchange, copies of the relevant Pricing Supplement will only be available for inspection by a Holder.

7. The increase of the Authorised Amount of the Programme and the update of the Programme have been authorised pursuant to Decree no.66054 issued on 16 July 2004 by the Director-General of the Treasury Department.

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Deutsche Bank AG London
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Head of the Legal Department of the Ministry of Economy and Finance
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