



THE REGION OF ABRUZZO

€1,250,000,000 Euro Medium Term Note Programme

On 11 April, 2000, the Region of Abruzzo entered into a €500,000,000 Euro Medium Term Note Programme as subsequently amended. This Base Prospectus supersedes all previous offering circulars. Any Notes issued under the Programme (as defined below) on or after the date of this Base Prospectus are issued subject to the provisions herein. This does not affect any Notes already issued.

Under this €1,250,000,000 Euro Medium Term Note Programme (the “*Programme*”), the Region of Abruzzo (the “*Issuer*”) may from time to time issue notes (the “*Notes*”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €1,250,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis by the Issuer to one or more of the Dealers specified under “*Summary of the Programme*” and any additional Dealer appointed under the Programme from time to time (each a “*Dealer*” and together the “*Dealers*”), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the “*relevant Dealer*” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

Application has been made to the Luxembourg Stock Exchange in its capacity as competent authority under Chapter 2 of Part III of the Luxembourg Act dated 10 July, 2005 on prospectuses for securities to approve this document as a simplified base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to trading on the Luxembourg Stock Exchange’s regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes, and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in the final terms (the “*Final Terms*”) which, with respect to Notes to be listed on the Official List of the Luxembourg Stock Exchange, will be filed with the Luxembourg Stock Exchange on or before the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

The Programme is rated by Moody’s Investors Service Limited (“*Moody’s*”) and by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies Inc. (“*Standard & Poor’s*”). Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the Official List of the Luxembourg Stock Exchange) a supplementary Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

CO-ARRANGERS

Banca Nazionale del Lavoro

Dexia Capital Markets

DEALERS

Banca Nazionale del Lavoro

Carispaq - Cassa di Risparmio della Provincia dell’Aquila S.p.A.

Deutsche Bank

Dexia Capital Markets

Merrill Lynch International

Morgan Stanley

Nomura International

The date of this Base Prospectus is 22 February, 2007.

The Issuer, having made all reasonable enquiries, confirms that this Base Prospectus contains or incorporates all information which is material in the context of the issuance and offering of Notes, that the information contained or incorporated in this Base Prospectus is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Base Prospectus are honestly held and that there are no other facts the omission of which would make this Base Prospectus or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

Copies of the applicable Final Terms will be available free of charge from the registered office of the Issuer and the specified office set out below of each of the Paying Agents (as defined below). The Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference” below). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus.

This Base Prospectus fulfils the requirements for a simplified prospectus pursuant to Chapter 2 of Part III of the Luxembourg Prospectus Act. It does not constitute a prospectus pursuant to Part III of the Luxembourg Prospectus Act transforming Directive 2003/71/EC (the “Prospectus Directive”) into law in Luxembourg. Accordingly, this Base Prospectus does not purport to meet the format and the disclosure requirements of the Prospectus Directive and Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive, and it has not been, and will not be, submitted for approval to any competent authority within the meaning of the Prospectus Directive. The Notes issued pursuant to this Base Prospectus will therefore not qualify for the benefit of the single European passport pursuant to the Prospectus Directive.

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer to give any information nor to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, inter alia, the most recently published documents incorporated by reference into this Base Prospectus when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “Securities Act”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see “Subscription and Sale” below).

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the Republic of Italy, the United Kingdom, Japan and Germany, see “Subscription and Sale”.

All references in this document to “U.S. dollars”, “U.S.\$” and “\$” refer to the currency of the United States of America, and to “euro” and “€” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

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

Some of the statements contained in this Base Prospectus constitute forward-looking statements. Statements that are not historical facts, including statements about the Region’s beliefs and expectations, are forward-looking statements. These statements are based on current plans, objectives, assumptions, estimates and projections. Therefore, undue reliance should not be placed on them. Forward-looking statements speak only as of the date that they are made and the Region undertakes no obligation to update publicly any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. The Region cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement.

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In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes (provided that, in the case of any Tranche of Notes to be admitted to trading on a regulated market in the European Economic Area, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

DOCUMENTS INCORPORATED BY REFERENCE

All supplements (including any Final Terms relating to Notes listed on a stock exchange) or amendments to this Base Prospectus circulated by the Issuer, and published or issued from time to time after the date hereof, shall be deemed to be incorporated in, and to form part of, this Base Prospectus, save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Base Prospectus.

The Issuer will provide, without charge, to each person to whom a copy of this Base Prospectus has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Base Prospectus. In addition, such documents will be available free of charge from the principal office in Luxembourg of Deutsche Bank Luxembourg S.A. (the "*Luxembourg Listing Agent*") for Notes listed on the Luxembourg Stock Exchange.

The Issuer will, in connection with the listing of the Notes on the Luxembourg Stock Exchange, so long as any Note remains outstanding and listed on such exchange and for the twelve months following the date of approval of this Base Prospectus, in the event of any material change in the condition of the Issuer which is not reflected in this Base Prospectus, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of the Notes to be listed on the Luxembourg Stock Exchange.

If the terms of the Programme are modified or amended in a manner which would make this Base Prospectus, as so modified or amended, inaccurate or misleading, a new base prospectus will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Final Terms attached to, or endorsed on, such Notes, as more fully described under “*Form of the Notes*” below.

This Base Prospectus and any supplement will only be valid for listing Notes on the Luxembourg Stock Exchange during the period of 12 months from the date of this Base Prospectus in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed €1,250,000,000 or its equivalent in other currencies. For the purpose of calculating the euro equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the euro equivalent of Notes denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the relevant Notes, described under “*Form of the Notes*”) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the euro against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the euro equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Final Terms in relation to the relevant Notes, described under “*Form of the Notes*”) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes, regardless of the subscription price paid); and
- (c) the euro equivalent of Zero Coupon Notes (as specified in the applicable Final Terms in relation to the relevant Notes, described under “*Form of the Notes*”) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” below shall have the same meanings in this summary.

Issuer:	The Region of Abruzzo
Description:	Euro Medium Term Note Programme
Co-Arrangers:	Banca Nazionale del Lavoro S.p.A. Dexia Banque Internationale à Luxembourg, société anonyme acting under the name Dexia Capital Markets
Dealers:	Banca Nazionale del Lavoro S.p.A. Carispaq - Cassa di Risparmio della Provincia dell’Aquila S.p.A. Deutsche Bank AG, London Branch Dexia Banque Internationale à Luxembourg, société anonyme acting under the name of Dexia Capital Markets Merrill Lynch International Morgan Stanley & Co. International Limited Nomura International plc and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes under the Programme shall be made and shall be separately approved in accordance with Italian and Regional laws and regulations then prevailing. Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Base Prospectus: Notes having a maturity of less than one year: Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent (see “ <i>Subscription and Sale</i> ”).
Issuing and Principal Paying Agent:	Deutsche Bank AG, London Branch
Luxembourg Paying Agent:	Deutsche Bank Luxembourg S.A.

Programme Size:	Up to €1,250,000,000 (or its equivalent in other currencies calculated as described under “ <i>General Description of the Programme</i> ”) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in euro.
Maturities:	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer. <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p>
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the price of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	<p>Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.</p>
Dual Currency Notes:	<p>Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.</p>
Zero Coupon Notes:	<p>Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.</p>
Redemption:	<p>The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.</p> <p>The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.</p>
Denomination of Notes:	<p>Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.</p> <p>Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution (see "<i>Certain Restrictions - Notes having a maturity of less than one year</i>" above).</p>
Taxation:	<p>All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by the Republic of Italy, subject as provided in Condition 7. In the event that any such deduction is made, the Issuer will, save in certain circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.</p>
Negative Pledge:	<p>The terms of the Notes will contain a negative pledge provision as further described in Condition 3.</p>
Cross Default:	<p>The terms of the Notes will contain a cross default provision as further described in Condition 9.</p>

Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 3, unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Rating:	The Programme is rated by Moody's and by Standard & Poor's. Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Listing:	<p>Application has been made to the Luxembourg Stock Exchange to approve this document as a base prospectus. Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Notes may also be listed, or admitted to trading, as the case may be, on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series.</p> <p>Unlisted Notes may also be issued.</p> <p>The applicable Final Terms will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).</p>
Governing Law:	The Notes will be governed by, and construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the Republic of Italy, the United Kingdom, Japan and Germany and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see " <i>Subscription and Sale</i> ").
U.S. Selling Restrictions:	Regulation S, Category 1 and TEFRA C or TEFRA D depending on TEFRA designation, as specified in the applicable Final Terms.

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note (a “*Temporary Global Note*”) or, if so specified in the applicable Final Terms, a permanent global note (a “*Permanent Global Note*”) which, in either case, will:

- (i) if the Global Notes are intended to be issued in new global note (“*NGN*”) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the “*Common Safekeeper*”) for Euroclear Bank SA/NV (“*Euroclear*”) and Clearstream Banking, société anonyme (“*Clearstream, Luxembourg*”); and
- (ii) if the Global Notes are not intended to be issued in *NGN* Form, be delivered on or prior to the original issue date of the Tranche to a common depository (the “*Common Depository*”) for Euroclear and Clearstream, Luxembourg).

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in *NGN* form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg, and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the “*Exchange Date*”) which is 40 days after the Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Global Note of the same Series or (ii) for definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in *NGN* form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, “*Exchange Event*” means that (i) an Event of Default (as defined in Condition 9) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) unless otherwise specified in the applicable Final Terms, the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to

the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated automatically by the holder thereof in certain circumstances described in Condition 9. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the “*Deed of Covenant*”) dated 22 February, 2007 executed by the Issuer.

APPLICABLE FINAL TERMS

Set out below is the applicable Final Terms which will be completed for each Tranche of Notes issued under the Programme.

THE REGION OF ABRUZZO

[Date]

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €1,250,000,000
Euro Medium Term Note Programme**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [date] which constitutes a base prospectus for the purposes of Chapter 2 of Part III of the Luxembourg act relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*). This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Base Prospectus dated [original date]. This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with the Base Prospectus dated [current date] which constitutes a base prospectus for the purposes of Chapter 2 of Part III of the Luxembourg act relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*), save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [current date] and [original date].]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. Issuer: []
2. (i) Series Number: []
(ii) Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
 - (i) Series: []
 - (ii) Tranche: []
5. (i) Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date (if applicable)].
(ii) Net proceeds:
(Required only for listed issues) []

6. (i) Specified Denominations: []
[]

(Note – where multiple denominations above [€50,000] or equivalent are being used the following sample wording should be followed:

"[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Notes in definitive form will be issued with a denomination above [€99,000].")

(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €[1,000] [50,000] minimum denomination is not required.)

- (ii) Calculation Amount: *(If only one Specified Denomination, insert the Specified Denomination.*

If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)

7. (i) Issue Date: []
(ii) Interest Commencement Date: []

8. Maturity Date: *[Fixed rate - specify date/Floating rate - Interest Payment Date falling in or nearest to [specify month]]*

9. Interest Basis: [[] per cent. Fixed Rate]
[[LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
(further particulars specified below)

10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[specify other]

11. Change of Interest Basis or Redemption/Payment Basis: *[Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]*

12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]

13. (i) Status of the Notes: [Senior/[Dated/Perpetual] Subordinated]

(ii) Date approval for issuance of []
Notes obtained: *(N.B. Only relevant where authorisation is required for the particular tranche of Notes)*

14. Listing: [Regulated market of the Luxembourg Stock Exchange/specify other/None]

15. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Note Provisions [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Rate[(s)] of Interest: [] per cent. per annum[payable [annually/semi-annually/quarterly] in arrear]

(If payable other than annually, consider amending Condition 4)

(ii) Interest Payment Date(s): [[] in each year up to and including the Maturity Date]/[specify other]

(N.B. This will need to be amended in the case of long or short coupons)

(iii) Fixed Coupon Amount(s): [] per Calculation Amount

(iv) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []

(v) Day Count Fraction: [30/360 or Actual/Actual(ICMA) or specify other]

(vi) Determination Date(s): [] in each year

[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]

(NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration.

