PROSPECTUS

U.S.$1,000,000,000

The Region of Lombardy

5.804% Notes Due 2032

The Region of Lombardy, or Lombardy, is offering U.S.$1,000,000,000 of 5.804% notes due October 25, 2032. The notes will be direct, unconditional, unsubordinated and unsecured obligations of Lombardy. The notes will at all times rank at least equally with all other unsecured and unsubordinated indebtedness of Lombardy. The full faith and credit of Lombardy will be pledged for the due and punctual payment of all principal and interest on the notes. Lombardy will pay interest in arrear on April 25 and October 25 of each year, commencing on April 25, 2003. Lombardy will have the option to redeem the notes in the event of certain changes to Italian withholding taxes.

Lombardy has applied to list the notes on the Luxembourg Stock Exchange in accordance with its rules.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Price to the public (1)	100%	U.S.$1,000,000,000
Discounts and commissions	.875%	U.S.$8,750,000
Proceeds, before expenses, to Lombardy (1)	99.125%	U.S.$991,250,000

(1) Plus accrued interest from October 24, 2002 if settlement occurs after that date

The underwriters are offering the notes subject to various conditions. The underwriters expect to deliver the notes to purchasers on or about October 24, 2002 through the book-entry facilities of The Depository Trust Company.

Merrill Lynch & Co. **UBS Warburg**

Depfa Bank

Deutsche Bank

JPMorgan

Lehman Brothers

WestLB AG

The date of this Prospectus is October 17, 2002

You should not assume the information contained in this prospectus is accurate as of any date other than the date on the front of this document. Information contained in this prospectus is subject to completion or amendment.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must rely on any authorized information or representations. This prospectus is an offer to sell only the securities described in this prospectus and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

In connection with the issue and distribution of the notes, UBS AG, acting through its business group UBS Warburg, or any person acting on its behalf may over-allot or effect transactions with a view to supporting the market price of the notes at a higher level than that which might otherwise prevail for a limited period after the issue date. However, there may be no obligation on UBS AG, acting through its business group UBS Warburg, or any agent acting on its behalf to do this. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

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PRESENTATION OF CERTAIN INFORMATION

In this prospectus, all references to "Lombardy" are to the Region of Lombardy. All references to the "central government" are to the parliament, the executive authorities and the judicial authorities of the Republic of Italy. All references to the "regional council" and to the "regional board" are to the regional council and the regional board, respectively, of the Region of Lombardy. References to "Lire", "lira" or "Lit." are to Italian lira. References to "€" or "euro" are to the euro, the single currency established for participants in the third stage of European Monetary Union, or EMU; and all references to "U.S. dollars" and "U.S.$" are to the lawful currency of the United States of America. References to annual periods (e.g. "2000") refer to the calendar year ended December 31. Lombardy currently publishes domestic information in euro. The euro became a currency in Italy, alongside the lira, on January 1, 1999 at a conversion rate of €1.00 = Lit. 1,936.27. Prior to the introduction of the euro, Lombardy published domestic economy information in Italian lira. Solely for the convenience of the reader, euro amounts presented in this prospectus for periods prior to January 1, 1999, have been translated into euro assuming the same conversion rate of €1.00 = Lit. 1,936.27.

The sources for most of the financial and demographic statistics in this prospectus, are, except as otherwise indicated, the Italian Institute of Statistics (*Istituto Nazionale di Statistica*), known as ISTAT, the Annual Statistics of the Region of Lombardy (*Annuario Statistico Regionale Lombardia*), known as ASRL and the Regional Research Institute of Lombardy, known as IReR. Certain other financial and statistical information contained in this prospectus has been derived from official Italian government sources including information published by the Italian Ministry of Economy and Finance and the Bank of Italy. Statistical information included in this prospectus for the year 2001 may be provisional and subject to change. Lombardy, as a political subdivision of the Republic of Italy, does not adhere to the International Monetary Fund Special Data Dissemination Standard.

Financial data provided may be subsequently revised in accordance with Lombardy's ongoing maintenance of its economic data, and Lombardy will not distribute such revised data to any holder of the notes. Components contained in tabular information in this prospectus may not add to totals due to rounding. The term "N/A" is used to identify economic or financial data that is not presented for a particular period because it is not applicable to such period.

EXCHANGE RATES

The euro

The Treaty on European Union, known as the Maastricht Treaty, which came into effect on November 1, 1993, established the guidelines for a single European currency under the monetary control of the European Monetary Institute which later became the European Central Bank. With the approval of the Council of the European Union, Italy, Austria, Belgium, Finland, France, Germany, Greece, Ireland, Luxembourg, The Netherlands, Portugal and Spain, also known as the Participating Member States, agreed to adhere to the Maastricht Treaty.

On January 1, 1999, the euro officially became a currency, alongside each of the national currencies of Participating Member States, which were fixed at irrevocable conversion rates to the euro. The national currency of each Participating Member State continued to be sole legal tender for cash transactions in each nation. The conversion rate between the euro and the Italian lira was fixed at Lit. 1,936.27 per euro.

The following table sets forth the fixed conversion rates between the euro and each of the twelve Participating Member States' national currencies:

	Belgian/ Luxembourg Franc	French Franc	German Mark	Irish Punt	Dutch Guilder	Portuguese Escudo	Spanish Peseta	Austrian Schilling	Finnish Mark	Italian lira	Greek Drachma
€1.00	40.3399	6.55957	1.95583	0.787564	2.20371	200.482	166.386	13.7603	5.94573	1936.27	340.75

Also on January 1, 1999, the European Central Bank in Frankfurt began to determine monetary policy for the Participating Member States. Beginning on January 1, 2002, the euro was introduced as the legal tender in each of the Participating Member States although each of the Participating Member States continued to accept each of the pre-existing national currencies (alongside the euro) for temporary periods which ended no later than March 1, 2002. The Italian lira ceased to be legal tender on March 1, 2002 and has been removed from circulation and replaced by the euro.

Exchange Rates

The following tables show, for the periods indicated, information concerning the exchange rates between the U.S. dollar and the lira and between the U.S. dollar and the euro. These rates are provided solely for your convenience. We do not represent that the named currencies could have been converted at these rates or any other rate.

The column of averages in the tables below shows the averages of the relevant exchange rates on the last business day of each month during the relevant period. The high and low columns show the highest and the lowest mid-market quotes, respectively, on any business day during the relevant period.

	Lire per U.S. Dollar(1)			
	End of Period	Average(2)	High	Low
Year ended December 31,				
1996	1,519	1,543	1,602	1,496
1997	1,769	1,703	1,841	1,516
1998	1,654	1,736	1,828	1,592
1999	1,923	1,817	1,933	1,639
2000	2,062	2,096	2,341	1,874
2001	2,175	2,165	2,313	2,031
2002 (through February 28)	2,236	2,245	2,251	2,144

(1) Based on the U.S. Federal Reserve Bank noon buying rate for the lira for 1996, 1997 and 1998. For 1999, 2000, 2001 and 2002, based on the noon buying rate for euro and then converted in lira at the fixed lira/euro conversion rate of €1.00 = Lit. 1,936.27.
(2) Based on the average of the exchange rates for the last business day of each month during the relevant period.

The table below provides historical exchange rate data concerning the euro as well as the European Currency Unit, or ECU. The ECU, the predecessor to the euro, was a composite currency consisting of specified amounts of the currencies of the European Union member states, not all of which are currently members of EMU. In accordance with European Council Regulation No. 1103/97, substitution of the euro for the ECU on January 1, 1999 was at the rate of one euro per ECU.

	U.S. Dollar per euro(1)			
	End of Period	Average(2)	High	Low
Year ended December 31,				
1996	1.25	1.25	1.29	1.22
1997	1.10	1.13	1.25	1.05
1998	1.18	1.12	1.23	1.07
1999	1.00	1.07	1.18	1.00
2000	0.94	0.92	1.03	0.83
2001	0.89	0.89	0.94	0.85
2002 (through September 30)	0.99	0.93	1.02	0.86

(1) Based on the U.S. Federal Reserve Bank noon buying rate for ECU for 1996, 1997 and 1998 and for the euro for 1999, 2000, 2001 and 2002.
(2) Based on the average of the exchange rates for the last business day of each month during the relevant period.

SERVICE OF PROCESS AND ENFORCEMENT OF CLAIMS

Lombardy is a governmental subdivision within a foreign sovereign state. Consequently, it may be difficult for investors to obtain or realize upon judgments of courts in the United States against Lombardy. The U.S. Foreign Sovereign Immunities Act of 1976, or the Immunities Act, may provide an effective means of service and preclude granting sovereign immunity in such action in the United States.

Lombardy will, in the fiscal agency agreement and in the notes, irrevocably submit to the jurisdiction of any state or federal court in the Borough of Manhattan, The City of New York, in respect of any claim or action arising out of or based upon the fiscal agency agreement or the notes which any holder of a note may institute, such as, for example, a claim for breach of any obligation under the fiscal agency agreement or the notes. Such holder may serve any process or other legal summons in connection with any such action upon Lombardy by delivery of letters rogatory to IntesaBci or by any other means that may have become permissible under the laws of the State of New York and the Republic of Italy at the time of such service. However, Lombardy has not consented to service for suits made under the U.S. federal or state securities laws and, as explained below, Lombardy's waiver of immunity does not extend to those actions.

Lombardy will irrevocably waive and agree not to plead any immunity (including sovereign immunity) from the jurisdiction of any state or federal court in the Borough of Manhattan, The City of New York, to which it might otherwise be entitled in any action arising out of or based upon the notes, to the fullest extent permitted by applicable law. However, Lombardy reserves the right to plead sovereign immunity under the Immunities Act with respect to actions brought against it under United States federal securities laws or any state securities laws. In the absence of a waiver of immunity by Lombardy with respect to such actions, it would not be possible to obtain a U.S. judgment in such actions unless a court were to determine that Lombardy is not entitled to sovereign immunity under the Immunities Act with respect to an action. Even if you obtained a U.S. judgment in any such suit, you may not be able to enforce the judgment in the Republic of Italy.

Lombardy has been advised by Studio Legale Beltramo, its Italian counsel, that: (i) subject to Law No. 218 of May 31, 1995, the recognition by Italian courts of final judgments of non-Italian courts without retrial in Italy and the enforceability in Italy of judgments of non-Italian courts are subject, among other things, to:

- the determination by an Italian court that the non-Italian court had jurisdiction in accordance with Italian law principles governing international jurisdiction, that process was appropriately served on the defendant in accordance with the relevant procedural non-Italian law, that no fundamental right of the defense was violated thereby, that the decision is final according to the law under which it has been rendered, and that the enforcement of such judgment would not violate Italian public policy;
- appearance before the court by parties to the trial in accordance with the relevant procedural non-Italian law and, in the case of judgments obtained by default, the determination by an Italian court that the judgment by default was entered in accordance with the relevant procedural non-Italian law; and
- the absence of a conflicting final judgment by an Italian court or of an action pending in Italy among the same parties and arising from the same facts and circumstances that commenced prior to the commencement of proceedings in the non-Italian court.

In original actions brought in Italy to enforce liabilities predicated solely upon the securities laws of other jurisdictions, the Italian court will apply Italian conflict of law rules to determine the applicable law and, even if such securities laws are determined to apply to such actions, the Italian court may also apply certain provisions of Italian law that are regarded as mandatory in an international context.

FORWARD-LOOKING STATEMENTS

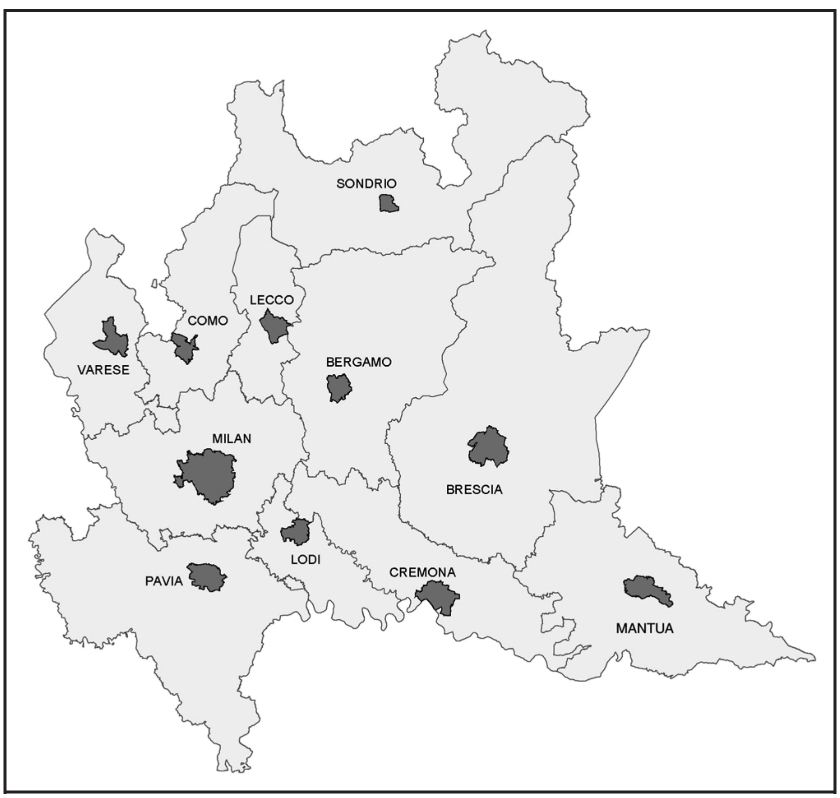
The prospectus may contain forward-looking statements.

Forward-looking statements are statements that are not about historical facts, including statements about Lombardy's beliefs and expectations. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made. Lombardy undertakes no obligation to update publicly any of the forward-looking statements in light of new information or future events, including changes in Lombardy's economic policy or its provisional 2002 budget, or to reflect the occurrence of unanticipated events.

Forward-looking statements involve inherent risks and uncertainties. Lombardy cautions you that a number of important factors could cause actual results to differ materially from those expressed in any forward-looking statement. These factors include, but are not limited to:

- adverse external factors, such as any further terrorist attacks in the United States or elsewhere, acts of war, any general slowdown in the global economy or in the economies of Lombardy or the Republic of Italy, changes in the laws of the Republic of Italy governing the autonomy of the regions, as well as the relationship between the regions, central government or European Union transfers; and
- adverse domestic factors, such as declines in foreign direct and portfolio investment, inflation in the Republic of Italy or the European Union, high domestic interest rates, decreased tax revenues due to changes in tax laws or regulations, exchange rate volatility, or political uncertainty.

Region of Lombardy



PROSPECTUS SUMMARY

This summary highlights information contained in this prospectus and may not contain all of the information that may be important to you. You should read this summary along with the more detailed information elsewhere in this prospectus.

General

Lombardy is a region within the foreign sovereign state of Italy. It is located in the northern central portion of Italy and covers an area of approximately 24,000 square kilometers. With a population of approximately 9,120,000 as of December 31, 2000, Lombardy is the most populous region in Italy, representing approximately 15.8% of the total population of Italy. Lombardy's population is concentrated in Milan, which accounts for 41.4% of the population of the region. In addition to being the most populous city in Lombardy, Milan is also its main administrative center.

Lombardy is the wealthiest region in Italy. In 1999, Lombardy had the highest GDP of any region in Italy, both on a per capita basis and in absolute terms. Lombardy, with its principal city, Milan, is also the financial center of Italy, where many of the country's leading banks and financial institutions have their headquarters. In addition, the Italian stock market (*Borsa Italiana*) is located in Lombardy.

A democratic republic since 1946, Italy has a government organized territorially and administratively on national, regional and local levels. The Italian Constitution, as amended in 2001, reserves to the central government exclusive powers to act in certain areas, including foreign policy and international relations, immigration, defense, armed forces, security and economic and monetary policy. In addition, the Italian Constitution grants ordinary regions and the central government concurrent legislative powers with respect to certain matters. The Italian Constitution also now grants the regions exclusive legislative powers on all those matters which are not expressly and specifically reserved, either exclusively or concurrently, to the central government. Regions must exercise their powers in accordance with the basic principles established by the central government and the European Union.

Lombardy, like all ordinary Italian regions, is managed by a regional council (*consiglio regionale*), a regional board (*giunta regionale*) and a regional President (*Presidente della giunta regionale*) who is also president of the regional board. Regional councils, which are modeled on the Italian Parliament but which have only one chamber, have legislative functions and are composed of between 30 and 80 regional councilors (*consiglieri regionali*). The number of councilors depends on the population of the region that they represent. Lombardy's regional council is composed of 80 regional councilors. Regulatory functions which were exercised by the regional council are now in the process of being transferred to the regional board.

Italy is one of the fifteen Participating Member States of the European Union. The Treaty on European Union, or Maastricht Treaty, came into effect on November 1, 1993 and established the guidelines for a single European currency under the monetary control of the European Monetary Institute which later became the European Central Bank. On January 1, 1999, the euro became a currency, alongside each of the national currencies of Participating Member States, which were fixed at irrevocable conversion rates to the euro. The conversion rate between the euro and the Italian lira was fixed at Lit. 1,936.27 per euro. Beginning on January 1, 2002, the euro was introduced as the legal tender in each of the Participating Member States although each of the Participating Member States continued to accept each of the pre-existing national currencies (alongside the euro) for temporary periods which ended no later than March 1, 2002. The Italian lira ceased to be legal tender on March 1, 2002 and has been removed from circulation and replaced by the euro.

The Economy of Lombardy

Lombardy's economy is diversified and integrated with the European Union. It has developed infrastructure and transportation networks as well as efficient industries. Lombardy contributed approximately €206.4 billion to Italy's real Gross Domestic Product, or GDP, in 2000 (the latest year for which information is available from the Italian Institute of Statistics, ISTAT), or 20.4% of total national GDP, which is the highest contribution to the national GDP among Italy's regions. In 2000, average per capita income in Lombardy was €26,175, significantly above the Italian national average of €20,136.

Lombardy maintains its statistical economic indicators based upon GDP and Gross Added Value, or GAV. GDP is the measure used for Italy as a whole. GAV is equivalent to GDP excluding value added tax, or VAT, and net import tax. Lombardy's economy is based mainly on the services sector, which accounted for 61.6% of GAV in 2000 and 57.4% of total employment, followed by the industrial sector with 36.5% of GAV and 40.5% of total employment and the primary sector with 1.8% of GAV and 2.1% of total employment. At the end of December 2001, Lombardy's unemployment level was approximately 3.7%, which is below the Italian national level of 9.5%.

Lombardy accounted for 28.6% of Italy's total exports in 2001 and 37.6% of its imports. Lombardy's principal exports are metal, chemical products and electrical products which together accounted for 63% of exports in 2001. The principal foreign imports into Lombardy are electrical goods, chemical goods and transportation equipment, which together represented 61% of total imports in 2001. In 2001, Lombardy's total trade volumes increased by 3.1% from the previous year to €174,842 million, reflecting a 4.9% increase in exports and a 1.7% increase in imports. Lombardy had a foreign trade deficit for 2001, with approximately €77,049 million in exports compared to €97,793 million in total imports. Lombardy's 2001 foreign trade deficit reached €20,744 million, a decrease of 8.6% on the previous year. Most of Lombardy's exports (53%) are destined for European Union countries. Lombardy imported from the European Union 65% and 66% of its total imports, respectively, in 2001 and 2000.

Financial Information of Lombardy

The general administration of Lombardy's finances is the responsibility of the regional board and the regional council. As a governmental entity, Lombardy prepares its financial reports in accordance with accounting standards established by Italian law, which differ from the generally accepted accounting principles set forth for commercial entities. Lombardy does not prepare interim financial reports.

Lombardy maintains its accounts on an accrual basis and according to the calendar year. Under Italian law, Lombardy is required to produce three kinds of financial reports, each due at different times. These reports are the provisional budget (*bilancio di previsione*), the pre-closing budget (*bilancio di assestamento*) and the financial report (*bilancio consuntivo* or *rendiconto generale*).

Lombardy also produces a pluri-annual budget which contains a forecast of revenues and expenditures for the next three years. Unlike the provisional budget, the pluri-annual budget is not considered binding and the expenditures set forth are not deemed authorized. The pluri-annual budget is prepared by the regional financial services department and is presented to the regional board and the regional council together with the draft provisional budget.

The mix of Lombardy's current revenues has changed significantly in recent years. Until 1998, Lombardy's current revenues consisted primarily of transfers from the central government. As of 1998, however, central government transfers decreased significantly pursuant to the enactment of a law, known as the Bassanini Law, and subsequent Italian laws which have resulted in the transfer to regions and other local governments of broad powers to assess and collect taxes within their boundaries and to share in certain central government tax revenues. The central government is currently considering proposals to transfer additional tax assessment and collection responsibilities to the regions. Currently, the central government collects two major taxes, the IRAP tax and the IRPEF surtax, on behalf of Lombardy. Other taxes, such as the automobile tax, waste disposal tax, university tax and regional licensing fees are collected directly by Lombardy.

Debt of Lombardy

The Republic of Italy does not guarantee the debt of Lombardy, including the notes described in this prospectus.

The outstanding debt for which Lombardy is responsible consists exclusively of six euro-denominated loans, five borrowed from Italian banking institutions and one borrowed from the *Cassa Depositi e Prestiti*. The total aggregate amount of indebtedness for which Lombardy is responsible, as of July 31, 2002 was equal to approximately €1,121 million compared to €1,163 million as of December 31, 2001. More than 50% of Lombardy's debt is floating rate. Lombardy also benefits from central government-supported loans from financial institutions and the *Cassa Depositi e Prestiti* which constitute obligations of Lombardy, the debt service of which is funded by legally mandated central government transfers. These loans are not taken into consideration when determining Lombardy's aggregate indebtedness or the permitted debt service ratio below. Lombardy established a €2,000,000,000 medium term note program in December 2001, although no drawdowns under this program have yet been made.

Lombardy is prohibited under law from issuing debt if the ratio of the aggregate annual payment of principal and interest on outstanding debt, excluding debt relating to healthcare services, to total annual regional tax revenues would exceed 25%. Lombardy is well below the permitted debt service ratio. As of December 31, 2000, Lombardy's debt service ratio was 0.8% (0.0% excluding debt service relating to healthcare). As of December 31, 2001, Lombardy's debt service ratio was 0.5% (0.0% excluding debt service related to healthcare). As of July 31, 2002, Lombardy's debt service ratio was 0.87% (0.05% excluding debt service related to healthcare).

As of July 31, 2002, approximately 96.88% of debt serviced by Lombardy was incurred to finance healthcare deficits.

Offering Summary

This summary highlights information contained in this prospectus and may not contain all of the information that may be important to you. You should read this summary along with the more detailed description of the notes in "Description of the Notes".

Issuer .... The Region of Lombardy.

Notes .... U.S.$1,000,000,000 5.804% notes due 2032.

Issue Price .... 100% of the principal amount of the notes.

Maturity Date .... October 25, 2032.

Interest .... The notes will bear interest at a rate of 5.804% per annum payable semi-annually in arrear in U.S. dollars on April 25 and October 25 of each year, commencing on April 25, 2003.

Withholding Tax and Additional Amounts .... Lombardy will make all payments of principal and interest on the notes without withholding or deduction for any Italian taxes, except in certain limited circumstances.

Book Entry Delivery, Form and Denominations .... The notes will be issued in fully registered form without interest coupons attached in minimum denominations of U.S.$1,000 and integral multiples of U.S.$1,000. The notes will be represented by one or more global notes, registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). Beneficial interests in the global notes will be shown on, and the transfer thereof will be effected through, records maintained by DTC. You should read "Global Clearance and Settlement".

Status of the Notes .... The notes will be direct, unconditional, unsubordinated and (subject to the conditions of the negative pledge as described herein) unsecured obligations of Lombardy. They will rank *pari passu* with all other present or future unsecured (subject to the provisions of the negative pledge as described herein) and unsubordinated Indebtedness (as defined herein) of Lombardy, save for such as may be preferred by mandatory provisions of applicable law. The full faith and credit of Lombardy will be pledged for the due and punctual payment of the notes and for all obligations of Lombardy in respect of the notes. Lombardy will instruct its treasurer through an irrevocable payment mandate (as described herein) to allocate certain tax revenues of Lombardy under Title 1 of its annual budget and all other revenues necessary to meet its payment obligations under the notes. Title 1 of Lombardy's annual budget includes local tax revenues and central government VAT and gasoline tax revenues transferred to Lombardy. The payment mandate creates an irrevocable obligation on those sums in favor of the fiscal agent for the benefit of the holders of the notes. You should read "Description of the Notes — Status of the Notes".

Redemption .... The notes will not be redeemable prior to maturity, except in the event of certain changes involving Italian taxes or the occurrence of a special redemption event, as provided herein.

Events of Default	The notes will contain certain events of default, the occurrence of which may permit the holders of the notes to accelerate Lombardy's obligations under the notes prior to maturity. You should read "Description of the Notes — Default; Acceleration of Maturity".
Negative Pledge	The notes will contain certain covenants, including a negative pledge covenant that will restrict Lombardy (subject to certain exceptions) from securing, or permitting to subsist any security for, any present or future Indebtedness (as defined herein) by any Charge (as defined herein) on any of its present or future assets or revenues. You should read "Description of the Notes — Negative Pledge".
Listing	Lombardy has applied to list the notes on the Luxembourg Stock Exchange. You should read "Description of the Notes — Listing".
Use of Proceeds	Lombardy will use the net proceeds from the sale of the notes for capital investment and to refinance approximately €398.4 million existing debt incurred after December 31, 1996. This debt consists primarily of central government-supported loans. You should read "Use of Proceeds".
Taxation	You should read "Taxation" for a discussion of the U.S. and Italian tax consequences associated with an investment in the notes. Investors should consult their own tax advisors in determining the tax consequences of the purchase, ownership and disposition of the notes.
Fiscal Agent, Principal Paying Agent and Registrar	Citibank, N.A.
Luxembourg Listing Agent, Paying Agent and Transfer Agent	Kredietbank S.A. Luxembourgeoise.
Governing Law	The notes and the fiscal agency agreement will be governed by the laws of the State of New York. You should read "Description of the Notes — Governing Law and Submission to Jurisdiction".

