



REGIONE DEL VENETO

THE REGION OF VENETO

€350,000,000 Amortising Floating Rate Notes due 2046

Issue Price: 100 per cent.

The issue price of the Amortising Floating Rate Notes due 2046 (the “**Notes**”) of the Region of Veneto (the “**Region**” or the “**Issuer**”) is 100 per cent. of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their outstanding principal amount on 7 December 2046, subject to adjustment in accordance with the Terms and Conditions of the Notes.

The Notes will bear interest from, and including, 7 December 2006 to, but excluding, 7 December 2046, subject to adjustment in accordance with the Terms and Conditions of the Notes at the rates determined in accordance with the Terms and Conditions of the Notes payable semi-annually in arrear on 7 June and 7 December in each year, subject to adjustment in accordance with the Terms and Conditions of the Notes commencing on 7 June 2007. Payments on the Notes will be made without deduction for, or on account of, taxes imposed or levied by the Republic of Italy to the extent described under “Terms and Conditions of the Notes – Taxation”.

Application has been made for the Notes to be admitted to the official list and traded on the Regulated Market (regulated by Directive 2004/39/EC) of the Luxembourg Stock Exchange, pursuant to Chapter 2, Part III of the *Loi relative aux prospectus pour valeurs mobilières* dated 10 July 2005 (the “**Luxembourg Prospectus Act**”).

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”). The Notes are being offered outside the United States by the Managers (as defined herein) in accordance with Regulation S under the Securities Act (“**Regulation S**”), and may not be offered, sold or delivered within the United States or to U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will initially be in the form of a temporary global note (the “**Temporary Global Note**”), without interest coupons which will be deposited on or around 7 December 2006 (the “**Closing Date**”) with The Bank of New York, London Branch as common depository for, and in respect of interests held through, Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the “**Permanent Global Note**”), without receipts or interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive bearer form in the denominations of €50,000 each with receipts, interest coupons and a talon attached. See “Summary of Provisions Relating to the Notes in Global Form”.

Lead Managers

DEPFA BANK plc

Merrill Lynch International

other Managers

Banca IMI

Dexia Capital Markets

Ixis Corporate & Investment Bank

This prospectus (the “**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 II of the Luxembourg Prospectus Act transforming Directive 2003/71/EC (the “**Prospectus Directive**”) into law in Luxembourg. Accordingly, this 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 Prospectus will therefore not qualify for the benefit of the single European passport pursuant to the Prospectus Directive.

The Region has confirmed to the Managers named under “Subscription and Sale” below that this Prospectus contains all information regarding the Region and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; the Region has confirmed that any opinions, predictions or intentions expressed in this Prospectus on the part of the Region are honestly held or made and are not misleading in any material respect; the Region has confirmed that this Prospectus does not omit to state any material fact necessary to make such respective information, opinions, predictions or intentions (in such context) not misleading in any material respect; and the Region has confirmed that all reasonable and proper enquiries have been made by the Region to ascertain and to verify the foregoing. The Region accepts responsibility for the information contained in this Prospectus. To the best knowledge of the Region (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Region since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Region or the Managers to subscribe for or purchase, any Notes.

The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Region and the Managers to inform themselves about and to observe any such restrictions. Neither this Prospectus nor any part of it constitutes an offer, and may not be used for the purpose of an offer, to sell any of the Notes, or a solicitation of an offer to buy any of the Notes, by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Prospectus and other offering material relating to the Notes, see “Subscription and Sale”.

In particular, the Notes have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Notes may not be offered, sold or delivered in the United States or to U.S. persons. The Notes are subject to United States tax law requirements.

Each person contemplating making an investment in the Notes must make its own investigation and analysis of the Issuer and the Notes and its own determination of the suitability of any such investment, with particular reference to its own investment objectives, experience, financial ability to bear any losses which may result from such investment and any other factors which may be relevant to it in connection with such investment. A prospective investor who is in any doubt whatsoever as to the risk involved in investing in the Notes should

consult its own independent professional advisors. Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Republic of Italy of acquiring, holding and disposing of the Notes and receiving payments of principal, interest, and/or other amounts under the Notes.

In this Prospectus, unless otherwise specified, references to “**Euro**”, “**EUR**” or “**€**” are to the single 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 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.