NB: only relevant where Day Count Fraction is Actual/Actual (ICMA))

(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:

[None/Give details]

17. Floating Rate Note Provisions [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Specified Period(s)/Specified Interest Payment Dates: []

(ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ [specify other]]

(iii) Additional Business Centre(s): []

- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/ *specify other*]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []
- (vi) Screen Rate Determination:
- Reference Rate: []
(Either LIBOR, EURIBOR or other, although additional information is required if other including fallback provisions in the Agency Agreement)
 - Interest Determination Date(s): []
(Second London Business Day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
 - Relevant Screen Page: []
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (vii) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (viii) Margin(s): [+/-] [] per cent. per annum
- (ix) Minimum Rate of Interest: [] per cent. per annum
- (x) Maximum Rate of Interest: [] per cent. per annum
- (xi) Day Count Fraction: [Actual/365
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
Other]
(See Condition 4 for alternatives)
- (xii) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []

18. Zero Coupon Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Accrual Yield: [] per cent. per annum
 - (ii) Reference Price: []
 - (iii) Any other formula/basis of determining amount payable: []
 - (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7(e)(iii) and 7(j) apply/specify other]
(Consider applicable Day Count Fraction if not U.S. dollar denominated)
19. Index Linked Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula: [give or annex details]
 - (ii) Calculation Agent responsible for calculating the principal and/or interest due: []
 - (iii) Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable: []
(need to include a description of market disruption or settlement disruption events and adjustment provisions)
 - (iv) Specified Period(s)/Specified Interest Payment Dates: []
 - (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ specify other]
 - (vi) Additional Business Centre(s): []
 - (vii) Minimum Rate of Interest: [] per cent. per annum
 - (viii) Maximum Rate of Interest: [] per cent. per annum
 - (ix) Day Count Fraction: []
20. Dual Currency Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining paragraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
 - (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest payable: []
 - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
(need to include a description of market disruption or settlement disruption events and adjustment provisions)

- (iv) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

21. Issuer Call: [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): [] per Calculation Amount

- (iii) If redeemable in part:

(a) Minimum Redemption Amount: []

(b) Maximum Redemption Amount: []

- (iv) Notice period (if other than as set out in the Conditions): *(NB: If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example clearing systems and custodians, as well as any other notice requirements which may apply, for example as between the Issuer and the Agent)*

22. Investor Put: [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): [] per Calculation Amount

- (iii) Notice period (if other than as set out in the Conditions): []

(NB: If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

23. Final Redemption Amount: [[] per Calculation Amount/ specify other/see Appendix]

24. Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6(e)): [] per Calculation Amount/ specify other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. (a) Form: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event].
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date.]
- [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event].]
- (Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. NB: The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000].")*
- (b) New Global Note: [Yes][No]
26. Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable/ give details]
- (Note that this item relates to the place of payment and not Interest Period end dates to which items 16(iii) and 18(vi) relate)*
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/ give details. NB: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]
29. Details relating to Instalment Notes:
- (a) Instalment Amount(s): [Not Applicable/give details]
- (b) Instalment Date(s): [Not Applicable/give details]
30. Redenomination: Redenomination [not] applicable
- [(If Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms)]*
31. Other terms or special conditions: [Not Applicable/give details]
- DISTRIBUTION**
32. (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Stabilising Manager (if any): [Not Applicable/give name]

33. If non-syndicated, name of relevant Dealer: []
34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]
35. Additional selling restrictions: [Not Applicable/*give details*]

OPERATIONAL INFORMATION

36. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
37. Delivery: Delivery [against/free of] payment
38. Additional Paying Agent(s) (if any): []
39. Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]
 [Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [*include this text if “yes” selected in which case the Notes must be issued in NGN form*]
- ISIN: []
- Common Code: []

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the €1,250,000,000 Euro Medium Term Note Programme of the Region of Abruzzo.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:

Duly authorised

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Form of the Notes” for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Region of Abruzzo (the “*Issuer*”) pursuant to the Agency Agreement (as defined below).

References herein to the “*Notes*” shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a “*Global Note*”), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Note; and
- (iii) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the “*Agency Agreement*”) dated 22 February, 2007, and made between the Issuer, Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the “*Agent*”, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the “*Paying Agents*”, which expression shall include any additional or successor paying agents).

Interest bearing definitive Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (“*Coupons*”) and, if indicated in the applicable Final Terms, talons for further Coupons (“*Talons*”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts (“*Receipts*”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are attached to or endorsed on this Note and supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the “*applicable Final Terms*” are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to “*Noteholders*” or “*holders*” in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a global Note, be construed as provided below. Any reference herein to “*Receiptholders*” shall mean the holders of the Receipts and any reference herein to “*Couponholders*” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “*Tranche*” means Notes which are identical in all respects (including as to listing and admission to trading) and “*Series*” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the “*Deed of Covenant*”) dated 22 February, 2007 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary or common safekeeper, as the case may be, for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are obtainable during normal business hours at the specified office of each of the Paying Agents save that, if this Note is an unlisted Note of any Series, the applicable Final Terms will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. Form, Denomination and Title

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (“*Euroclear*”) and/or Clearstream Banking, société anonyme (“*Clearstream, Luxembourg*”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “*Noteholder*” and “*holder of Notes*” and related expressions shall be construed accordingly. Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

2. Status of the Notes

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank *pari passu* with all other present or future unsecured (subject to Condition 3) and unsubordinated obligations of the Issuer, save for such as may be preferred by mandatory provisions of applicable law. The full faith and credit of the Issuer will be pledged for the due and punctual payment of the Notes and for all obligations of the Issuer in respect thereof. The Issuer will irrevocably instruct its treasurer, through a *Mandato di Pagamento*, to allocate certain revenues of the Issuer evidenced under Title 1 of its Annual Budget necessary to meet its payment obligations under the Notes, and to make such payments in favour of the Paying Agents for the benefit of the holders of the Notes.

3. Negative Pledge

So long as any Note remains outstanding, the Issuer agrees that it will not secure, or permit to subsist any security for, any present or future Indebtedness by any Charge (as such terms are 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 rateably with such other Indebtedness, and the instrument creating such Charge shall expressly so provide.

For the purpose of the foregoing,

“*Indebtedness*” means all direct, unsecured and unsubordinated indebtedness of the Issuer in the form of, or represented by, bonds, notes, debentures or other securities that are for the time being, or are capable of being, quoted, listed or ordinarily dealt on any stock exchange, automated trading system, over-the-counter or other securities market; and

“*Charge*” shall mean any mortgage, charge, pledge, lien or other form of encumbrance or security interest.

The foregoing shall not limit the ability of the Issuer to issue a *Mandato di Pagamento* in respect of other Indebtedness.

“*Mandato di Pagamento*” means the payment mandate issued by the Issuer pursuant to the provisions of Article 35 of Law No. 724 of 23 December, 1994 which is served by the Issuer on its treasurer pursuant to which the treasurer is required to allocate from time to time moneys in an amount sufficient to meet the Issuer’s obligations to pay interest and principal under the Notes when due.

4. Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from and including the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date. For so long as any of the Fixed Rate Notes is represented by a global Note held on behalf of Clearstream, Luxembourg and/or Euroclear, interest will be calculated on the full nominal amount outstanding of the Fixed Rate Notes (or, if they are Partly Paid Notes, the full amount paid up) and will be paid to Clearstream, Luxembourg and Euroclear for distribution by them to entitled accountholders in accordance with their usual rules and operating procedures. In respect of each definitive Fixed Rate Note, interest will be calculated on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up).

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If interest is required to be calculated for a period other than a Fixed Interest Period or if, in the case of Notes in definitive form, no Fixed Coupon Amount is specified in the applicable Final Terms, such interest shall be calculated by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a global Note held on behalf of Clearstream, Luxembourg and/or Euroclear, the full nominal amount outstanding of the Fixed Rate Notes (or, if they are Partly Paid Notes, the full amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

“*Day Count Fraction*” means, in respect of the calculation of an amount of interest for any Fixed Interest Period:

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (a) in the case of Notes when the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “*Accrual Period*”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; or
 - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360.

In these conditions:

“*Determination Period*” means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

“*Fixed Interest Period*” means the period from and including an Interest Payment Date (or the Interest Commencement Date) to but excluding the next (or first) Interest Payment Date; and

“*sub-unit*” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) Interest on Floating Rate Notes and Index Linked Interest Notes

(i) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) (each an “*Interest Payment Date*”) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an “*Interest Payment Date*”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date). For so long as any of the Floating Rate Notes or Index Linked Interest Notes is represented by a global Note held on behalf of Clearstream, Luxembourg and/or Euroclear, interest will be calculated on the full nominal amount outstanding of the relevant Notes (or, if they are Partly Paid Notes, the full amount paid up) and will be paid to Clearstream, Luxembourg and Euroclear for distribution by them to entitled accountholders in accordance with their usual rules and operating procedures. In respect of each definitive Floating Rate Note or Index Linked Interest Note, interest will be calculated on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, “*Business Day*” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and

- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the “*TARGET System*”) is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), “*ISDA Rate*” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (the “*ISDA Definitions*”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“*LIBOR*”) or on the Euro-zone inter-bank offered rate (“*EURIBOR*”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), “*Floating Rate*”, “*Calculation Agent*”, “*Floating Rate Option*”, “*Designated Maturity*” and “*Reset Date*” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and calculation of Interest Amounts

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the “*Interest Amount*”) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a global Note held on behalf of Clearstream, Luxembourg and/or Euroclear, the full nominal amount outstanding of the relevant Notes (or, if they are Partly Paid Notes, the full amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

“*Day Count Fraction*” means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) if “Actual/365” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

- (iii) if “Actual/365 (sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(v) *Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression “*London Business Day*” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vi) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Dual Currency Interest Notes*

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

(d) *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (1) the date on which all amounts due in respect of such Note have been paid; and
- (2) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

5. Payments

(a) Method of payment

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Melbourne or Auckland and Wellington, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

(b) Presentation of definitive Notes, Receipts and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of

payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Interest Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A “*Long Maturity Note*” is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding or Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

(c) *Payments in respect of Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note: (i) if the Global Note is not intended to be issued in new global note (“*NGN*”) form, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States, or (ii) if the Global Note is intended to be issued in *NGN* form, the Issuer shall procure that details of each such payment shall be entered *pro-rata* in the records of Euroclear or Clearstream, Luxembourg and the nominal amount of the Notes entered in the records of Euroclear and Clearstream, Luxembourg and represented by the Global Notes will be reduced accordingly. A record of each payment made against presentation or surrender of any Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

(d) *General provisions applicable to payments*

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(e) *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “*Payment Day*” means any day which (subject to Condition 8) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) the relevant place of presentation;
 - (B) London;
 - (C) any Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET System is open.

(f) *Interpretation of principal and interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6(e)); and
- (vii) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

6. *Redemption and Purchase*

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) *Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision of, or any authority in, or of, the Republic of Italy (other than the Issuer) having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent a certificate signed by two persons authorised on behalf of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) *Redemption at the option of the Issuer (Issuer Call)*

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Notes, the Notes to be redeemed ("*Redeemed Notes*") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "*Selection Date*"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

(d) *Redemption at the option of the Noteholders (Investor Put)*

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable final Terms.

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "*Put Notice*") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 9.

(e) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 9, each Note will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the "*Amortised Face Amount*") equal to the sum of:
 - (A) the Reference Price; and
 - (B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each or on such other calculation basis as may be specified in the applicable Final Terms.

(f) *Instalments*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

(h) *Purchases*

The Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

(i) Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(j) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

7. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax (including, but not limited to, the Issuer) unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment in the Republic of Italy; or
- (b) presented for payment to, or on behalf of any person who is able to avoid such withholding or deduction by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or
- (c) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the Republic of Italy other than the mere holding of such Note, Receipt or Coupon; or
- (d) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5(e)); or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- (f) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
- (g) in the event of payments to a non-Italian resident legal entity or a non-Italian individual which is resident in a country which does not allow for an adequate exchange of information with the Italian authorities.