USE OF PROCEEDS

Lombardy will receive net proceeds of approximately U.S.$991,250,000 from the sale of the notes, after deduction of underwriting fees. No expenses will be deducted from the proceeds as they will be borne by the representatives of the underwriters. The net proceeds will be used for capital investment and to refinance approximately €398.4 million existing debt incurred after December 31, 1996. This debt consists primarily of central government-supported loans. The details of this debt are as follows:

Amount Originally Borrowed (euro millions)	Amount Outstanding (euro millions)	Interest Rate	Year of Maturity
€369	€172	Floating 6 month Euribor +0.04%	2006
€134	€117	Fixed 5.14%	2012
€97	€85	Fixed 5.50%	2014
€52	€24	Floating 6 month Euribor −0.06%	2006

THE REGION OF LOMBARDY

General

Lombardy is located in the northern central portion of Italy and covers an area of approximately 24,000 square kilometers. Lombardy borders the regions of Piedmont, Emilia-Romagna, Veneto and Trentino-Alto Adige as well as Switzerland. Lombardy represents 7.9% of the area of Italy and is divided into 11 provinces: Milan, Pavia, Lodi, Cremona, Mantua, Brescia, Bergamo, Sondrio, Lecco, Como and Varese.

With a population of approximately 9,120,000 as of December 31, 2000, Lombardy is the most populous region in Italy, representing approximately 15.8% of the total population of Italy. The population of Lombardy is significantly greater than that of Campania, the next most populous region, which has a population of approximately 5,780,000. Lombardy's population is concentrated in Milan, which accounts for 41.4% of the population of the region. In addition to being the most populous city in Lombardy, Milan is also its main administrative center. Following Milan, Brescia, Bergamo and Varese are Lombardy's most populous cities and they account for about 12.2%, 10.7% and 9.0%, respectively, of the region's population.

The following table sets out the provinces located in the region of Lombardy and their respective population as of December 31, 2000:

Population of Lombardy

As of December 31, 2000

Provinces	Population
Milan	3,773,893
Pavia	499,197
Lodi	197,291
Cremona	335,700
Mantua	376,184
Brescia	1,112,628
Bergamo	974,388
Sondrio	177,578
Lecco	311,674
Como	542,606
Varese	820,575
Total	9,121,714

Source: ASRL

As of December 31, 2000, residents of Lombardy under the age of 25 constituted approximately 19.5% of the population of Lombardy, while the equivalent figure for Italy was approximately 25.8%. Approximately 17.8% of Lombardy's population is over the age of 65, compared with 18.2% for Italy as a whole.

Lombardy is the wealthiest region in Italy. In 1999, Lombardy had the highest GDP of any region in Italy, both on a per capita basis and in absolute terms. Lombardy, with its principal city, Milan, is also the financial center of Italy, where many of the country's leading banks and financial institutions have their headquarters. In addition, the Italian Stock Market (*Borsa Italiana*) is located in Lombardy.

Lombardy has a varied geographical landscape. Its features include mountains, hills and plains, as well as numerous lakes and rivers throughout the entire region. Lombardy has a number of popular tourist destinations located in its cities, in the mountains in the northern part of the region and around its lakes, which include Lake Como and Lake Maggiore. The San Siro stadium in Milan hosts various events, including the games of two of Europe's most successful soccer teams, AC Milan and Internazionale. Lombardy's capital, Milan, is a world famous center for both fashion and design.

The principal office of the region of Lombardy is located at Via Fabio Filzi, 22, 20124 Milan.

Governmental Organization

Introduction

Italy has been a democratic republic since June 2, 1946. Its government is organized territorially and administratively on national, regional and local levels. Legislative, executive and judicial powers are exercised at the national level by the central government. Legislative and executive powers are also exercised at a local level by regions (*regioni*, of which there are 20) while provinces (*provincie*, of which there are 103) and municipalities (*comuni*, of which there are approximately 8,100) exercise executive and limited regulatory powers only. Additionally, the establishment of 14 metropolitan cities (*città metropolitane*) — Turin, Milan, Venice, Genoa, Bologna, Naples, Florence, Rome, Bari, Cagliari, Catania, Messina, Palermo and Trieste — has been authorized. Once functional, the metropolitan cities will exercise certain executive and limited regulatory powers.

Of Italy's 20 regions, 15 operate under an ordinary degree of regional autonomy and are referred to as ordinary regions, while five regions (Friuli Venezia Giulia, Sicily, Sardinia, Trentino-Alto Adige and Valle d'Aosta) are regulated by special statutes which provide these regions with greater autonomy and wider legislative powers. These regions are referred to as special regions. Lombardy was constituted as an ordinary region in 1970.

Relationship Between the Central Government and the Regions

The Italian Constitution was originally approved in 1947 and entered into effect in 1948. It sets forth the basic principles under which Italy is governed. The Italian Constitution, as amended in 2001, reserves to the central government exclusive powers to act in certain areas, including foreign policy and international relations, immigration, defense, armed forces, security and economic and monetary policy. In addition, the Italian Constitution grants ordinary regions and the central government concurrent legislative powers with respect to certain matters, including international relations of regions (which encompass relations with the European Union), foreign trade of the regions and certain aspects of education. The Italian Constitution also now grants the regions exclusive legislative powers on all those matters which are not expressly and specifically reserved, either exclusively or concurrently, to the central government.

Regions must exercise their powers in accordance with the basic principles established by the central government, the European Union and the international obligations of the central government.

In 1997, the Italian Parliament enacted a law, known as the Bassanini Law, which empowers the central government to implement laws aimed at devolving to the regions many of the administrative powers historically exercised by the central government. A number of these laws have already been enacted and administrative powers relating to certain areas have been transferred to the regions. These areas include agriculture, labor, transportation, trade and industry. Lombardy has subsequently delegated some of these new responsibilities to its provinces and municipalities.

The central government will provide for the transfer of funds and personnel to the regions in order to support the new responsibilities. The regions have received most of the funding in relation to their new responsibilities and are expected to receive the full balance during the year 2002. Lombardy is under no obligation to perform these functions until the funds, personnel and materials have been received. In relation to funding, the central government has also introduced a number of legislative measures delegating to the regions certain tax-raising authority to assist the regions in financing the new functions. You should read "Financial Information of Lombardy — Financial Federalism" for a more detailed discussion of the extent of Lombardy's fiscal autonomy.

Constitutional Reform in Italy

In 2001, the Italian Constitution was amended by a law, called the Constitutional Law. This law increases significantly the powers of ordinary regions, granting them exclusive legislative powers on all those matters which are not expressly and specifically reserved, either exclusively or concurrently, to the central government. Prior to the enactment of the Constitutional Law, regions enjoyed only those powers specifically granted to them. Pursuant to the enactment of this law, the central government may decide, upon the request of a region and after having consulted with provincial, metropolitan and municipal bodies, to grant to such region further autonomy in matters where both the regions and the central government have concurrent powers and in matters where the central government currently has exclusive powers.

The Constitutional Law also provides the regions with a role in international affairs. The law allows regions to participate in the decision-making process of the European Union, for matters within the powers of the regions and to implement international agreements within the framework established by the central government. In addition, it provides for greater participation by the regions in central government processes. The new law envisions the enactment of regulations which will allow regions, provinces, metropolitan cities and municipalities to participate in parliamentary commissions in relation to matters within their competence.

Regional Administration

Local Government

General

Lombardy, like all ordinary Italian regions, is managed by a regional council (*consiglio regionale*), a regional board (*giunta regionale*) and a regional President (*Presidente della giunta regionale*), who is also president of the regional board. Regional councils, which are modeled on the Italian Parliament but which have only one chamber, have legislative functions and are composed of between 30 and 80 regional councilors (*consiglieri regionali*). The number of councilors depends on the population of the region that they represent. Regulatory functions which were exercised by the regional council are now in the process of being transferred to the regional board. Lombardy's regional council is composed of 80 regional councilors. Regional councilors are elected by popular vote and the electoral system requires that 80% of the regional councilors must be elected from provincial lists in proportion to the votes received by the political parties to which the candidates belong. The remaining 20% of the regional councilors are elected by constituents on a majority basis. Elections are held every five years.

Lombardy's By-Laws

Lombardy's by-laws, approved in 1971, provide, among other things, for the internal organization of Lombardy, its legislative and regulatory functions as well as the relationship between Lombardy and local entities (such as provinces and municipalities). Under the Italian Constitution, the regions have the power to adopt by-laws to be approved by a regional law and no longer by a central government law. A special commission of Lombardy's regional council is currently drafting Lombardy's new by-laws, which should be completed by the end of the term of the regional council in 2005.

Lombardy's Regional Council

Lombardy's regional council has responsibility for the region's policy (together with the regional President) and regulation. In particular, the regional council is responsible for approving regional by-laws and regional laws (to the extent permitted by its powers), Lombardy's accounts and budgets and Lombardy's investment programs. It is also responsible for determining the level of certain local taxes (within a range provided by the central government) as well as the maximum amount of debt financing, subject to limits imposed by the central government and regional laws.

The following table shows the political party affiliations of the regional councilors elected in Lombardy's most recent election held on April 16, 2000. The term of the present regional council is due to expire in 2005.

You should also read "The Republic of Italy — Central Government Administration" for a more detailed discussion of political parties.

Representation of Political Parties in the Regional Council (2000)

Political Party	Seats	%
Majority		
Forza Italia	27	33.75
Northern League (*Lega Nord per l'Indipendenza della Padania*)	11	13.75
National Alliance (*Alleanza Nazionale*)	8	10.00
Center Christian Democrats (*Centro Cristiano Democratici*)	2	2.50
Center United Democrats (*Centro Democratici Uniti*)	2	2.50
Pensioners' Party (*Partito Pensionati*)	1	1.25
Total	51	63.75

Political Party	Seats	%
Opposition		
Democratic Party of the Left (*Democratici di Sinistra*)	12	15.00
Popular Party (*Partito Popolare*)	7	8.75
Communist Party (*Rifondazione Comunista*)	5	6.25
Bonino List (*Lista Bonino*)	3	3.75
Socialist Democrats (*Socialisti Democratici*)	1	1.25
Greens (*Verdi*)	1	1.25
Total	29	36.25

Source: Region of Lombardy

Lombardy's Regional President

The central government introduced a constitutional reform in 1999 which provided for the election of the regional President directly by popular vote. Prior to 1999, the regional President was elected by the regional council. The first election of the regional President by popular vote was held in Lombardy on April 16, 2000, together with the election of regional councilors. The current regional President of Lombardy is Roberto Formigoni, a member of the "Forza Italia" political party (which is the party of the current Prime Minister of Italy, Silvio Berlusconi). Mr. Formigoni's party is supported by a center-right coalition. The regional President is responsible for, among other things, representing and acting on behalf of Lombardy, issuing regional laws and rules, overseeing administrative functions delegated from the central government, calling and chairing meetings of the regional board and supervising regional services administered by the regional board, appointing the members of the regional board, assigning duties to regional board members and calling regional referenda.

Lombardy's Regional Board

The regional board is the managerial body of the regional government. The regional board consists of 17 members (the regional President, the Vice President, who is also the Minister of Agriculture, and 15 other ministers (*assessori*)) and is responsible for drawing up budgets and financial reports, as well as for determining the pluri-annual budget. Members of the regional board are appointed by the regional President. They serve terms of 5 years and can be replaced by the regional President. The regional board is also responsible for Lombardy's administration within the limits set forth in the Italian Constitution, in Lombardy's by-laws and in Lombardy's regional laws. In particular, the regional board is responsible for preparing Lombardy's accounts and budgets, enacting relevant resolutions of the regional council, preparing

Lombardy's plans and programs, approving its contracts and managing its assets. You should read "Financial Information of Lombardy" for a more detailed discussion on Lombardy's budgets.

Employees of the Region

Lombardy employed 4,747 staff as of December 31, 2001. The number of regional employees decreased by 406 from 1999 to 2001. From 1997 to 1999, Lombardy increased its staff in order to support increased responsibilities transferred from the central government, primarily in the areas of transportation and healthcare. However, in 2000 Lombardy began to reduce its total number of employees as regional employees were transferred to local entities. The cost of employees over the past five years has increased slightly mainly due to increases in salaries and, from 1997 to 1999, as a result of an increased number of personnel. Costs increased in 2000 and were flat in 2001, notwithstanding a decrease in the number of personnel, as a result of increases in salaries. The following table shows the actual number of employees of Lombardy and the associated cost as of the dates indicated:

Employees of Lombardy

	As of December 31,				
	1997	1998	1999	2000	2001
Staff (number)	4,846	5,006	5,153	4,814	4,747
Cost (euro millions)[1]	200	216	221	232	221

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

Source: Region of Lombardy

So far during 2002, personnel numbers of the region were reduced significantly (by approximately 783 staff) due to the transfer of personnel to the provinces and municipalities. These personnel were primarily in the area of vocational training.

As a result of the implementation of the Bassanini Law (which gradually transfers to Lombardy certain administrative functions previously performed by the central government), a number of personnel formerly employed by the central government will be employed by Lombardy. In 2001, the central government transferred 15 employees to Lombardy. In 2002, it is expected that a further 9 employees will be transferred to the region from the central government.

Relationship Between the Region and the European Union

General

Italy is a founding member of the European Economic Community, which now forms part of the European Union. Italy is one of the 15 current members of the European Union, along with Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Luxembourg, The Netherlands, Portugal, Spain, Sweden and the United Kingdom. Together, these countries, as of December 31, 2000, had a population of approximately 377 million.

The European Union member states have agreed to delegate sovereignty for certain matters to independent institutions that represent the interests of the European Union as a whole, its member states and their citizens.

European Union Funding for Lombardy

As a region of a member state of the European Union, Lombardy is entitled to apply for support from the European Union. Financial support from the European Union is given on the basis that such funds are matched by funding from the relevant central government. Lombardy currently receives funds from the European Union under seven European Union support programs. However, as a relatively wealthy region, the amount of support Lombardy receives from the European Union is modest in comparison to other regions both in Italy and in other European Union member states. These programs provide for regional support primarily in the two following areas:

- development assistance in specific industrial and service sector areas, which the European Union determines to be in decline based on certain eligibility criteria; and

- professional development and training programs in Lombardy in order to promote employment.

The programs also provide support in five other areas.

For the period 2000 to 2006, Lombardy is expected to receive total funding from the European Union and the central government of €1,749 million (excluding monies received under the European Union's common agricultural policy as described below). Funds in relation to the period 2000 to 2006 do not include funds in relation to agriculture which are now covered under the European Union's common agricultural policy, described below.

For the period 1994-1999, Lombardy was allocated, under these programs, total funds from the European Union and the central government of approximately €872 million, primarily to support agriculture, commerce, industry, transport and culture. Of these funds, as at June 30, 2001, according to Lombardy, a total of approximately €751 million had already been received by Lombardy and applied principally to projects relating to employment, education and training and rural infrastructure. Lombardy expects to receive the remaining funds shortly.

Funds committed by the European Union must be utilized, in each year, in connection with specific programs. Where funds are not applied in accordance with European Union specifications within the two years following the relevant year, the unpaid allocations will be forfeited and any prepaid funds must be returned to the European Union.

Lombardy is represented by the central government in its relations with the European Union. Lombardy has also established a representative office in Brussels to promote its interests directly with the various institutions of the European Union.

European Common Agricultural Policy

In addition to the European Union funding described above, Lombardy benefits from the European Union's common agricultural policy, or CAP, which coordinates policy within the European Union in respect of agricultural production and provides aid to encourage the development of specific agricultural industries. According to Lombardy, funds transferred under the CAP to businesses in the agricultural sector amount to approximately €500 million per year.

A number of European Union member states are seeking reform of the CAP, particularly in light of proposals to admit Central and Eastern European countries to the policy. Their acceptance would result in a significant increase in the total amount of aid which would be granted under the current policy while potentially decreasing the amount of aid granted to current recipients. The European Union has also come under increasing pressure from the United States and the World Trade Organization to amend the CAP. Any reform of the CAP may result in a decrease or withdrawal of support to Lombardy's agricultural sector.

Relationship Between Lombardy and the Other Regions

The cooperation and development office of Lombardy coordinates various activities, including the economic and commercial activities of Lombardy, with the other regions or with foreign countries. The regions cooperate mostly with respect to transportation, protection of the environment, agricultural activities, cultural promotion and tourism.

Principal Activities

The region is responsible for coordinating local administration through the provinces and municipalities and it provides resources to co-finance with the central government and the European Union, provincial and municipal investment programs. Lombardy allocates regional funds, as well as funds transferred from the central government and the European Union, among the provinces and municipalities and into specific economic sectors in accordance with the Bassanini Law. These funds and regional funds are distributed based on European Union and Italian laws and these laws are, in part, need-based. In addition, Lombardy manages certain aspects of the regional healthcare system and transportation network. These functions are currently being expanded due to the implementation of the Bassanini Law. You should read "Governmental Organization — Relationship Between the Central Government and the Regions" and "Financial Information of Lombardy — Financial Federalism" for a more detailed discussion of the transfer of increased administrative and tax-raising powers from the central government to the regions.

Healthcare

As with other Italian regions, healthcare is one of the principal sectors in which Lombardy is involved. Lombardy, through coordination with 15 local healthcare units (*Aziende Unità Sanitarie Locali*, or ASL) oversees the administration of its public and private hospitals and health service providers.

Lombardy is responsible for setting guidelines for health services (including prices for medical procedures) and accrediting healthcare providers. Lombardy is also responsible for implementing healthcare-related programs and initiatives, such as emergency services, within the framework of national standards set forth by the central government. In 1997, Lombardy introduced a new efficiency plan by dividing the roles between purchasers of care (mainly ASLs) and providers of care (mainly hospitals, both public and private, which are also responsible for secondary care).

Historically, healthcare was funded by direct transfers from the central government to the regions from a fund called the National Healthcare Fund. The central government required that funds transferred to Lombardy be utilized in the following three general healthcare categories: prevention, hospitals and territorial assistance (e.g. general practitioners, specialists, pharmaceuticals). In order to address the significant deficits in healthcare funding which have accrued in regional budgets, the central government recently delegated powers with respect to healthcare to the regions, including Lombardy. The regions now have the power (as opposed to delegated authority), within certain limits, to determine healthcare planning and, through their new ability to set tax rates, healthcare spending. The abolishment of the National Healthcare Fund in 2001 was followed by the creation of an annual inter-regional compensation fund into which all regions contribute a percentage of certain tax revenues and then withdraw amounts based on regional characteristics (e.g. population, mortality rate, age, etc.). Lombardy contributes more to this fund than it withdraws.

Government reforms introduced controls over healthcare costs in 1995 and required healthcare pricing and reimbursement to follow prescribed prices for specific services. As a result of the reforms, Lombardy has been given the responsibility for planning the healthcare budget, which it now calculates based on pre-established prices for health services. This represents a change from prior budget planning by the central government, which was typically based on a region's historic expenditures. Each year, ASLs receive a budget based on a number of criteria including resident population, mortality index, elderly index, numbers of births, hospitalizations index, etc. This budget is used by ASLs for purchasing healthcare services on behalf of Lombardy's citizens from accredited providers.

In 1998, there were 142 public hospitals in Lombardy. According to ISTAT's most recent report, published in 2001, which contains figures for 1998, there were approximately 50,850 hospital beds and 18,900 doctors in Lombardy. Lombardy also had 5.6 hospital beds per 1,000 inhabitants. This exceeded the Italian national average of 5.5 hospital beds per 1,000 inhabitants. The average number of doctors per 1,000 inhabitants was 2.1 and 2.0 for Lombardy and Italy, respectively, in 1998.

Transportation

With respect to transportation, Lombardy allocates funds from the central government to the provinces and municipalities for general transportation needs within their respective territories. These needs include traffic control and road maintenance as well as specific capital improvement programs established by the central government. Transportation related transfers from the central government to the regions are based on the size of the territory and the number of its inhabitants as well as certain other factors such as terrain (e.g. mountainous regions may receive more funds). Lombardy's role in transportation has expanded recently as the central government transferred powers in this area to the regions. Transportation activity in Lombardy is divided into two separate categories: road transportation (which includes Milan's subway system and tram lines) and rail transportation. Lombardy has, in turn, delegated certain powers with respect to road transportation to the provinces and to principal cities, including powers relating to the design, construction and maintenance of the road system. Regional rail transportation is managed centrally by Lombardy.

Responsibility for rail transportation within Lombardy was transferred to the region from the central government in 2001 and, as stated above, has not been delegated to provinces or cities. This is because regional rail transportation must take into account national rail service which often runs on the same tracks and therefore cannot be effectively managed at the local level. Transportation activities related to regional railway services in Lombardy are conducted and managed primarily by Ferrovie Nord Milano S.p.A., a company which is 57.6% owned by the region, as well as by Trenitalia S.p.A., a subsidiary of the State railway company. In 1999, Lombardy had approximately 1,906 kilometers of railway track.

By 2003, in accordance with European Union directives and Italian laws, Lombardy is required to privatize all management services related to transport activities.

Responsibility for public road transportation within Lombardy was transferred, in large part, to the region in the 1980s which, in 2000, began the process of delegating this responsibility to the provinces and principal cities. Unlike rail transportation, public road transportation is more efficiently managed at the local level. In order to promote efficiency and reduce the number of service providers, the region has established competitive tender procedures to supply public road transportation services within the various provinces and principal cities in Lombardy. The region is currently in the process of establishing tender procedures and technical requirements for such public tenders which will then be carried out by provincial and municipal authorities. The objective is to create competition and full transparency in the provision of public road transportation services in order to improve efficiency and quality. The actual tender offers are expected to take place towards the end of 2002, with the new services being rolled out throughout the region in 2003.

Of the current 137 public road service providers, 13 providers account for over 77% of the volume for the region measured in kilometers traveled. ATM, the Milan public transport company, alone accounts for approximately 45% of the region's volume measured in kilometers traveled.

Lombardy has four main airports, two in Milan and one each in Brescia and Bergamo. Gabriele d'Annunzio airport in Brescia has only been operating since 1999 and statistics on its transit were not available for this breakdown. The international airports of Linate and Malpensa in Milan and Orio al Serio in Bergamo handled approximately 350,000 flights in 2000 and moved approximately 28 million passengers and 400 million kilograms of freight.

Other Activities

Other activities of Lombardy include the coordination of vocational and other training programs throughout the region. Lombardy spent approximately €470 million in 2001 for support of vocational and training programs, of which €231 million came from central government and European Union funds and €239 million from Lombardy's own funds.

Lombardy also co-ordinates and administers public housing programs throughout the region. In 2001, Lombardy spent approximately €145 million for these programs, of which €138 million came from central government funds and €7 million from Lombardy's own funds.

THE ECONOMY OF LOMBARDY

General

Lombardy contributed approximately €206.4 billion to Italy's real Gross Domestic Product, or GDP, in 2000 (the latest year for which information is available from the Italian Institute of Statistics, ISTAT), or 20.4% of total national GDP, which is the highest contribution to the national GDP among Italy's regions. In 2000, real GDP of Lombardy rose by 2.0%, as compared to 1999. In 2001, the real GDP growth rate is estimated by the Regional Research Institute of Lombardy, known as IReR, to have been 2%.

Inflation, as measured by the Consumer Price Index, or CPI, for Milan remained at 2.3% in 2000 and 2001. This compares to the Italian average of 2.6% and 2.7% for the same periods.

Lombardy maintains its statistical economic indicators based upon GDP and Gross Added Value, or GAV. GDP is the measure used for Italy as a whole. GAV is equivalent to GDP excluding value added tax, or VAT, and net import tax.

Lombardy's economy is diversified and integrated with the European Union. It has developed infrastructure and transportation networks as well as efficient industries. In 2000, average per capita income in Lombardy was €26,175, significantly above the Italian national average of €20,136.

Lombardy's economy is based mainly on the services sector, which accounted for 61.6% of GAV in 2000 and 57.4% of total employment, followed by the industrial sector with 36.5% of GAV and 40.5% of total employment and the primary sector with 1.8% of GAV and 2.1% of total employment. At the end of December 2001, Lombardy's unemployment level was approximately 3.7%, which was below the Italian national level of 9.5% as at that date.

The following table shows per capita GDP in current prices of Lombardy and Italy as a whole from 1997 to 2000:

Per Capita GDP

	1997	1998	1999	2000
		(euro)[1]		
Lombardy	23,504	24,515	25,125	26,175
Italy	17,829	18,625	19,218	20,136

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

Source: ISTAT

Economic Overview

The following table provides a breakdown of GDP of Lombardy, in current prices, for the periods indicated:

GDP of Lombardy

	Year Ended December 31,			
	1997	1998	1999	2000
	(euro billions)[1]			
GDP	210.9	220.8	227.3	238.0
Net Imports[2]	(34.6)	(33.4)	(32.4)	(29.4)
Total Available for Consumption	176.3	187.4	194.9	208.6
Household Consumption	112.6	119.0	123.9	139.0
Consumption by Private Social Public Sector[3]	0.81	0.84	0.90	0.95
Consumption by Public Entities	26.4	27.6	28.7	30.7
Total Internal Consumption	139.8	147.4	153.6	162.0
Gross Fixed Investment	35.5	38.4	39.7	44.6
Changes in Inventory	1.1	1.7	1.6	2.1
Total	176.3	187.4	194.9	208.6

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.
(2) Net imports consist of Lombardy's balance of trade with other Italian regions, as well as its international balance of trade.
(3) Includes private social institutions.