In connection with the issue of the Notes, Merrill Lynch International or any person acting for it (the “**Stabilising Manager**”) may over-allot (provided that the aggregate principal amount of Notes does not exceed 105 per cent. of the initial offer size) or effect transactions with a view to supporting the market price of the Notes at a higher level than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake such 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 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 Notes and 60 days after the date of the allotment of the Notes. Such stabilising shall be in full compliance with applicable laws, regulations and rules.

Some of the statements contained in this 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. Forward-looking statements include, but are not limited to: (i) plans with respect to implementation of economic policy, including privatisations, and the pace of economic and legal reforms; (ii) expectations about the behaviour of the economy if certain economic policies are implemented; (iii) the outlook for inflation, exchange rates, interest rates, foreign investment trade and fiscal accounts; and (iv) estimates of external debt repayment and debt service.

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TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form:

The €350,000,000 Amortising Floating Rate Notes due 2046 (the “**Notes**”, which expression includes any further Notes issued pursuant to Condition 13 (*Further Issues*) and forming a single series therewith) of the Region of Veneto (the “**Region**” or the “**Issuer**”) were authorised by the Region. A fiscal agency agreement to be dated 4 December 2006 (the “**Fiscal Agency Agreement**”) will be entered into in relation to the Notes between the Region and The Bank of New York in its capacity as fiscal agent (the “**Fiscal Agent**”), principal paying agent (the “**Principal Paying Agent**”) and determination agent (the “**Determination Agent**”) and The Bank of New York (Luxembourg) S.A. as paying agent (the “**Paying Agent**” and, together with the Principal Paying Agent, the “**Paying Agents**”).

In these Conditions, “Fiscal Agent”, “Principal Paying Agent”, “Determination Agent” and “Paying Agent” shall include any successors appointed from time to time in accordance with the provisions of the Fiscal Agency Agreement, and any reference to an “Agent” or “Agents” shall mean any or all (as applicable) of such persons.

Certain provisions of these conditions are summaries of the Fiscal Agency Agreement. The Fiscal Agency Agreement includes the forms of the Notes, the Receipt (the “**Receipts**”), the Coupons (the “**Coupons**”) and the Talons (the “**Talons**”). Copies of the Fiscal Agency Agreement are available for inspection during usual business hours at the principal office of the Fiscal Agent (presently at One Canada Square, London E14 5AL) and at the specified offices of each of the other Agents.

The holders of the Notes (the “**Noteholders**”), the holders of the Receipts, (the “**Receiptholders**”) and the holders of the Coupons relating to the interest bearing Notes (whether or not attached to them which shall include the holders of the Talons) (the “**Couponholders**”) are bound by and deemed to have full notice of the provisions of the Fiscal Agency Agreement.

References to “**Conditions**” are, unless the context otherwise requires, to the numbered paragraphs of these terms and conditions.

1 FORM AND DENOMINATION

The Notes are in bearer form in denominations of €50,000 with Receipts, Coupons and a Talon attached at the time of issue. Title to the Notes, Receipts, Coupons and Talons will pass by delivery. The holder of any Note, Receipt, Coupon or Talon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

2 STATUS OF THE NOTES

The Notes, Receipts, and the Coupons constitute direct, general, unconditional (subject as provided in Condition 3 (*Negative Pledge*)), unsecured and unsubordinated obligations of the Region and the full faith and credit of the Region is pledged for the due and punctual payment of principal of, and interest on, the Notes Receipts, and for the performance of all obligations of the Region with respect to the Receipts, Notes and the Coupons. The Notes and the Coupons shall at all times rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated indebtedness of the Region, save for such obligations as may be preferred by mandatory provisions of law and in the event of insolvency, to the extent permitted by applicable laws relating to creditors’ rights.

The Region will, pursuant to the provisions of Article 35 of Law No. 724 of 23 December 1994, irrevocably instruct its Treasurer to allocate certain revenues of the Region, in an amount sufficient to meet its payment obligations under the Notes and to make such payments in favour of the Paying Agents for the benefit of the Noteholders (*mandato di pagamento*).

3 NEGATIVE PLEDGE

So long as any Notes remain outstanding (as defined in the Fiscal Agency Agreement), the Region agrees that it will not secure, create or permit to subsist any security upon the whole or any part of its present or future Indebtedness (as defined below) or any part thereof by any Charge (as defined below) on any of its present or future undertakings, assets or revenues to secure the Indebtedness of the Region 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 these Conditions:

“**Charge**” means any mortgage, charge, pledge lien or other form of encumbrance or security interest; and

“**Indebtedness**” means any present or future, unsecured and unsubordinated indebtedness (whether being principal, premium, interest or other amounts) for or in respect of the Region 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.