As used herein the “Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

“Imposta sostitutiva” as defined in Legislative Decree No. 239 of 1 April, 1996, as amended or replaced does not constitute a withholding or deduction within the meaning of this Condition 7.

8. Prescription

Claims against the Issuer in respect of principal and interest on the Notes, Receipt and Coupons will be prescribed within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

9. Events of Default

If any one or more of the following events (each an “*Event of Default*”) shall occur:

- (a) there is a default in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 10 days;
- (b) the Issuer 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 the Issuer at the specified office of the Agent;
- (c) (i) any other present or future External Indebtedness of the Issuer becomes due and payable prior to the stated maturity thereof as extended by any grace period applicable thereto; or (ii) any present or future guarantee of, or indemnity given by the Issuer in respect of, External Indebtedness is not honoured when called upon or within any grace period applicable thereto; or (iii) a moratorium on the payment of its External Indebtedness is imposed on the Issuer or declared by it; or
- (d) the Issuer decides to revoke, in whole or in part, the Payment Mandate and/or the Payment Mandate should be void or not enforceable as a result of changes in the relevant legislation,

then any Noteholder may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare the Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 6(e)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

“External Indebtedness” means for the purposes of this Condition any indebtedness for borrowed money by the Issuer and guarantees given by the Issuer for money borrowed by others on international markets (whether listed or not) in an amount (alone or in the aggregate) which is equal to or exceeds €10,000,000 (or its equivalent) and where any holder or holders of such debt are persons domiciled, resident or having its head office or principal place of business outside the Republic of Italy.

10. Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

11. Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be an Agent;
- (b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;
- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) there will at all times be a Paying Agent in a jurisdiction within continental Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(d). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

12. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

13. Notices

All notices regarding the Notes will be deemed to be validly given if published (i) in a leading English language daily newspaper of general circulation in London and (ii) if and for so long as the Notes are listed on the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg. It is expected that such publication will be made in the *Financial Times* in London and the *d'Wort* or the *Tageblatt* in Luxembourg or on the website of the Luxembourg Stock Exchange (www.bourse.lu). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. Meetings of Noteholders, Modification and Waiver

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons or Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter. No modification shall take effect without the approval of the Issuer.

15. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

16. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

17. Governing Law and Submission to Jurisdiction

(a) Governing law

The Agency Agreement, the Deed of Covenant, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

(b) Submission to jurisdiction

The Issuer agrees, for the exclusive benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons and that accordingly any suit, action or proceedings (together referred to as “*Proceedings*”) arising out of or in connection with the Notes, the Receipts and the Coupons may be brought in such courts.

The Issuer hereby irrevocably waives, to the extent permitted by law, any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdiction, whether concurrently or not, to the extent permitted by law.

(c) Appointment of Process Agent

The Issuer appoints Fleetside Legal Representative Services Limited at 9 Cheapside, London EC2V 6AD as its agent for service of process, and undertakes that, in the event of Fleetside Legal Representative Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

(d) Waiver of immunity

The Issuer hereby irrevocably and unconditionally waives with respect to Notes, the Receipts and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever of any order or judgment made or given in connection with any proceedings, all to the extent permitted by law.

(e) Other documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be used to finance investment expenses or for any other purposes permitted by law.

DESCRIPTION OF THE REGION OF ABRUZZO

Location, area and population

The Region of Abruzzo (the “*Region*” or “*Abruzzo*”) is located in the central part of the Republic of Italy on the Adriatic coast. The Region occupies an area of approximately 10,947 square kilometres, or 3.5 per cent. of the Italian territory, and is divided into 4 provinces: L’Aquila, Pescara, Chieti and Teramo. With a population of approximately 1.3 million as of 31 December, 2005, representing approximately 2.2 per cent. of the total population of Italy, Abruzzo is one of the smallest regions of Italy.

L’Aquila is the main administrative centre of the Region.

The principal office of the Region is located at Via Leonardo da Vinci 6, 67100 L’Aquila (Italy) and registered office at Piazza Santa Giusta 1, 67100 L’Aquila (Italy).

Relationship between Central Government and Local Entities

The Republic of Italy has been a democratic republic since 2 June, 1946. Its government is organised territorially and administratively on national, regional and local levels. Legislative, executive and judicial powers are exercised at the national level by the Italian Parliament, central government and judicial authorities (hereinafter collectively referred to as the “*Central Government*”). Legislative and executive powers are exercised in certain matters at local level by Italy’s local entities: regions (*regioni*, of which there are 20), provinces (*province*, of which there are 108¹) and municipalities (*comuni*, of which there are 8,101). In addition, the establishment of nine metropolitan cities (*città metropolitane*) has been authorised: the metropolitan cities, once functional, will exercise certain administrative and executive powers.

Of Italy’s 20 regions, 15 operate under an ordinary degree of regional autonomy and are referred to as ordinary-statute regions, while 5 regions are regulated by special statutes which provide these regions with greater autonomy and wider legislative powers, classifying them as special-statute regions.

The Region of Abruzzo is an ordinary-statute region and was established in 1970.

The distribution of legislative, regulatory and administrative powers among the Central Government and several local entities has been recently re-defined by the Constitutional Federalism Law described below. The Constitutional Federalism Law allows the regions and the Central Government to directly challenge laws approved by the other which are considered to exceed their respective powers, by bringing a claim before the Constitutional Court (*Corte Costituzionale*). Therefore, a consolidated interpretation of the exact distribution of the powers is still in the process of being re-defined, and must take account of the relevant Constitutional Court judgements.

Legislative powers. The Constitution of the Republic of Italy (the “*Constitution*”), originally approved in 1947, as amended by Constitutional Law No. 3 of 18 October, 2001 (the “*Constitutional Federalism Law*”), reserves to the Central Government exclusive powers to act in the following areas: foreign policy and international relations (including with the European Union (“EU”)), asylum rights and status of non-EU citizens; immigration; relations between Central Government and religious communities; defence, armed forces and security; currency, financial markets, competition, monetary policy, tax and accounting systems of the Central Government, the protection of savings, and the equalisation of financial resources among the various regions; the regulation of Central Government bodies and Central Government and EU elections; referenda; the legal and administrative structure of the Central Government and of national public entities; public order and safety (with the exception of local administrative police); citizenship, civil status and related registry offices; jurisdictional and procedural laws, the civil and criminal legal systems and administrative justice; the establishment of minimum levels of civil and social services to be guaranteed throughout the nation; general rules on education; national pension funds; the regulation of provincial, metropolitan and municipal bodies, fundamental functions and election laws; customs; protection of national borders (including infectious disease control); the determination of weights, measures and time and co-ordination of

¹ Of which the provinces of *Trento* and *Bolzano* are autonomous. The powers relating to the province of *Aosta* are exercised by the Region of *Valle d’Aosta*. Further provinces are scheduled to be set up in the future.

official data of the Central Government with official data of regional, provincial, metropolitan and municipal governments; intellectual property; and the protection of the environment, the eco-systems and the arts.

The Constitution grants the regions and the Central Government concurrent legislative powers, to be exercised within the fundamental principles set out by Central Government legislation, with respect to the following matters: international relations of the regions (including with the EU); foreign trade of the regions; safety of the workplace and labour protection; education (except for autonomy granted to schools and professional education and training); professions; promotion and regulation of scientific and technological research; healthcare; nutrition; sports; disaster relief; management of the territory; non-military ports and airports; major transportation and navigation networks; communication; transportation and distribution of energy on a national level; pension funds (other than those where contributions are mandated by law); the co-ordination of public finance, public accounting and taxation systems; the improvement, promotion and organisation of environmental, artistic and cultural projects; savings banks, rural banks and banks operating at a regional level.

The Constitution grants the regions exclusive legislative powers on all those matters which are not expressly attributed to the exclusive or concurrent competence of the Central Government, to be exercised in compliance with the Constitution, the EU rules and the international obligations of the Central Government.

Regulatory powers. The Central Government exercises regulatory powers in relation to all matters exclusively reserved to it, while the regions exercise regulatory powers in relation to all other matters (except for the regulatory powers of the provinces and municipalities relating to the regulation and regime of the functions reserved to them or otherwise delegated to them by the Central Government from among its functions).

Administrative powers. Administrative powers are reserved for the municipalities, unless (in cases where greater uniformity is required) such powers are specifically attributed to provinces, metropolitan cities, regions or to the Central Government on the basis of the principles of subsidiarity, differentiation and adequacy (*sussidiarietà, differenziazione ed adeguatezza*).

Prior to the enactment of the Constitutional Federalism Law, and in accordance with the Central Government's tendency to grant greater autonomy to the regions, the Central Government enacted Law No. 59 of 15 March, 1997, as amended (the "*Legge Bassanini*"). The Central Government, on the basis of a series of legislative decrees adopted in accordance with the Legge Bassanini, gradually (i) devolved to the regions and, in turn, from the regions to provinces and municipalities, many of the administrative powers historically exercised by the Central Government, and (ii) assigned operating and financial resources in order to support and fund the new functions.

Region's involvement in other decision making processes. The Constitutional Federalism Law also provides the regions with a role in international affairs. This law provides for the participation of regions in the decision-making processes of the EU (relating to matters within the competence of the regions) and for the implementation by the regions of international agreements and EU acts, within the framework of procedures established by Law No. 11 of 4 February, 2005. In addition, the Constitutional Federalism Law 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. If such a commission expresses a negative or a conditional opinion on a law that is being considered by the Italian Parliament, regarding a matter falling within the concurrent legislative powers of the regions or regarding financial or tax federalism, this bill of law must be passed by an absolute majority of both branches of Parliament, rather than simply by a qualified majority.

Financial autonomy. The Constitution grants the regions a high degree of autonomy and qualifies them as financially independent. The Constitutional Federalism Law underscores and confirms as part of the Constitution the following principles: (i) that the regions are entitled to establish and collect their own taxes and other revenues and have autonomy in the expenditure of their resources (in compliance with constitutional provisions and standards established by the Central Government to co-ordinate Italy's public debt and tax system); (ii) that the taxes and other revenues received by the regions should be sufficient to finance all of the regions' functions and activities; (iii) that the regions are entitled to receive a portion of

Central Government taxes collected within their territory; (iv) that the redistribution of resources from richer areas to poorer areas should be made through an equalisation fund; and (v) that the regions may incur indebtedness only to finance investment expenses and that such indebtedness may not be guaranteed by the Central Government.

Notwithstanding the principles established by the Constitution, the level of financial and fiscal autonomy of the regions is still limited by provisions of ordinary Central Government legislation and regional finances are still dependent, in part, on the transfers from the Central Government.

Controls over the Region. Pursuant to Law No. 20 of 14 January, 1994, the Region is supervised by the *Corte dei Conti*, an administrative and local finance court, which monitors the management of the Region and the achievement of its main goals.

In addition, the Region has implemented certain internal controls pursuant to Legislative Decree No. 286 of 30 July, 1999 and Regional Law No. 3 of 25 March, 2002, including controls on accounting and other administrative compliance (*controllo di regolarità amministrativa e contabile*), controls on operations (*controllo di gestione*), controls on management activity (*valutazione della dirigenza*), and strategic controls, which consist of evaluating the consistency between pre-determined targets and actual results (*valutazione e controllo strategico*).

Regional Administration

The Region, like all ordinary-statute Italian regions, is managed by a Regional Council (*Consiglio Regionale*), a Regional Board (*Giunta Regionale*) and a President of the Regional Board (*Presidente della Giunta Regionale*), who is also President of the Region (*Presidente della Regione*).