Source: ISTAT

In 2000, GDP (in constant 1995 prices) in Lombardy was €206,428 million. The following table shows the changes in components of GDP for the periods indicated in constant 1995 prices:

Changes in Components of Gross Domestic Product

	1997	1998	1999	2000
	(as a percentage, in real terms)			
GDP	1.8%	1.8%	1.5%	2.0%
Private Consumption	2.9%	2.9%	2.1%	2.5%
Public Consumption	1.0%	0.5%	1.8%	2.3%
Gross Investment	(1.9)%	6.3%	2.2%	9.8%
Net Imports	1.9%	(7.3)%	(2.9)%	2.9%

Source: ISTAT

The following table provides average annual GDP growth rates, in constant 1995 prices for Lombardy and Italy as a whole for the periods indicated:

Growth Rates in GDP in Constant Prices for Lombardy and Italy

	Lombardy	Italy
Average Annual Real GDP Growth		
1980-1991	2.4%	2.1%
1991-1995	1.1%	1.1%
1995-2000	1.7%	1.9%

Source: ISTAT

The following table illustrates the contribution of each sector to GAV, in current prices, for Lombardy for the periods indicated:

GAV

	Year Ended December 31,				
	1997	1998	1999	2000	% of Total
	(euro millions) [1]				
Services	123,312	128,799	134,943	142,703	63.6
Industrial	72,403	75,611	75,288	78,094	34.8
Primary	3,595	3,453	3,387	3,566	1.6
GAV Including Imputed Banking Services	199,309	207,863	213,618	224,362	100.0
Imputed Banking Services	(9,267)	9,855	9,906	10,911	
GAV Excluding Imputed Banking Services	190,042	198,009	203,712	213,452	
Net Indirect Taxes	20,879	22,840	23,560	24,571	
GDP at current market prices	210,921	220,849	227,311	238,022	

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

Source: ISTAT

The following table illustrates the contribution of each sector to GAV, in constant 1995 prices, for Lombardy for the periods indicated:

GAV

	Year Ended December 31,				
	1997	1998	1999	2000	% of Total
	(euro millions) [1]				
Services	112,120	114,209	116,732	120,672	61.6
Industrial	69,714	71,713	70,952	3,619	36.5
Primary	3,644	3,598	3,699	71,456	1.8
GAV Including Imputed Banking Services	185,478	189,520	191,382	195,746	100.0
Imputed Banking Services	(9,648)	10,566	10,130	11,030	
GAV Excluding Imputed Banking Services	175,830	178,954	181,253	184,716	
Net Indirect Taxes	20,180	20,495	21,150	21,711	
GDP at constant market prices	196,010	199,449	202,403	206,428	

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

Source: ISTAT

In 2000, the services, industrial and primary sectors contributed 63.6%, 34.8%, and 1.6%, respectively, to Lombardy's GAV in current prices. The contribution of Lombardy to the GAV of Italy as a whole for each of the sectors was 19.1%, 25.8% and 11.9%, respectively.

Services Sector

The contribution of the services sector to the GAV of Lombardy has increased in recent years due primarily to the growing strength of financial services. In 2000, the services sector employed 16.9% of the total national services sector work force. Milan has traditionally been an important financial center. Financial and other services account for 42.9% of the services sector to Lombardy's GAV in constant 1995 prices.

The following table shows a breakdown, in constant 1995 prices, of services sector GAV for Lombardy for the periods indicated:

Services Sector GAV

	Year Ended December 31				
	1997	1998	1999	2000	% of 2000 Lombardy GAV
	(euro millions)[1]				
Commercial services (wholesale and retail)	26,933	27,106	27,295	27,610	22.9
Hotels and restaurants	4,675	4,622	4,659	4,998	4.1
Transportation, storage and communications	11,575	11,619	12,128	12,686	10.5
Commerce — related services	43,183	43,348	44,082	45,294	37.5
Financial services	13,945	15,148	15,010	16,312	13.5
Other professional services[2]	31,564	32,054	33,701	35,402	29.3
Financial and other services	45,509	47,202	48,711	51,714	42.9
Public administration and defense; compulsory social insurance	4,493	4,534	4,621	4,578	3.8
Education	5,473	5,365	5,354	5,372	4.5
Health-care and other social services	5,875	6,001	5,972	6,198	5.1
Other public services	5,914	6,087	6,426	5,992	5.0
Domestic services within households	1,673	1,673	1,566	1,525	1.3
Total GAV Services	112,120	114,209	116,732	120,672	100.0

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

(2) Other professional services consists of services provided in connection with a variety of sectors including information technology and real estate.

Source: ISTAT

Commercial Services

Commercial services is the largest sub-sector of commerce-related service. At the end of 2000, approximately 877,122 enterprises were registered in Lombardy. Over recent years, increased production and employment in Lombardy have contributed to the steady increase in the importance of the services sector, with trade representing the main activity. Due to its close association with the industrial sector, the sub-sector of company services (e.g. consulting, publicity, data processing and information technology and other technical services) has increased in importance as the production industries have become more highly-organized.

Financial Services

Milan is the financial center of Italy and the share of financial services in overall services in Lombardy is significant. At the end of 2000, the sector included 224 banks and 5,400 branch offices, according to the Bank of Italy. The Italian Stock Exchange (*Borsa Italiana*) based in Milan had, in 2001, shares listed with an aggregate capitalization of €592 billion and 157 securities houses as members. The volume of transactions executed at the Italian Stock Exchange in 2001 was €2,611 billion.

Public Services

Public Services (services not for sale) represent an important contributor to the services sector in Lombardy. Lombardy has 12 universities, seven of which are public and five of which are private. In addition, a number of research institutes are located in Lombardy, including IReR (the Regional Research Institute of Lombardy), located in Milan, CCR (the European Union Common Research Center) located in Varese as well as the CNR and ENEA regional centers.

Tourism

Lombardy is an important tourism region due to a number of factors including its cultural heritage, Lake Como, the ski resorts in northern Lombardy and Milan's reputation as a business, fashion and shopping hub. Tourism provided approximately 2.6% of Lombardy's GAV in 2000.

Lombardy accounted for 10.3% of all arrivals in Italy in 1999. There were more than 7,685,719 arrivals staying an average of 3.1 days in 1999. Tourists to Lombardy in 1999 came both from other parts of Italy (55.2%) and around the world (44.8%). In 1999, there were approximately 2,800 hotels, with a total of approximately 150,000 beds in Lombardy as compared to approximately 33,000 hotels and 1,807,000 beds, in Italy as a whole. Camping and other accommodation in 1999 accounted for an additional 103,000 beds in Lombardy.

Transportation

The road and rail networks of Lombardy have traditionally formed the base of northern Italy's transportation network with Milan as the hub. In 1999, Lombardy it had approximately 11,700 kilometers of main roads and approximately 1,906 kilometers of railways and four airports.

Between Italy and other European Union countries, a significant portion of all commercial merchandise is transported by truck. This merchandise often travels through Lombardy in order to benefit from Milan's location and transportation connections. Rail transport entering Italy also connects through Milan.

As of December 31, 1999, Lombardy's main road network consisted of approximately 570 kilometers of highway, 3,340 kilometers of state roads, and 7,790 kilometers of provincial roads in addition to its urban and rural road links. As of December 31, 2000, there were approximately 6.6 million motor vehicles in circulation in Lombardy.

In 1999, Lombardy's railroad network covered approximately 1,906 kilometers of track, corresponding to 9.7% of the aggregate national railroad network.

Lombardy has four airports: the international airports of Linate and Malpensa in Milan, Orio al Serio airport in Bergamo and Gabriele D'Annunzio airport in Brescia. Linate, Malpensa and Orio al Serio airports in the aggregate had a transit of approximately 28 million passengers and more than 400 million kilograms of freight in 2000.

Lombardy has implemented a number of programs designed to improve and develop the region's infrastructure. For example, the region has recently implemented projects to improve rail and road links to Malpensa airport and to improve rail links between Milan and Bologna, and Milan and Turin. In addition, a project to improve the Milan-Brescia highway link has been initiated.

Industrial Sector

Lombardy is the largest industrial region of Italy, producing approximately 22.7% of the total national industrial sector GAV (at constant 1995 prices) in 2000 and employing approximately 23.2% of the total national industrial work force. Industry in Lombardy is diversified, with the largest sectors including machinery and transport equipment, metal products, textiles, clothing and leather.

The industrial sector contributed 36.5% of Lombardy's GAV, in constant 1995 prices. Much of the activity in this sector was due to internal demand and the growing export market. The largest growth areas were in the food and drink industry and manufacturing of non-metallic minerals.

Manufacturing

In 2000, manufacturing represented approximately 29.0% of Lombardy's GAV, in constant 1995 prices, compared to Italy, for which manufacturing represented 11.5% of total GAV, in constant 1995 prices. The table below provides a breakdown of total manufacturing GAV, in constant 1995 prices, of Lombardy into the main manufacturing categories as well as the percentage contribution of each category for the periods indicated:

GAV by Manufacturing Category

	Year Ended December 31,				
	1997	1998	1999	2000	% of 2000 Total Lombardy Manufacturing GAV
	(euro millions)[1]				
Machinery and Means of Transport	14,760	15,267	15,078	15,596	27.5
Metal Products	10,045	10,063	10,060	9,803	17.3
Chemical/Pharmaceutical Goods	8,155	8,416	8,472	8,346	14.7
Textile, Clothing and Leather	7,223	7,298	6,721	6,910	12.2
Wood/Rubber/Plastic/Others	6,068	6,448	6,454	6,462	11.4
Paper	3,996	4,230	4,145	4,010	7.1
Food and Tobacco	3,657	3,821	3,646	3,733	6.6
Non-Metallic minerals and mineral products	1,752	1,781	1,909	1,929	3.4
Total Manufacturing GAV	55,657	57,323	56,484	56,788	100.0

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

Source: ISTAT

Construction

The construction industry grew by 4.1% and contributed 4.0% to Lombardy's GAV, in constant 1995 prices, in 2000.

Primary Sector

As in the majority of developed countries, the importance of the agricultural sector to the economy of Lombardy has decreased over the years, and agriculture, livestock farming and fishing account for only a small part of regional GAV, in constant 1995 prices, (1.8% in 2000) and employed approximately 2.1% of the work force in 2000.

Lombardy's agricultural activities are largely based on the production of fresh fruits and vegetables and livestock farming. Livestock farming makes the largest contribution to the total production of the sector. Besides fruits, vegetables and livestock farming, the wine industry is also of significance in Lombardy.

In the past, the regional and central governments have provided subsidies to the primary sector in Lombardy. A large part of those subsidies are now the responsibility of the European Union, which has increased its influence in the use of land through its subsidy policies. The central government has transferred new powers with respect to the primary sector to Lombardy, including powers in connection with the regulation of quality levels of primary sector products.

Inflation

The table below shows average annual percentage increases in the consumer price index, or CPI, in Milan and Italy as at the dates indicated:

Change in Consumer Price Index(1)

	As of December 31,				
	1997	1998	1999	2000	2001
			(%)		
Milan	1.9	1.9	1.8	2.3	2.3
Italy	1.7	1.8	1.6	2.6	2.7

(1) Reflects the change in price of a basket of goods typically purchased by families of blue and white collar workers *(operai* and *impiegati)*.

Source: ASRL, ISTAT

Employment

Approximately 4 million people, comprising 62.5% of the working age population (aged 15-64) of Lombardy, were employed (based on average figures for the year). As of December 31, 2001, approximately 153,000 people, or 3.7% of the labor force of Lombardy, were unemployed as compared to the Italian national average of 9.5% as of the same date.

The table below provides information as to unemployment rates in Lombardy and in Italy for the periods indicated:

Unemployment in Lombardy and Italy(1)

	1997	1998	1999	2000	2001
Lombardy	5.8%	5.5%	4.8%	4.4%	3.7%
Italy	11.7%	11.8%	11.4%	10.6%	9.5%

(1) Represents an average of the results from quarterly labor force surveys performed by ISTAT on a sample of households.

Source: ASRL, ISTAT

The table below provides information as to the employment in Lombardy for the periods indicated:

Employment in Lombardy(1)

	1997	1998	1999	2000	2001
			(in thousands)		
Population(2)	8,875	8,910	8,945	8,987	9,042
Labor Force(3)	3,934	3,989	4,027	4,052	4,112
Participation Rate(4)	51.0%	51.5%	51.8%	51.9%	52.4%
Number Employed(5)	3,705	3,768	3,833	3,875	3,959
Number Unemployed(6)	228	221	194	177	153
Unemployment Rate(7)	5.8%	5.5%	4.8%	4.4%	3.7%

(1) Represents an average of the results from quarterly labor force surveys performed by ISTAT on a sample of households.
(2) Resident population used to calculate employment statistics.
(3) Those employed and unemployed who are seeking employment.
(4) Labor force as a percentage of working age population over the age of 15.
(5) The number of persons who have declared themselves to be employed.
(6) The number of persons who have declared themselves to be unemployed.
(7) Declared unemployed labor force as a percentage of the labor force.

Source: ASRL, ISTAT

Of those employed in Lombardy in 2001, approximately 58.2% were in the service sector, 39.9% were in the industrial sector and the remaining 1.9% were in the primary sector.

The following table provides a breakdown of average annual employment by sector for both Lombardy and Italy as a whole for the years indicated:

Employment by Sector(1) (2)

	Region					Italy				
	1997	1998	1999	2000	2001	1997	1998	1999	2000	2001
	(thousands)									
Services	2,037	2,076	2,139	2,226	2,305	12,302	12,504	12,807	13,193	13,548
Industrial	1,587	1,608	1,614	1,569	1,579	6,660	6,730	6,750	6,767	6,841
Agriculture	82	83	80	80	74	1,245	1,201	1,134	1,120	1,126
Total	3,705	3,768	3,833	3,875	3,959	20,207	20,435	20,692	21,080	21,514

(1) Represents an average of the results from quarterly labor force surveys performed by ISTAT on a sample of households.
(2) Based on labor force of working age population over the age of 15.

Source: ASRL, ISTAT

Exports and Imports

Lombardy accounted for 28.6% of Italy's total exports in 2001 and 37.6% of its imports. Lombardy's principal exports are metal, chemical and electrical products, which together accounted for 63% of total exports in 2001. The principal foreign imports into Lombardy are electrical goods, chemical goods and transportation equipment, which together represented 61% of total imports in 2001.

Trade Balance

The following table shows Lombardy's international balance of trade, without taking into account any imports or exports from other Italian regions, for the periods indicated:

	Year Ended December 31,		
	1999	2000	2001
	(euro millions)		
Imports	79,327	96,162	97,793
Exports	63,232	73,455	77,049
Balance	(16,095)	(22,707)	(20,744)

Source: ISTAT

In 2001, Lombardy's total trade volumes increased by 3.1% from the previous year to €174,842 million, reflecting a 4.9% increase in exports and a 1.7% increase in imports. Lombardy had a foreign trade deficit for 2001, with approximately €77,049 million in exports compared to €97,793 million in total imports. Lombardy's 2001 foreign trade deficit reached €20,744 million, a decrease of 8.6% on the previous year. Lombardy has significant exports of electric and precision machinery, chemical and pharmaceutical products and textiles. Most of Lombardy's exports (53%) are destined for European Union countries. Lombardy imported from the European Union 65% and 66% of its total imports, respectively, in 2001 and 2000.

The following two tables show Lombardy's international exports and imports by type for each of the years indicated:

International Exports by Type

Export	1999	2000	2001
		(euro millions)	
Agriculture, forestry and fishing	256	271	301
Minerals	65	95	131
Food, beverage and tobacco products	2,134	2,321	2,460
Textiles	5,070	6,281	6,419
Clothing	2,603	2,341	2,570
Leather products	998	1,176	1,261
Wood and wood products	311	346	349
Paper, printing and publishing	1,379	1,609	1,622
Refined oil products	142	240	239
Chemical and pharmaceutical products	8,317	10,357	11,679
Rubber and plastic products	2,942	3,432	3,422
Non-metallic minerals and mineral products	1,027	1,159	1,189
Metals and metal products	7,349	8,595	8,751
Electric and precision machinery	23,096	26,681	27,785
Transportation equipment	4,504	5,113	5,208
Other manufacturing industries	3,037	3,439	3,663
Total	63,232	73,455	77,049

Source: ISTAT

International Imports by Type

Import	1999	2000	2001
		(euro millions)	
Agriculture, forestry and fishing	1,545	1,730	1,661
Minerals	3,374	7,307	7,838
Food, beverage and tobacco products	4,009	4,208	4,288
Textiles	2,582	3,217	3,253
Clothing	1,221	1,221	1,380
Leather products	637	818	962
Wood and wood products	575	641	621
Paper, printing and publishing	2,278	2,322	2,306
Refined oil products	307	686	553
Chemical and pharmaceutical products	14,611	16,697	17,468
Rubber and plastic products	1,737	1,965	1,922
Non-metallic minerals and mineral products	870	957	1,008
Metals and metal products	7,479	9,316	8,928
Electric and precision machinery	27,376	33,163	31,966
Transportation equipment	8,473	9,262	9,940
Other manufacturing industries	2,253	2,652	3,700
Total	79,327	96,162	97,793

Source: ISTAT

The following table shows international exports by area of destination for each of the years indicated:

International Exports

Lombardy's Exports	1999	2000	2001
		(euro millions)	
European Union	35,822	40,087	40,578
Other European countries	8,840	10,920	12,456
Northern Africa	1,523	1,662	1,813
Western Africa	241	271	308
Central, eastern and southern Africa	510	586	673
North America	5,608	7,200	7,123
Central and South America	2,688	2,828	2,997
Near and Middle East	2,543	2,931	3,481
Other Asian countries	4,735	6,201	6,772
Australia and Oceania	652	686	753
Other	70	83	95
Total	63,232	73,455	77,049

Source: ISTAT

The following table shows international imports by area of origin for each of the years indicated:

International Imports

Lombardy's Imports	1999	2000	2001
		(euro millions)	
European Union	54,455	63,055	63,723
Other European countries	9,742	12,365	14,225
Northern Africa	1,247	2,282	2,405
Western Africa	188	251	281
Central, eastern and southern Africa	430	655	613
North America	3,636	5,027	4,407
Central and South America	946	1,199	1,123
Near and Middle East	881	1,273	1,226
Other Asian countries	7,438	9,794	9,541
Australia and Oceania	162	259	249
Other	202	3	1
Total	79,327	96,162	97,793

Source: ISTAT

The Environment

Lombardy's industrial-based economy, along with its population, level of urbanization and geographical location in the Mediterranean basin make it a vulnerable region from the point of view of the environment. Consequently, a number of measures have been taken to preserve and improve the environment.

Lombardy, in co-operation with universities and other research institutions, conducts research on air pollution. To combat such air pollution, Lombardy supports programs designed to promote the use of public transportation and dual-fuel vehicles.

To preserve the region's natural resources, Lombardy has established a series of natural parks and reserves, especially along rivers and in the mountains. These parks, which currently cover more than 20% of the region's territory, help Lombardy protect its biodiversity and reclaim environmentally degraded areas. Lombardy manages the parks in cooperation with local authorities and certain public entities.

Lombardy also protects its environment by carefully planning use of the region's geological resources and ensuring the restoration of extraction sites. Finally, Lombardy is implementing a strategic plan to promote sustainable development, which will coordinate the environmental activities of regional and local governments in the fields of climate change, biodiversity, environmental health and renewable resources.

Protecting the environment requires, apart from prevention and management, the active participation of society. With this objective, Lombardy has promoted campaigns aimed at increasing awareness of the environment and has incorporated the teaching of environmental issues into the school system at all levels.

FINANCIAL INFORMATION OF LOMBARDY

Summary

The general administration of Lombardy's finances is the responsibility of the regional board and the regional council. As a governmental entity, Lombardy prepares its financial reports in accordance with accounting standards established by Italian law, which differ from the generally accepted accounting principles set forth for commercial entities. Lombardy does not prepare interim financial reports.

Lombardy maintains its accounts on an accrual basis and according to the calendar year. Under Italian law, Lombardy is required to produce three kinds of financial reports, each due at different times. These reports are the provisional budget (*bilancio di previsione*), the pre-closing budget (*bilancio di assestamento*) and the financial report (*bilancio consuntivo* or *rendiconto generale*).

Lombardy also produces a pluri-annual budget which contains a forecast of revenues and expenditures for the next three years. Unlike the provisional budget, the pluri-annual budget is not considered binding and the expenditures set forth are not deemed authorized. The pluri-annual budget is prepared by the regional financial services department and is presented to the regional board and the regional council together with the draft provisional budget.

The Provisional Budget

The provisional budget is Lombardy's estimate of revenues and expenditures for the upcoming year. Lombardy's provisional budget is initially drafted by the regional financial services department and is then sent to the regional board, which submits it to the regional council for approval prior to September 30 of the year preceding the relevant year. Lombardy's provisional budget must then be approved by the regional council, prior to December 15 of the same year and in accordance with regional laws. Lombardy may postpone completing its provisional budget by passing a temporary budget law (*esercizio provvisorio*) based on a projected budget approved by the regional board, for a maximum of four months. Lombardy's budget, similar to other regional budgets, includes, to the extent known, revenues from central government transfers which are detailed in the central government's budget. The provisional budget is published in the regional law bulletin and enacted into law.

The Pre-Closing Budget

The pre-closing budget represents an adjustment of the provisional budget. This adjustment results from the recording of actual revenues and expenditures during the year, plus a final accounting adjustment as to funds committed but not actually collected or expended during the previous financial year (*residui*). The pre-closing budget is generally prepared on a preliminary basis in June of the current year to enable the preparation of the provisional budget for the following year. The pre-closing budget should be approved by the regional council by June 30 of the same year.

The Financial Report

The financial report contains substantially the same financial information as the pre-closing budget, but also contains detailed notes and statistics not provided in the pre-closing budget. Pursuant to regional law, the financial report for any given financial year must be approved by the regional council by July 31 of the following year.

The Financial Law

The financial law (*legge finanziaria*), as well as the law approving the provisional budget, establishes financial legislation and policy for the upcoming year and ensures consistency between Lombardy's programs and objectives and the amount of revenues available to Lombardy in respect of the relevant financial period under current legislation. Specifically, this law prescribes:

- the maximum amount of indebtedness (which may be used solely for capital investment and to refinance existing debt incurred after December 31, 1996) that Lombardy can incur during each year;
- any variations in the rates of existing taxes and duties from which Lombardy derives revenues;
- any refinancing of expenditures approved by previous regional legislation;
- any reduction in expenditures approved by previous regional legislation; and
- the amounts of expenditures required to be made pursuant to other regional legislation during each year covered by the pluri-annual budget.

The financial law does not create new taxes or duties but may authorize new or increased expenditures (but only to the extent that such expenditures are covered by new or increased revenues or offset by reductions in existing authorized expenditures). The financial law is presented by the regional board to the regional council together with the draft pluri-annual budget and the provisional budget. Once approved by the regional council, the financial law is published in the regional law bulletin and enacted into law.

Regional Treasurer (Tesoriere Regionale)

Regions in Italy are required to make all payments and collect all revenues through one or more agent banks acting as their treasurer, called the treasury banks. The treasury bank for Lombardy is currently a syndicate of five banks (Banca Nazionale del Lavoro S.p.A., IntesaBci S.p.A., Banca Popolare di Milano S.c.a.r.l., Banca Popolare di Sondrio S.c.a.r.l., and Cassa di Risparmio di Parma e Piacenza S.p.A.), of which IntesaBci S.p.A. acts as the agent on behalf of the other banks. The treasury banks manage all outflows linked to the activity of the region as well as certain inflows. Since March 2001, certain income tax sharing, transfers from the central government and other public entities (excluding regional European Union transfers), loans granted by the central government and other institutions and revenues linked to special projects are deposited in a special non-interest bearing account at the provincial branch of the Bank of Italy.

Revenues of Lombardy

The mix of Lombardy's current revenues has changed significantly in recent years. Until 1998, Lombardy's current revenues consisted primarily of transfers from the central government. As of 1998, however, central government transfers decreased significantly pursuant to the Bassanini Law and subsequent Italian laws which provide for increased control in the collection and spending of certain taxes. You should also read "Financial Federalism" below.

The enactment of these Italian laws has resulted in the transfer to regions and other local governments of broad powers to assess and collect taxes within their boundaries and to share in certain central government tax revenues. The central government is currently considering proposals to transfer additional tax assessment and collection responsibilities to the regions. Currently, the central government collects two major taxes, IRAP and IRPEF surtax, on behalf of Lombardy. Other taxes, such as the automobile tax, waste disposal tax, university tax and regional licensing fees are collected directly by Lombardy. You should read "Financial Federalism" for a more detailed discussion of the extent of Lombardy's fiscal autonomy.

In addition to current revenues, Lombardy also has capital revenues which are used to finance capital expenditures.

Central Government Transfers

The central government transfers consist of restricted government amounts and available current revenues. Restricted government amounts consist of funds available only for designated purposes. Available current revenues consist of unrestricted funds that Lombardy can use, at its discretion, including for the payment of principal and interest on outstanding debt. Central government transfers to cover current expenditures represented approximately €3,239 million or 26%, €3,355 million or 25.6% and €2,711 million or 15%, respectively, of Lombardy's current revenues in 1999, 2000 and 2001. Central government transfers to cover capital expenditures represented approximately €627 million or 93.4%, €843 million or 94%, and €892 million or 92.9%, respectively, of Lombardy's capital revenues in 1999, 2000 and 2001.

Taxes

Starting from 1998, certain central government transfers began to be replaced by proceeds of certain taxes collected within the Region. These revenues consist largely of a regional corporate tax on production, known as IRAP, and an income tax on individuals in addition to the one imposed by the central government, known as the IRPEF surtax.

In 2000, the amount of current revenues derived from regional taxes increased, as compared to 1999, and central government transfers decreased, as compared to 1999, in relative terms. This trend has continued and, as a result, in 2001, transfers from the central government represented only approximately 15% of current revenues compared to 84% in 1997. A portion of Lombardy's direct tax revenues remains subject to central government restrictions for specified expenditures. However, with effect from 2001, restrictions on revenues from the IRAP and IRPEF surtax (which are regional taxes) were abolished. In the past, Lombardy was required to utilize 90% of IRAP and 100% of IRPEF surtax revenues in connection with healthcare.

Healthcare Expenses and Deficits

Historically, healthcare costs have been greater than healthcare revenues resulting in deficits at regional level. Until recently, Lombardy, like other regions, made healthcare expenditures using restricted government amounts. Each year, the central government transferred funds to Lombardy from the National Healthcare Fund. The abolishment of the National Healthcare Fund in 2001 led to the creation of an annual inter-regional compensation fund into which all regions contribute a percentage of certain tax revenues and then withdraw amounts based on regional characteristics (e.g. population, mortality rate, age, etc.). Lombardy contributes more to this fund than it withdraws.

Recently, the regions and the central government came to an agreement regarding additional funds to be transferred from the central government to the regions in order to assist the regions in covering past healthcare deficits. Lombardy expects to receive approximately €2,491 million, of which it has already received approximately €974 million.

In addition, with respect to healthcare funding beyond that received through the IRAP and the IRPEF surtax, as of 2001, Lombardy also receives a percentage of the value added tax, or VAT. This percentage of VAT allocated to Lombardy replaced, in part, funding provided to Lombardy in the past through the National Healthcare Fund.

