

Final Terms dated 29 January 2007

Series No.: 69

Tranche No.: 2

Republic of Italy

U.S. \$56,000,000,000

Programme for the Issuance of Debt Instruments

Issue of

EUR 500,000,000.00

Inflation-Linked Instruments due 2057

to be consolidated and forming a single series with

EUR 500,000,000.00 Inflation-Linked Instruments due 2057

The Instruments constitute direct, unconditional and general obligations of the issuer and rank *pari passu* among themselves and equally with all other unsecured External Indebtedness (as defined in the Simplified Base Prospectus dated 28 July 2006 (the "**Simplified Base Prospectus**") in relation to the Programme) of the Issuer.

This Final Terms (as referred to in the Simplified Base Prospectus) relates to the Tranche of Instruments referred to above, contains the final terms and conditions of the Instruments and should be read in conjunction with the Simplified base Prospectus dated 28 July, 2006.

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

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|----|----------------------------------|--|
| 1. | Issuer: | Republic of Italy |
| 2. | Arranger: | Lehman Brothers International (Europe) |
| 3. | Relevant Dealer/Lead Manager: | Lehman Brothers International (Europe) |
| 4. | Syndicated: | No |
| 5. | Other Dealers/Managers (if any): | Not Applicable |
| 6. | Status: | Unsubordinated |
| 7. | Currency: | |
| | - of Denomination | Euro (" EUR ") |
| | - of Payment | EUR |

(Condition 1.10)

8. Aggregate Principal Amount:
 - (i) Series EUR 1,000,000,000.00
 - (ii) Tranche EUR 500,000,000.00
9. If interchangeable with existing Series,
Series No: 69
10. Issue Date: 1 February 2007
11. Issue Price: 95.138539 per cent. of the Aggregate Principal Amount of Tranche
12. Commission Payable: 0 per cent. flat
13. Selling Concession: 0 per cent.
14. (a) Form of Instruments: Bearer
- (b) Bearer Instruments exchangeable for Registered Instruments: No
15. If issued in Bearer form:
 - (a) Initially represented by a Temporary Global Instrument or Permanent Global Instrument: (Condition 1.2) Temporary Global Instrument exchangeable for interests in a Permanent Global Instrument which is exchangeable for Definitive Instruments in the limited circumstances specified in Condition 1.5(a) and (b)
 - (b) Temporary Global Instrument exchangeable for Definitive Instruments and/or Registered Instruments: No

Specify date (if any) from which exchanges for Registered Instruments will be made. (Condition 1.2) Not Applicable
 - (c) Permanent Global Instrument exchangeable at the option of the bearer for Definitive Instruments No. See 12(a) above

and/or Registered Instruments:
(Condition 1.5)

- | | | |
|-----|--|---|
| (d) | Talons for future Coupons to be attached to Definitive Instruments:
(Condition 1.6) | Yes |
| (e) | Receipts to be attached to Instalment Instruments which are Definitive Instruments:
(Condition 1.7) | Not Applicable |
| (f) | Definitive Instruments to be in IPMA or successors format: | Yes, if issued. |
| 16. | Denomination(s):
(Condition 1.8 or 1.9) | EUR 500,000.00 |
| 17. | Partly Paid Instruments
(Condition 1.11) | Not Applicable |
| | If yes, specify number, amounts and dates for, and method of, payment of instalments of subscription moneys and any further additional provisions (including Forfeiture Dates in respect of late payment of Partly Paid Instalments) | Not Applicable |
| 18. | If issued in Registered Form:

- Registrar:
(Condition 2.2) | Not Applicable |
| 19. | Interest:
(Condition 5) | Interest bearing |
| 20. | Interest Rate:
(Condition 5.2) | Floating Rate.