The Region's By-laws provide, among other things, for the internal organisation of the Region, its functioning as well as the relationship between the Region and local entities (such as provinces and municipalities). Under the Constitution, the regions have the power to amend By-laws to be approved by a regional law which is to be approved on an absolute basis by the Regional Council by two successive resolutions. Once approved by the Regional Council and enacted by the President of the Regional Board, any new By-laws are published in the regional law bulletin.

The current By-laws of the Region were approved by the Regional Council with the resolutions of 28 June, 2006 and of 12 September, 2006, promulgated by the President of the Regional Board and published in Regional Law Bulletin no. 1, Special Series, of 10 January, 2007. These By-laws became effective on 11 January, 2007 and replaced the previous By-laws, which had been approved in 1971.

Regional Council. The Regional Council is composed of 40 Regional Councillors elected by popular vote. Under the current electoral system, 80 per cent. of the Regional Councillors must be elected from provincial lists in exact proportion to the votes received by the political parties to which the candidates belong. The remaining 20 per cent. of the Regional Councillors are elected by constituents on a majority basis, from a list of candidates (i) put forward by the Regional President and actually elected, and/or (ii) from provincial lists, while another seat is granted to the candidate president of the Region who received the second highest number of votes. Elections are held every five years. The By-laws provide that the Region may approve a regional law regulating the electoral system of the Regional Council within the fundamental principles set forth by the Central Government legislation.

The Regional Council has legislative and regulatory powers and 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), the Region's accounts and budgets and the Region's investment programmes. It is also responsible for determining the level of certain regional taxes or of the percentages of certain Central Government taxes (within a range provided by the Central Government) as well as the maximum amount of debt financing, subject to the limits imposed by the Central Government and regional laws.

The following table shows the political party affiliations of the Regional Councillors elected in the Region's most recent election held in April 2005. The term of the present Regional Council is due to expire in 2010.

Regional Councillors Political Party Affiliation*

Majority

<i>Political Party</i>	Seats
Democratici di Sinistra	8
Margherita	7
SDI	3
Rifondazione Comunista	2
UDEUR	2
Italia dei Valori	2
Comunisti Italiani	1
Verdi	1
Unione	1
Total Majority	27

Opposition

<i>Political Party</i>	Seats
Forza Italia	4
Alleanza Nazionale	4
Unione Democratica di Centro	1
DC	1
Italia di Mezzo	2
Gruppo Misto	1
Total Opposition	13

Source: *Region of Abruzzo*

* This table represents the situation as of 15 December, 2006.

President of the Regional Board. The President of the Regional Board is directly elected by popular vote. The current President of the Region is Mr. Ottaviano Del Turco, elected in 2005, who is supported by a centre-left coalition. The Regional President is responsible for, among other things, representing the Region, promulgating regional laws and rules, calling and chairing meetings of the Regional Board, appointing and replacing the members of the Regional Board, assigning duties to Regional Board members and calling regional referenda, establishing the policy of the Regional Board, as well as overseeing administrative functions delegated from the Central Government. The By-laws, in addition, provide for the power of the President of the Regional Board of calling regional elections.

Regional Board. The Regional Board is the executive body of the Region and is responsible for administrative functions, including drawing up budgets and financial reports, as well as for determining the pluri-annual budget. Members of the Regional Board are appointed by the President of the Regional Board. They serve terms of five years and can be replaced by the President of the Region. The Regional Board is also responsible for the Region's administration within the limits set forth in the Constitution, the Region's By-laws and the Region's regional laws. In particular, the Regional Board is responsible for preparing the Region's accounts and budgets, implementing the resolutions of the Regional Council, preparing the Region's plans and programmes, approving its contracts and managing its assets.

The Regional Board of Abruzzo currently consists of 11 members (10 *assessori* and the President of the Region).

Employees of the Region

As of 31 December, 2005, the Region had a staff of 1,590 employees. The number of the Region's employees decreased between 2001 and 2005, mainly due to the devolution of certain services and functions to local entities, while the costs of employees over the same period has increased, mainly due to the economic terms of the contracts. The following table shows the actual number of employees of the Region and the associated cost for the period indicated:

Employees	Year ended 31 December,				
	2001	2002	2003	2004	2005
Staff (<i>number</i>)	1,863	1,725	1,788	1,659	1,590
Cost (<i>euro millions</i>)	85	82	85	86	89

Source: Region of Abruzzo

Contracts are negotiated separately on a national basis for non-executive and executive employees. Generally, the contracts are for four-year terms and the economic aspects of the contract are negotiated every two years. The contracts generally expire prior to the negotiation of a new contract. Until the new contract is in effect, the terms of the prior contract are generally respected and upon effectiveness of the new contract retroactive payments are made. The current national contracts were entered into on 9 May, 2006 (economic biennium 2004-2005). The Region has not experienced significant work stoppages by Region employees in the past three years. The pensions of Region employees are paid by INPDAP (*Istituto Nazionale di Previdenza per i Dipendenti dell'Amministrazione Pubblica*).

Relationship between the Region and the European Union

European Union Funding for the Region

As a region of a member state of the EU, the Region is entitled to apply for support from the EU. Financial support from the EU is given on the basis that such funds are matched by funding from the relevant central government. The Region currently receives funds from the EU under seven EU support programmes. These programmes provide for regional support primarily in the two following areas:

- development assistance in specific industrial and service sector areas, which the EU determines to be in decline based on certain eligibility criteria; and
- professional development and training programmes in the Region in order to promote employment.

The programmes also provide support in five other areas.

For the period 2000 to 2006, the Region has received total funding from the EU and the Central Government of more than €1,100 million (excluding monies received under the EU's common agricultural policy).

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

In addition to the EU funding described above, the Region benefits from the EU's common agricultural policy ("CAP"), which co-ordinates policy within the EU in respect of agricultural production and provides aid to encourage the development of specific agricultural industries. Funds transferred to the Region under the CAP to businesses in the agricultural sector amount to approximately €45 million per year as of 2006.

New programmes for the period 2007-2013, to be supported by the EU, are currently under discussion.

The Region is represented by the Central Government in its relations with the EU.

Relationship between the Region and other regions

The co-operation and development office of the Region co-ordinates various activities, including the economic and commercial activities of the Region, with the other regions or with foreign countries. The regions co-operate mostly with respect to transportation, protection of the environment, agricultural activities, cultural promotion and tourism.

Principal Activities

Regions are empowered to address general economic and social issues within their respective territories and are responsible for co-ordinating local administration through the provinces and municipalities and providing certain resources to finance provincial and municipal investment programmes.

Healthcare. The primary sector in which the Region is involved is the provision and funding of healthcare.

The Region is responsible for setting guidelines for health services, for planning the healthcare budget, which is now approved on the basis of pre-established prices for each health service on the basis of a classification system, and to make certain controls on the healthcare sector within a framework set forth by the Central Government in conjunction with the regions.

The Region oversees the administration of the public and private hospitals located in the Region and health service providers through the local departments of the national healthcare system (*Aziende Unità Sanitarie Locali* (“ASL”)) which are controlled and funded by the Region.

The present local healthcare structure of the Region consists of 6 ASLs.

The Region’s main objectives for healthcare are to rationalise the organisation of hospitals network, also including through a reduction in the number of beds, and to contain healthcare (particularly pharmaceutical) costs.

The following table sets forth data relating to the amounts provided by the Region to private hospitals for health and diagnosis services:

	Year ended 31 December,			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Healthcare Financings (<i>euro millions</i>)	159	162	181	196

Source: Region of Abruzzo

Transportation. In the area of transportation, the Region is responsible for planning, coordinating and monitoring the regional public transportation services. For this purpose, regions are required to adopt a regional Integrated Transportations Plan (“*Piano Regionale Integrato dei Trasporti*”); the Region, at the date of this Base Prospectus, has not yet approved a *Piano Regionale Integrato dei Trasporti*.

The regional railway transportation expenditure is funded by transfers from the Central Government to the regions based on the size of the region and by regional funds.

The basic public local transportation services are financed by the Region, while additional services, if any, are financed by provinces and municipalities. In addition, the Region, with its own resources and funds transferred by the Central Government, provides for the purchase of means of transport and for the construction and modernisation of the relevant infrastructures.

Through such services, the Region and the local entities aim to attain a high level of integrated services that are well distributed over the territory, ensure the provision of public transportation in economically and territorially challenged areas, and promote the use of means of public transport in order to control pollution and traffic congestion.

Despite its small size, the Region has an extensive network of railways and roads. As at 31 December, 2005, the road network in the Region was equal in aggregate to 7,071 kilometres, and the railroad network was equal to 608 kilometres.

Transfers to provinces and municipalities. The Region, in its role of planning entity, allocates regional funds and funds transferred from the Central Government to specific sectors and among the provinces and municipalities. See “Financial Information of the Region”.

Participation. Currently, the Region owns 95 per cent. of ARPA S.p.A. and 100 per cent. of GTM s.r.l. and FAS s.r.l., the regional transport companies, and 46 per cent. of SAGA S.p.A., the regional airport services company. The Region also holds minority interests in other small local companies.

Significant Assets

As of 31 December, 2005, the total assets of the Region were valued at €5,641.80 million.

In particular, real estate was equal to €134 million, of which €85.5 million corresponded to non-disposable assets and €48.5 million corresponded to disposable assets. Shareholdings of controlled or associated companies were equal to €18.6 million, movables to €38.3 million, liquid assets to €572.2 million and accrued income and other receivables, representing approximately 86 per cent. of the total assets of the Region, were equal to €4,878.7 million.

DESCRIPTION OF THE ECONOMY OF THE REGION OF ABRUZZO

The following discussion of the Region's economy is based on data provided by ISTAT (*Istituto Nazionale di Statistica*) and SVIMEZ (*Associazione per lo Sviluppo dell'Industria nel Mezzogiorno*), except as otherwise indicated.

Gross Domestic Product

The Region maintains its statistical economic indicators based upon Gross Domestic Product ("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 ("VAT") and net import tax.

The Region's GDP growth rate has been slightly below the northern and central regions and better than national average over the last ten years.

For the year ended 31 December, 2005, activity within the Region generated €25,552 million, or approximately 1.8 per cent. of Italy's total GDP in current prices. The annual average growth rate in GDP in the Region since 1998 has been 4.6 per cent. in real terms compared to 4.9 per cent. for Italy as a whole. The Region's GDP per capita in 2005 was approximately €19,621 in current prices, as compared to approximately €24,182 for Italy as a whole during the same year.

The Region's GDP per capita ratio in 2005 was the 16th highest in the country and was slightly below the national average but higher than the ratio for Southern Italy.

The following table shows GDP per capita in current prices in the Region and in Italy as a whole from 2001 to 2005.

GDP Per Capita	Year ended 31 December,				
	2001	2002	2003	2004	2005
			<i>(euro)</i>		
Abruzzo	18,871	19,361	19,353	19,159	19,621
Italy	21,914	22,660	23,181	23,873	24,182

Source: ISTAT

The following table provides a breakdown of the Region's nominal GDP at current prices for the periods indicated.

GDP of Abruzzo	Year ended 31 December,				
	2001	2002	2003	2004	2005
			<i>(euro millions except percentages)</i>		
GDP	23,812	24,546	24,764	24,765	25,552
Net Imports of Goods and Services	1,319	1,399	2,260	3,469	N/A
Total Available Resources	25,131	25,945	27,024	28,234	N/A
Consumer Expenditure	14,509	14,899	15,326	15,858	N/A
Public Expenditure	5,338	5,579	5,988	6,059	N/A
Total Internal Consumption	19,847	20,478	21,314	21,917	N/A
Gross Fixed Investment	5,146	5,420	5,661	6,216	N/A
Inventory Adjustments	0,138	0,047	0,049	0,101	N/A
Total	25,131	29,945	27,024	28,234	N/A
Nominal GDP Growth	3.9%	3.1%	0.9%	0.0%	3.2%
Real GDP Growth	1.0%	0.1%	-1.7%	-2.3%	1.24%

Source: ISTAT

The following table sets out average annual real GDP growth rates for the periods indicated.