The following table shows the sources of healthcare funding for years indicated:

Sources of Healthcare Funding

	1996	1997	1998	1999	2000	2001	2002 Pre-closing Budget[1]
				(euro millions)[2]			
IRAP	—	—	5,825	5,385	6,836	6,924	7,181
IRPEF surtax	—	—	288	509	598	938	971
Gasoline taxes	—	—	—	—	—	16	16
Share of National Healthcare Fund	1,960	2,101	776	2,216	1,704	—	—
Additional share of National Healthcare Fund	—	—	—	—	436	—	—
National Healthcare Fund contribution to previous years	5,416	5,685	1,325	186	1	—	—
VAT	—	—	—	—	—	2,357	3,389
Total	7,376	7,786	8,214	8,296	9,575	10,235	11,557

(1) 2002 figures are taken from the pre-closing budget approved by the regional council in August 2002. The 2002 figures are not directly comparable with other figures as they are estimates. In addition, these amounts may alter during the year as a result of subsequent central government transfers.

(2) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

Source: Region of Lombardy

In 2001, Lombardy received approximately €10,235 million to support regional healthcare services, approximately €2,357 million of which represented VAT tax revenues, approximately €6,924 million of which represented IRAP revenues and approximately €938 million of which represented the share of IRPEF to which Lombardy is entitled. In 2000, Lombardy received approximately €9,575 million to support regional healthcare services. Of this amount, approximately €2,141 million represented the amount Lombardy received from the National Healthcare Fund, including €436 million which was paid with respect to the amount owed to Lombardy for 1999.

The following table shows certain financial information with respect to healthcare for Lombardy as of December 31, 2001 (provisional figures for 2002 are not available):

	Cumulatively to 1994	1995-97	1998	1999	2000	2001 Estimated Financial Reports
			(euro millions)[1]			
Region's healthcare deficit[2]	118	1,356	608	448	619	871
Already covered by Lombardy	52	457	122	240	380	278
Already covered by the Italian State	66	899	486	—	—	593
To be covered by the Italian State	—	—	—	208	239	—

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

(2) Net of National Healthcare Fund adjustments.

Source: Region of Lombardy

Financial Federalism

Prior to 1998, transfers of funds by the central government historically represented an average of between 80% and 90% of the revenues of the regions and the regions played a minor role in the collection of taxes. For example, in 1997, transfers from the central government represented approximately 84% of Lombardy's current revenues.

However, in recent years, the central government has transferred greater financial autonomy to the regions and other local authorities. Article 119 of the Italian Constitution, as recently amended by the Constitutional Law, provides, among other things, that:

- the regions have financial autonomy in connection with the expenditure of their resources and the determination of their revenues;
- the regions are entitled to establish and collect their own taxes and other revenues in conjunction with the general criteria of the Italian Constitution and in compliance with the principles of co-ordination of the public debt and the domestic tax system; and
- the regions may incur or issue new debt only to finance capital investments (and to refinance existing debt incurred after December 31, 1996.) Such indebtedness cannot be guaranteed by the central government.

Following the enactment of a law and a legislative decree in 1999 and 2000, respectively, general criteria have been introduced aiming to change the current transfer system and providing, among other things, for:

- the cancellation of central government transfers except for certain specific instances;
- the authorization to regions to receive, subject to the enactment of relevant provisions of law, a percentage of duties collected at state level (such as a percentage on VAT) or an increase of the existing tax transfers (such as the percentage of IRPEF surtax and the percentage of gasoline tax currently received by the regions); and
- the establishment of a national compensation fund to be financed through the regional participations in VAT with wealthier regions (such as Lombardy) contributing a proportionally higher amount than poorer regions.

Revenues of Lombardy are now, in large part, derived from direct regional taxes and certain other revenues. These direct taxes include a gasoline tax, a tax on university students in Lombardy, a waste disposal tax, a tax on production activities (IRAP) which replaced certain taxes previously levied on companies and a marginal portion of income tax (IRPEF surtax). As a result of these changes, in 2001, transfers of funds by the central government (other than local taxes collected by the central government on behalf of Lombardy) represented only approximately 15% of Lombardy's current revenues.

Both the IRAP and IRPEF taxes are collected by the central government. The central government has established a guaranty fund from which it transfers an amount to Italian regions equal to the shortfall between the expected amount of IRAP and the marginal increase of IRPEF collections, on the one hand, and the amounts actually collected, on the other hand.

Revenues and Expenditures; Net Borrowings

The following table sets forth the current revenues and expenditures and the capital revenues and expenditures of Lombardy and net borrowings for the periods indicated. The region monitors the net balance which represents the difference of revenues compared to expenditures, reduced by the amount that the region borrows for its own account. The net balance, together with the cancellation of accruals receivable net of accruals payable, represents the change in the region's financial result. For the budget year, net borrowing reflects amounts that the region expected to borrow in previous years for which it has not yet entered into loan agreements.

	1997	1998	1999	2000	2001	2002[1] Pre-closing Budget
			(euro millions)[2]			
Current Revenues[3]	10,421	11,918	12,447	13,101	18,052	20,145
Current Expenditures[4]	10,579	12,136	12,676	12,635	17,946	19,980
Current Balance	(158)	(218)	(229)	466	107	165
Capital Revenues[5]	861	888	671	897	960	3,314
Capital Expenditures[6]	1,430	1,356	1,096	1,477	1,403	4,174
Capital Balance	(569)	(468)	(425)	(580)	(442)	(860)
Balance Before Financing	(727)	(686)	(654)	(114)	(336)	(695)
Net Borrowing	202	137	331	(42)	471	1,700
Previous Year's Financial Deficit	—	—	—	—	—	(1,005)
Net Balance	(525)	(549)	(323)	(156)	136	0

(1) 2002 figures are taken from the pre-closing budget approved by the regional council in August 2002. The 2002 figures are not directly comparable with other figures as they are estimates. In addition, these amounts may alter during the year as a result of subsequent central government transfers.

(2) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

(3) Current revenues include transfers from the central government to service central government-supported loans of the region.

(4) Current expenditures include payments of principal and interest on central government-supported loans of the region.

(5) Revenues which are received from the central government for a specific purpose and are restricted and for which the corresponding expenditures have not been used in previous years, are reflected in the subsequent year pre-closing budget.

(6) Funds from the central government which are received for a specific capital expenditure and are restricted and which have not been used in previous years, are reflected as a capital expenditure in the subsequent year pre-closing budget.

Source: Region of Lombardy

Current Revenues

Lombardy's current revenues consist of taxes, transfers from the central government and other current revenues.

Historically, current transfers from the central government (including from the European Union) have represented the majority of regional current revenues as discussed above. As of 1998, however, central government transfers decreased significantly. In 2000 and 2001, Lombardy's revenues from central government transfers constituted approximately 26% and 15%, respectively, of current revenues and total taxes represented approximately 74% and 84%, respectively, of current revenues. State taxes transferred from the central government constituted approximately 4% and 35%, respectively of Lombardy's current revenues in 2000 and 2001. In addition to tax revenues and current transfers, Lombardy also receives revenues from non-tax income such as rental income, and investments in commercial enterprises, examples of which are Ferrovie Nord Milano S.p.A., a holding company operating in the public transportation sector, and Finlombarda S.p.A., a financial company. You should read "Financial Federalism" for a more detailed discussion on the region's fiscal autonomy.

The following table sets out a breakdown of current revenues for the periods indicated:

	Year Ended December 31,					
	1997	1998	1999	2000	2001	2002[1] Pre-closing Budget
			(euro millions)[2]			
Taxes						
Local Taxes						
IRAP	—	7,386	7,047	7,597	6,940	7,306
IRPEF Surtax	—	288	509	598	938	1,198
Automobile Tax	616	812	805	792	838	848
University Tax	21	20	18	24	20	20
Tax on methane	59	103	111	128	149	17[3]
Waste Disposal Tax	24	25	25	17	20	14
Regional Licensing Fees	21	20	13	17	12	10
Other Taxes	75	15	11	10	10	13
Total Local Taxes	815	8,668	8,539	9,183	8,926	9,426
Taxes from the State						
VAT Participation[4]	—	—	—	—	5,860	6,907
Gasoline Taxes	597	493	498	474	463	511
Total Taxes from the State	597	493	498	474	6,323	7,418
Total Taxes[5]	1,413	9,161	9,037	9,657	15,249	16,844
Transfers from the central government and the EU	8,807	2,613	3,239	3,355	2,711	3,255
Other Revenues	202	143	74	89	91	46
State Serviced Loans	—	—	97	—	—	—
Total Current Revenues[6]	10,421	11,918	12,447	13,101	18,052	20,145

(1) 2002 figures are taken from the pre-closing budget approved by the regional council in August 2002. The 2002 figures are not directly comparable with other figures as they are estimates. In addition, these amounts may alter during the year as a result of subsequent central government transfers.

(2) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

(3) Lombardy has determined not to apply a tax on methane in 2002. This figure represents the balance received from the tax on methane for 2001.

(4) Starting in 2001, regions have been entitled, pursuant to law, to receive a percentage of VAT.

(5) Title 1 of Lombardy's annual budget.

(6) Current revenues include transfers from the central government to service central government-supported loans.

Source: Region of Lombardy

Taxes and Other Revenues

The principal direct tax revenues of Lombardy are the IRAP tax, the IRPEF surtax, and the automobile tax. In addition, Lombardy is entitled to receive taxes levied on waste disposal, regional concessions or licensing fees, a tax on methane, a tax on each student attending university in Lombardy and various other taxes. Also, beginning in 2001, Lombardy began to receive, instead of direct central government transfers, a portion of VAT collected in the region. Other revenues include revenues in relation to public services and licensing, concession-related and other fees as well as payments from public entities.

As of January 1998, the regions have been entitled to impose a new regional corporate tax on production, known as IRAP. IRAP replaced health security contributions, several taxes previously levied on companies such as a tax on corporate income, a municipal tax on business operations, a registration fee to obtain a value added tax number and certain social security contributions. IRAP is based on the net production value of the relevant tax payer in each region. This tax is currently collected by the central government and transfers are made to the regions which then, until 2003, apply the entire amount of this tax to health services. The 0.5% IRPEF surtax is also applied to healthcare. After 2003, the regions will have full autonomy on how to apply IRAP. The regions have the power to determine the tax rate of IRAP within a band stipulated by the central government (currently between 3.25% and 5.25%) in connection with certain groups of taxpayers and with economic sectors. Lombardy's current standard rate of IRAP is 4.25%, although certain variations on IRAP are applied to specific economic activities. IRAP revenues have generally increased since they were fully applied starting in 1998.

As a result of the transfer of increased powers to the regions, Lombardy is now entitled to receive a 0.9% surtax on the income tax on individuals, known as IRPEF. Pursuant to a 2001 law, regions may increase the 0.9% surtax rate on IRPEF to a rate in excess of 1.4% through specific regional laws. Lombardy has modified its rate based on the income bracket as stipulated to 1.2% (for people earning less than €15,494 per year) and 1.4% (for people earning more than €30,987 per year). In 1998, the IRPEF surtax began to be applied at a rate of 0.5%. During the year it was collected from self-employed persons. Collections increased in 1999 as wage-earners began to pay based on their previous year's salary. In 2000, the rate was increased to 0.9%, and collections from self-employed persons began to be collected at the higher rate during 2001. In 2001, the increase in tax collections was due to the application of this higher rate to all workers, including wage-earners. For 2002, the rates were increased further to the amounts described above. Collections from self-employed persons at these new rates began in 2002 and for wage-earners will begin in 2003.

In addition, the regions have been entitled to levy an automobile tax since 1993, based on the power of a vehicle. The region can increase or decrease the amount within a band set by the central government. Lombardy directly collects the automobile tax. In 1998, the basis for the tax was changed from horsepower to kilowatts and Lombardy's share was increased to 100%. Some revenues from 1997 were received late and reflected in current revenues for 1998 and 1999. In 2000, the basis of calculation for trucks was changed from kilowatts to axles. Although the tax on kilowatts was eliminated, the implementation of the tax on axles was slow, resulting in lower revenues in 2000.

As of 1996, the regions have been entitled to a portion of the revenue from a tax on each liter of gasoline sold in their region. The central government collects this tax on gasoline and pays a portion to each region. In 2001, this share was set at €0.13 per liter. The decrease in these amounts since 1999 reflects a policy to reduce air pollution. In 1997, the rate was decreased to offset the increase in automobile tax. This change was reflected in 1998 when the taxes at the lower rate were received.

Lombardy also collects some other taxes including a waste disposal tax, a tax on methane (which the region has determined not to apply in 2002), a tax levied on each student attending university in Lombardy and various other taxes.

Finally, Lombardy, like all regions, is entitled to receive a percentage of national VAT (which for the year 2001 was equal to 38.55% of the total VAT) in place of certain government transfers received in the past mostly in relation to healthcare funding. VAT revenues received by Lombardy which exceed the region's healthcare funding requirements are paid into an inter-regional compensation fund as described above. In Lombardy's case, these contributions are significant. The central government is considering different ways to transfer additional taxation and other revenue generating powers to the regions to enable them to perform additional functions.

Transfers from the Central Government and the European Union

Transfers from, or on behalf of, the central government take the form of ordinary transfers. As described above, these transfers constitute primarily restricted government amounts as well as, to a lesser extent, available current revenues for Lombardy. The central government transfers funds which are used specifically in certain areas including transportation, healthcare, agriculture, energy, ecology and public housing. Ordinary transfers are based on objective standards such as the size and population of Lombardy and its economic and social indicators. Most transfers in the past have been specifically used to finance healthcare expenses of

Lombardy. The central government also transfers funds received on behalf of Lombardy from the European Union.

As of 1998, central government transfers decreased significantly, reflecting the introduction of IRAP and the general delegation of new responsibilities to the regions.

The following table shows transfers from or on behalf of the central government for each of the periods indicated:

Transfers from or on behalf of the Central Government and the European Union

	Year Ended December 31,					
	1997	1998	1999	2000	2001	2002[1] Pre-closing budget
	(euro millions)[2]					
European Union Transfers	34	57	52	101	97	205
Transport	575	70	178	212	449	414
Education	71	81	101	152	200	509
Urban and rural planning	2	3	8	2	35	20
Agriculture	15	17	23	31	32	93
Healthcare and social	8,013	2,271	2,836	2,628	1,697	1,618
Industry	10	1	4	0	1	1
Public works	0	0	1	163	41	139
Energy and Ecology	5	0	0	0	8	8
Others	83	114	36	66	150	248
Total	8,807	2,613	3,239	3,355	2,711	3,255

(1) 2002 figures are taken from the pre-closing budget approved by the regional council in August 2002. The 2002 figures are not directly comparable with other figures as they are estimates. In addition, these amounts may alter during the year as a result of subsequent central government transfers.

(2) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27

Source: Region of Lombardy

Other Current Revenues

Other current revenues include contributions, reimbursements of amounts advanced by the region to public and private companies such as community improvement programs and entrepreneurial incentives and other minor items.

Current Expenditures

Current expenditures include expenses relating to personnel, goods and services, current transfers to local entities, central government debt service as well as interest expenses and other expenses.

The following table sets forth a breakdown of the current expenditures of Lombardy for the periods indicated:

Current Expenditures by Major Activity

	1997	1998	1999	2000	2001	2002[1] Pre-closing Budget
			(euro millions)[2]			
Personnel	200	216	221	232	221	227
Goods and Services	136	158	189	186	186	184
Current Transfers	10,069	10,724	10,994	11,946	17,284	19,097
Central Government Debt Service[3]	63	71	81	98	104	127
Interest Expense	81	81	73	79	72	134
Other Expenses	30	886	1,118	93	78	211
Total Current Expenditures[4]	10,579	12,136	12,675	12,635	17,946	19,980

(1) 2002 figures are taken from the pre-closing budget approved by the regional council in August 2002. The 2002 figures are not directly comparable with other figures as they are estimates. In addition, these amounts may alter during the year as a result of subsequent central government transfers.

(2) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

(3) Represents expenditures by Lombardy which are reimbursed by the central government.

(4) Current expenditures include payments of principal and interest on central government-supported loans of the region.

Source: Region of Lombardy

Personnel expenses consist of salaries, social security expenses and expenses incurred in connection with early retirement. Personnel expenses have increased by 11% between 1997 and 2001, despite a decrease in employees during that period.

Goods and services include amounts spent on the purchase of goods and services provided by independent contractors.

Current transfers are grants to provinces and municipalities and to ASLs, health organizations or regional healthcare facilities and hospitals. In 2001, approximately 69% of current transfers were related to healthcare, compared to 85% of current transfers in 2000. The increase, in absolute terms, of current transfers in 2001 was due primarily to an increase of other current transfers representing repayment of certain of Lombardy's VAT revenues into the inter-regional compensation fund. This fund, which was established in 2001, relates mainly to healthcare. Lombardy began receiving certain VAT revenues in 2001.

Central government debt payments represent primarily the servicing of loans which the central government is obligated to extend to Lombardy and which were issued to cover certain expenses relating to healthcare.

Interest expense is the interest paid on Lombardy's debt and interest expense related to the servicing of all indebtedness (including central government-supported loans) which was incurred on behalf of Lombardy.

Other expenses are administrative expenses of Lombardy and miscellaneous expenses.

The table below provides a breakdown of the use of certain current transfers to ASLs and other entities:

Current Transfers to ASLs and Other Entities

	Year Ended December 31,					
	1997	**1998**	**1999**	**2000**	**2001**	**2002[(1)] Pre-closing Budget**
			(euro millions)[(2)]			
Health	8,511	8,895	9,066	10,109	11,990	12,870
Transport	970	578	633	548	901	870
Education	360	306	376	169	410	865
Social Expenses	128	141	187	190	276	617
Public Works	0	0	1	0	7	144
Agriculture	36	32	39	44	37	102
Environment and Energy	12	10	15	21	54	21
Culture	17	17	19	14	14	14
General Administration	14	282	342	353	44	11
Handicraft and Sport	3	3	4	14	34	8
Tourism	8	8	9	8	8	7
Urban and rural planning	1	0	0	22	66	3
Industry and commerce	2	6	4	0	0	1
Other	5	446	300	454	3,442[(3)]	3,564[(3)]
Total Current Transfers	10,068	10,724	10,994	11,946	17,284	19,097

(1) 2002 figures are taken from the pre-closing budget approved by the regional council in August 2002. The 2002 figures are not directly comparable with other figures as they are estimates. In addition, these amounts may alter during the year as a result of subsequent central government transfers.

(2) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

(3) Represents primarily repayment of certain of Lombardy's VAT revenues into the inter-regional compensation fund relating mainly to healthcare which was established in 2001.

Source: Region of Lombardy

Social and healthcare expenses have been increasing sharply since 1997, primarily as a result of an increase in expenditures related to healthcare.

The increase in healthcare expenditures is due primarily to salary increases for healthcare personnel under national collective bargaining agreements and increases in the prices of pharmaceutical products. Healthcare expenditure in Lombardy totaled €9,421 million, €9,968 million, €11,041 million and €11,989 million in each of 1998, 1999, 2000 and 2001, respectively. The increase in healthcare expenses since 1999 has resulted in healthcare deficits of €448 million in 1999, €619 million in 2000 and €871 million in 2001. The following table sets forth the regional healthcare expenditures for the periods indicated (provisional figures for 2002 are not available):

Healthcare Expenditure[1]

	Year Ended December 31,				
	1997	**1998**	**1999**	**2000**	**2001 Estimated Financial Reports**
			(euro millions)[2]		
Personnel	3,477	3,291	3,419	3,560	3,724
Goods and Services	1,642	1,820	1,857	1,939	2,158
Administration of Hospitals	1,708	1,691	1,890	2,120	2,218
Pharmaceutical Expenses	959	984	1,097	1,324	1,723
General Medicine	491	472	525	603	610
Other Healthcare Services	829	916	923	1,184	1,216
Interest Expense	10	7	8	11	20
IRAP	—	211	210	241	254
Other	—	30	39	60	66
Total Healthcare Expenditure	9,116	9,421	9,968	11,041	11,989

(1) Figures in this table are not derived from Lombardy's financial reports but represent revenues and costs of ASLs and hospitals taken from their financial reports. Accordingly, these figures are not comparable to figures derived from our financial reports. Figures for 2001 are based on estimated financial reports of the ASLs and hospitals. No provisional figures for 2002 are available.

(2) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

Source: Region of Lombardy

Capital Revenues

Capital revenues consist of transfers from the central government and other revenues. Transfers from the central government include funds transferred on behalf of the European Union for various regional funding programs as well as funds from other public entities. Transfers from the central government may take the form of the proceeds of borrowings from the *Cassa Depositi e Prestiti*, which are used primarily in construction projects relating to health services in Lombardy. Other revenues include asset sales, capital transfers and credit collections. Asset sales consist of the sale of certain assets owned by Lombardy.

The following table sets forth the capital revenues of Lombardy for the periods indicated:

Capital Revenues

	1997	**1998**	**1999**	**2000**	**2001**	**2002[1] Pre-closing Budget**
			(euro millions)[2]			
Transfers from the central government and EU	839	850	627	843	892	3,246
Other	22	38	44	53	68	68
Total Capital Revenues	861	888	671	897	960	3,314

(1) 2002 figures are taken from the pre-closing budget approved by the regional council in August 2002. The 2002 figures are not directly comparable with other figures as they are estimates. Revenues which are received from the central government for a specific purpose and are restricted and for which the corresponding expenditures have not been used in previous years, are reflected in the subsequent year pre-closing budget. In addition, these amounts may alter during the year as a result of subsequent central government transfers.

(2) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

Source: Region of Lombardy

Capital Expenditures

Lombardy makes capital expenditures for the development and improvement of facilities for housing, transportation, the renovation of public property for general use and other civic purposes. The majority of capital expenditures are funded through central government and European Union contributions.

The following table sets forth the capital expenditures of Lombardy attributable to its major activities for the period indicated:

Capital Expenditures

	1997	1998	1999	2000	2001	2002[1] Pre-closing Budget
			(euro millions)[2]			
Urban and rural planning	232	300	129	114	154	724
Transport	104	133	77	237	128	422
Environment and Energy	238	100	86	154	179	310
Industry and commerce	88	143	70	135	129	303
Public Works	10	7	11	16	75	295
Agriculture	178	174	132	106	106	242
Social Expenses	114	119	33	50	93	211
Health	326	171	87	121	100	185
Handicraft	23	21	22	72	64	121
General Administration	13	66	50	47	41	59
Culture	47	50	41	10	20	48
Education	23	37	27	26	38	29
Tourism	19	12	27	27	12	22
Sport	9	7	12	7	9	18
Other	4	17	292	355	255	1,185
Total Capital Expenditures	1,430	1,356	1,096	1,477	1,403	4,174

(1) 2002 figures are taken from the pre-closing budget approved by the regional council in August 2002. The 2002 figures are not directly comparable with other figures as they are estimates. Funds from the central government which are received for a specific capital expenditure and are restricted and which have not been used in previous years, are reflected as a capital expenditure in the subsequent year pre-closing budget. In addition, these amounts may alter during the year as a result of subsequent central government transfers.

(2) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

Source: Region of Lombardy

Accruals and Financial Results

The financial result is a key statistic in the Italian state accounting and is strictly monitored by the *Corte dei Conti*, the Italian national auditing agency which has control over the local governments' accounts. The financial result consists of free cash at year end plus accrual receivables net of accruals payable.

Accruals are the difference between the balance due and the actual amount paid or received in the current year. They comprise accrued but uncollected revenues and accrued but unpaid expenditures. Accruals payable are carried forward for a maximum period of two years for current expenditures or seven years for capital expenditures (for 2001 it is seven years, previously it was only two years for both). After such period, they are cancelled and no longer accounted for in the regional budget, although creditors may still make a claim if they can demonstrate their right. Lombardy carefully monitors the accruals payable. Annual allocations are made in its accounts in a specific fund which in 2001 covered 71% of the aggregate amount to be cancelled.

The following table sets forth Lombardy's financial results for the periods indicated (provisional figures for 2002 are not available):

Financial Results

	1997	1998	1999	2000	2001
			(euro millions) [1]		
Free Cash at Year End	78	24	1.5	28	903[2]
Accruals receivable[3]	8,297	11,612	12,439	11,148	9,553
Accruals payable	(5,941)	(9,405)	(9,876)	(8,419)	(7,647)
Financial Result	2,434	2,231	2,564	2,757	2,810

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.
(2) Including cash held at the central bank's provincial branch in Milan, as permitted by law as of March 2001.
(3) Includes accrued but uncollected revenues from the central government (including European Union funds) and other third party payees.

Source: Region of Lombardy

Lombardy's aggregate current cash is greater than its outstanding debt. However, much of this cash is designated for specific expenditures, in particular healthcare and European Union projects. The following table sets forth the cash on hand for the periods indicated (provisional figures for 2002 are not available):

Cash on Hand

	1997	1998	1999	2000	2001
			(euro millions) [1]		
Free Cash at Year End	78	24	1.5	28	903[2]
Cash at the Central Bank	2,823	3,001	2,233	851	975
Total Cash	2,901	3,025	2,235	879	1,878
Regional Outstanding Debt[3]	267	404	734	692	1,163

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.
(2) Including cash held at the central bank's provincial branch in Milan, as permitted by law as of March 2001.
(3) Excluding debt serviced by the central government with respect to Lombardy.

Source: Region of Lombardy

Most of the cash held at the central bank is designated for specific purposes, such as healthcare, as illustrated by the following table for the periods indicated (provisional figures for 2002 are not available):

	1997	1998	1999	2000	2001
			(euro millions) [1]		
Ordinary Account and Healthcare Funds	2,417	2,935	1,973	842	904[2]
EU Funds	241	66	—	9	71
Healthcare Deficits	165	—	260	—	—
Total Cash at the Central Bank	2,823	3,001	2,233	851	975

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.
(2) Does not include ordinary account cash which was transferred to the central bank's provincial branch in Milan in 2001.

Source: Region of Lombardy

Significant Assets

Lombardy has significant disposable and non-disposable assets, which consist primarily of buildings and land. As of December 31, 2001, Lombardy had total assets worth approximately €387 million, of which €338 million were disposable.

DEBT OF LOMBARDY

General

The Republic of Italy does not guarantee the debt of Lombardy, including the notes described in this prospectus.

The outstanding debt for which Lombardy is responsible (without the benefit of central government funding) consists exclusively of six euro-denominated loans, five borrowed from Italian banking institutions and one borrowed from the *Cassa Depositi e Prestiti*. The total aggregate amount of indebtedness for which Lombardy is responsible, as of July 31, 2002 was equal to approximately €1,121 million compared to €1,163 million as of December 31, 2001. More than 50% of that is floating rate. Lombardy established a €2,000,000,000 medium term note program in December 2001, although no drawdowns under this program have yet been made.