The Interest Rate will be calculated in accordance with the provisions set out in the Annex hereto. |
| 21. | FIXED RATE INSTRUMENT PROVISIONS | Not Applicable |

FLOATING RATE INSTRUMENT PROVISIONS

- | | | |
|-----|---|---|
| 22. | Relevant Screen Page:
(Condition 5.3) | Not Applicable |
| 23. | Relevant Margin:
(Condition 5.3) | Not Applicable |
| 24. | ISDA Rate:
(Condition 5.4) | Not Applicable |
| 25. | Minimum Interest Rate:
(Condition 5.5) | Not Applicable |
| 26. | Maximum Interest Rate:
(Condition 5.5) | Not Applicable |
| 27. | Interest Payment Dates: | 15 September and 15 March in each year from and including 15 March 2007 to and including the Maturity Date, subject to adjustment with the Business Day Convention. |
| 28. | Interest Period End Dates (or if the Applicable Business Day Convention is the FRN Convention) Interest Accrual Period: | Interest Payment Dates without adjustment for any Business Day Convention. |
| 29. | Applicable Business Day Convention: | |
| | - for Interest Payment Dates: | Following Business Day Convention |
| | - for Interest Period End Dates: | Not Applicable |
| | - for Maturity Date: | Following Business Day Convention |
| | - any other date: | Following Business Day Convention |
| 30. | Definition of Business Day:
(Condition 5.9) | Condition 5.9 applies |
| 31. | Day Count Fraction:
(Condition 5.9) | Actual/Actual (ICMA) |
| 32. | Interest Commencement Date:
(Condition 5.9) | 15 September 2006 |

33.	Interest Determination Date: (Condition 5.9)	Five Business Days prior to the related Interest Payment Date
34.	Relevant Time: (Condition 5.9)	Not Applicable
35.	Default Interest Rate: (Condition 5.6)	Interest rate as calculated in accordance with the Annex hereto
36.	Calculation Agent: (Condition 5.9)	Lehman Brothers International (Europe)
37.	Reference Banks: (Condition 5.9)	Not Applicable
38.	If non-interest bearing:	
	- Amortisation Yield:	Not Applicable
	- rate of interest on overdue amounts	Not Applicable
	- Day Count Fraction	Not Applicable

PROVISIONS RELATING TO REDEMPTION

39.	Maturity Date: (Condition 6.1)	15 September 2057
40.	Dates for payment of Instalment Amounts (Instalment Instruments): (Condition 6.1)	Not Applicable
41.	Maturity Redemption Amount: (Condition 6.1)	As calculated in accordance with the Annex hereto.
42.	Instalment Amounts: (Condition 6.1)	Not Applicable
43.	Optional Early Redemption (Call): (Condition 6.3)	No
	(a) Early Redemption Amount (Call):	Not Applicable
	(b) Series redeemable in part:	Not Applicable

- (c) Call Option Date(s)/Call Option Period: Not Applicable
44. Optional Early Redemption (Put): No
(Condition 6.6)
- (a) Early Redemption Amount (Put): Not Applicable
- (b) Put Date(s)/Put Period: Not Applicable
45. Events of Default
(Condition 7.1):
- (a) Early Termination Amount: Outstanding principal amount
- (b) Any additional (or modifications to) Events of Default: Not Applicable
46. Payments:
(Condition 9)
- (a) Unmatured Coupons missing upon Early Redemption: Not Applicable
- (b) Relevant Financial Centre Day: Target
(Condition 9C.3)
47. Replacement of Instruments: Not Applicable
(Condition 12)
48. Notices: Condition 14.1 (ii) applies.
(Condition 14)
49. Listing: The Issuer will ensure that the Instruments will be listed on the Luxembourg Stock Exchange 6 months from the Issue Date.

DISTRIBUTION

50. Selling Restrictions:
- United States of America: Category 1 restrictions apply to the Instruments.
TEFRA C Rules will apply.
- Other: Not Applicable

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|-----|---|---|
| 51. | Stabilising Manager(s): | Not Applicable |
| 52. | If syndicated, names of Managers: | Not Applicable |
| 53. | If non-syndicated, name of Dealer: | Lehman Brothers International (Europe) |
| 54. | ISIN: | XS0280146357 |
| 55. | Common Code: | 028014635 |
| 56. | Common Depositary: | Citibank, N.A |
| 57. | Any Clearing System other than Euroclear and Clearstream, Luxembourg: | None |
| 58. | Settlement Procedures: | Eurobond settlement and payment procedures apply. |
| 59. | Other Relevant Terms and Conditions: | See Annex hereto. |

LISTING APPLICATION

These are the Final Terms required to list the issue of Instruments pursuant to the U.S. \$56,000,000,000 Debt Issuance Programme of The Republic of Italy.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