Real Growth Rates

	Abruzzo	Italy
1991-1995	1.1%	1.1%
1995-2000	1.6%	1.9%
1996-2001	2.2%	2.2%
1999-2003	1.4%	1.1%

Source: ISTAT

Value added for Sectors

The following table shows the historical trend and the contribution of each sector to the value added at factor cost (GAV) measured in current prices for the Region for the periods indicated.

Value added per Sector	Year ended 31 December,			
	2001	2002	2003	2004*
	<i>(euro millions)</i>			
Agriculture	768.2	802.9	782.5	702.6
Industry	6,989.9	6,999.4	6,749.9	6,780.7
Services	13,523.7	14,146.2	14,565.5	14,421.0
Total GAV including imputed banking services	21,281.8	21,948.5	22,097.9	21,904.3
Imputed banking services	632.8	658.4	699.5	696.2
Total GAV excluding imputed banking services	21,914.6	22,606.9	22,797.4	22,600.5
Net indirect taxes	2,530.2	2,598.2	2,666.9	2,861.6
GDP at current market prices	24,444.7	25,205.1	25,464.3	25,462.1

* The most recent data available is that for 2004.

Source: ISTAT

In 2004, the services, industry and agriculture sectors contributed 65.8 per cent., 31 per cent. and 3.2 per cent., respectively, to the total GAV of the Region for that period.

Industrial Sector

The industrial sector of the Region consists primarily of domestic and foreign companies, mainly operating in the electronic, textile, metal-mechanic, construction and pharmaceutical sectors. In recent years, the Region has become a very important contributor in such industry sectors, discussed further below.

Manufacturing

Manufacturing is the key industrial sector of the Region, increasing its share of the industrial GAV up to approximately 72.3 per cent. in 2004.

The following table provides the percentage contribution of the main manufacturing categories to the manufacturing GAV of the Region for the periods indicated, based on the latest statistics available.

Manufacturing Sector GAV

Year ended 31 December,

	2001	2002	2003	2004*	% of 2004 Industria I GAV
	<i>(euro millions)</i>				
Manufacturing	5,032.1	5,122.9	4,892.1	4,906.8	72.36%
Non-Metal Mineral and Products	426.2	471.2	469.9	464.0	6.84%
Chemical/Pharmaceutical Goods	247.7	243.4	258.5	319.5	4.71%
Metal and Machines	611.1	630.5	645.1	701.7	10.35%
Means of Transport	1,570.2	1,538.1	1,420.0	1,402.0	20.68%
Food, Drinks and Tobacco	560.1	597.1	551.1	528.7	7.80%
Textile, Clothing, Shoes and Leather	843.5	821.2	770.1	690.0	10.18%
Paper, Press and Publishing	308.0	336.5	331.9	334.4	4.93%
Wood/Rubber/Others	465.3	484.9	445.5	466.5	6.88%
Construction	1,508.7	1,387.2	1,378.8	1,399.3	20.64%
Mining/mineral extraction	59.4	54.4	58.3	57.1	0.84%
Energy	389.7	434.9	420.7	417.5	6.16%
Total	6,989.9	6,999.4	6,749.9	6,780.7	100.0%

* The most recent data available is that for 2004.

Source: ISTAT

Services Sector

The historical trend over the last four years highlights the increasing importance for the Region of the services sector, maintaining a level of over 67 per cent. of total GAV for each year during the period.

Tourism

Within the Region's services sector, tourism is one of the most important businesses, due to the number of natural parks of the Region and the winter resorts which provide extensive ski facilities.

As at 31 December, 2004, the Region had 808 hotels with 49,140 beds.

The Region annually accounts for over 1.4 million arrivals and over 6.9 million presences. The following table shows tourist movement for the years from 2002 to 2005.

Tourist movement in Abruzzo: 2002-2005

Years	Italians		Foreigners		Total	
	Arrivals	Presences	Arrivals	Presences	Arrivals	Presences
Hotels						
2002	1,017,964	4,156,774	142,423	644,689	1,160,387	4,801,463
2003	1,102,146	4,485,233	131,359	606,951	1,233,505	5,092,184
2004	1,096,737	4,305,666	138,993	613,175	1,235,730	4,918,841
2005	1,143,153	4,353,608	139,134	592,273	1,282,287	4,945,881
Non-hotels						
2002	136,832	1,633,760	46,831	420,792	183,663	2,054,552
2003	149,067	1,699,665	37,130	333,376	186,197	2,033,041
2004	153,553	1,695,320	36,049	319,055	189,602	2,014,375
2005	165,804	1,659,122	39,916	328,109	205,720	1,987,231
Total						
2002	1,154,796	5,790,534	189,254	1,065,481	1,344,050	6,856,015
2003	1,251,213	6,184,898	168,489	940,327	1,419,702	7,125,225
2004	1,250,290	6,000,986	175,042	932,230	1,425,332	6,933,216
2005	1,308,957	6,012,730	179,050	920,382	1,488,007	6,933,112
Percentage variations 2002-2005						
Hotels	4.4%	1.4%	0.1%	-3.3%	3.9%	0.8%
Non-hotels	8.2%	-2.0%	10.8%	2.9%	8.7%	-1.2%
Total	4.8%	0.4%	2.3%	-1.2%	4.5%	0.2%

Source: Region of Abruzzo

Funds available in the budget for the year 2005 for current and capital expenditures for tourism amount to approximately €12.26 million.

Currently there are 401 public purification plants. The Regional plan for water depuration is expected to achieve the target of 491 purification plants in the entire territory of the Region shortly. During the first half of 2003 the Region launched a plan aimed at accelerating the achievement of this target.

Transportation

In 2005, 1.38 million tons of merchandise were shipped through the Region's port of Ortona, which is the main port of shipment of the Region.

The Region's international airport (Aeroporto Internazionale d'Abruzzo), located near Pescara, connects Pescara with other major Italian and international airports. Flights to New York (through Bologna) started in the beginning of 2007. Airport operations services are provided by S.A.G.A. S.p.A., owned as to 85 per cent. by public local entities (the Region, which owns 46 per cent., and the Chambers of Commerce of Pescara, Chieti, Teramo and L'Aquila) and by private shareholders as to the remaining 15 per cent. In order to meet increasing traffic, S.A.G.A. S.p.A. prepared a development plan providing for the realization of projects (partly funded by the Region) aimed at increasing security and traffic capacity.

The following table shows the historical trend for the airport for the periods indicated.

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Traffic	4,052	4,618	6,390	6,310	9,940	6,675	11,559	10,932	10,075	10,339
Passengers	71,908	72,962	104,000	105,500	114,024	153,227	295,875	301,773	334,998	350,447
Goods (tons)	152	195	56	476	2,106	3,115	1,913	1,795	2,151	2,390

Agriculture, Livestock and Fishing Sectors

According to the 2000 census, land used for agriculture was equal to 428,802 hectares. Land used for cattle-breeding was equal to 186,340 hectares.

During 2005, the agricultural sector GAV totalled €692.7 million at current prices, equal to 2.7 per cent. of total GAV. Wheat, vegetables and olive farming accounted for over 10 per cent., 3 per cent. and 9 per cent., respectively. Wines account for approximately 7.5 per cent. of the land used for agriculture.

According to the 2000 census, there were over 4,795 bovine farms, 9,029 swine farms, 6,554 ovine and caprine farms and 3,593 poultry farms operating in the Region.

Inflation

The table below shows average annual percentage increases in the consumer price index (“CPI”) in L’Aquila and Italy for each of the years indicated.

Consumer Price Index*	Year ended 31 December,					
	2000	2001	2002	2003	2004	2005
L’Aquila	2.0%	2.8%	2.5%	2.4%	2.3%	1.8%
Italy	2.6%	2.7%	2.8%	2.5%	2.0%	1.7%

Source: ISTAT

* Reflects the change in price of a basket of goods typically purchased by families of blue and white collar workers, excluding tobacco products, as compared to 1995 prices.

Employment

As at the end of 2005, approximately 492 thousand people in the Region were employed. In 2005, the Region’s unemployment rate (7.9 per cent.) was above the national average (7.7 per cent.).

The following table provides average number information as to employment in the Region in each year from 2000-2005. All figures represent an average of the results from quarterly labour force surveys performed by ISTAT on a sample of households.

Employment in Abruzzo	2000	2001	2002	2003	2004	2005
	<i>(thousands, except percentages)</i>					
Total Population	1,281	1,264	1,275	1,287	1,290	1,298
Labour Force	485	498	503	505	520	534
Number Employed	448	469	472	478	479	492
Number Unemployed	38	29	31	27	41	42
Unemployment Rate (%)	7.8	5.7	6.2	5.3	7.9	7.9

Source: ISTAT

Education and Research

In the Region there are three State universities, in L’Aquila, Teramo and Chieti.

Imports and Exports

In 2005, the Region imported goods valued at €3,656.2 million and exported goods valued at €6,298.9 million.

The following table shows for the period indicated the exports and imports of the Region both in their value in millions of euro and as a percentage of GDP.

Year ended 31 December,

	2001		2002		2003		2004		2005	
	<i>(euro millions)</i>	<i>% GDP</i>								
Imported goods	3,887	16.8	3,926	16.5	3,674	15.0	3,687	14.8	3,656.2	14.3
Exported goods	5,424	23.7	5,501	23.1	5,344	21.8	6,060	24.4	6,298.9	24.7

Source: ISTAT and SVIMEZ

FINANCIAL INFORMATION OF THE REGION OF ABRUZZO

Financial Reports

The administration of the Region's finances is the responsibility of the Regional Board and the Regional Council.

Each of the regions of Italy, including Abruzzo, has passed a regional budget and accounting law setting out the process by which the relevant region draws up and approves its budget for each financial year. As a public entity, the Region does not prepare its financial reports in accordance with generally accepted accounting principles, but in accordance with accounting standards established by Legislative Decree No. 76 of 28 March, 2000 ("*Legislative Decree No. 76*") and Regional Law No. 3 of 25 March, 2002 ("*Law No. 3*" or the "*Regional Budget Law*").

The Region's accounts are maintained on an accrual and cash basis and according to the calendar year.

Law No. 3 requires the Region to produce certain financial documents as described below.

The Regional Programme Document

The regional annual programme document (*Documento di Programmazione Economico - Finanziaria* or DPEFR) (the "*Regional Programme Document*") is prepared on the basis of the current economic and social situation of the Region and the relevant trends, and sets out the framework on the basis of which the pluri-annual budget is prepared and the interventions of the Region are defined. The Regional Programme Document for each year is proposed by the Regional Board to the Regional Council, which must approve it by 30 September of the previous year.

The Provisional Budget

The provisional budget (*bilancio di previsione*) (the "*Provisional Budget*") is the Region's estimate of revenues and expenditures for the upcoming year and is prepared on both accrual and cash basis.

The Region'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 31 October of the year preceding the reference fiscal period. The Region's Provisional Budget must then be approved within 31 December of the same year by the Regional Council with a regional law. Once approved by the Regional Council and enacted by the President of the Region, the Provisional Budget is published in the regional law bulletin.

The Provisional Budget for the year 2007 was approved by Regional Law No. 48 of 28 December, 2006.

On the basis of the By-laws, it has been clarified that the law approving the Provisional Budget cannot create new taxes or establish new expenditures.

Temporary Provisional Budget

The Region may postpone the adoption of the Provisional Budget even after 31 December, by authorising a temporary provisional budget (*esercizio provvisorio di bilancio*) (the "*Temporary Provisional Budget*"). During the period covered by the Temporary Provisional Budget, which cannot exceed four months, the Region is authorised to manage revenues and expenditures on the basis of the bill of Provisional Budget submitted to the Regional Council, and may introduce restrictions to discretionary expenditures. Due to the fact that regional Provisional Budgets include revenues from Central Government transfers, many regions often postpone completing their provisional budget until after the Central Government budget is published in order to be able to include actual rather than estimated figures for such transfers.