In addition, Lombardy benefits from central government-supported loans (including loans from the *Cassa Depositi e Prestiti* as described below) which constitute obligations of Lombardy. While the central government is not formally a guarantor under these loans, the debt service for the loans is funded by legally mandated central government transfers. The total aggregate indebtedness under these central government-supported loans as of July 31, 2002 was equal to approximately €854 million. These loans are not taken into account when determining the permitted debt service ratio of Lombardy discussed below.

Criteria for Issuing Debt

Under Italian and regional laws, Lombardy can incur or issue new loans or bonds when the following criteria have been met:

- the proceeds received are used for capital investments or to refinance existing debt incurred after December 31, 1996;
- the regional council has approved the financial report with respect to the financial year ended two years prior to the issue date;
- the borrowing is provided for in the provisional budget;
- the borrowing is authorized by the regional council and, for the issue of bonds, the appropriate authorization from the interministerial committee for credit and savings is obtained; and
- the future debt service will not cause Lombardy to exceed its permitted debt service ratio.

The terms of the notes described in this prospectus meet all these criteria.

Lombardy is prohibited under law from issuing debt if the ratio of the aggregate annual payment of principal and interest on outstanding debt, excluding debt relating to healthcare services, to total annual regional tax revenues would exceed 25%. Lombardy is well below the permitted debt service ratio. As of December 31, 2000, Lombardy's debt service ratio was 0.8% (0.0% excluding debt service relating to healthcare). As of December 31, 2001, Lombardy's debt service ratio was 0.5% (0.0% excluding debt service related to healthcare). As of July 31, 2002, Lombardy's debt service ratio was 0.87% (0.05% excluding debt service related to healthcare).

Payment Mandate (*Mandato di Pagamento*)

Lombardy may issue an irrevocable payment mandate to the regional treasurer to make debt payments on behalf of the region. By irrevocable mandate, a treasury bank is required to segregate, from time to time, monies in an amount sufficient to meet Lombardy's obligations to pay interest and principal when due. The payment arrangement does not constitute security in respect of the relevant debt nor does it confer any preference upon the relevant lenders upon enforcement of the relevant debt. Pursuant to Article 11 of Decree No. 8 of 18th January, 1993, as converted into Law No. 68 of 19th March, 1993, the monies segregated by the treasury bank for payments of amounts under financings due within six months may not be attached or seized by third party creditors of Lombardy provided that, at each quarterly period, the regional board determines the amounts due and payable and does not issue any other payment orders with an earlier payment date. As of the date of this prospectus, the regional board has never made such a determination.

To date, Lombardy has generally included under all existing loan agreements an irrevocable mandate to its treasury banks to pay all debt service when due, with recourse to tax revenues under Title 1 of its annual budget and all other revenues necessary to meet its obligations. Title 1 of Lombardy's annual budget includes local tax revenues and central government VAT and gasoline tax revenues taxes transferred to Lombardy. In connection with the issuance of the notes offered in this prospectus, Lombardy will make the appropriate entries under the expenditure items of its financial reports to allocate the amount of income necessary to meet its payment obligations under the notes. Lombardy will issue, as a contractual obligation, an irrevocable payment mandate in respect of the notes to its treasury bank to pay all interest payments and repayments principal when due.

Loans from the *Cassa Depositi e Prestiti*

Lombardy also benefits from central government-supported loans from the *Cassa Depositi e Prestiti*, a legal entity separate from the central government that has its own assets and accounts. It operates in the interest of the central government and lends to local authorities, public entities and the central government. Although Lombardy receives proceeds on loans from the *Cassa Depositi e Prestiti* in order to finance certain public works projects, the loans are direct obligations of the central government and Lombardy has no obligation to pay such loans. In addition, Lombardy benefits from central government-supported loans from the *Cassa Depositi e Prestiti* which constitute obligations of Lombardy, the debt service of which is funded by legally mandated central government transfers. Both these categories of loans are not taken into account when determining the permitted debt service ratio described above. Lombardy is also able to borrow certain other amounts from the *Cassa Depositi e Prestiti* which are direct obligations of the region.

Lombardy's Outstanding Debt

Lombardy also benefits from central government-supported loans from financial institutions which constitute obligations of Lombardy, the debt service of which is funded by legally mandated central government transfers. These loans are not reflected in the table below as they are not considered part of Lombardy's indebtedness. Of the debt for which Lombardy is responsible (without the benefit of central government funding), 55.49% of Lombardy's debt was floating rate and approximately 96.88% was incurred to finance healthcare deficits. The following table sets forth a breakdown of the outstanding debt for which Lombardy is responsible (without the benefit of central government funding) as of July 31, 2002:

Debt	Year of Issue	Interest Rate[1]	Amount Originally Borrowed	Amount Outstanding	Year of Maturity
			(euro millions)[2]		
Public Transport Deficits	1996	Floating 6 month Euribor[3] + 0.40%	62	32	2006
Healthcare Deficits. . .	1997	Floating 6 month Euribor − 0.12%	207	164	2012
Healthcare Deficits. . .	1998	Floating 6 month Euribor + 0.079%	150	124	2013
Healthcare Deficits. . .	1999	Floating 6 month Euribor + 0.039%	361	302	2014
Healthcare Deficits. . .	2001	4.65%	516	496	2011
Public works	1975	12.45%	8	3	2005

(1) Floating Euribor rates are calculated semi-annually.
(2) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to 1st January, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.
(3) The Euro Interbank Offered Rate (Euribor) is the rate at which euro interbank term deposits within the euro zone are offered by one prime bank to another prime bank.

Source: Region of Lombardy

The following table sets forth the changes in the debt of Lombardy for each of the periods indicated:

Debt of Lombardy

	As of December 31,						
	1996	**1997**	**1998**	**1999**	**2000**	**2001**	**2002[1] Pre-closing Budget**
			(euro millions)[2]				
Beginning Outstanding Debt[3]	5	65	267	404	734	692	1,163
New Borrowing	62	206	150	361	0	516	1,828
Principal Repayment	2	4	13	31	42	45	89
Regional Outstanding Debt (without the benefit of central government funding)[3]	65	267	404	734	692	1,163	2,902[4]
Central Government Supported Debt[5]	654	996	889	872	889	947	757

(1) 2002 figures are taken from the pre-closing budget approved by the regional council in August 2002. The 2002 figures are not directly comparable with other figures as they are estimates.

(2) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

(3) Excluding debt serviced by the central government with respect to Lombardy.

(4) Consists of the amount of debt which is the subject of this offering, the amount that the region expects to borrow to balance the budget in 2002, and the accumulated amounts that the region had expected to borrow in previous years to balance the budget for which it has not yet entered into loan agreements.

(5) The debt service for this debt is funded by legally mandated central government transfers.

Source: Region of Lombardy

The following table analyzes the financial burden (total interest and amortization requirements) for the direct outstanding debt obligations of Lombardy (without the benefit of central government funding) for each of the years indicated:

Financial Burden of Outstanding Debt

	Year ended December 31,						
	1996	**1997**	**1998**	**1999**	**2000**	**2001**	**2002[1] Pre-closing Budget**
				(euro millions)[2]			
Interest Payments[3]	1	5	15	16	30	32	57
Amortization[3]	2	4	13	31	42	45	89
Total Financial Burden	3	9	28	47	72	77	146
Total Current Revenues	9,671	10,421	11,918	12,447	13,101	18,052	20,145
Financial Burden as a Percentage of Current Revenues	0.031%	0.086%	0.235%	0.0378%	0.550%	0.427%	0.725%

(1) 2002 figures are taken from the pre-closing budget approved by the regional council in August 2002. The 2002 figures are not directly comparable with other figures as they are estimates.

(2) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

(3) Consists of direct payment obligations of Lombardy and not amounts paid by Lombardy which are reimbursed by the central government.

Source: Region of Lombardy

All Italian regions are required to adopt a schedule for principal repayment on all the debt they incur. The table below sets forth the maturity schedule of Lombardy's outstanding debt (without the benefit of central government funding) based on outstanding debt at December 31, 2001:

Aggregate Annual Payments of Principal on Lombardy's Debt (euro millions)

Year	Aggregate Principal Payments for which Lombardy is solely responsible
2002	88
2003	93
2004	97
2005	103
2006	102
2007	102
2008	107
2009	112
2010	117
2011	122
2012	62
2013	43
2014	15
Total	1,163

Source: Region of Lombardy

Hedging of Activities

Lombardy does not engage in any speculative derivatives activity but may enter into financial derivatives to hedge the risk of its financial transactions.

Short-Term Debt

At July 31, 2002, Lombardy had no short-term debt.

Guaranteed Debt

Lombardy may guarantee some of the borrowings of public companies as well as those of other private companies based on general criteria contained in laws for specific sectors such as social services and healthcare, economic development and handicrafts, agriculture, general infrastructure and public works as well as for urban and rural planning. When guaranteeing a loan, Lombardy takes into consideration the purpose and amount of the loan as well as the bank providing the loan.

At July 31, 2002, the guarantees extended to public sector entities amounted to approximately €15.9 million, and guarantees extended to private sector companies amounted to €12.0 million. All of the guaranteed debt is denominated in euro. Lombardy has extended guarantees as shown below:

Guarantees Granted by Lombardy

	At December 31, 2001
	(euro thousands)
Public sector entities	
Healthcare and social assistance entities	10,447
Local entities	5,421
Others	
Agricultural cooperatives	6,974
Small business cooperatives	5,000
Total	27,842

Source: Region of Lombardy

Debt Record

Lombardy has never failed to pay when due the full amount of principal of, and interest on, its outstanding debt. There can be no guarantee, however, that Lombardy will continue in the future to be as successful in meeting its debt obligations.

THE REPUBLIC OF ITALY

The notes are not the obligations of, or guaranteed by, the Republic of Italy.

The information in this section is based primarily on the annual report of the Republic of Italy on form 18-K under the U.S. Securities Exchange Act of 1934, as amended, for the fiscal year ended December 31, 2001, filed with the Securities and Exchange Commission on March 14, 2002 and updated by the supplemental prospectus dated August 29, 2002, and the 18-K/A filed on September 3, 2002, ISTAT data and on the Annual Report of the Bank of Italy for the fiscal year ended December 31, 2001.

Central Government Administration

The Executive Branch. The head of state is the President, who is elected for a seven-year term by an electoral college that includes members of parliament and 58 regional delegates. The current President, Carlo Azeglio Ciampi, was elected in May 1999. The President has the power to appoint the Prime Minister (who is the effective head of government) and to dissolve parliament. Silvio Berlusconi has served as Prime Minister since June 2001. The Italian Constitution also grants the President the power to appoint one-third of the members of the Constitutional Court, to call general elections and referenda and to command the armed forces.

The Judicial Branch. Italy is a civil law jurisdiction. Judicial power is vested in the ordinary, administrative and accounting courts. The highest ordinary court is the *Corte di Cassazione* in Rome, where judgments of lower courts of local jurisdiction may be appealed. The highest of the administrative courts, which hears claims against the state and local authorities, is the *Consiglio di Stato* in Rome. The *Corte dei Conti* in Rome supervises the preparation of, and delivers a judgment on the state budget of Italy. The Italian government has recently proposed a number of reforms to Italy's judicial system. These reforms include the implementation of indemnification measures intended to protect the Supreme Court's magistrates. The government has also proposed the creation of a new process for selecting members of the Supreme Court; the proposal would establish a public competition for seats on the Court based on strict selection criteria. Further, the government has proposed the establishment of a professional school for magistrates, changes to the responsibilities of the judiciary counsels (*Consigli giudiziari*) and their composition (lawyers, professors and regional appointees join magistrates as categories of persons eligible for appointment) and changes to the manner by which a public prosecutor (*magistratura inquirente*) may become a judge (*magistratura giudicante*), among other reforms. Under these reforms, a public prosecutor who wishes to become a judge must complete a special training program and will not be permitted to serve as a judge in the same district in which she or he served as a public prosecutor.

The national magistrates association has voiced a strong negative response to these reform proposals and the magistrates conducted a strike on June 20, 2002. The magistrates have most strongly protested the alleged discrimination between magistrates on the Supreme Court and other magistrates, as well as the establishment of a clearer distinction between the roles of public prosecutors and judges.

The Legislative Branch. The parliament constitutes the legislative branch of the central government. It consists of a chamber of deputies and a senate with 630 and 315 elected members, respectively. In 1993, the parliament enacted electoral reforms. From the adoption of the Italian Constitution in 1948 until 1993, both chambers of parliament (the chamber of deputies and the senate) were elected by a system of proportional representation with a nominal lower limit on the percentage of votes needed to achieve representation. Except for a brief period, no single party has been able to command an overall majority in parliament, and Italy has a long history of weak coalition governments. The electoral reform legislation adopted by parliament in August 1993 provides that 75% of the members of both houses of parliament be elected through a "first past the post" system, or single-member districts in which the candidate receiving the largest number of votes wins. The remaining 25% are elected through a proportional representation system. In the chamber of deputies, only parties that receive at least 4% of the total vote on a nationwide basis are eligible for the seats elected by proportional representation. These modifications of the voting system have significantly reduced the number of parliamentary seats held by parties that receive a relatively small share of the popular vote.

Since the electoral reforms, Italy has held three general elections, the most recent on May 13, 2001. The Center-Right Coalition, which includes Go Italy (*Forza Italia*), the National Alliance (*Alleanza Nazionale*), the Northern League (*Lega Nord*), the Christian Democratic Center (*Centro Cristiano Democratico*) and the Christian Democratic Union (*Cristiani Democratici Uniti*) won the last general election on May 13, 2001. Silvio Berlusconi, formed a new government on June 11, 2001.

Economy

The economy of Italy, as measured by gross domestic product, or GDP, was the sixth largest in the developed world at the end of 2000. Italy is a founding member of the European Union, and its economy is closely linked with those of the other European Union members. Over half of both Italy's exports and imports involve other European Union countries.

Italy's real GDP grew at a seasonally adjusted rate of 0.2% both during the second quarter of 2002 and for the year ended June 30, 2002, based on ISTAT data. Italy's GDP grew by 1.7% in 2001.

Italy's economic growth during 2001 and the first half of 2002 was negatively affected by several external factors, including a slowdown in the global and United States economies, and the volatility of financial markets somewhat offset by sustained internal demand and investments. Italy's trade surplus improved during 2001 reaching €9,522 million, compared to €1,906 million in 2000.

GDP growth rates fluctuated in Italy during the 1990's. Italy's real GDP growth rate fluctuated from 2.0% in 1997, to 1.8% in 1998, to 1.6% in 1999. In 2000, the real GDP growth rate increased to 2.8%, the highest rate since 1995, as compared to 1.6% in 1999 and to an average annual increase of 3.4% in the Member States of the European Union. The growth in 2000 is primarily attributable to increased domestic demand and expenditures, coupled with higher exports. In 2001, real GDP grew by 1.7% due primarily to increases in gross fixed investment and total domestic consumption.

In 2001, the following sectors of the Italian economy contributed approximately to the indicated percentage of its GDP: agriculture, fishing and forestry (3.0%), energy production (2.1%), industrial non-energy related production (20.3%), construction (4.7%) and services (63.3%) (including commerce, hotels, public works, transportation and communications, public transportation, financial services and other miscellaneous services).

Italy's public debt as a percentage of GDP decreased steadily from 123.2% of GDP in 1995, to 110.5% of GDP in 2000, although it remains above the debt ceiling of 60% required under the Maastricht Treaty. This reduction was largely due to proceeds received from financial transactions, (which were used by the central government to repurchase outstanding treasury bonds), and to a decrease in interest payments and debt issuances tied to an increase of the primary balance surplus. The primary balance (which excludes interest costs) has shown surpluses since 1992.

The following tables show nominal and real GDP and expenditures for Italy for the periods indicated:

GDP Summary

	Year Ended December 31,					
	1996	1997	1998	1999	2000	2001
Nominal GDP(1)(2)	982,443	1,026,285	1,073,019	1,108,497	1,164,767	1,216,694
Real GDP(1)(2)(3)	933,142	952,050	969,130	984,567	1,012,802	1,030,782
% Change (real)	1.1%	2.0%	1.8%	1.6%	2.8%	1.7%
Population (thousands)	57,461	57,563	57,613	57,680	57,844	—
Real per capita GDP(1)(3)	16,240	16,539	16,821	17,069	17,509	—

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

(2) Millions of euro.

(3) Constant prices in euro, with purchasing power equal to the average for 1995.

Source: ISTAT

GDP and Expenditures

	Year Ended December 31,					
	1996	1997	1998	1999	2000	2001
	(euro millions)[1]					
Real GDP	933,142	952,050	969,130	984,567	1,012,802	1,030,782
Add: Imports of goods and services	211,258	232,621	253,285	266,639	291,669	292,151
Total supply of goods and services	1,144,400	1,184,672	1,222,415	1,251,206	1,304,471	1,322,934
Less: Exports of goods and services	251,095	267,151	276,325	277,059	309,510	311,897
Total goods and services available for domestic expenditure	893,305	917,521	946,090	974,147	994,961	1,011,037
Domestic Expenditure						
Private sector consumption	544,726	562,337	580,294	594,271	610,265	616,974
Public sector consumption	170,640	171,175	171,730	174,131	177,164	181,163
Total domestic consumption	715,366	733,512	752,024	768,402	787,429	798,138
Gross fixed investment	175,452	179,114	186,229	196,755	209,446	214,489
Changes in inventories	2,487	4,894	7,837	8,990	(1,914)	(1,589)
Total domestic expenditure	893,305	917,521	946,090	974,147	994,961	1,011,037

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

Source: ISTAT

Principal Sectors of the Economy

Services

In 2001, the services sector represented 63.3% of GDP and employed 65.5% of the economically active population. Among the most significant services, commerce-related, hotel, transportation and communication services contributed 23.5% of Italy's GDP for 2001, and financial services and rent contributed 23.1%.

Transportation. In 2001, the transportation sector accounted for 5% of GDP. Italy's transportation sector has been relatively fast growing as a result of greater trade integration with European markets. Roads are the dominant mode of transportation in Italy and include, among others, local roads that are managed and maintained by regions and local authorities, roads outside the local areas that are managed and maintained by the state road board and a system of toll highways that are in part managed and maintained by *Costruzioni e Concessioni Autostrade S.p.A.* (Autostrade), Italy's largest motorway company. Autostrade manages 3,120 kilometers (approximately 1,939 miles) of the 6,478 kilometer system (approximately 4,025 miles) of motorways under a twenty-year concession granted by the state road board. Toll motorways represent 85% of the total motorway network.

Italy's railway network is small when compared to its population and land area and has historically suffered from overstaffing, high pay and inadequate infrastructure. The central government provides substantial operating subsidies to the state-owned railroads, making passenger tickets less expensive than most European railroads. The Italian state railway company (*Ferrovie dello Stato S.p.A.*, now *Rete Ferroviaria Italiana S.p.A.*) had losses of €800 million in 2000, and its train network subsidiary, *Trenitalia S.p.A.*, which was created in June 2000, had losses of €241.4 million in December 2000. In 1996, 19,516 kilometers or 12,127 miles of railroad network was owned by the state. In March 1999, the central government issued a directive to reorganize the state railways. In January 2000, the infrastructure division and transportation services division were officially separated into three business units: freight, passengers and infrastructure. A protocol agreement was signed in November 1999 by the Italian Ministry of the Economy and Finance, or the Treasury, the Italian state railway company and the unions with their objective of having a balanced financial account by 2003 and 2005 for the transportation services division and the infrastructure division, respectively. One of the most important objectives under the protocol is the shift towards a new fare system. The gradual review of the current under-priced passenger fare system, will cause long distance fares to rise, while short distance fares will remain stable. The protocol also provides for a new wage and labor contract so that wages will start to be aligned to productivity and employment conditions will be made more flexible. The central government's objective is to transfer to the regions a significant part of its responsibilities for local railways. By January 2000, many regions had published plans with the central government setting targets for regional transportation. Under the planned decentralization process, regions will become responsible for the entire range of local transportation services through contracts entered into with the central government. A project for a new high-speed train system linking Turin to Milan and Milan to Rome and Naples, is expected to be substantially completed by 2008.

Passenger air traffic in Italy is concentrated in two metropolitan cities, with 52% of all air traffic in 2000 attributable to Ciampino and Fiumicino airports in Rome and Linate and Malpensa airports in Milan. A central government decree would have shifted all of Milan's international traffic from Linate to Malpensa in October 1998. After opposition from the European Union Commission based on the anti-competitive effects of the action, the central government revised this decree by permitting European Union carriers to operate "point to point" connections between Linate and other airports of the European Union, subject to certain limitations.

Contract negotiations and proposed reforms to the labor market and social security regime provoked various air traffic controller and public transportation worker strikes in 2002. The strikes had a heavy impact on the Italian transportation system.

The Italian air traffic controller trade unions announced two strikes a month in each of January, May and June 2002 which disrupted air traffic. On June 19, 2002, the European air traffic controllers protested against the European Union plan to unify the airspace across Europe. The main Italian air traffic controller trade unions did not participate in the strike, even though some of the small Italian trade unions were involved.

In January, the trade unions announced a general strike of the public transportation sector to protest against labor market reforms. Local subway and bus transportation workers participated in trade union demonstrations in May and June requesting salary increases. Transit was affected by strikes in June and July as well.

In addition, the trade unions have scheduled strikes related to air, train and ferry transportation for September, October and November.

Communications. Italy's telecommunications market is characterized by a very high fixed-line penetration estimated at 97.5% of households in 2000. The market was deregulated in January 1998. Telecom Italia, which was privatized in 1997, was acquired by Olivetti in 1999, and is now controlled by a consortium headed by Pirelli, remains the largest operator, with a market share of approximately 77%. It is facing increasing competition from new operators. In 1998, the government granted three national fixed telephony licenses to Infostrada (merged into Wind as of January 2002), Wind (a joint venture between ENEL and France Telecom) and Albacom (a consortium controlled by British Telecom, Banca Nazionale del Lavoro, Mediaset and ENI). As of December 31, 2000, four licenses for national and local telephone services had been granted to telecommunications operators in Italy. Competition among telecommunications operators has resulted in lower charges and a wider range of services offered. In January 2000, access to the local loop telephony was deregulated.

In 1998, the European Parliament authorized European Union member countries to grant a limited number of Universal Mobile Telecommunications System, or UMTS, licenses for third-generation, or 3G, mobile telephony services, through which companies will provide additional and enhanced services including high-speed wireless internet access. The allocation process of UMTS licenses in Italy has been carried out by an auction among pre-qualified applicants. UMTS licenses were granted to Omnitel, Ipse 2000 (controlled by

Telefonica and Sonera), Wind, Andala Opco (controlled by Hutchison Whampoa and Tiscali) and TIM. Each license will last for 15 years, commencing on January 1, 2002. Italy raised €13,815 million through the UMTS license auction.

The market for internet services is dominated by three providers (Seat/Tin.it, Wind/Infostrada and Tiscali), which together account for approximately 78% of the subscriber base (approximately 13.5 million subscribers).

Financial Services. Historically, a significant portion of Italy's domestic investment has been in public debt. In 2000, for the fourth consecutive year, the household sector's investments in foreign assets, investment funds and shares increased, while investments in government securities decreased. The large shift of household assets into managed products generated substantial fee income for financial institutions.

Tourism. Tourism makes a significant and positive contribution to the balance of payments. In 2000, tourism revenues, net of amounts spent by Italians travelling abroad, were approximately €12.9 billion, representing a 19% increase over the corresponding period in 1999. This increase was primarily due to growth in spending by foreign visitors to Italy, which was partially offset by an increase in spending by Italian tourists travelling abroad.

Manufacturing

In 2001, the manufacturing sector represented 22.4% of GDP and 21.9% of total employment, of which energy production and non-energy production accounted for 2.1%, and 20.3%, respectively, of GDP.

Non-energy production. Italy's principal manufacturing industries include metal products, precision instruments and machinery, textiles, leather products and clothing, wood and wood products, paper and paper products, food and tobacco, chemical and pharmaceutical products and transportation equipment, including motor vehicles.

The number of large private companies in Italy is relatively small in comparison to other European Union countries. Among the most significant are Fiat (automobiles and other transportation equipment), Pirelli (tires, cables and industrial rubber products), Fininvest (media and publishing), Montedison (chemicals) and Benetton (clothing). However, much of Italy's industrial output is produced by small and medium-sized businesses, which also have accounted for much of the economic growth over the past 20 years. They are especially active in light industry (including the manufacture of textiles, clothing, food, shoes and paper), where they have been innovators. Small and medium-sized businesses export a significant share of their production.

Energy production. Italy depends on imported oil and other fossil fuels for a significant portion of its energy needs. Overall, Italy imported approximately 83.4% of its energy requirements in 2000. In 2000, oil accounted for 49.4% of primary energy consumption. Natural gas provided approximately 31.4% of Italy's primary energy consumption in 2000 and in 1999 approximately 72.9% was imported. The only other significant imported energy source is coal. A referendum rejected the use of nuclear power in Italy in 1987.

The domestic energy industry consists primarily of ENI and ENEL. ENI, which is 30.3% owned by the central government, is engaged in the exploration, development and production of oil and natural gas in Italy and abroad, the refining and distribution of petroleum products, the supply, transmission and distribution of natural gas and oil field contracting and engineering services. ENEL is primarily engaged in the generation, importation, transmission and distribution of electricity. Domestic capacity is insufficient to meet current demand, and Italy imports a portion of its electricity requirements.

The electricity and gas authority regulates electricity activities and natural gas distribution in Italy with the aim of promoting competition while ensuring adequate levels of service quality. A central government legislative decree, issued in March 1999, provided for the partial liberalization of the generation, importation, purchase and sale of electricity. Beginning in 1999, major customers were permitted to purchase electricity from any European purchaser. The decree also provides that from 2003, no company will be permitted to own more than 50% of the electrical energy generated or imported into Italy. A single agency (referred to as the

Gestore della Rete, or System Operator) has been formed to act as the exclusive manager of the national power grid and the transmission of electricity.

To further the liberalization of the electricity industry, the central government approved a plan in August 1999 for ENEL to establish three new generating companies (Eurogen, Elettrogen and Interpower). These companies are expected to be sold to independent power generators by January 1, 2003. ENEL has already sold Elettrogen, the second largest new generating company, with a total generation capacity of 5,400 MW and has entered into preliminary arrangements for the sale of Eurogen, the largest new generating company, with total generating capacity of 7,000 MW. The antitrust authorities must approve the sales of Eurogen. In order to achieve an effective privatization of this sector, the central government will not allow any state-controlled company (including municipalities) to own more than 30% of any bidding consortium.