4 INTEREST

(a) *Interest Payment Dates*

The Notes bear interest from and including 7 December 2006 and interest will be payable semi-annually in arrear on 7 June and 7 December in each year (subject as adjusted below) (each an “**Interest Payment Date**”). If any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day (as defined below) unless it would then fall into the next calendar month, in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. The period from and including 7 December 2006, to but excluding the first Interest Payment Date is called the “**First Interest Period**”. The First Interest Period and each successive period from and including an Interest Payment Date to but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

(b) *Interest Accrual*

Each Note will cease to bear interest from and including the due date for redemption unless, upon due presentation, payment of the principal interest of the Note is improperly withheld or refused or unless default is otherwise made in respect of the payment. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

(c) **Rate of Interest**

The rate of interest payable from time to time in respect of the Notes (the “**Rate of Interest**”) will be determined on the basis of the following provisions:

- (i) On each Interest Determination Date (as defined below) the Determination Agent or its duly appointed successor will determine the Screen Rate (as defined below) at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If the Screen Rate is unavailable, the Determination Agent will request the principal Euro-zone office of each of the Reference Banks (as defined below) to provide the Determination Agent with the rate at which deposits in Euro are offered by it to prime banks in the Euro-zone interbank market for six months (or, in the case of the Rate of Interest for the First Interest Period, for each of six months and seven months) at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question and for a Representative Amount (as defined below).
- (ii) The Rate of Interest for the Interest Period shall be the Screen Rate plus the Margin (as defined below) or, if the Screen Rate is unavailable, and at least two of the Reference Banks provide such rates, the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) as established by the Determination Agent of such rates, plus the Margin.
- (iii) If fewer than two rates are provided as requested, the Rate of Interest for that Interest Period will be the arithmetic mean of the rates quoted by major banks in the Euro-zone selected by the Determination Agent, at approximately 11.00 a.m. (Brussels time) on the first day of such Interest Period for loans in Euro to leading European banks for a period of six months commencing on the first day of such Interest Period and for a Representative Amount, plus the Margin.
- (iv) If the Rate of Interest cannot be determined in accordance with the above provisions, the Rate of Interest shall be determined as at the last preceding Interest Determination Date.
- (v) The Margin (the “**Margin**”), is 0.12 per cent. per annum.
 - (A) “**Business Day**” means a day which is both 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 Brussels and a TARGET Settlement Day;
 - (B) “**Euro-zone**” means the region comprised of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957) as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992);
 - (C) “**Interest Determination Date**” means the second TARGET Settlement Day before the commencement of the Interest Period for which the Rate of Interest will apply;
 - (D) “**Reference Banks**” means each of four major banks engaged in the Euro-zone interbank market selected by the Determination Agent, provided that once a Reference Bank has first been selected by the Determination Agent, that Reference shall not be changed unless and until it ceases to be capable of acting as such;
 - (E) “**Representative Amount**” means an amount that is representative for a single transaction in the relevant market at the relevant time;
 - (F) “**Screen Page**” means Telerate Page 248 (or such replacement page on that service which displays the information);

- (G) “Screen Rate” means the rate for six month deposits in Euro which appears on the Screen Page; and
- (H) “TARGET Settlement Day” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

(d) *Determination of Rate of Interest and Interest Amount*

The Determination Agent shall, as soon as practicable after 11.00 a.m. (Brussels time) on each Interest Determination Date, but in no event later than the Business Day thereafter, determine the Euro amount payable in respect of interest on each Note (the “**Coupon Amount**”) for the relevant Interest Period. The Coupon Amount shall be determined by applying the Rate of Interest to the denomination of the Notes, multiplying the sum by the actual number of days in the Interest Period concerned divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

(e) *Publication of Rate of Interest and Interest Amount*

The Determination Agent shall cause the Rate of Interest and the Interest Amount for each Interest Period and the relative Interest Payment Date to be notified to the Issuer, the Fiscal Agent and to any stock exchange on which the Notes are at the relevant time listed and to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the second Business Day thereafter. The Coupon Amount and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(f) *Notifications, etc. to be Final*