The Pluri-Annual Budget

The pluri-annual budget (*bilancio pluriennale*) (the "*Pluri-Annual Budget*") is the Region's forecast of revenues and expenditures for a period at least equal to three years. It is prepared on an accrual basis, in line with the Regional Programme Document. Unlike the Provisional Budget, the approval of the Pluri-Annual

Budget does not authorise the management of the revenues and the expenditures forecasted therein. It is approved in the same session of approval of the Financial Law (as defined below) and the Provisional Budget and it is attached to the latter.

The Pre-Closing Budget

The pre-closing budget (*assestamento del bilancio*) (the “*Pre-Closing Budget*”) represents an adjustment of the Provisional Budget. This adjustment, which takes into account, *inter alia*, the bill of Actual Financial Report (as defined below), results from the recording of amounts committed but not actually expended or amounts expected to be received but not actually collected during the previous fiscal year (*residui attivi and passivi*), consequently adjusting the values of the financial result and of the cash fund, and provides a better estimate of revenues and expenses. The Pre-Closing Budget must be approved by the Regional Council by 30 September of each year.

Provisional Budget Variations

The Provisional Budget variations (*variazioni al bilancio*) (the “*Provisional Budget Variations*”) are provided for by the regional law or, in certain limited cases, passed by the Regional Board. Such variations are approved by 30 November of each year, or in case of particular exceptional situations provided for by the law, after that date.

The Actual Financial Report

The actual financial report (*bilancio consuntivo or rendiconto generale*) (the “*Actual Financial Report*”) is comprised of two documents: the Balance Account (*Conto del Bilancio*) and the Assets and Liabilities Account (*Conto Generale del Patrimonio*). The Actual Financial Report of the Region’s last fiscal year, submitted by the Regional Board, must be approved by the Regional Council by the following 30 June. The Actual Financial Report for the year 2004 was approved by Regional Law No. 45 of 31 December, 2005. The Actual Financial Report for the year 2005 was approved by Regional Law No. 46 of 28 December, 2006.

The Financial Law

The financial law (*legge finanziaria*) (the “*Financial Law*”) establishes the economic policies for the upcoming year and ensures consistency between the Region’s programmes and objectives and the amount of revenues available to the Region in respect of the relevant financial period under current legislation and determines the general financial framework for the period covered by the Pluri-Annual Budget. Specifically, the Financial Law prescribes:

- any variations in the rates of existing taxes from which the Region 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 during each year covered by the Pluri-Annual Budget pursuant to other regions legislation establishing pluri-annual or permanent expenditures.

The Financial Law does not create new taxes or duties but may authorise new or increased expenditures (but only to the extent that such expenditures are covered by new or increased revenues or offset by permanent reductions in existing authorised current expenditures). On the basis of the By-laws, the Financial Law can not create new taxes or establish new expenditures. The bill of Financial Law is presented by the Regional Board to the Regional Council by 31 October, together with the Provisional Budget and the Pluri-Annual Budget, for approval to occur by the following 31 December. Once approved by the Regional Council, the Financial Law is published in the regional law bulletin and enacted into law.

The Financial Law for the year 2007 was approved by Regional Law No. 47 of 28 December, 2006.

Regional Treasurer (*Tesoriere Regionale*) and Central Government’s Provincial Treasurer (*Tesoreria Provinciale dello Stato*)

Regions in Italy are required to make all payments and collect all revenues through one or more agent banks acting as their treasurer (each a “*Treasury Bank*”). The Treasury Banks for the Region of Abruzzo are:

- Cassa di Risparmio della Provincia di L’Aquila (agent bank)
- Cassa di Risparmio della Provincia di Teramo
- Cassa di Risparmio della Provincia di Pescara
- Cassa di Risparmio della Provincia di Chieti

The Region holds an interest-bearing account at the Treasury Bank through which the Treasury Bank manages all outflows linked to the activity of the Region as well as most of the inflows, except for Central Government transfers which go directly into a deposit account at the Central Government’s Provincial Treasurer.

Financial Federalism

In the context of a process of reform of regional finance, regions have been granted greater financial autonomy, as a consequence of which the transfers from the Central Government have been progressively reduced. The system has progressively switched from a derivate finance system, where Central Government transfers represented the greater portion of regions’ revenues, to a system where tax revenues are prevalent. In 2005, tax revenues represented approximately 60.8 per cent. of Region current revenues and 50.8 per cent. of current and capital revenues. The percentage of transfers from the Central Government on final revenues (current and capital) is equal to 30 per cent., which is mainly constituted by restricted funds.

Transfers of funds from the Central Government to regions are dependent on the financial situation of the Central Government. In addition, the timing of transfers from the Central Government to regions relating to amounts pertaining to regions but collected by the Central Government is dependent on the finances of the Central Government. The Central Government has in the past delayed certain transfers to the regions.

The increased financial autonomy of regions has been progressively enabled by a series of laws passed by the Central Government, providing: (i) the regional percentage of the petrol tax (*accisa sulle benzine*²); (ii) the entitlement of the regions to receive IRAP and *Addizionale IRPEF*; (iii) the cancellation of Central Government transfers (healthcare national fund included), except for certain specific exceptions; (iv) the regional percentage of VAT; and (v) the establishment of a national compensation fund (*fondo perequativo nazionale*) (“*National Compensation Fund*”) to be financed through VAT tax receipts by regions, all as defined and described below. In addition, the percentage of some of the aforementioned tax has been increased from time to time. Regions are not granted the VAT collected from their respective territories, but an amount distributed on the basis of the population and then adjusted on the basis of the contributive capacity, health needs and the respective geographical dimensions. The difference between the proportion of VAT which should be granted on the basis of the regional distribution of consumption and the amount of the share, as calculated on the basis of the above, effectively granted to any single region constitutes the contribution, or the benefit deriving from the participation, to the National Compensation Fund. In 2005, the Region was granted a participation in the National Compensation Fund of an amount approximately equal to €711.4 million.

Revenues and Expenditures

The following table sets forth the current revenues and expenditures and the capital revenues and expenditures for the periods indicated.

² The 2007 financial law of the Central Government entitles regions to also receive a percentage of the diesel fuel tax (*accisa sul gasolio*).

Revenues and Expenditures	2001	2002	2003	2004	2005
			<i>(euro millions)</i>		
Current Revenues	2,167	2,144	2,187	2,294	2,486
Current Expenditures	2,075	1,812	2,133	2,193	2,337
Current Balance	93	332	54	101	149
Capital Revenues	428	516	451	423	469
Capital Expenditures	569	678	738	695	829
Capital Balance	(141)	(162)	(286)	(272)	(350)
Balance Before Financing	(49)	170	233	(172)	(211)
Net Borrowing	214	69	248	104	84
Budget Balance	166	238	16	(68)	(127)

Source: Region of Abruzzo

Current Revenues

In 2005, the total tax revenues constituted 60.7 per cent. of current revenues while, for the same year, Central Government transfers represented 36 per cent. of current revenues. In addition to tax revenues and current transfers, the Region benefits from other revenues, such as unearned income, the proceeds of administrative sanctions, recoveries and various reimbursements.

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

Current Revenues	2001	2002	2003	2004	2005
			<i>(euro millions)</i>		
<i>Regional Taxes</i>	719	743	785	805	831
of which					
IRAP	507	529	551	559	584
<i>Addizionale IRPEF</i>	83	89	103	106	98
Automobile Tax	100	98	100	108	114
Others	30	27	31	32	35
<i>Taxes from the Central Government</i>	692	721	711	696	676
of which:					
Petrol Tax Participation	61	62	58	57	52
VAT Participation ⁽¹⁾	631	659	653	639	624
<i>Transfers from the Central Government, the EU and others</i>	706	657	665	763	953
<i>Other Revenues</i>	50	23	26	30	25
Total Current Revenues	2,167	2,144	2,187	2,294	2,485

(1) Since 2001, regions have been entitled by law to receive a percentage of VAT.

Source: Region of Abruzzo

Taxes

The main regional tax is the regional tax on productive activities (*Imposta Regionale sulle Attività Produttive* or “IRAP”), in force from 1998. IRAP is based on the net production value of enterprises and professionals within the region. The regions have the power to determine the IRAP tax rate, within a range established by the Central Government between 3.25 per cent. and 5.25 per cent. The Region’s rate of IRAP was increased in 2006 in order to cover part of the healthcare deficit and in 2007 also to cover regional expenses, and is currently 5.25 per cent.

Together with IRAP, since 1998, regions are entitled to impose a regional surtax on the Central Government’s income tax on individuals (*Imposta sul Reddito delle Persone Fisiche* or “IRPEF”) (“*Addizionale IRPEF*”). The regions have the power to determine the *Addizionale IRPEF* tax rate, within a range established by the Central Government between 0.9 per cent. and 1.4 per cent. The Region’s rate of *Addizionale IRPEF* was increased in 2006 in order to cover part of the healthcare deficit and in 2007 also to cover regional expenses, and is currently 1.4 per cent.

However, pursuant to the 2007 financial law of the Central Government, in the case of regions which have a substantial healthcare deficit (such as the Region of Abruzzo; see “Healthcare Expenditure” below) and entered into a special agreement with the Central Government providing for a plan for the reduction of the deficit (*piano di rientro*), in order to be granted special funds by the Central Government, but did not meet the goals of the *piano di rientro*, IRAP and *Addizionale IRPEF* are automatically increased to cover the shortfalls in respect of the goals fixed by the *piano di rientro*, even above the maximum level established by law.

Both IRAP and *Addizionale IRPEF* are collected by the Central Government, which then transfers the sums to the Region. The management of these taxes is devolved to the *Agenzia delle Entrate*, with which the Region has entered into a special agreement.

While the implementation of fiscal federalism is still in progress, the Central Government has established a guaranty fund (*fondo di garanzia*) in order to compensate possible shortfalls between the amount of IRAP and *Addizionale IRPEF* actually collected and the expected amounts of such taxes set forth in CIPE (*Comitato Interministeriale per la Programmazione Economica*) resolutions concerning the distribution of resources for healthcare financing.

The Region is also entitled to receive the revenues from automobile registration taxes and, among minor taxes, regional surtaxes on natural gas consumption, regional taxes on university education, waste disposal taxes and taxes upon regional authorisation.

The Region also receives a participation of revenue taxes, the most relevant of which is the VAT participation, introduced pursuant to Legislative Decree No. 56 of 18 February, 2000 (“*Legislative Decree No. 56*”). In 2004, the regions’ VAT participation rate, which is established annually, was 40.31 per cent. of national VAT revenues.

Regions are also entitled to receive a percentage of the petrol tax (*accisa sulle benzine*) and, according to the 2007 financial law of the Central Government, also a percentage of the diesel fuel tax (*accisa sul gasolio*).

In addition, the regions are entitled to levy a tax on petrol in an amount not exceeding €0.0258 per litre (*imposta regionale sulla benzina*). However, the Region of Abruzzo, like other ordinary-statute regions, has never levied such a tax.

Pursuant to the 2007 financial law of the Central Government, in the case of regions that did not comply with the internal stability pact: (i) the *imposta regionale sulla benzina* is automatically applied, or, if already levied, increased by €0.0129; and (ii) the automobile registration tax is automatically applied with a 5 per cent. increase.

Transfers from the Central Government

Central Government current transfers have decreased, mainly due to the increase of the financing responsibility and the fiscal autonomy of the Region.

Current Expenditures

Current expenditures include personnel, goods and services, current transfers to local entities, ASLs, enterprises and families, interest expenses and other expenses.

The following table sets out the current expenditures of the Region attributable to its major activities for the periods indicated.