A new tariff regime took effect on January 1, 2000. The new regime significantly lowered fixed tariff rates for the generation, transmission and distribution of electricity in 2000. In addition, tariff rates for transmission and distribution will be subject to a price cap for the period 2001-2003.

Construction

In 2001, construction represented 4.7% of GDP and 6.8% of total employment. Italy has been characterized by an increase in construction in recent years, mainly due to the special tax incentives provided for residential construction and repair implemented in 1997.

Agriculture, Forestry and Fisheries

Agriculture, forestry and fisheries accounted for 3.0% of GDP in 2001 and 5.7% of total employment. The agricultural share of Italian GDP has declined steadily with the growth of industrial output since the 1960s. Italy is a net importer of all categories of food, except fruits and vegetables. The principal crops are wheat (including durum wheat used to make pasta), maize, olives, grapes and tomatoes. Cereals are grown mainly in the Po valley in the north and in the southeast plains, and olives are grown primarily in central and southern Italy, while grapes are grown throughout the country. Italy is one of the largest wine producers in the world.

Other Characteristics of the Italian Economy

Role of the Central Government in the Economy. Government-owned enterprises play a significant though decreasing role in the Italian economy. The central government participates in the energy, banking, insurance, shipping, transportation and communications industries, among others, through ENI, ENEL and various other entities.

Since 1994, the central government has been privatizing various operating subsidiaries of its holding companies and entities owned directly by the Treasury. These privatizations include entities in the financial institution sector (IMI, INA, Istituto Bancario San Paolo di Torino, Banco di Napoli, Mediocredito Centrale), the telecommunications sector (Telecom Italia), oil-integrated companies (ENI) and electricity utilities (ENEL). Under Italian law, all proceeds of the privatization of entities directly owned by the Treasury must be deposited into a fund established in 1993 to purchase and repay outstanding Treasury securities. Accordingly, such proceeds reduce the ratio of public debt to GDP, but cannot be taken into account to offset current account deficits.

Budget Deficits. Large budget deficits and high levels of public debt were features of the Italian economy until the early 1990s. In accordance with the Maastricht Treaty, the reduction of budget deficits and public debt became a national priority for Italy. The central government achieved the objective of keeping net borrowing under 3% of GDP in 1997, at 2.7% of GDP. Net borrowing increased slightly to 2.8% of GDP in 1998 and decreased to 1.8% in 1999 and 0.5% in 2000. In 2001, net borrowing increased again to 2.2%.

Savings Rate. Historically, Italy has had a high savings rate. Although the savings rate has declined over the past three decades in Italy (most notably in the last five years) as in most of the developed world, household savings as a percentage of household disposable income was 19.0% in 2000, among the highest of any G-7 country, according to OECD data.

Regional Disparities. The Italian economy is characterized by significant regional disparities. The level of economic development of southern Italy is well below that of northern Italy. Per capita GDP of southern Italy is lower than that of the remainder of the country despite large and long-standing infusions of development funds and other income transfers from the central government.

Imports and Exports and Balance of Trade. Italy is fully integrated into the European and world economies, with imports and exports each accounting for more than 25% of Italian GDP in 2001. Italy's exports are dominated by manufactured goods, including industrial machinery, office machinery, automobiles, clothing, shoes and textiles. The European Union accounts for over half of Italian trade value. In 2001, countries within the European Union purchased 53.7% of Italian exports and supplied approximately 56.5% of imports.

Employment. The following table shows the change in total employment, the official participation rate and the official unemployment rate for the periods indicated.

Employment

	1996	1997	1998	1999	2000	2001
		(Average over the year)				
Employment volume of entire economy (% change on prior year)	0.5	0.4	1.1	1.3	1.9	2.1
Participation Rate(%)(1)	57.7	57.9	58.7	59.3	59.9	60.4
Unemployment Rate(%)(2)	11.6	11.7	11.8	11.4	10.6	9.5

(1) Participation rate of population aged 15-64.

(2) Does not include workers paid by Cassa Integrazione Guadagni or Wage Supplementation Fund, which compensates workers who are temporarily laid off or who have had their hours cut.

Source: ISTAT

The unemployment rate rose from 11.6% in 1996, to 11.7% in 1997 and to 11.8% in 1998. The unemployment rate steadily decreased to 11.4% in 1999 and 10.6% in 2000, primarily due to positive trends in the service sector (in particular, business and household services) resulting in a greater number of available jobs. The unemployment rate in Italy fell to 9.5% in 2001 as compared with 10.6% one year earlier.

Italy's seasonally adjusted average unemployment rate continued to decline and was at 9.1% during the first six months of 2002, according to ISTAT data, down from 9.5% and 10.6% during 2001 and 2000, respectively, mainly as a result of an increase in the number of female workers.

Unemployment in southern Italy has been persistently higher than in northern Italy and was approximately 22.0% in 1999, 21.0% in 2000, and 19.3% in 2001 as compared to 4.0% in northern Italy in 2001. The central government has adopted a number of programs to correct these imbalances, including programs that provide money for job training (particularly in the south) that provide certain incentives to firms that hire young workers.

The Italian government has recently implemented reforms aimed at creating greater flexibility in the labor market. Italian trade unions responded strongly to these reforms and conducted a general one-day strike on April 16, 2002. The primary conflict between the government and the trade unions has concerned the proposed temporary suspension of the application of an article of a 1970 labor law. Currently, this article provides an employee dismissed without just cause the right to seek reinstatement and indemnification from his or her employer.

After long negotiations, the government has revised its proposed reforms to this article. The new proposal would temporarily suspend the article for newly-hired employees only at firms with more than 15 employees. To balance such temporary suspension, the government has offered the trade unions higher unemployment indemnity for employees. The new proposal has caused a split in the trade unions; two trade unions, CISL and UIL, have resolved to agree to the government's new proposal by signing an agreement on July 5, 2002, in which the government has committed to reduce the tax burden, not introduce any change to the current pension system and to increase the unemployment allowances. The primary trade union, CGIL, opposes the new proposal and is organizing new strikes. Local branches of CGIL are currently collecting signatures against the government's new proposal which will be sanctioned in a new general strike scheduled by CGIL for October 2002.

Wages and Prices

Wages. Unit labor costs historically have been lower in Italy, on average, than in other European countries, with the exception of Belgium and Spain. This is due to lower average earnings per employee, combined with higher productivity levels.

Wages, as measured by gross earnings per standard labor unit increased by an average of 3.1% in 2000 and 2.4% in 1999, compared with an increase of 2.9% in 1998. The 2000 increase was mainly due to a 4.3% increase in wages in the public service sector, while wage growth in the private sector was 2.5%. Labor costs were also significantly affected in 1998 by the introduction of a regional tax on productive activities based on value added, known as IRAP, and the simultaneous elimination of several social security charges, including employers' health contributions. A comparable reduction occurred in 2000.

Prices. The inflation rate in the euro area as measured by the European Union harmonized consumer price index increased to 2.3% in 2000 from 1.1% in both 1999 and 1998. Inflation decreased from 4% in 1996 to 1.9% in 1997 primarily due to falling food prices and declining prices for imported goods resulting from the depreciation of Asian currencies. Since Italy's entry into the European Monetary Union in 1999, monetary policy decisions are made for all euro zone countries by the European Central Bank.

Inflation in Italy, as measured by the consumer price index, was 2.5% in 2000, compared to 1.7% in 1999. The increase was primarily due to sharp increases in oil prices and depreciation of the euro against the dollar. In addition, inflationary pressures have been to a great extent driven by the ongoing increase of service and food prices.

On August 29, 2002, ISTAT published forecasts estimating that consumer prices during August 2002 increased at an annual rate of 2.3% compared to 2.2% in the previous month.

The following tables illustrates trends in prices and wages for the periods indicated:

Prices and Wages

	1996	1997	1998	1999	2000
Cost of Living Index(1)	3.9	1.7	1.8	1.6	2.3
Consumer Price Index(1)	4.0	2.0	2.0	1.7	2.5
Core Inflation Index(2)	N/A	2.3	2.3	1.8	1.9
Per capita wages (entire economy)	5.7	4.1	(1.8)	1.6	1.7
Unit labor costs (entire economy)(3)	5.1	2.8	(1.3)	1.6	(0.7)
Private consumption deflator(4)	4.4	2.2	2.1	2.1	2.9

(1) Reflects the change in price of a basket of goods typically purchased by moderate-income non-farming families. The Cost of Living Index differs from the Consumer Price Index in that the basket of goods in the former is smaller in number and scope.
(2) Reflects the change in prices, net of energy and food products.
(3) Per capita wages reduced by productivity gains. Following the introduction of IRAP in 1998, the accounting method for unit labor costs has changed and figures for 1998 through 2000 are not directly comparable to pre-1998 data.
(4) Reflects the change in costs borne by private families. The private consumption deflator differs from the Consumer Price Index in that the former takes into account imputed rent costs for those who own their housing as well as the cost of tobacco products.

Source: Annual Report of the Republic of Italy filed on form 18-K with the Securities and Exchange Commission (March 14, 2002)

Foreign Trade

Italy is fully integrated into the European and world economies, with imports equal to 25.2% of GDP and exports accounting for 26.2% of GDP in 2001.

The following tables illustrate Italy's exports and imports for the years 1997 through 2001. Export amounts do not include insurance and freight costs and only include the costs associated with delivering and loading the goods for delivery. This is frequently referred to as "free on board" or "fob". Import amounts include all costs, insurance and freight, frequently referred to as "charged in full" or "cif".

Foreign Trade

	1997	1998	1999	2000	2001
			(euro millions) (1)		
Exports (fob)					
Agriculture, forestry and fishing	3,525	3,605	3,687	3,858	4,150
Minerals	448	433	430	525	538
Manufactured products	206,253	214,981	215,802	254,706	262,816
Food, beverage and tobacco products	10,850	11,484	12,051	13,066	13,873
Textiles, leather products and clothing	35,512	35,683	34,411	40,078	43,007
Wood and wood products	1,183	1,247	1,329	1,510	1,478
Paper, printing and publishing	4,662	4,934	5,029	5,960	5,977
Refined oil products	2,959	2,428	2,604	5,181	4,944
Chemical and pharmaceutical products	17,333	17,961	19,472	4,136	25,547
Rubber and plastic products	7,649	8,113	8,228	9,389	9,525
Non-metallic minerals and mineral products	8,008	8,253	8,332	9,230	9,343
Metals and metal products	17,783	18,496	17,513	21,257	21,567
Mechanic products and machinery	44,213	45,270	45,060	50,678	53,397
Electric and precision machinery	20,176	21,275	21,619	26,383	27,361
Transport equipment	21,701	25,394	25,253	30,389	29,459
Other manufactured products	14,224	14,442	14,902	17,449	17,335
Energy, gas and water production	23	22	23	22	46
Other	1,048	1,064	1,098	1,302	2,151
Total exports	211,297	220,105	221,040	260,413	269,701

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit 1,936.27.

Source: ISTAT

	1997	1998	1999	2000	2001
			(euro millions) (1)		
Imports (cif)					
Agriculture, forestry and fishing	8,666	8,864	8,603	9,228	8,786
Extractive industries	15,792	13,025	15,243	29,561	28,702
Manufactured products	158,608	172,159	181,552	217,071	218,434
Food, beverage and tobacco products	15,417	15,668	15,645	17,135	18,036

	1997	1998	1999	2000	2001
			(euro millions) [1]		
Textiles, leather products and clothing	14,015	14,737	14,743	18,249	20,097
Wood and wood products	2,532	2,791	2,980	3,393	3,207
Paper, printing and publishing	5,442	5,896	6,222	7,255	6,665
Refined oil products	3,808	2,727	3,161	5,378	4,611
Chemical and pharmaceutical products	25,520	26,686	28,097	33,231	33,671
Rubber and plastic products	4,016	4,455	4,792	5,387	5,342
Non-metallic minerals and mineral products	2,270	2,388	2,509	2,843	2,915
Metals and metal products	20,244	21,857	20,350	26,277	25,370
Mechanic products and machinery	13,615	16,075	17,564	20,354	20,441
Electric and precision machinery	25,574	28,267	30,982	38,269	36,562
Transport equipment	23,139	27,340	30,978	35,038	37,259
Other manufactured products	3,016	3,271	3,529	4,262	4,258
Energy, gas and water production	1,459	1,456	1,424	1,535	1,789
Other	153	122	193	1,111	2,469
Total imports	184,678	195,626	207,015	258,507	260,179
Trade Balance	26,619	24,479	14,025	1,906	9,522

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit 1,936.27.

Source: ISTAT

The Italian economy relies heavily on foreign sources for energy and other natural resources, and Italy is a net importer of chemical and pharmaceutical products and agricultural and food industry products. Of all the major European countries, Italy is the most heavily dependent on imports of energy, importing 82.3% of its energy requirements in 1999, and 83.4% in 2000. As a result, Italy's trade balance is vulnerable to fluctuations in oil prices.

The European Union accounts for over half of Italian trade value. In 2001, countries within the European Union purchased 53.7% of Italian exports and supplied approximately 56.5% of imports. In 2000, exports to the European Union increased 12.2% in terms of value, while imports from the European Union increased by 15.2%. In 2001, exports to the European Union increased by 0.3% and imports increased by 0.3%, both in terms of value.

Balance of Payments

The balance of payments shows the credit and debit transactions of Italy with foreign countries and international institutions for a specific period. Transactions are divided into three broad groups: current account, capital account and financial account. The current account is made up of (1) trade in goods (visible trade) and (2) trade in services and wages and the profits and interest earned on overseas assets, net of those paid abroad and net capital transfers to international institutions, principally the European Union (invisible trade). The capital account is made up of such items as the inward and outward flow of money for investment and international grants and loans. The financial account includes changes in the official reserves and errors and omissions from the current and capital accounts.

Current Account. A current account surplus was achieved in each year from 1992 through 1999. In 2000 and 2001, the current account registered a deficit of approximately €6.3 billion and €0.2 billion, respectively.

Capital Account. In 2000 and 2001, the capital account amounted to €3.2 billion and €0.9 billion, respectively, principally reflecting net transfers related to the European Union budget of €3.6 billion in 2000 compared to €1.7 billion in 2001.

Financial Account. In 2000, Italy had a financial account surplus of €4.3 billion, compared to a €2.9 billion deficit in 2001. Errors and omissions totalled €2.1 billion in 2001.

The following table illustrates the balance of payments for the periods indicated:

Balance of Payments

	Year Ended December 31,				
	1997	**1998**	**1999**	**2000**	**2001**
			(euro millions)[1]		
Current Account	29,341	20,444	7,692	(6,305)	(178)
Goods	35,172	32,584	22,044	10,368	17,775
Exports[2]	211,297	220,105	221,040	260,414	270,295
Imports[2]	184,678	195,625	207,016	258,507	260,361
Services	6,846	4,386	1,125	1,167	338
Income	(9,010)	(9,869)	(10,392)	(13,099)	(11,575)
Transfers	(3,666)	(6,658)	(5,085)	(4,742)	(6,716)
EU institutions	(2,628)	(5,940)	(4,685)	(4,905)	(5,812)
Capital Account	2,922	2,249	2,789	3,195	938
Intangible assets	93	(121)	(3)	(72)	(311)
Transfers	2,829	2,370	2,792	3,267	1,249
EU institutions	3,264	2,748	3,201	3,624	1,748
Financial Account	(18,279)	1,282	(8,867)	4,287	(2,889)
Direct investments	(6,404)	(10,580)	178	1,149	(7,377)
Abroad	(10,768)	(14,418)	(6,309)	(13,368)	(23,995)
In Italy	4,364	3,838	6,487	14,517	16,618
Portfolio investments	17,171	7,075	(23,635)	(26,255)	(7,640)
Assets	(47,127)	(86,315)	(121,493)	(86,340)	(40,070)
Liabilities	64,298	93,390	97,858	60,085	32,430
Financial derivatives	(1,631)	(762)	1,766	2,501	(477)
Other investments	(40,090)	(15,656)	(13,547)	5,725	29,950
Change in official reserves	11,759	19,096	7,099	(3,058)	484
Errors and Omissions	(13,985)	(23,975)	(1,614)	(1,177)	2,129

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit 1,936.27.

(2) The items are calculated using the new methods adopted by Eurostat and the European Central Bank, in accordance with the fifth edition of the International Monetary Fund Balance of Payments Manual.

Sources: Annual Reports of the Bank of Italy for the fiscal years ended December 31, 2000 and 2001

Reserves

From 1992 through 1997, the central government has followed a policy of generally strengthening official reserves. Official reserves were €69.0 billion at December 31, 1996. In 1997, reserves decreased by approximately €23 billion to €45.8 billion, mainly due to a reduction of Lit. 38 trillion (approximately €19.6 billion) in holdings of convertible currencies by the Bank of Italy. From 1998 to 1999, official reserves decreased slightly to €45.1 billion. In 2000, the Bank of Italy contributed €7,447 million to the reserves of the European Central Bank. Official reserves increased to €52.4 billion in 2001 from €50.4 billion in 2000.

The following table illustrates the foreign exchange reserves of Italy for the periods indicated:

Foreign Exchange Reserves

	Year Ended December 31,				
	1997	1998	1999	2000	2001
	(euro millions)[1]				
Gold	19,407	20,562	22,775	23,098	24,732
SDRs[2]	61	95	163	255	337
Total position with IMF	2,036	3,697	3,537	2,916	3,647
ECUs	8,228	—	—	—	—
Other investments	36,009	21,425	18,537	24,097	23,721
Other net reserves	3,280	—	1,769	N/A	—
Total reserves	45,778	45,807	45,100	50,366	52,437

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit 1,936.27.
(2) Special Deposit Rights.

Sources: Annual Report of the Republic of Italy filed on form 18-K with the Securities and Exchange Commission (March 14, 2002), Annual Report of the Bank of Italy for the fiscal year ended December 31, 2001

Monetary Policy

The European System of Central Banks. Prior to Italy's adoption of the euro, the Bank of Italy was responsible for conducting monetary policy. As of January 1, 1999, which marked the beginning of Stage III of European Economic and Monetary Union, the eleven countries joining the EMU officially adopted the euro and the Eurosystem became responsible for conducting a single monetary policy.

The European System of Central Banks (ESCB) consists of the European Central Bank (ECB), which was established on June 1, 1998, and the national central banks of the European Union Member States. The Eurosystem is formed by the 12 national central banks in the euro area and the ECB. So long as there are European Union Member States that have not yet adopted the euro (Denmark, Sweden and the United Kingdom), there will be a distinction between the 12-country Eurosystem and the 15-country ESCB. The three national central banks of non-participating countries do not take part in the decision-making of the single monetary policy. They maintain their own national currencies and conduct their own monetary policies. The Bank of Italy, as a member of the Eurosystem, participates in its decision-making.

The Eurosystem is principally responsible for:

- defining and implementing the monetary policy of the euro area;
- conducting foreign exchange operations and holding and managing the official foreign reserves of the euro area countries;
- issuing banknotes in the euro area;
- promoting the smooth operation of payment systems; and

- coordinating the supervision of credit institutions and the stability of the financial system.

The ESCB is governed by the decision-making bodies of the ECB which are:

- the Executive Board, composed of the President, Vice-President and four other members, responsible for implementing the monetary policy formulated by the Governing Council;
- the Governing Council, composed of the members of the Executive Board and the governors of the twelve national central banks, in charge of formulating the monetary policy in the euro area; and
- the General Council, composed of the Executive Board and the fifteen national central banks, and contributes to the advisory functions of the ECB.

The ECB is independent of the national central banks and the central governments of the European Union member states and has its own budget, independent of that of the European Union. The capital of the ECB is not funded by the European Union but has been subscribed and paid up by the national central banks of the member states which have adopted the euro, pro-rated to the GDP and population of each member state. The ECB had paid up capital of approximately €4 billion at December 31, 2000.

The Bank of Italy. The Bank of Italy was founded in 1893. It supervises and regulates the Italian banking industry, and operates services for the banking industry as a whole, including a central information office on credit risks. It also supervises and regulates non-bank financial intermediaries. The Bank of Italy had assets at December 31, 2001 of €179,099 million.

Public Finance — Measures of Fiscal Balance

Italy reports the fiscal balance of the public sector using the following two principal measures:

(1) Net borrowing, which is the consolidated revenues minus the consolidated expenditures of the general government of Italy as a whole (as defined and adopted by European Union Member States). This is the principal measure of fiscal balance, and is calculated in accordance with European Union accounting requirements; and

(2) Primary balance, which is the financial balance less interest payments and other borrowing costs of the central government. The primary balance is used to measure the effect of discretionary actions taken to control expenditures and increase revenues.

The Statistical Office of the European Communities, or Eurostat, published a decision relating to the methods of accounting for securitizations in July 2002. Pursuant to the Eurostat decision, Italy will be 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. As a result of the Eurostat decision, Italy's net borrowing for 2001 was revised from 1.6% of GDP to 2.2% of GDP.

The table below shows selected public finance indicators for the periods from 1997 through 2001:

Selected Public Finance Indicators

	Year Ended December 31,				
	1997	1998	1999	2000	2001[1]
	(euro millions, except percentages)[2]				
Public sector revenue	492,875	498,549	517,164	534,628	556,797
% of GDP	48.0%	46.5%	46.7%	45.9%	45.8%
Public sector expenditure	520,598	528,747	536,581	540,891	583,595
% of GDP	50.7%	49.3%	48.4%	46.4%	48.0%
Net borrowing[3]	27,723	30,198	19,417	6,263	26,798
% of GDP	2.7%	2.8%	1.8%	0.5%	2.2%
Primary balance[4]	68,383	55,813	55,417	69,002	50,335
% of GDP	6.7%	5.2%	5.0%	5.9%	4.1%

(1) For the year 2001, ISTAT data published in August 2002, takes into account the Eurostat decision which requires Italy, among other European Union member countries, to account for receipts for securitization transactions.

(2) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1 = Lit. 1,936.27.

(3) Net borrowing includes revenues from UMTS licenses for the year 2000 (€13,815 million, or 1.2% of GDP).

(4) Net of revenues from UMTS licenses.

Source: Annual Report of the Bank of Italy for the fiscal year ended December 31, 2001, Prospectus Supplement, dated August 29, 2002, to the Final Prospectus of the Republic of Italy dated March 14, 2002 filed with the Securities and Exchange Commission

General government expenditures and revenues increased in each of 1997 through 2001. Government revenues increased by 4.1% in 2001. As a percentage of GDP, government revenues remained substantially stable at 45.8% in 2001. Government expenditures increased by 7.9% in 2001. As a percentage of GDP, general expenditures increased to 48.0% in 2001, principally due to increases in current expenditures and to the effect of UMTS receipts in 2000. In 2000, capital expenditures were unusually low because UMTS receipts were booked as negative capital expenditures. Interest expense as a percentage of GDP decreased by 0.2 percentage points, to 6.3% in 2001. Capital expenditures as a percentage of GDP (excluding receipts from UMTS licenses) increased to 4.1% in 2001.

On September 2, 2002 the Ministry of Economy and Finance of the Republic of Italy announced that Italy's net borrowing for the eight-month period ended August 31, 2002 totaled €34.1 billion, compared to €21.2 billion for the same period in 2001. The increase in net borrowing is principally attributable to lower tax receipts due to the continuing slowdown of the Italian economy, in line with other European Union countries, and to an increase in taxpayer use of tax credits. In addition, €1 billion of the increase in net borrowing is attributable to changes in payment methods for excise duties on mineral oils, while €2 billion of the increase is attributable to the impact of an increase in the deficit in Italy's balance of payments with the European Union.

Italy's net borrowing for the month of August 2002 totaled €3 billion compared to €2.8 billion in the month of August 2001. This increase is principally attributable to the advancement of the closing date in 2002 for payments of corporate tax from August to July.

The 2003-2006 Program Document

For the past four years, Italy has been successful at meeting the ambitious targets set for fiscal consolidation, while introducing reforms to modernize the public sector and tax system. Although Italy substantially reduced its budget deficit, the ratio of public debt-to-GDP remains nearly double the 60% reference rate established by the Maastricht Treaty. The main objectives of the 2003-2006 Budgetary Program are continued fiscal consolidation, economic growth and more equal income distribution.

In July 2002, the government presented to Parliament its 2003-2006 Program Document. The Program Document was based on the assumption that real GDP was expected to grow 1.3% in 2002, primarily due to sustained domestic demand, somewhat offset by a decrease in exports. The general government deficit, as a percentage of GDP, was targeted at 0.5% in 2002, an improvement from 1.9% in 2001. The Program Document targets annual deficit reductions, with a substantially balanced budget achieved in 2004-2005 as a result, *inter alia*, of an increase in primary surplus to 5.4% of GDP in 2001 and 2002 and a progressive reduction in interest payments to 5.7% of GDP in 2006.

The following table sets forth information on Italy's targeted general government deficit and public debt to GDP ratios for the years indicated, the gross domestic product and inflation assumptions underlying the 2003-2006 Program Document, as well as historical data for 2001.

	2001 (Historical)	2002 (Target)	2003 (Target)	2004 (Target)	2005 (Target)	2006 (Target)
Net Surplus/(Borrowing), as a percentage of GDP	(2.2)	(1.1)	(0.8)	(0.3)	0.1	0.2
Primary balance, as a percentage of GDP....	4.1	4.7	5.1	5.5	5.8	5.7
Public debt, as percentage of GDP	109.4[(1)]	108.5	104.5	99.8	97.1	94.4
GDP (% real growth rate)	1.8	1.3	2.9	2.9	3.0	3.0
Inflation (% real growth)	2.7	1.7	1.4	1.3	1.2	1.2
Unemployment rate (%)	9.5	9.1	8.5	8.0	7.5	6.8

(1) This figure does not take into account the effects of the Eurostat decision which requires Italy, among other European Union member countries, to account for receipts from certain securitization transactions.

Source: 2003-2006 Program Document, Prospectus Supplement, dated August 29, 2002, to the Final Prospectus of the Republic of Italy dated March 14, 2002 filed with the Securities and Exchange Commission

Because the Program Document 2003-2006 is based on projections of future economic developments, including international economic trends, there can be no assurance that the objectives of the Program Document 2003-2006 will be attained. The target for 2002 is currently subject to debate in the Italian parliament.