All notifications, opinions, determination, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition, whether by the Reference Banks (or any of them) or the Determination Agent, will (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, the Determination Agent, the Paying Agents and all Noteholders and Couponholders and (in the absence as referred to above) no liability to the Issuer, or the Noteholders or the Couponholders shall attach to the Determination Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

(g) *Determination Agent*

The Issuer will procure that so long as any of the Notes remains outstanding there shall at all times be a Determination Agent for the purposes of the Notes and the Issuer may terminate the appointment of the Determination Agent. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Determination Agent failing duly to determine the Rate of Interest and the Interest Amount for any Interest Period, the Issuer shall appoint the Euro-zone office of another major bank engaged in the Euro-zone interbank market to act in its place. The Determination Agent may not resign its duties or be removed without a successor having been appointed.

5 REDEMPTION, PURCHASE AND CANCELLATION

(a) Scheduled Redemption

Unless previously redeemed, or purchased and cancelled as specified below each Note will be redeemed by the Region in 80 instalments (each an “**Instalment**”), such instalments being due on an Interest Payment Date. The Instalments to be paid on each Interest Payment Date are set forth below:

Interest Payment Date⁽¹⁾	Notional (EUR)	Principal (EUR)
7 June 2007	350,000,000	1,750,000
7 December 2007	348,250,000	1,800,000
7 June 2008	346,450,000	1,850,000
7 December 2008	344,600,000	1,850,000
7 June 2009	342,750,000	1,900,000
7 December 2009	340,850,000	1,950,000
7 June 2010	338,900,000	2,000,000
7 December 2010	336,900,000	2,000,000
7 June 2011	334,900,000	2,050,000
7 December 2011	332,850,000	2,150,000
7 June 2012	330,700,000	2,150,000
7 December 2012	328,550,000	2,200,000
7 June 2013	326,350,000	2,200,000
7 December 2013	324,150,000	2,300,000
7 June 2014	321,850,000	2,350,000
7 December 2014	319,500,000	2,400,000
7 June 2015	317,100,000	2,400,000
7 December 2015	314,700,000	2,500,000
7 June 2016	312,200,000	2,550,000
7 December 2016	309,650,000	2,550,000
7 June 2017	307,100,000	2,650,000
7 December 2017	304,450,000	2,700,000
7 June 2018	301,750,000	2,750,000
7 December 2018	299,000,000	2,800,000
7 June 2019	296,200,000	2,850,000
7 December 2019	293,350,000	2,950,000
7 June 2020	290,400,000	2,950,000
7 December 2020	287,450,000	3,050,000
7 June 2021	284,400,000	3,100,000
7 December 2021	281,300,000	3,200,000
7 June 2022	278,100,000	3,200,000
7 December 2022	274,900,000	3,300,000
7 June 2023	271,600,000	3,400,000
7 December 2023	268,200,000	3,450,000
7 June 2024	264,750,000	3,500,000
7 December 2024	261,250,000	3,550,000
7 June 2025	257,700,000	3,700,000
7 December 2025	254,000,000	3,700,000
7 June 2026	250,300,000	3,800,000
7 December 2026	246,500,000	3,900,000
7 June 2027	242,600,000	3,950,000
7 December 2027	238,650,000	4,050,000

Interest Payment Date	Notional (EUR)	Principal (EUR)
7 June 2028	234,600,000	4,150,000
7 December 2028	230,450,000	4,200,000
7 June 2029	226,250,000	4,300,000
7 December 2029	221,950,000	4,400,000
7 June 2030	217,550,000	4,500,000
7 December 2030	213,050,000	4,550,000
7 June 2031	208,500,000	4,700,000
7 December 2031	203,800,000	4,750,000
7 June 2032	199,050,000	4,850,000
7 December 2032	194,200,000	4,950,000
7 June 2033	189,250,000	5,100,000
7 December 2033	184,150,000	5,150,000
7 June 2034	179,000,000	5,300,000
7 December 2034	173,700,000	5,350,000
7 June 2035	168,350,000	5,500,000
7 December 2035	162,850,000	5,600,000
7 June 2036	157,250,000	5,750,000
7 December 2036	151,500,000	5,850,000
7 June 2037	145,650,000	5,950,000
7 December 2037	139,700,000	6,050,000
7 June 2038	133,650,000	6,250,000
7 December 2038	127,400,000	6,300,000
7 June 2039	121,100,000	6,500,000
7 December 2039	114,600,000	6,600,000
7 June 2040	108,000,000	6,700,000
7 December 2040	101,300,000	6,900,000
7 June 2041	94,400,000	7,000,000
7 December 2041	87,400,000	7,150,000
7 June 2042	80,250,000	7,350,000
7 December 2042	72,900,000	7,450,000
7 June 2043	65,450,000	7,600,000
7 December 2043	57,850,000	7,750,000
7 June 2044	50,100,000	7,950,000
7 December 2044	42,150,000	8,100,000
7 June 2045	34,050,000	8,250,000
7 December 2045	25,800,000	8,400,000
7 June 2046	17,400,000	8,600,000
7 December 2046	8,800,000	8,800,000