Current Expenditures by Major Activity

Activity	2001	2002	2003	2004	2005
	<i>(euro millions)</i>				
Personnel Expenses	85	82	85	86	89
Regional Bodies	12	23	26	26	28
Goods and Services	45	40	40	37	41
Current Transfers	1,911	1,641	1,948	1,995	2,127
Interest Expenses	10	23	32	45	50
Other Expenses	11	3	2	4	2
Total Current Expenditures	2,075	1,812	2,133	2,193	2,337

Source: Region of Abruzzo

Healthcare Expenditure

The healthcare expenditures are determined annually by the Central Government in consultation with the regions. Abruzzo provides financial support for healthcare expenditures through IRAP, *Addizionale IRPEF* and VAT participation.

Italian regions are responsible for financing their own healthcare system, and are also responsible for meeting any healthcare deficits from their own resources. However, the Central Government may transfer funds to the regions when it recognises a structural inadequacy of the resources for the healthcare financing.

Regions incurring in excessive healthcare deficits, as resulting from monitoring activity conducted at the end of each year, are warned by the Prime Minister to adopt measures to reduce such deficits within a prescribed time frame, and if such measures are not adopted (or are adopted to an insufficient extent), the President of the Region is automatically appointed as Central Government commissioner (*commissario ad acta*), in order to adopt the necessary measures, including increasing the rates of IRAP and *Addizionale IRPEF*. If the President of the Region fails to adopt such measures, the rates of IRAP and *Addizionale IRPEF* are automatically increased to the maximum extent permitted by law. In addition, pursuant to the 2007 financial law of the Central Government, in case of regions which have a substantial healthcare deficit (such as the Region of Abruzzo) and entered into a special agreement with the Central Government, providing for a plan for the reduction of the deficit (*piano di rientro*) but did not meet the goals of the abovementioned *piano di rientro*, IRAP and *Addizionale IRPEF* are automatically increased to cover the shortfalls in respect of the goals fixed by the *piano di rientro*, even above the maximum level fixed by law.

In 2005, the Region's healthcare deficit was equal to €243 million and was covered by regional financial measures, expenditure reductions and Central Government resources.

In 2006, due to excessive healthcare deficit, the President of the Region was appointed as Central Government commissioner for the Region's healthcare system. In addition, as indicated above, the percentages of IRAP and *Addizionale IRPEF* have been increased in the maximum amount allowed by law.

The Region is discussing with the Central Government a *piano di rientro* to cover previous healthcare deficits and prevent the creation of new healthcare deficits.

The 2007 financial law of the Central Government introduced new charges for emergency and specialist outpatient treatment by the regional healthcare system.

Healthcare Deficits	2000	2001	2002	2003	2004	2005
	<i>(euro millions)</i>					
Region's healthcare deficit*	185	193	167	250	156	243
Already covered by the Region	150	107**	167**	61**	0	136
To be covered by the Region	-	-	-	189	139	113
Already covered by the Central Government	35	-	-	-	17	0
To be covered by the Central Government	-	86***	-	-	-	0

Government

* *Net of national healthcare fund adjustments.*

** *Effects of the securitisation.*

*** *2001 national healthcare fund adjustment.*

Capital Revenues and Capital Expenditures

Capital Revenues

Capital revenues consist of capital transfers from the Central Government, including funds for EU programmes, and other revenues, such as the sale of regional assets. In addition, capital revenues also include debt, for which principal and interest are paid by the Central Government.

The following table sets out the capital revenues of the Region for the periods indicated.

Capital Revenues	2001	2002	2003	2004	2005
	<i>(euro millions)</i>				
Transfers from the Central Government and sales of assets	401	516	451	391	468
Central Government borrowing	27	-	-	0	0
Total Capital Revenues	428	516	451	391	468

Source: *Region of Abruzzo*

Capital Expenditures

Capital expenditures are made by the Region for the purchase of public assets for institutional uses, infrastructural interventions in the energy sector, housing interventions, hydro geological protection, regional rail transport, road system, investments in the social and healthcare sector, and school housing among others. Capital expenditures are funded through Central Government and EU contributions, as well as through regional resources.

The following table sets out the capital expenditures of the Region attributable to its major activities for the periods indicated.

Capital Expenditures by Major Activity	2001	2002	2003	2004	2005
	<i>(euro millions)</i>				
Real estate	28	28	41	36	64
Capital Transfers	540	559	631	602	721
Other expenses	1	91	67	75	44
Total Capital Expenditures	569	678	738	713	829

Source: *Region of Abruzzo*

Financial Result of the Region

The following table sets forth, for the periods indicated, the financial result (*avanzo/disavanzo di amministrazione*) of the Region.

Financial Results	2001	2002	2003	2004	2005
	<i>(euro millions)</i>				
Cash at year end	170	385	163	633	572
Accruals receivable	2,073	3,287	4,035	3,682	4,879
Accruals payable (-)	1,390	2,331	2,651	2,973	4,077
Financial Result	853	1,342	1,547	1,342	1,374

Source: *Region of Abruzzo*

The financial result (*avanzo/disavanzo di amministrazione*) is a key ratio in Italian state accounting. Accruals (*residui*) result from the difference between balance due and actual amounts received or paid out in the current year. They comprise accrued income and other receivables (*residui attivi*) and unpaid expenses and other payables (*residui passivi*). Accruals are brought forward, in the accruals payable account, for a maximum period of two years for current expenditures and seven years for capital expenditures, after which they are cancelled (become *perenti*) and no longer accounted for in the regional budget (although creditors may still make claims with respect to cancelled payables and allocations are made by the Region to cover a portion of such payables). The Region carefully monitors the *residui perenti*. Each year in the accounts of the Region an allocation is made in a specific fund, which in 2005 covered 100 per cent. in the regional financial forecast.

Since the elections in 2000, the Region has initiated several control measures monitoring receivables, improving credit collection rates, reducing accounts payable and reducing payment time frames. The Region has started a rigorous assessment of its receivables and set up internal procedures to improve credit collection. Accounting of payables has been improved and payment delays reduced. In 2003, 2004 and 2005, *residui attivi* increased for the constraints imposed by the Ministry of the Treasury (now Ministry for the Economy and Finance) that did not actually pay part of the Central Government transfers due to the Region because of the large cash held at the Central Treasury account held by the Region at the Ministry of the Treasury, as a consequence of the Decree Law No. 669 of 31 December, 1996 (converted, with amendments, into the Law No. 30 of 28 February, 1997) aimed at reducing the national debt in order to match the Maastricht criteria set up for the European Monetary Union. As a consequence, the regional accruals to be received increased significantly in 2003, 2004 and 2005 due to larger Central Government accruals. Even *residui passivi* increased over the same period as Central Government laws constrained the payment of current expenditures, which could not exceed the actual payments of the previous year increased by the planned inflation rate (*inflazione programmata*) set up by the Central Government.

The table below shows the Region's outstanding debt for each of the years indicated:

Region's outstanding debt	2001	2002	2003	2004	2005
	<i>(euro millions)</i>				
Original Outstanding Debt (begin of the year)	219	442	515	769	881
New Borrowing	326	320	280	250	115
Principal Repayment	103	247	26	139	46
Outstanding Debt (at end of year)	442	515	769	881	950

Source: Region of Abruzzo

Most of the cash held at the Central Treasury is designated for specific purposes, such as healthcare:

Cash at Central Treasury	2001	2002	2003	2004	2005
	<i>(euro millions)</i>				
Ordinary account (Central Treasury)	170	384	162	660	593
Healthcare account (Central Treasury)	66	66	0	0	0
Healthcare deficits (Central Treasury)	-	-	0	0	0
EU funds (Central Treasury)	63	86	180	131	115
Total	299	536	342	790	708

Source: Region of Abruzzo

DESCRIPTION OF THE DEBT OF THE REGION OF ABRUZZO

The debt of the Region is not guaranteed by the Republic of Italy.

The Region incurs debt for its own account or on behalf of the Central Government.

As of 30 November, 2006, the debt of the Region consisted entirely of bond issues denominated in euros.

Borrowing Limitations

The Region is prohibited from issuing debt if the ratio between (i) the aggregate annual payments of principal and interest on outstanding financial indebtedness and (ii) the annual available (*non vincolate*) tax revenues of the Region (the “*Debt Cover Ratio*”) would exceed 25 per cent. The Debt Cover Ratio of the Region was equal to 22 per cent. as of 30 November, 2006.

The Region can incur new loans or issue new bonds when, *inter alia*, the following criteria have been met: (i) the proceeds received are used for capital investments or for refinancing older, more expensive, loans; (ii) the Regional Council has approved the actual financial report with respect to the fiscal year ended two years prior to the issue date; (iii) the borrowing is provided for in the provisional budget or any law amending the same; (iv) the future debt service, for principal and interest, will not cause the Region to exceed its permitted Debt Cover Ratio; and (v) in case of indebtedness the proceeds of which are used for investments, the Region was in compliance with the internal stability pact (*patto di stabilità interno*) for the previous year.

The Region can issue bonds denominated in euros or in any other currency, provided that, at the same time, the Region enters into a corresponding currency swap.

The Region shall communicate in advance to the *Comitato Interministeriale per il Credito e il Risparmio* (“*CICR*”) its intention to issue bonds and obtain the prior consent of the CICR.

In order to meet its payment obligations, the Region is required to make appropriate entries in the expenditures items of its budgets in sufficient amounts to service its indebtedness for the entire period. In order to address its payment obligations, the Region grants its *pro tempore* treasurer with an irrevocable mandate to pay the banks the amortisation instalments of borrowed sums, and to allocate, priority to others payment obligations and with recourse to all available income of the Region, an amount sufficient, for each financial year, to meet its obligations.

Guarantees

The Region granted guarantees amounting to €17 million, mainly in respect of support to regional enterprises. Historically, the Region has never paid significant amounts in connection with its issued guarantees.

Medium-long term Debt of the Region

As of 30 November, 2006, following the restructuring of regional debt incurred on 7 November, 2006, approximately 88 per cent. of the Region’s total debt is floating rate and approximately 12 per cent. is fixed-rate. 83 per cent. of the floating rate debt is covered by financial derivative instruments (collars).

The following table sets forth the maturity and debt service schedules of the regional debt outstanding on 30 November, 2006.

Maturity Schedule of Region of Abruzzo Debt

Date	Outstanding Debt (at year end)			
	Principal	Interest	Debt Service	
	<i>(euro millions)</i>			
2002	515	15	10	25
2003	769	25	23	48
2004	881	35	33	68
2005	950	46	35	81
2006	918	32	38	70
2007	891	27	44	71
2008	863	27	43	70
2009	835	28	42	70
2010	806	29	40	69
2011	776	30	39	69
2012	745	31	37	68
2013	713	32	36	68
2014	680	33	34	67
2015	650	30	33	63
2016	623	27	31	58
2017	601	22	30	52
2018	578	23	29	52
2019	553	25	28	53
2020	527	27	27	53
2021	498	28	25	53
2022	468	30	24	53
2023	437	32	22	54
2024	403	34	21	55
2025	366	36	19	55
2026	332	34	18	52
2027	300	32	16	48
2028	266	34	414	48
2029	229	37	313	50
2030	189	39	11	50
2031	147	42	9	51
2032	121	26	7	33
2033	94	27	6	33
2034	65	29	5	34
2035	34	31	3	34
2036	0	34	1	35

Source: Region of Abruzzo

The following table sets forth a breakdown of the Region's outstanding debt in the Region's estimate as at 30 November, 2006.

Date issued or commencement of amortisation	Debt characteristics			
	Amount originally borrowed	Amount outstanding	Maturity Date	Interest Rate
19 October, 2000	€129,114,224	€73,164,721	19 April, 2015	Floating
5 July, 2001	€93,300,000	€62,200,000	5 July, 2016	Floating
19 December, 2002	€320,000,000	€282,666,666	7 November, 2036	Floating
19 June, 2003	€173,000,000	€158,086,206	7 November, 2036	Floating
26 November, 2004	€250,000,000	€228,307,500	25 November, 2024	Floating
5 May, 2006	€115,000,000	€115,000,000	5 May, 2026	Fixed

Source: Region of Abruzzo

Short-Term Debt of the Region

Short-term borrowings (cash-advances or *anticipazioni di Cassa*) to meet the Region's financial needs are limited by law and may not exceed the bi-monthly amount of regional tax revenues as shown in the last Actual Financial Report. In the past the Region has never made use of such *anticipazioni di Cassa*.