CONFIRMED

REPUBLIC OF ITALY

By:
Authorised Signatory

Date:

ANNEX

Index-Linked Provisions

1. Interest Rate

In respect of each Denomination and each Interest Period, the Interest Rate per annum ("**R**") shall be determined by the Calculation Agent in accordance with the following formula:

$$R = 1.85\% \times \text{Index Ratio}_{\text{Payment Date}}$$

2. Redemption Amount

The Redemption Amount shall be calculated by the Calculation Agent in accordance with the following formula:

$$\text{Redemption Amount} = (100\% \times \text{Index Ratio}_{\text{Payment Date}}) \text{ with a minimum of } 100\%$$

3. Definitions

"Index Ratio_{Payment Date}"

means:

in respect of each relevant Interest Period Date:

$$\frac{\text{Daily Inflation Reference}_{\text{Payment Date}}}{\text{Base Index}}$$

The result shall be truncated to the sixth decimal place and then rounded to the fifth decimal place (with 0.000005 being rounded up).

"Base Index"

means

102.44 (Corresponding to 15 September 2006)

"Daily Inflation Reference_{Payment Date}"

means:

with respect to any Interest Payment Date:

$$\text{CPI}_{m-3} + \frac{\text{nbd} - 1}{\text{ND}_m} \times (\text{CPI}_{m-2} - \text{CPI}_{m-3})$$

The result shall be truncated to the sixth decimal place and then rounded to the fifth decimal place (with 0.000005 being rounded up).

"CPI_{m-3}"

Means:

the Reference Index for the month that is three months prior to the month in which the relevant Interest Payment Date is scheduled to fall (prior to adjustment for the Business Day Convention).

"CPI_{m-2}"

means:

the Reference Index for the month that is two months prior to the month in which the relevant Interest Payment Date is scheduled to fall (prior to adjustment for the Business Day Convention).

"nbd"

means:

the actual number of days from and including the first day of the month in which the relevant Interest Payment Date is scheduled to fall (prior to adjustment for the Business Day Convention) to and including Interest Payment Date itself (prior to adjustment for the Business Day Convention).

"ND_m"

means

the number of days in the month in which the relevant Interest Payment Date is scheduled to fall (prior to adjustment for the Business Day Convention). (month m).

"Reference Index"

means:

the **"EUR – Excluding Tobacco-Non-revised Consumer Price Index"** meaning the "Non-revised Index of Consumer Prices excluding Tobacco", or a successor index designated by the Issuer and the Calculation Agent, measuring the rate of inflation in the European Monetary Union excluding tobacco, expressed as an index and published by the relevant Index Sponsor. The first publication or announcement of a level of such index for a relevant month shall be final and conclusive and later revisions to the level for such relevant month will not be used in any calculations.

"Index Sponsor" means:

Eurostat or any successor sponsor mutually chosen by the Issuer and the Calculation Agent.

"Interest Period" means:

each period from and including an Interest Period End Date (or 15 September 2006 in respect to the first Interest Period) to but excluding the next Interest Period End Date, each period being subject to no adjustment.

4. Disruption and Fallbacks

1) If the Reference Index for a particular month P is not published within a reasonable time from each date on which it is required, a substitute index shall be determined in accordance with the following formula:

$$\text{Substitute Index}_P = \text{Index}_{P-1} \times (\text{Index}_{P-1} / \text{Index}_{P-13})^{1/12}$$

Where:

P = The month for which no Reference Index is published and for which a substitute index must therefore be determined by extrapolation.

Index_{P-1} = The Reference Index for month P – 1.

Index_{P-13} = The Reference Index for month P – 13.

Upon publication of the relevant Reference Index, such index will apply from the day following its publication (and the substitute index will from this day cease to apply).

2) If the Calculation Agent determines that the Reference Index has been or will be rebased at any time, the Reference Index as so rebased (the "Rebased Index") will be used for purposes of determining the level of a Reference Index from the date of such rebasing; provided, however, that the Calculation Agent shall make adjustments to the past levels of the Rebased Index, if necessary, so that the Rebased Index levels reflect the same rate of inflation as the Reference Index before it was rebased. Any such rebasing shall not affect any prior payments made under the Instruments.