(1) Subject to adjustment in accordance with Condition 4(d) (Interest Payment Dates)

(b) Redemption for taxation reasons

The Notes may be redeemed at the option of the Region in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 14 (*Notices*) the Noteholders (which notice shall be irrevocable), if:

- (i) on the next Interest Payment Date, the Region has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) 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 Region) 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 7 December 2006 (the “**Issue Date**”), and

(ii) such obligation cannot be avoided by the Region 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 Region 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 Region shall deliver to the Fiscal Agent a certificate signed by duly authorised person(s) on behalf of the Region stating that the Region is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Region so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Region has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 5(b) will be redeemed at their principal amount together (if appropriate) with interest accrued up to (but excluding) the date of redemption.

(c) **Purchase**

The Region may, to the extent permitted by applicable law, at any time purchase Notes in the open market or otherwise at any price (provided that, if they are cancelled under paragraph (d) below, they are purchased together with all unmatured Receipts and all unmatured Coupons relating to them). Any Notes so purchased may be cancelled or held and resold. Any Notes so purchased, while held by or on behalf of the Region, shall not entitle the holder to vote at any meeting of holders of Notes and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of holders of Notes.

(d) **Cancellation**

All Notes which are redeemed, any unmatured Receipts and any unmatured Coupons attached thereto or surrendered therewith will be cancelled and may not be reissued or resold and the obligations of the Region in respect of any such Notes shall be discharged.

6 PAYMENTS

(a) **Method of Payment**

Payments of principal and interest will be made against presentation and endorsement, and in respect of payments of principal, surrender of the Notes, Receipts or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent (subject to paragraph (b) below) in euro by cheque drawn on, or at the option of the holder by transfer to, a euro account with a bank in Europe.

(b) **Payments Subject to Fiscal Laws**

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws, rules, regulations and directives, but without prejudice to the provisions of Condition 7 (*Taxation*).

(c) **No Commissions**

No commission or expenses shall be charged to the Noteholders in respect of any payments of principal or interest in respect of the Notes.

(d) **Payments on business days**

A Note, Receipt or Coupon may only be presented for payment on a day which is a business day. No further interest or other payment will be made as a consequence of the day on which the relevant Note, Receipt or Coupon may be presented for payment under this paragraph falling after the due date. In this Condition “**business day**” means a day on which banks are open for business and carrying out transactions in euro in the country in which the Fiscal Agent has its specified office, and is a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System (“**TARGET**”) is operating. If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

(e) **Unmatured Coupons**

Upon the date for redemption of any Note, unmaturing Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Note is presented for redemption without all unmaturing Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Region may require.

(f) **Paying Agents**

The Region has initially appointed the Fiscal Agent and the Paying Agent named above. The Region may at any time vary or terminate the appointment of any such Agent and appoint another Agent or additional or other Agents outside the United States, provided that it will at all times, and while any Note is outstanding, maintain one or more Paying Agents having a specified office in Europe for payments on the Notes, and for so long as the Notes are listed on the Luxembourg Stock Exchange, it will maintain a Paying Agent having a specified office in Luxembourg. As long as the Notes remain outstanding, the Region has also agreed that, pursuant to the European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive, the Region will, to the extent possible as a matter of law, ensure that it maintains a Paying Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing such conclusions.

Notice of any such termination or appointment and of any change in the specified office of any Agent will be given promptly in accordance with Condition 14 (*Notices*).

(g) **Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9 (*Prescription*)).