Taxation. Italy's tax structure includes taxes imposed at the central government and local levels and provides for both direct taxation and indirect taxation through a value added tax, or VAT, and other transaction-based taxes. Direct taxes include income taxes, corporate taxes and local taxes. Income taxes consist of an individual tax levied at progressive rates and a corporate tax levied at a flat rate. Tax reform legislation, which became effective in 1998, reduced the maximum rate payable by individuals and introduced a two-tiered system for corporate taxation. In 2000, the maximum individual tax rate was 46% and the corporate tax rate was 36%. Corporations also pay certain local taxes, and the deductibility of those taxes for income tax purposes has been gradually eliminated over the past few years.

VAT is imposed on the sale of goods and the rendering of services performed for consideration in connection with a business or profession, and on all imports of goods or services. Italy has already issued legislation to harmonize its VAT with applicable European Union directives. The basic VAT rate is 20%, although certain goods and services qualify for an exemption from VAT or a reduced rate. In addition to VAT, indirect taxes include customs duties, IRAP, taxes on real estate and certain personal property, stamp taxes and excise taxes on energy consumption, tobacco and alcoholic beverages.

Low tax payer compliance has been a longstanding concern for the central government, which has adopted measures to increase compliance. Some of these measures are aimed at identifying tax evasion, and include systems of cross-checks between the tax authorities and social security agencies, public utilities and others. Under-reporting of income by self-employed persons and small enterprises is one of the greatest areas of concern to the central government. The central government's efforts to increase tax compliance during the last three years have led to an increase in the general tax base and to an improvement in compliance. As a result of these increases in the general tax base and in compliance, the central government enacted tax reforms through its 1999 and 2000 budget laws aimed at reducing the fiscal burden on corporations and individuals.

The central government enacted legislation under tax-reforming powers, which took effect in 1998. A regional tax on production activities (IRAP) was introduced in place of certain health service contributions and other various taxes. The structure of personal income tax (IRPEF) and the system for taxing income from financial assets was revised. A new system of corporate income tax was introduced, known as the dual income tax. In addition to simplifying and rationalizing the tax system, the reforms were intended to reduce the distortions in the way companies used factors of production and raised funds. The central government took into consideration the objective to maintain tax revenue levels when it delegated taxation powers. Subsequent reforms enacted in 2001 increased the fiscal autonomy of lower levels of government. You should read "The Region of Lombardy — Relationship between the Central and Local Governments".

Health, Education, Labor and other Social Welfare Expenditures. Italy has a comprehensive system of social services, including public health, public education and pension, disability and unemployment benefit programs, almost all of which are administered by the central government or by local authorities receiving government funding. These programs are funded in part by contributions from employers and employees and in part from general tax revenues.

In 1995, parliament enacted legislation to reform the pension system. The new pension system will apply to all employees with 18 years or less of employment experience. Once phased in, each individual's pension will be determined on the basis of the contributions, adjusted for GDP growth, made to the system by the individual or by his or her employer on his or her behalf. The central government will then make no additional contribution.

Italy has a public health service principally run by regional governments with funds provided by the central government. In lieu of such transfers, the regions will be granted rights to raise certain taxes and to receive a portion of certain taxes raised by the central government. You should read "Financial Information of Lombardy — Transfers from the Central Government".

In 1997, the central government implemented a major reform of the education system, which, among other measures, increased the number of years of compulsory education from eight to ten and imposed higher standards for the end-of-school exam.

Public Debt

Italy's public debt includes treasury securities and borrowings, debt incurred by the public social security agencies, regional and local governments and other authorities. Italy's public debt as a percentage of GDP remains the highest among the countries in the euro area. Although it has been steadily declining since 1996, the debt-to-GDP ratio was substantially higher than the 60% Maastricht reference value at the end of 2000. Moreover, the calculation of public debt utilized in this prospectus does not fully comply with Maastricht criteria which would not permit inclusion of Treasury account balances. The debt-to-GDP ratio has decreased steadily from 123.2% of GDP in 1995 to 110.5% of GDP in 2000. In 2001, net borrowing as a percentage of GDP was reported at 109.4%, prior to the Eurostat decision regarding securitizations described above. The European Monetary Institute estimated in its convergence report that Italy should achieve the Maastricht target of a debt-to-GDP ratio of 60% in 2016.

The following table summarizes Italy's public debt as of December 31 in each of the years 1997 through 2001, including debt represented by Treasury securities and liabilities to holders of postal savings accounts:

	Public Debt				
	1997	1998	1999	2000	2001
	(euro millions)[1]				
BOT	156,099	137,774	119,643	102,093	113,809
CCT	326,090	294,146	249,857	239,740	228,214
of which:					
Floating rate	295,615	277,008	246,613	238,240	228,214
Fixed rate	11,040	4,144	—	—	—
CTE	19,435	12,994	3,244	1,500	—
BTP	435,627	508,707	586,496	635,092	671,454
CTZ	81,998	88,817	82,498	62,416	48,577
External bonds	59,800	55,506	59,006	70,084	80,082
Other Treasury borrowings	71	—	—	—	—
Total Treasury issues	1,059,686	1,084,950	1,098,496	1,111,072	1,142,136
Treasury accounts[2]	(30,469)	(22,294)	(29,053)	(19,345)	(21,463)
Postal savings accounts[3][4]	90,728	94,245	103,340	107,846	117,659
FS bonds and other debt[3]	20,073	14,459	13,256	11,012	6,933
ENAS bonds[3]	3,238	2,107	2,899	1,757	516
Other State sector entities[3][5]	19,804	11,037	8,513	6,829	1,063
Other general government entities[3][6]	33,275	33,389	41,632	32,677	N/A
Total public debt[7]	1,196,335	1,217,893	1,239,083	1,251,848	1,246,844

(1) Public debt as calculated in the table above does not comply with the Maastricht criteria which would not include Treasury account balances. BOTs (*Buoni Ordinari del Tesoro*) are short-term, zero-coupon notes with a maturity of three, six or 12 months. CCTs (*Certificati di Credito del Tesoro*) are medium- and long-term notes at a variable interest rate usually with a semi-annual coupon. CTEs (*Cetificati del Tesoro denominated in ECU*) were CCTs issued in ECU, BTPs (*Buoni del Tesoro Poliennal*) are medium- and long-term notes that pay a fixed rate of interest, usually with a semi-annual coupon. CTZs (*Certificati del Tesoro Zero-Coupon*), introduced in 1995, are zero-coupon notes with maturities of eighteen or twenty-four months. FS bonds and other debt are securities issued by *Ferrovie dello Stato S.p.A.* (now *Rete Ferroviaria Italiana S.p.A.*) of FS, the state railway entity. ENAS (*Ente Nazionale per le Strade*) bonds and other debt are securities issued by ENAS. Since January 1, 1999 all domestic bonds have been issued in euros and all public debt has been redenominated in euros with the exception of bonds issued by regional and local authorities.

(2) The line item "Treasury accounts" includes all the funds of the Treasury deposited with the Bank of Italy, including the sinking fund, supplied by privatisations. The inclusion of Treasury account balances in the calculation of public debt does not comply with Maastricht criteria.

(3) Official data on public debt other than Treasury securities, Treasury former overdraft, Treasury account and postal savings accounts are available only at year end. Several official data for years 2000 and 2001 are not yet available.

(4) Postal savings accounts are demand deposit accounts, as well as short- or medium-term deposit accounts and long-term certificates that may be withdrawn by the account owner prior to maturity with nominal penalties.

(5) Includes loans and securities issued by the Institute of Credit for Public Works (CREDIOP) and certain other entities. All indebtedness included in this line item is not of Treasury securities owned by such entities.

(6) All indebtedness included in this line has been treated as floating debt in this section. A small portion, however, may have had a maturity at issuance of one year or more or may have been incurred or issued abroad.

(7) Certain line terms in this table have been restored for the year 1995 to exclude those state sector and general government entities that have been converted into joint stock companies and to reclassify debts of the state railway company and postal savings accounts in accordance with the Maastricht criteria.

Sources of all data on public debt presented in this section: Annual Report of the Republic of Italy filed on form 18-K with the Securities and Exchange Commission (March 14, 2002), Ministry of Economy and Finance

Internal Debt. Internal debt is debt initially incurred or issued in Italy, regardless of the currency of denomination. The total internal public debt as of December 31, 2001 was €1,160,549 million, a decrease of €4,804 million from December 31, 2000. As of January 1, 1999, all newly issued internal debt has been denominated in euro. Prior to that time, all internal debt was denominated in lire or in ECU. The following table summarizes the internal public debt as of December 31 in each of the years 1997 through 2001:

Internal Public Debt

	1997	1998	1999	2000	2001
			(euro millions) [1]		
BOT	156,099	137,774	119,643	102,093	113,809
CCT					
Floating rate	295,615	277,008	246,613	238,240	228,214
Fixed rate	11040	4,144	—	—	—
CTE	19,435	12,994	3,244	1,500	—
Total CCT	326,090	294,146	249,857	239,740	228,214
BTP	435,627	508,707	586,496	635,092	671,454
CTZ	81,998	88,817	82,498	62,416	48,577
Other Treasury borrowings	71	—	—	—	—
Total Treasury issues	999,885	1,029,444	1,038,494	1,039,341	1,062,054
Treasury account	(30,469)	(22,294)	(29,053)	(19,345)	(21,463)
Postal savings accounts	90,728	94,245	103,340	107,846	117,659
FS bonds	12,203	4,906	4,390	3,486	1,549
ENAS bonds	6,826	7,350	2,107	1,238	0
Other State sector entities	25,563	35,797	8,513	6,516	750
Other general government entities	26,303	68,820	41,632	26,271	N.A.
Total internal public debt	1,131,039	1,218,268	1,169,423	1,165,353	1,160,549

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1=Lit.1,936.27.

The following table divides the internal public debt into floating debt and funded as of December 31 in each of the years 1997 through 2001:

	1997	1998	1999	2000	2001
			(euro millions) [1]		
Floating internal debt[2]	114,663	189,318	154,154	144,736	139,506
Funded internal debt	986,376	1,028,950	1,015,269	1,020,617	1,021,043
Total internal public debt	1,131,039	1,218,268	1,169,423	1,165,353	1,160,549

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1=Lit.1,936.27.

(2) Includes BOTs with a maturity at issuance of three and six months, postal savings accounts and indebtedness of general entities not included in the State sector, net of Treasury account.

External Debt. External debt is debt initially incurred or issued outside Italy, regardless of the denomination of currency. Total external public debt as at June 30, 2002, totaled €81,819 million compared to €82,653 million as at December 31, 2001.

The following table summarizes the external public debt as of December 31 for each of the years indicated:

External Public Debt

	1997	1998	1999	2000	2001
			(euro millions)[1]		
External Treasury Bonds	59,800	55,056	59,006	70,048	80,082
FS Bonds	7,870	1,981	1,862	1,683	1,742
ENAS Bonds	809	789	783	519	516
Other State sector entities	717	1,869	1,865	313	313
Total external public debt	69,196	60,145	63,515	72,563	82,653

(1) Solely for the convenience of the reader, euro amounts presented in this prospectus prior to January 1, 1999 have been translated from Italian lira into euro assuming the conversion rate of €1=Lit.1,936.27.

The following table sets forth a breakdown of the external public debt, excluding external public debt of other state sector entities and other general government entities, by currency, as of December 31 in each of the years 1997 through 2001.

	1997	1998	1999	2000	2001
			(millions)		
EMU currencies (including ECU)	40,939	31,103	20,770	21,496	25,310
Greek Drachmas[1]	—	20,000	100,000	—	—
British Pounds	400	700	700	1,305	2,505
Swiss Francs	1,300	2,300	3,800	5,800	6,800
U.S. Dollars	24,036	26,532	24,692	29,074	30,866
Japanese Yen	1,850,000	1,650,000	1,475,000	1,675,000	1,475,000
Total in euro	77,162	68,500	63,503	74,306	81,825

(1) Greece joined the EMU on January 1, 2001.

Guaranteed Debt. In addition to its direct indebtedness, Italy is also a guarantor of certain third-party indebtedness, the guarantee of which may arise by operation of law. Under Italian commercial laws, the sole shareholder of a joint stock company is liable for the debt incurred by its company while it is wholly-owned. Therefore, by operation of law, Italy guarantees the indebtedness of joint stock companies which was incurred while the company was wholly-owned by the government. In 1993, the Italian parliament extended this provision to all of the preexisting indebtedness of the state holding companies converted to joint stock companies. At December 31, 2000, this guaranteed debt consisted principally of debt of Enel totalling approximately €9.8 billion.

Debt Record. Since its foundation in 1946, the Republic of Italy has never defaulted on the payment of principal or interest on any of its internal or external indebtedness.

Exchange Controls

Following the complete liberalization of capital movements in the European Union in 1990, all exchange controls in Italy were abolished. Residents and non-residents of Italy may effect any investments, divestments and other transactions relating to transfers of assets to or from Italy, subject only to the reporting, record-keeping and disclosure requirements described below. Residents of Italy may hold foreign currency and foreign securities of any kind, within or outside of Italy. Non-residents of Italy may invest in Italian securities without restriction and may export cash, instruments of credit or payment and securities from Italy, whether in foreign currency or euro, representing interest, dividends, other asset distributions and the proceeds of dispositions.

Italian legislation contains certain requirements regarding the reporting and record-keeping of movements of capital and the declaration in annual tax returns of investments of financial assets held or transferred abroad. Breach of certain requirements may result in the imposition of administrative fines or criminal penalties.

DESCRIPTION OF THE NOTES

Lombardy will issue the notes under a fiscal agency agreement dated October 24, 2002 among Lombardy, Citibank, N.A., as fiscal agent, principal paying agent and registrar and Kredietbank S.A. Luxembourgeoise as listing agent, paying agent and transfer agent. Lombardy has filed a copy of the fiscal agency agreement and the form of notes with the SEC and at the office of the fiscal agent in New York City and at the office of Kredietbank S.A. Luxembourgeoise as the Luxembourg listing agent.

The following description is only a summary of some of the terms of the notes and the fiscal agency agreement. This summary does not contain all of the information that may be important to you as a potential investor in the notes. We urge you to read the form of notes and the fiscal agency agreement before making your investment decision. It is those documents that govern your rights as a noteholder, and not this summary.

General

The notes:

- will be issued in an aggregate principal amount of U.S.$1,000,000,000;
- will bear interest at a rate of 5.804% per annum from and including October 24, 2002;
- will mature at par, including any accrued interest, on October 25, 2032;
- will pay interest semi-annually in arrear on April 25 and October 25 in each year commencing on April 25, 2003;
- will be issued in fully registered form, without interest coupons attached;
- will be issued in minimum denominations of U.S.$1,000 and integral multiples of U.S.$1,000; and
- will provide payments to the person in whose name the note is registered at the close of business on the fifteenth day preceding the relevant payment date.

Interest on the notes will be calculated on the basis of a 360-day year, consisting of twelve 30-day months and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

Status of the Notes

The notes will be direct, unconditional, unsubordinated and (subject to the provisions of the negative pledge as described below) unsecured obligations of Lombardy. They will rank *pari passu* with all other present or future unsecured (subject to the provisions of the negative pledge as described below) and unsubordinated Indebtedness (as defined below) of Lombardy, save for such as may be preferred by mandatory provisions of applicable law. The full faith and credit of Lombardy will be pledged for the due and punctual payment of the notes and for all obligations of Lombardy in respect of the notes. Lombardy will give an irrevocable payment mandate on its treasury bank. The payment mandate will require Lombardy's treasury bank to allocate certain tax revenues of Lombardy evidenced under Title 1 of its annual budget and all other revenues necessary to meet its payment obligations under the notes. Title 1 of its annual budget includes local taxes and central government taxes transferred to Lombardy. The payment mandate creates an irrevocable obligation on those sums in favor of the fiscal agent for the benefit of the holders of the notes.

"Indebtedness" means any present or future indebtedness for or in respect of money borrowed or raised, whether principal, premium, interest or other amounts. This includes, without limitation, any indebtedness for or in respect of:

- any note, bond, debenture or other securities offered, issued or distributed whether by way of public offer, private placement, acquisition consideration or otherwise and whether issued for cash or in whole or in part or for a consideration other than cash which is, or is capable of being listed, quoted or traded on any stock exchange (including, without limitation, any over-the-counter market);
- any bank borrowing; or
- amounts raised under any other transaction having the commercial effect of a borrowing.

Payments of Principal and Interest

Lombardy will make payments of principal and interest on the notes in U.S. dollars through the fiscal agent to Cede & Co., the nominee of DTC, which will receive the funds for distribution to the holders of the notes as registered with the registrar at the close of business on the fifth business day preceding the date of payment. Lombardy expects that the holders of the notes will be paid in accordance with the procedures of DTC and its direct and indirect participants (including Euroclear and Clearstream, Luxembourg). For the avoidance of doubt, so long as the notes are in book-entry form, payments shall not be made against presentation of the notes.

Prescription

There is no express term in the notes as to any time limit on the validity of claims of holders to interest and repayment of principal, but any such claims will be subject to any statutory limitation period prescribed under the laws of the State of New York. Without prejudice to the above, any funds paid by Lombardy to the fiscal agent in respect of any notes and remaining unclaimed at the end of five years after such amount shall have become due and payable, shall then be repaid to Lombardy, without, however, limiting in any way any obligation which Lombardy may have to pay the principal of or interest on such notes.

Additional Amounts

Lombardy will make all payments of principal and interest on the notes without withholding or deduction for any Italian taxes. If Italian law requires Lombardy to deduct or withhold taxes, Lombardy will pay the holders of the notes the additional amounts necessary to ensure that the holders of the notes receive the same amount as they would have received without such deduction or withholding.

Lombardy will not, however, pay a holder of the notes such additional amounts in relation to any payment in respect of notes:

(a) made to, or to a third party on behalf of, a holder who is liable for such withholding or deduction in respect of the notes by reason of his having some connection with Italy (including, but not limited to, residence for taxation purposes) other than the mere holding of the notes; or

(b) made to, or to a third party on behalf of, a holder who is able to avoid such withholding or deduction by making a declaration of residence or non-residence or other similar claim for exemption to the relevant tax authority; or

(c) made more than 30 days after the Relevant Date except to the extent that the holder of the notes would have been entitled to additional amounts on presenting the same payment on the last day of the period of 30 days assuming that day to have been a day on which Lombardy makes principal or interest available for payment to the holder of the notes; or

(d) where the withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(e) 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 note to another paying agent in a member state of the European Union; or

(f) presented for payment in the Republic of Italy.

"Relevant Date" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the fiscal agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to the holders of the notes by Lombardy in accordance with the clause "*Notices*" below.

Redemption

Lombardy may redeem the notes in whole, but not in part, in the event of changes involving Italian taxes as provided below. Lombardy may only exercise this option if:

- Lombardy has or will become obliged to pay Additional Amounts as provided or referred to in "*Additional Amounts*" above as a result of any change in, or amendment to, the laws or regulations of Italy, or any change in the application or official interpretation of such laws or regulations, which change or amendments become effective on or after the date of this Prospectus; and
- Lombardy cannot avoid the obligation by taking reasonable measures available to it.

Lombardy may redeem the notes at any time prior to their final maturity date on giving not less than 30 days' and not more than 60 days' notice to the holders of the notes. This notice shall be irrevocable. No such notice of redemption shall be given earlier than 30 days prior to the earliest date on which Lombardy would be obliged to pay such Additional Amounts were a payment in respect of the notes then due. If it exercises this option, Lombardy will redeem the notes at 100% of their principal amount, together with interest accrued thereon to the date fixed for redemption.

Prior to a publication of any notice of redemption, Lombardy shall deliver to the fiscal agent a certificate signed by an officer of Lombardy stating that Lombardy is entitled to effect this early redemption and setting forth a statement of facts showing that the conditions precedent to the right of Lombardy to redeem have occurred.

Negative Pledge

Lombardy has pledged that as long as any of the notes remain outstanding, it will not secure, or permit to subsist any security for, any present or future Indebtedness by any Charge (as defined below) on any of its present or future assets or revenues unless the notes shall share in and be secured by such Charge equally and ratably with such other Indebtedness, and the instrument creating such Charge shall expressly so provide.

"Charge" shall mean any mortgage, charge, pledge, lien or other form of encumbrance or security interest (other than any lien arising by operation of law).

The foregoing shall not limit the ability of Lombardy to allocate tax revenues in the manner described above in respect of other Indebtedness nor to issue other payment mandates in respect of other indebtedness.

Default; Acceleration of Maturity

If any of the following events shall have occurred and be continuing, the holder of any debt security may, by written notice given to Lombardy at the specified office of the fiscal agent, declare such debt security to be due and payable and such debt security shall accordingly become immediately repayable together with accrued interest:

- there is a default in the payment of any principal or a default for more than 10 days in the payment of any interest due and payable in respect of the notes;
- Lombardy shall default in the due performance and observance of any other provision contained in the notes and such default (if capable of remedy) shall remain unremedied for 30 days after written notice thereof shall have been given to Lombardy;
- (i) any other present or future Indebtedness of Lombardy becomes due and payable prior to the stated maturity thereof as extended by any grace period applicable thereto; or (ii) any present or future guaranty of, or indemnity given by Lombardy in respect of, Indebtedness is not honored when called upon or within any grace period applicable thereto; or (iii) Lombardy shall declare or impose a moratorium on the payment of its Indebtedness by it; or
- Lombardy decides to revoke, in whole or in part, the payment mandate referred to in "*Status of the Notes*" above and/or the payment mandate should be void.

Listing

Lombardy has applied to list the notes on the Luxembourg Stock Exchange.

Fiscal Agency Agreement

The fiscal agency agreement contains provisions relating to:

- the obligations and duties of the fiscal agent;
- the indemnification of the fiscal agent; and
- the fiscal agent's limitation of liability for actions that it takes.

Paying Agents; Transfer Agents; Registrar

The fiscal agent will initially also act as principal paying agent and registrar. Lombardy may at any time vary or terminate the appointment of any paying agent, transfer agent or registrar and/or appoint new paying agents, transfer agents and registrars. Lombardy will, however, at all times maintain:

- a principal paying agent in New York City;
- a registrar in New York City or another office as designated by the fiscal agent; and
- a paying agent and transfer agent in Luxembourg, so long as the notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require.

Definitive Notes

Lombardy will issue notes in definitive form only if:

- DTC is unwilling or unable to continue as depositary for the notes;
- DTC ceases to be a clearing agency registered under the U.S. Securities Exchange Act of 1934; or
- an event of default with respect to the notes has occurred and is continuing.

Holders of the notes may present definitive notes for payment, registration of transfer or exchange at the office of the fiscal agent in New York City. Principal and interest will be payable at the office of the fiscal agent in New York City, provided that interest may be paid by check mailed to the registered holders of the definitive notes. Holders of the notes may also present definitive notes for payment or registration of transfer or exchange at the office of the paying agent and transfer agent in Luxembourg.

Replacement, Exchange and Transfer

Lombardy will replace any mutilated, destroyed, stolen or lost note or coupon at the holder's expense, upon delivery to the fiscal agent or the transfer agent of the note or coupon or evidence of its destruction, loss or theft satisfactory to Lombardy and the fiscal agent. Lombardy or the fiscal agent may also require an indemnity at the expense of the holder of the note and/or payment of any sums sufficient to cover any applicable tax or expenses related to the replacement.

The holders of the notes will not be charged a fee for the registration of transfers or exchanges of notes.

Notices

Lombardy may send notices to DTC, or its nominee, as the holder thereof, and DTC will communicate these notices to DTC participants (including Euroclear Bank S.A./N.V. as operator of the Euroclear System, known as Euroclear, and Clearstream Banking, *société anonyme*, known as and Clearstream Luxembourg) in accordance with its standard procedures.

Further, notices will be published in the *Wall Street Journal* in New York City, and, for so long as the notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, the *Luxemburger Wort* in Luxembourg.

Purchase of the Notes by Lombardy

Lombardy may at any time purchase any of the notes in any manner and at any price. If purchases are made by tender, tenders must be available to all the holders of the notes alike. Lombardy may hold, resell or surrender to the fiscal agent for cancellation all notes which are purchased by or on behalf of it.

Meetings and Amendments

Lombardy may modify any of the terms or provisions contained in the notes in any way with the written consent of the holders of at least a majority in aggregate principal amount of the notes at the time outstanding. No action may, without the consent of the holders of each note:

- change the due date for the payment of the principal of or any installment of interest on any note;
- reduce the principal amount of any note, the portion of such principal amount which is payable upon acceleration of the maturity of such note or the interest rate thereon;
- change the coin or currency in which or the required places at which payment with respect to interest or principal in respect of the notes is payable;
- permit Lombardy to redeem the notes in circumstances other than as originally set forth in the notes;
- reduce the proportion of the principal amount of the notes the vote or consent of the holders of notes of which is necessary to:
  - modify, amend or supplement the fiscal agency agreement;
  - modify, amend or supplement the notes; or
  - make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action provided thereby to be made, taken or given; or
- change the obligation of Lombardy to pay additional amounts as described above under "*Additional Amounts*".

The fiscal agency agreement and the terms and conditions of the notes may be modified or amended by Lombardy and the fiscal agent without the consent of the holders of the notes for the purpose of:

- adding to the covenants of Lombardy for the benefit of the holders of the notes;
- surrendering any right or power conferred upon Lombardy;
- securing the notes pursuant to the requirements of the notes or otherwise;
- curing any ambiguity;
- correcting and supplementing any defective provision therein; or
- in any manner which Lombardy and the fiscal agent may mutually deem necessary or desirable and which shall not adversely effect the interests of the holders of the notes in any material respect.

Further Issues

Lombardy shall be at liberty without the consent of the holders of the notes to create and issue further notes which will rank equally with the notes in all respects (or in all respects except for the payment of interest accruing prior to the issue date of the new notes or except for the first payment of interest following the issue date of the new notes) and so that the new notes may be consolidated and form a single series with the notes and have the same terms as to status, redemption or otherwise as the notes. In the event that Lombardy issues additional notes of the same series, Lombardy will prepare a new prospectus and make a new application to list such notes on the Luxembourg Stock Exchange.

Governing Law and Submission to Jurisdiction

The fiscal agency agreement and the notes are governed by and interpreted in accordance with the laws of the State of New York.