Debt Record

The Region has never failed, since its establishment in 1970, to pay when due the full amount of principal of, and interest and premium on, and amortisation or sinking fund requirements with respect to, its outstanding public debt.

TAXATION

The statements herein regarding taxation are based on the laws in force in the Republic of Italy as of the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in law and/or practice and, if any change occurs, the information in this summary could be superseded. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their acquiring, holding and disposing of the Notes.

ITALIAN TAXATION

Taxation on Interest

In the near future, also on the basis of the approval of the law proposal No. 1762 of 4 October, 2006, currently under discussion in the Parliament, the Italian Government could be authorised to introduce a 20 per cent. withholding tax on capital gains and financial income, which may impact upon the tax regime of the Notes.

Under current Italian law, in case of Notes that are issued (*emesse*) abroad and are deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) all payments of principal and interest, premiums and other income in respect of the Notes made by the Issuer to non-Italian residents not having a permanent establishment in Italy to which the Notes are effectively connected, will be made without withholding or deduction for, or on account of, any present or future taxes, duties 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 the Region of Abruzzo.

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 made by the Issuer to Italian residents will be subject to “*imposta sostitutiva*” pursuant to Legislative Decree No. 239 of 1 April, 1996, as subsequently amended (“*Decree No. 239*”).

However, under Decree No. 239, payments of Interest in respect of the Notes will not be subject to the *imposta sostitutiva* or to withholding or deduction in the Republic of Italy if the payments are made to an Italian resident legal entity (with the exclusion of (i) Italian legal entities not carrying out commercial activities, including informal partnerships, *de facto* partnerships not carrying out commercial activities and professional associations (other than *società in nome collettivo*, *società in accomandita semplice* or similar partnerships), (ii) non-commercial private or public institutions other than companies, and (iii) subjects exempt from corporate income tax).

Imposta sostitutiva will apply also to payments made to individuals provided that in case individuals are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional tax and may be deducted from the taxation on income due.

In case the Noteholders described under (i) and (ii) above are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional tax and may be deducted from the taxation on income due.

In order to ensure payments without deduction of taxes, the Italian resident investors mentioned above must be the beneficial owners of the payments of Interest in respect of the Notes and deposit the Notes with a resident (i) bank; (ii) *Società di Intermediazione Mobiliare* or SIM (as defined in Decree No. 58); (iii)

fiduciary company; (iv) stockbroker; (v) *Società di Gestione del Risparmio* or SGR (as defined in Decree No. 58); or (vi) any other intermediary expressly authorised pursuant to a Ministerial Decree.

Pursuant to Law Decree No. 351 of 25 September, 2001, converted with amendments by Law No. 410 of 23 November, 2001, as amended by article 41- *bis* of Law Decree No. 269 of 30 September, 2003 and as clarified by Circular No. 47/E of 8 August, 2003 of the Ministry of Economy and Finance, beneficial owners of Notes which are Italian resident real estate investment funds established pursuant to article 37 of Legislative Decree No. 58 of 24 February, 1998 and to article 14- *bis* of Law No. 86 of 25 January, 1994, are neither subject to *imposta sostitutiva* nor income tax.

Where an Italian resident Noteholder is an open-ended or a closed-ended investment fund or a SICAV and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period to be subject to 12.5 or 5 per cent. annual substitute tax. On 7 September, 2005, the European Commission (the "EC") has decided that the 5 per cent. substitute tax violates the EU Treaty State Aid rules. As a consequence, the EC requested Italy to eliminate this advantage and to remove the advantage with retroactive effect recovering the taxes that should be paid.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Legislative Decree No. 252 of December 5, 2005) and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11 per cent. substitute tax.

Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an individual not holding the Notes in connection with an entrepreneurial activity or certain other persons, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 12.5 per cent. Noteholders may set-off losses with gains. Alternative tax regimes are contemplated if the Notes are managed by authorised intermediaries on behalf of the Italian resident Noteholder (such as the *risparmio amministrativo* and the *risparmio gestito* regimes).

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express election for the *risparmio amministrato*

regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called *risparmio gestito* regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.5 per cent. substitute tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Noteholder who is an Italian open ended or a closed-ended investment fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 12.5 per cent. annual substitute tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by Legislative Decree No. 252 of December 5, 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued abroad are not subject to Italian taxation, provided that the Notes are held outside Italy or the Notes are traded on a EU regulated market.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October, 2006 (“*Decree No. 262*”), converted into Law No. 286 of 24 November, 2006, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding €1,000,000;
- (ii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding €100,000; and
- (iii) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

Moreover, an anti-avoidance rule is provided by Law No. 383 of 18 October 2001, for in case of gift of assets whose sale for consideration would give rise to capital gains to be subject to the *imposta sostitutiva* provided for by Legislative Decree No. 461 of 21 November, 1997, as subsequently amended, such as the Notes. In particular, if the donee sells the Notes for consideration within 5 years from their receipt as a gift, the donee is required to pay the relevant *imposta sostitutiva* as if the gift had never taken place.

Local taxes

There are no regional taxes or withholding taxes imposed or levied on any Noteholder in respect of the Notes, Receipts or Coupons. However, in certain circumstances, depending on the “status” of the Noteholder, Interest is included in the Noteholder’s taxable base for the purpose of Italian regional tax on productive activities (IRAP).

Transfer Tax

Pursuant to Legislative Decree No. 435 of 21 November, 1997, which partly amended the regime set forth by Royal Decree No. 3278 of 30 December, 1923, the transfer of the Notes may be subject to the Italian transfer tax which is currently payable at a rate between a maximum of €0.0083 and a minimum of €0.00465 per €51.65 (or fraction thereof) of the price at which the Notes are transferred. Where the transfer tax is applied at a rate of €0.00465 per €51.65 (or fraction thereof) of the price at which Notes are transferred, the transfer tax cannot exceed €929.62 for each transaction.

However, the transfer tax does not apply, *inter alia*, to: (i) contracts entered into on regulated markets relating to the transfer of securities, including contracts between the intermediary and its principal or between qualified intermediaries; (ii) off-market transactions regarding securities listed on regulated markets, provided that the contracts are entered into (a) between banks, SIMs or other financial intermediaries regulated by Legislative Decree No. 415 of 23 July, 1996 as superseded by Decree No. 58 or stockbrokers; (b) between the subjects mentioned in (a) above, on the one hand, and non-Italian residents, on the other hand; (c) between the subjects mentioned in (a) above, even if non-resident in the Republic of Italy, on the one hand, and *organismi di investimento collettivo del risparmio*, on the other hand; (iii) contracts related to sales of securities occurring in the context of a public offering (*offerta pubblica di vendita*) aimed at the listing on regulated markets, or involving financial instruments already listed on regulated markets, (iv) contracts regarding securities not listed on a regulated market entered into between the authorised intermediaries referred to in (ii)(a) above, on the one hand, and non-Italian residents on the other hand, (v) contracts for a consideration of not more than €206.58.

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive (as defined below) through Legislative Decree No. 84 of 18 April, 2005 (“*Decree No. 84*”). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid starting from 1 July, 2005 to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall not apply the withholding tax and shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

Luxembourg Taxation

Under Luxembourg tax law, there is currently no withholding tax on payments of principal, premium or interest, nor on accrued but unpaid interest, in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes. Luxembourg levies withholding tax on interest payments made by a Luxembourg Paying Agent to individual beneficial owners who are tax resident of (i) another EU Member State, pursuant to EC Council Directive 2003/48/EC on taxation of savings income in the form of interest payments, or (ii) certain non-EU countries and territories which have agreed to adopt similar measures to those provided for under EC Council Directive 2003/48/EC. Responsibility for the withholding of such tax will be assumed by the Luxembourg Paying Agent and not by the Issuer.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (“*EU Savings Directive*”), Member States are required, from 1 July, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual

resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement (the “*Programme Agreement*”) dated 22 February, 2007 agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Each Dealer agrees and each further Dealer appointed under the Programme will be required to agree that it will not offer, sell or deliver any Notes within the United States or to U.S. persons except as permitted by the Programme Agreement.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to professional investors (*operatori qualificati*) (the “*Professional Investors*”), as defined in Article 31, second paragraph, of CONSOB (the Italian Securities Exchange Commission) Regulation No. 11522 of 1 July 1998, as amended (“*Regulation No. 11522*”); or
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February, 1998, as amended (the “*Financial Services Act*”) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May, 1999, as amended (“*Regulation No. 11971*”).

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Regulation No. 11522 and Legislative Decree No. 385 of 1 September, 1993, as amended (the “*Banking Act*”);
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB.

Provided that this Base Prospectus cannot be used in connection with distribution of the Notes on the secondary market, please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on solicitation of investments applies under (i) and (ii) above, any subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) in relation to any Notes having a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or as agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “*Securities and Exchange Law*”) and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Germany

Each Dealer has represented and agreed that it shall only offer Notes in the Federal Republic of Germany in compliance with the provisions of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), or any other laws applicable in the Federal Republic of Germany.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in the Republic of Italy in connection with the amendment and restatement of the Programme. The update of the Programme has been duly made in compliance with the provisions of Law No. 281 and Article 35 of Law No. 724 of 23 December, 1994, as amended and have been authorised by the Regional Board in its resolutions No. 1428 of 12 December, 2006 and No. 43 of 29 January, 2007.

Listing of Notes

Application has been made to the Luxembourg Stock Exchange to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange has allocated the number 12364 to the Programme for listing purposes. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Investment Services Directive (Directive 93/22/EEC).

Documents Available

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg:

- (i) the Programme Agreement, the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (ii) a copy of this Base Prospectus;
- (iii) any future base prospectuses, information memoranda and supplements including Final Terms (save that Final Terms relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference; and
- (iv) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

The Base Prospectus and Final Terms will, when published, also be available on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

Except as described in this Base Prospectus, there has been no significant change in the financial prospects of the Issuer since the date of the last financial year end of the Issuer and there has been no material adverse change in the financial position or prospects of the Issuer since the date of the last financial year end of the Issuer.

Litigation

The Issuer is not nor has been involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer.

THE ISSUER

The Region of Abruzzo
Via Leonardo da Vinci, 6
67100 L'Aquila AQ
Italy

ISSUING AND PRINCIPAL PAYING AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

PAYING AGENT

Deutsche Bank Luxembourg S.A.
2, boulevard Konrad Adenauer
L-1115 Luxembourg

LEGAL ADVISERS

To the Issuer as to Italian law

Chiomenti Studio Legale
Via XXIV Maggio, 43
00187 Rome
Italy

To the Dealers as to English and Italian law

Allen & Overy
Corso Vittorio Emanuele II, 284
00186 Rome
Italy

DEALERS

Banca Nazionale del Lavoro S.p.A.
Via Vittorio Veneto, 119
00187 Rome
Italy

**Carispaq - Cassa di Risparmio della
Provincia dell'Aquila S.p.A.**
Corso Vittorio Emanuele II, 48
67100 l'Aquila
Italy

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
England

**Dexia Banque Internationale à Luxembourg
société anonyme acting under the name of Dexia
Capital Markets**
69, route d'Esch
L-2953 Luxembourg

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ
England

Morgan Stanley & Co. International Limited
25 Cabot Square
Canary Wharf
London E14 4QA
England

Nomura International plc
Nomura House
1 St. Martin's-le-Grand
London EC1A 4NP
England

LUXEMBOURG LISTING AGENT

Deutsche Bank Luxembourg S.A.

2, boulevard Konrad Adenauer

L-1115 Luxembourg