Lombardy irrevocably submits to the jurisdiction of any state or federal court in the Borough of Manhattan, The City of New York, in respect of any claim or action arising out of or based upon the fiscal agency agreement or the notes which any holder of a note may institute, such as, for example, a claim for breach of any obligation under the fiscal agency agreement or the notes. Such holder may serve any process or other legal summons in connection with any such action upon Lombardy by delivery of letters rogatory to IntesaBci or by any other means that may have become permissible under the laws of the State of New York and the Republic of Italy at the time of such service. However, Lombardy has not consented to service for suits made under the U.S. federal or state securities laws and, as explained below, Lombardy's waiver of immunity does not extend to those actions.

Lombardy irrevocably waives and agrees not to plead any immunity (including sovereign immunity) from the jurisdiction of any state or federal court in the Borough of Manhattan, The City of New York, to which it might otherwise be entitled in any action arising out of or based upon the notes, to the fullest extent permitted by applicable law. However, Lombardy reserves the right to plead sovereign immunity under the Immunities Act with respect to actions brought against it under United States federal securities laws or any state securities laws. In the absence of a waiver of immunity by Lombardy with respect to such actions, it would not be possible to obtain a U.S. judgment in such actions unless a court were to determine that Lombardy is not entitled to sovereign immunity under the Immunities Act with respect to an action. Even if a holder of the notes obtained a U.S. judgment in any such suit, such holder of the notes may not be able to enforce the judgment in the Republic of Italy.

Lombardy has been advised by Studio Legale Beltramo, its Italian counsel, that: (i) subject to Law No. 218 of May 31, 1995, the recognition by Italian courts of final judgments of non-Italian courts without retrial in Italy, and the enforceability in Italy of judgments of non-Italian courts are subject, among other things, to:

- the determination by an Italian court that the non-Italian court had jurisdiction in accordance with Italian law principles governing international jurisdiction, that process was appropriately served on the defendant in accordance with the relevant procedural non-Italian law, that no fundamental right of the defense was violated thereby, that the decision is final according to the law under which it has been rendered, and that the enforcement of such judgment would not violate Italian public policy;

- appearance before the court by parties to the trial in accordance with the relevant procedural non-Italian law and, in the case of judgments obtained by default, the determination by an Italian court that the judgment by default was entered in accordance with the relevant procedural non-Italian law; and

- the absence of a conflicting final judgment by an Italian court or of an action pending in Italy among the same parties and arising from the same facts and circumstances that commenced prior to the commencement of proceedings in the non-Italian court.

In original actions brought in Italy to enforce liabilities predicated solely upon the securities laws of other jurisdictions, the Italian court will apply Italian conflict of law rules to determine the applicable law and, even if such securities laws are determined to apply to such actions, the Italian court may also apply certain provisions of Italian law that are regarded as mandatory in an international context.

GLOBAL CLEARANCE AND SETTLEMENT

Lombardy has obtained the information in this section from sources it believes to be reliable, including from DTC, Euroclear and Clearstream Luxembourg. DTC, Euroclear and Clearstream Luxembourg are under no obligation to perform or continue to perform the procedures described below, and they may modify or discontinue them at any time. Neither Lombardy nor the fiscal agent will be responsible for DTC's, Euroclear's, Clearstream Luxembourg's, or their respective participants or indirect participant's performance of their obligations under their rules and procedures.

Introduction

The Depositary Trust Company

DTC is:

- a limited-purpose trust company organized under the New York Banking Law;
- a "banking organization" under the New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of security certificates. DTC participants include securities brokers and dealers, banks, trust companies and clearing corporations and other organizations. Indirect access to the DTC system also is available to others that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Because DTC can only act on behalf of its participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate of such interest.

Euroclear and Clearstream Luxembourg

Like DTC, Euroclear and Clearstream Luxembourg hold securities for their participants and facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in their accounts. Euroclear and Clearstream Luxembourg provide various services to their participants, including safekeeping, administration, clearance and settlement lending and borrowing of internationally traded securities. Euroclear and Clearstream Luxembourg participants are recognized financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and other organizations. The underwriters are participants in Euroclear and Clearstream Luxembourg. Other banks, brokers, dealers and trust companies have indirect access to Euroclear and Clearstream Luxembourg by clearing through or maintaining a custodial relationship with Euroclear or Clearstream Luxembourg participants.

Ownership of Bonds through DTC, Euroclear and Clearstream Luxembourg

Lombardy will issue the notes in the form of a fully registered book-entry security, registered in the name of Cede & Co., a nominee of DTC. Financial institutions, acting as direct and indirect participants in DTC, will represent your beneficial interests in the book-entry security. These financial institutions will record the ownership and transfer of your beneficial interests through book-entry accounts. You may hold your beneficial interests in the book-entry security through Euroclear or Clearstream Luxembourg, if such financial institutions are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream Luxembourg will hold their participants' beneficial interests in the book-entry security in their customers' securities accounts with their depositaries. These depositaries of Euroclear and Clearstream Luxembourg in turn will hold such interests in their customers' securities accounts with DTC.

Lombardy and the fiscal agent generally will treat the registered holder of the notes, which initially will be Cede & Co., as the absolute owner of the notes for all purposes. Once Lombardy and the fiscal agent make payments to the registered holders, Lombardy and the fiscal agent will no longer be liable on the notes for the amounts so paid. Accordingly, if you own a beneficial interest in the book-entry security, you must rely on procedures of the institutions through which you hold your interests in the book-entry security (including DTC, Euroclear, Clearstream Luxembourg, and their participants) to exercise any of the rights granted to the holder of the book-entry security. Under existing industry practice, if you desire to take any action that Cede & Co., as the holder of such book-entry security, is entitled to take, then Cede & Co. would authorize the DTC participant through which you own your beneficial interest to take such action, and that DTC participant would then either authorize you to take the action or act for you on your instructions.

DTC may grant proxies or authorize its participants (or persons holding beneficial interests in the bonds through such participants) to exercise any rights of a holder or take any other actions that a holder is entitled to take under the fiscal agency agreement or the notes. Euroclear's or Clearstream Luxembourg's ability to take actions as a holder under the notes or the fiscal agency agreement will be limited by the ability of their respective depositaries to carry out such actions for them through DTC. Euroclear and Clearstream Luxembourg will take such actions only in accordance with their respective rules and procedures.

The fiscal agent will not charge you any fees for the notes, other than reasonable fees for the replacement of lost, stolen, mutilated or destroyed notes. However, you may incur fees for the maintenance and operation of the book-entry accounts with the clearing systems in which your beneficial interests are held.

Secondary Market Trading

Since the purchaser determines the place of delivery, it is important to know at the time of a trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading among DTC participants

DTC participants will transfer interests in the notes among themselves in the ordinary way according to DTC rules. DTC participants will pay for such transfers by wire transfer. The laws of some states require some purchasers of securities to take physical delivery of the securities in definitive form. These laws may impair your ability to transfer beneficial interests in the notes to these purchasers. DTC can act only on behalf of its direct participants, who in turn act on behalf of indirect participants and some banks. Thus, your ability to pledge a beneficial interest in the notes to persons that do not participate in the DTC system, and to take other actions, may be limited because you will not possess a physical certificate that represents your interest.

Trading between Euroclear and/or Clearstream Luxembourg participants

Participants in Euroclear and Clearstream Luxembourg will transfer interests in the notes among themselves in the ordinary way according to the rules and operating procedures of Euroclear and Clearstream Luxembourg.

Trading between DTC seller and Euroclear or Clearstream Luxembourg purchaser

When notes are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream Luxembourg participant, the purchaser must first send instructions to Euroclear or Clearstream Luxembourg through a Euroclear or Clearstream Luxembourg participant at least one business day prior to the settlement date. Euroclear or Clearstream Luxembourg will then instruct its depositary to receive the notes and pay for them. On the settlement date, the depositary will make payment to the DTC participant's account and the notes will be credited to the depositary's account. After settlement has been completed, the notes will be credited to Euroclear or Clearstream Luxembourg, Euroclear or Clearstream Luxembourg will credit the notes, in accordance with its usual procedures, to the participant's account, and the participant will then credit the purchaser's account. These securities credits will appear the next day (European time) after the settlement date. The cash debit from Euroclear's or Clearstream Luxembourg's account will be back-valued to the value date (which will be the preceding day if settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the cash debit will instead be valued on the actual settlement date.

Participants in Euroclear and Clearstream Luxembourg will need to make funds available to Euroclear and Clearstream Luxembourg in order to pay for the notes by wire transfer on the value date. The most direct way of doing this is to pre-position funds (i.e. have funds in place at Euroclear or Clearstream Luxembourg before the value date), either from cash on hand or from existing lines of credit. Under this approach, however, participants may take on credit exposure to Euroclear and Clearstream Luxembourg until the notes are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream Luxembourg has extended a line of credit to a participant, the participant may decide not to pre-position funds but allow Euroclear or Clearstream Luxembourg to draw on the line of credit to finance settlement for the notes. Under this procedure, Euroclear or Clearstream Luxembourg participants would charge the participant overdraft charges for one day, assuming that the overdraft would be cleared when the notes were credited to the participant's account. However, interest on the notes would accrue from the value date. Therefore, in many cases the interest income on notes which the participant earns during that one-day period will substantially reduce or offset the amount of the participant's overdraft charges. Of course, this result will depend on the cost of funds (i.e. the interest rate that Euroclear or Clearstream Luxembourg charges) to each participant.

Since the settlement is taking place during New York business hours, a DTC participant selling an interest in the notes can use its usual procedures for transferring notes to the depositaries of Euroclear or Clearstream Luxembourg for the benefit of Euroclear or Clearstream Luxembourg participants. The DTC seller will receive the sale proceeds on the settlement date. Thus, to the DTC seller, a cross-market sale will settle no differently than a trade between two participants.

Trading between a Euroclear or Clearstream Luxembourg seller and the DTC purchaser

Due to time zone differences in their favor, Euroclear and Clearstream Luxembourg participants can use their usual procedures to transfer notes through their depositaries to a DTC participant. The seller must first send instructions to Euroclear or Clearstream Luxembourg through a participant at least one business day prior to the settlement date. Euroclear or Clearstream Luxembourg will then instruct its depositary to credit the notes to the DTC participant's account and receive payment. The payment will be credited in the account of the Euroclear or Clearstream Luxembourg participant on the following day, but the receipt of the cash proceeds will be back-valued to the value date (which will be the preceding day if the settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the receipt of the cash proceeds will instead be valued on the actual settlement date.

If the Euroclear or Clearstream Luxembourg participant selling the notes has a line of credit with Euroclear or Clearstream Luxembourg and elects to be in debit for the notes until it receives the sale proceeds in its account, then the back-valuation may substantially reduce or offset any overdraft charges that the participant incurs over that one-day period.

Finally, a day trader that uses Euroclear or Clearstream Luxembourg and that purchases notes from a DTC participant for credit to a Euroclear or Clearstream Luxembourg accountholder should be aware that these trades would automatically fail on the sale side unless affirmative action were taken. At least three techniques should be readily available to eliminate this potential problem:

- borrowing through Euroclear or Clearstream Luxembourg for one day (until the purchase side of the day trade is reflected in their Euroclear or Clearstream Luxembourg accounts) in accordance with the clearing system's customary procedures;

- borrowing the interests in the United States from a DTC participant no later than one day prior to settlement, which would give the interests sufficient time to be reflected in their Euroclear or Clearstream Luxembourg account in order to settle the sale side of the trade; or
- staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the DTC participant is at least one day prior to the value date for the sale to the Euroclear or Clearstream Luxembourg participant.

TAXATION

The following is a summary of certain U.S. federal and Italian tax consequences resulting from the purchase, ownership and disposition of the notes and is not intended to reflect the individual tax position of any beneficial owner. This summary is based upon the laws, regulations, rulings and decisions now in effect, all of which are subject to change (in certain circumstances retroactively in the United States).

Persons considering the purchase of the notes should consult their own tax advisors concerning the application of U.S. federal and Italian tax laws, as well as any other taxing jurisdiction, to their particular situations.

Proposed EU Savings Directive

On December 13, 2001, the Council of the European Union published a revised draft directive regarding the taxation of savings income. It is proposed that, subject to a number of important conditions being met, member states will be required from January 1, 2004 to provide to the tax authorities of other member states 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, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments made by paying agents established in those countries. The proposed directive is not yet final and may be subject to further amendments.

Italian Taxation

Under current Italian law, all payments of principal, interest and other payments in respect of notes made by the Issuer to non-Italian residents will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the Republic of Italy or any authority therein or thereof having power to tax, including but not limited to Lombardy.

Payments of interest and any other payments in respect of the notes to Italian residents will be subject to an "*imposta sostitutiva*" of 12.5%.

However, payments of interest, premiums and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "Interest") in respect of the notes will not be subject to the "*imposta sostitutiva*" or to withholding or deduction in Italy if the payments are made to a legal entity resident in Italy (with the exclusion of Italian legal entities not carrying out commercial activities, including (i) informal partnerships, de facto partnerships not carrying out commercial activities and professional associations and (ii) public and private resident entities, other than companies, not carrying out commercial activities).

In order to ensure payments without deduction of taxes, legal entities resident in Italy (as described above) must be the beneficial owners of payments of Interest and directly or indirectly deposit the notes with (i) a resident bank, (ii) a *Società di Intermediazione Mobiliare*, or SIM, (iii) a *Società di Gestione del Risparmio*, (iv) fiduciary companies, (v) stock brokers, or (vi) any other intermediary expressly authorized pursuant to Ministerial Decrees.

Italian inheritance and gift taxes have been repealed. The inheritance tax has not been replaced by any other tax.

The gift tax has not been replaced by any other tax in cases where (i) the value of the relevant assets is lower than €180,760 or (ii) the donee is the spouse or the next of kin within the fourth degree of the donor. In all other cases, any donation of assets having a value in excess of €180,760, is subject to standard tax on transfers to the extent applicable.

Local taxes

There are no regional taxes or withholding taxes that would be imposed upon any holder of the notes.

Transfer Tax

In general, no Italian transfer tax is payable on:

(a) transfer of notes entered into on a regulated market;

(b) transfer of notes listed on a regulated market entered into outside regulated markets provided that they are entered into between:

  (i) banks, or SIMs or other professional intermediaries or stockbrokers (either resident or non-resident) among themselves;

  (ii) the intermediaries of paragraph (i) above, on the one hand, and a non-Italian resident, on the other hand;

  (iii) the intermediaries of paragraph (i) above, even if not resident in Italy, on the one hand and *Organismi di Investimento Collettivo nel Risparmio*, on the other hand;

(c) transfer of notes not listed on regulated markets, if entered into between the banks or other financial intermediaries referred to in paragraph (i) above, on the one hand, and non-Italian residents, on the other hand.

If applicable, transfer tax is payable as follows:

(a) €0.00465 per €51.65, or fraction thereof of the price at which the notes are transferred if the transaction is entered into (i) between banks, SIMs or other professional intermediaries or stockbrokers and private parties or (ii) between private parties through banks, SIMs or other professional intermediaries or stockbrokers among themselves;

(b) €0.0083 per €51.65, or fraction thereof, of the price at which the notes are transferred if the transaction is entered into (i) between private parties directly or (ii) between private parties through intermediaries other than those falling within paragraph (a) above.

Where the transfer tax is applied at a rate of €0.00465 per €51.65, or a fraction thereof, of the price at which the notes are transferred, the transfer tax may not exceed €929.62.

United States Federal Income Taxation Considerations

The following is a general summary of the principal U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of the notes. This summary addresses only the U.S. federal income tax considerations of holders that acquire the notes at their original issuance and that will hold the notes as capital assets.

This summary does not purport to address all U.S. federal income tax matters that may be relevant to a particular holder of notes (a "noteholder"). This summary does not address tax considerations applicable to noteholders that may be subject to special tax rules including, without limitation, the following: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in securities or currencies; (iv) tax-exempt entities; (v) persons that will hold the notes as part of a "hedging" or "conversion" transaction or as a position in a "straddle" for U.S. federal income tax purposes; and (vi) persons that have a "functional currency" other than the U.S. dollar.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended, U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date of this registration statement. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

Prospective investors should consult their own tax advisers with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of the notes.

For the purposes of this summary, a "U.S. Holder" is a beneficial owner of notes that is, for U.S. federal income tax purposes: (i) a citizen or resident of the United States; (ii) a corporation or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if (x) a court within the United States is able to exercise primary supervision over its administration and (y) one or more U.S. persons have the authority to control all of the substantial decisions of such trust. If a partnership holds notes, the tax consequences to a partner will generally depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding notes should consult its tax advisor. A "Non-U.S. Holder" is a beneficial owner of notes that is not a U.S. Holder.

Payments of Interest

Interest on a note will be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes.

A noteholder will be required to include in income any tax withheld from interest payments (if any) notwithstanding that such withheld tax is not in fact received by such noteholder. A U.S. Holder may be entitled to deduct or credit such tax, subject to applicable limitations.

Interest income (including additional amounts and any tax withheld) on the notes will be treated as foreign source income for U.S. federal income tax purposes, which may be relevant in calculating a U.S. Holder's foreign tax credit limitation for U.S. federal income tax purposes. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific classes of income. For this purpose, the interest on the notes should generally constitute "passive income", or in the case of certain U.S. Holders, "financial services income".

The rules relating to foreign tax credits and their timing are extremely complex. U.S. Holders are advised to consult their own tax advisors regarding the application of the foreign tax credit rules to their particular situation.

Except as described below under "Backup Withholding and Information Reporting", a Non-U.S. Holder generally will not be subject to U.S. federal income tax on interest received on the notes unless that income is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States.

Sale, Exchange and Retirement of Notes

Upon the sale, exchange or retirement of a note, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized upon the sale, exchange or retirement (less any accrued and unpaid interest not previously included in income which will be taxable as such) and the U.S. Holder's adjusted tax basis in the note. A U.S. Holder's tax basis in a note generally will be the U.S. Holder's initial investment in the note. Gain or loss realized by a U.S. Holder on the sale, exchange or retirement of a note will generally be capital gain or loss and will generally be long term capital gain or loss if the note is held for more than one year. The ability of a U.S. Holder to offset capital losses against ordinary income is subject to limitations. Gain or loss on the sale, exchange or retirement of a note generally will be treated as U.S. source gain or loss.

Except as described below under "Backup Withholding and Information Reporting", a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale, exchange, or retirement of a note unless: (i) that gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

Backup Withholding and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments on the notes and proceeds of the sale, exchange or retirement of the notes to U.S. Holders made within the United States. Lombardy, its agent, a broker, or any paying agent, as the case may be, may be required to withhold tax from any payment that is subject to backup withholding currently at a rate of 30% if the U.S. Holder fails to furnish the U.S. Holder's taxpayer identification number, to certify that such U.S. Holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules.

Payment of the proceeds from the sale, exchange or retirement of a note effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale, exchange or retirement of a note that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if (i) the proceeds are transferred to an account maintained by the noteholder in the United States, (ii) the payment of proceeds or the confirmation of the sale is mailed to the noteholder at a United States address or (iii) the sale has some other specified connection with the United States as provided in U.S. Treasury regulations, unless the noteholder establishes an exemption.

In addition, a sale of a note effected at a foreign office of a broker will be subject to information reporting if the broker is (i) a United States person, (ii) a controlled foreign corporation for United States tax purposes, (iii) a foreign person 50% or more of whose gross income from all sources is effectively connected with the conduct of a United States trade or business for a specified three-year period, (iv) a United States branch of a foreign bank or a foreign insurance company, (v) a foreign partnership, if at any time during its tax year (A) one or more of its partners are "U.S. persons" as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or (B) such foreign partnership is engaged in the conduct of a United States trade or business, or (vi) a foreign branch of a United States person, unless the noteholder establishes an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that the noteholder is a United States person.

Certain U.S. Holders (including, among others, corporations) are not subject to the backup withholding and information reporting requirements. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder generally may be claimed as a credit against such U.S. Holder's U.S. federal income tax liability provided that the required information is furnished to the U.S. Internal Revenue Service. Prospective noteholders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS AG, acting through its business group UBS Warburg, as representatives of the underwriters, and the other underwriters listed below, have agreed to purchase, and Lombardy has agreed to sell to the underwriters, U.S.$1,000,000,000 aggregate principal amount of notes. The Purchase Agreement dated as of the date of this document provides the terms and conditions that govern this transaction.

The Purchase Agreement provides that the underwriters' obligations to pay for and accept delivery of the notes is subject to the approval of certain legal matters by counsel and various other conditions. The nature of the underwriters' obligations under the Purchase Agreement is that they are committed to purchase the aggregate principal amount of the notes set forth opposite their respective names if any notes are purchased.

Underwriters	Principal Amount
Merrill Lynch, Pierce, Fenner & Smith Incorporated	US$ 450,000,000
UBS AG, acting through its business group UBS Warburg	US$ 450,000,000
Depfa Bank plc	US$ 20,000,000
Deutsche Bank AG London	US$ 20,000,000
J.P. Morgan Securities Ltd.	US$ 20,000,000
Lehman Brothers International (Europe)	US$ 20,000,000
WestLB AG	US$ 20,000,000
Total	U.S.$1,000,000,000

The underwriters have advised us that they propose initially to offer the notes to the public at the public offering price on the cover page of this prospectus, and to dealers at that price less a concession not in excess of .50% of the principal amount of the notes. The underwriters may allow, and the dealers may reallow, a discount not in excess of .25% of the principal amount of the notes to the other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The notes are a new issue of securities with no established trading market. Lombardy does not intend to apply for listing of the notes on a national securities exchange or to seek the admission of the notes to trading in the National Association of Securities Dealers Automated Quotation System. Lombardy has applied to list the notes on the Luxembourg Stock Exchange in accordance with its rules. The underwriters have advised Lombardy that they currently intend to make a market in the notes. However, the underwriters are not obligated to do so and may discontinue any market making at any time without notice. Accordingly, no assurance can be given as to the liquidity of the trading market for the notes.

In connection with the issue and distribution of the notes, UBS AG, acting through its business group UBS Warburg, or any person acting on its behalf may over-allot or effect transactions with a view to supporting the market price of the notes at a higher level than that which might otherwise prevail for a limited period after the issue date. Specifically, it may:

- over-allot the offering, creating a syndicate short position;
- bid for and purchase notes in the open market to cover syndicate short positions; and
- bid for and purchase notes in the open market to stabilize the price of the notes.

These activities may stabilize or maintain the market price of the notes above independent market levels. However, there may be no obligation on UBS AG, acting through its business group UBS Warburg, or any agent acting on its behalf to do this. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

The expenses of the offering, not including the underwriting discount, are estimated to be approximately $812,000. The representatives of the underwriters have agreed to reimburse Lombardy for all such expenses.

The Purchase Agreement provides that Lombardy will indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, as amended, or will contribute to payments that the underwriters may be required to make in respect thereof.

It is expected that the delivery of the notes will be made against payment thereof on or about the date specified in the last paragraph of the cover page of this prospectus. Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the third business day before the delivery of the notes will be required, to specify an alternate settlement cycle at the time of any such trades to prevent a failed settlement.

The underwriters and their affiliates have provided from time to time, and expect to provide in the future, investment and commercial banking and financial advisory services (including entering into swap arrangements) to the Region, in the ordinary course of business, for which they receive and may continue to receive customary fees and commissions.

OFFICIAL STATEMENTS

Information in this prospectus with a source identified as a publication of Lombardy or one of its agencies or instrumentalities relies on the authority of that publication as a public official document of Lombardy. All other information contained herein, other than that included under the caption "*Underwriting*", is included as an official public statement made on the authority of Lombardy.

VALIDITY OF THE NOTES

The following persons will give opinions regarding the validity of the notes:

- For Lombardy:
  - as to all matters of Italian law, Studio Legale Beltramo.
- For the underwriters:
  - as to all matters of U.S. and Italian law, Allen & Overy.

AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

The name and address of the authorized representative of Lombardy in the United States of America is Mr. Donald J. Puglisi, Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware 19711, United States.

GENERAL INFORMATION

Due Authorization

Lombardy has obtained all necessary consents, approvals and authorizations in the Republic of Italy in connection with the issue of the notes. The issue of the notes has been authorized by the regional board in resolution No. VII/9131 of May 28, 2002 and approved by the *Comitato Interministeriale per il Credito ed il Risparmio* (CICR) in resolution dated September 25, 2002.

Listing

Lombardy has applied to list the notes on the Luxembourg Stock Exchange in accordance with the rules thereof. Lombardy's listing agent for the notes is Kredietbank S.A. Luxembourgeoise.

Litigation

Neither Lombardy nor any governmental agency of Lombardy is involved in any litigation or arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issue of the notes and which would materially and adversely affect Lombardy's ability to meet its obligations under the notes and the fiscal agency agreement and, so far as Lombardy is aware, no such litigation or arbitration or administrative proceedings are pending or threatened.

Documents Relating to the Notes

Copies (or, pending execution, drafts subject to modification) of the following documents will be available during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the specified offices of the fiscal agent and the paying agents:

- the by-laws of Lombardy (with an English translation thereof); and
- the fiscal agency agreement (including the form of the global note); and
- the purchase agreement.

Clearing

The notes will be represented by one or more global notes and have been accepted for clearance through DTC and by Euroclear and Clearstream Luxembourg. The CUSIP number is 541624 AA 0 and the ISIN number is US54 1624AA07 and the Common Code number is 015638761.

Material Change

Except as described in the prospectus, there has been no material adverse change in the condition (financial or otherwise) or general affairs of Lombardy since December 31, 2001.

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ISSUER

The Region of Lombardy
Via Fabio Filzi, 22
20124 Milan
Italy

FISCAL AGENT, PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

Citibank, N.A.
5 Carmelite Street
London EC4Y OPA
United Kingdom

LISTING AGENT, PAYING AGENT AND TRANSFER AGENT

Kredietbank S.A. Luxembourgeoise
43 Boulevard Royal
L-2935 Luxembourg

LEGAL ADVISORS

To Lombardy
as to Italian law
Studio Legale Beltramo
V. Vittorio Veneto 84
00187 Rome
Italy

To the Managers
as to United States and Italian law
Allen & Overy
Via Manzoni, 41/43
20121 Milan
Italy

Through and including January 15, 2003 (the 90th day after the date of this prospectus), all dealers effecting transactions in the notes, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments.

U.S.$1,000,000,000

The Region of Lombardy

5.804% Notes due 2032

PROSPECTUS

Merrill Lynch & Co.
UBS Warburg
Depfa Bank
Deutsche Bank
JPMorgan
Lehman Brothers
WestLB AG

October 17, 2002