7 **TAXATION**

All payments of principal and interest in respect of the Notes, Receipts, and the Coupons by the Region shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any regional or local subdivision or any authority thereof or therein having power to tax (together “**Taxes**”), unless such withholding or deduction of the Taxes is required by law. In that event, the Region shall pay such additional amounts as will result in the receipt by the holders of Notes, Receipts, and the Coupons of

such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

- (a) presented for payment in the Republic of Italy; or
- (b) to a holder, or to a third party on behalf of a holder, if such holder is liable to such Taxes in respect of such Note, Receipts, or Coupon by reason of having some connection with the Republic of Italy other than the mere holding of such Note, Receipts, or Coupon; or
- (c) if the Note, Receipts, or Coupon is presented and/or surrendered for payment more than 30 days after the Relevant Date (as defined below), except to the extent that the holder would have been entitled to such additional amounts on surrender of such Note, Receipt or Coupon for payment on the last day of such period of 30 days; or
- (d) where any withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a member state of the European Union; or
- (f) where the Note, Receipt or Coupon is presented for payment to, or on behalf of, any person who is able to avoid such withholding or deduction by making a declaration of residence or non-residence or other claim for exemption to the relevant tax authority.

For the purpose of these Conditions, “**Relevant Date**” means whichever is the later of (i) the date on which such payment first becomes due or (ii) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount plus any accrued interest having been so received) notice to that effect has been given to the holders of Notes.

Imposta sostitutiva, as defined in Legislative Decree No. 239 of 1 April 1996, as amended and supplemented, or any other similar tax which may replace it, does not constitute a withholding or deduction within the meaning of this Condition 7.

Any reference in these Conditions to payments of principal or interest in respect of the Notes shall be deemed to include any additional amounts which may be payable under this Condition 7 (*Taxation*).

8 EVENTS OF DEFAULT

If any of the following events occurs and is continuing:

(a) Non-payment

the Region fails to pay any principal on any of the Notes within 10 (ten) days of the due date for payment or any interest on any of the Notes within 30 (thirty) days of the due date for payment; or

(b) Breach of other obligations

the Region does not perform or comply with any one or more of its other obligations under the Notes, which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after written notice of such default, requiring the same to be remedied, has been given to the Region at the specified office of the Fiscal Agent by any holder of Notes; or

(c) **Cross-default and Moratorium**

(i) any other present or future External Indebtedness (as defined below) of the Region 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 Region in respect of, External Indebtedness is not honoured when called upon or within any grace period applicable thereto; or (iii) the Region shall declare or impose a moratorium on the payment of its External Indebtedness by it; or

(d) **Unlawfulness or Invalidity**

the validity of the Notes is contested by the Region or the Region shall deny any of its obligations under the Notes or it is or becomes unlawful for the Region to perform or comply with all or any of its obligations set out in the Notes or any of such obligations shall be or become unenforceable or invalid; or

(e) **Payment Mandate**

the Region decides to revoke, in whole or in part, the Payment Mandate (as defined below) and/or the Payment Mandate in respect of the Notes is determined to be void unless immediately substituted with a valid and effective Payment Mandate,

then any Noteholder may, by written notice to the Region 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 their principal amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

For the purposes of this Condition:

“**External Indebtedness**” means any indebtedness for borrowed money by the Region and guarantees given by the Region 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 €25,000,000 (or its equivalent) and where any holder or holders of such debt are persons domiciled, resident or having their head office or principal place of business outside Italy.

“**Payment Mandate**” (*Mandato di Pagamento*) means the payment mandate issued by the Region pursuant to Article 35 of Law No. 724 of 23 December 1994, which is served by the Region on its Treasurer pursuant to which the Treasurer is required to allocate from time to time moneys in an amount sufficient to meet the Region’s obligations to pay interest and principal under the Notes when due, as described under Condition 2 (*Status of the Notes*).

9 PRESCRIPTION

Claims in respect of principal and interest will become void unless made within a period of 10 (ten) years in the case of principal and 5 (five) years in the case of interest from the appropriate Relevant Date.

10 REPLACEMENT OF NOTES, RECEIPTS, COUPONS OR TALONS

If any Note, Receipt, Coupon or Talon is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the cost of the holder at the specified office of the Fiscal Agent, upon provision of evidence satisfactory to the Fiscal Agent and the Region that the Note, Receipt, Coupon or Talon was destroyed, stolen or lost, together with such indemnity as may be required by the Region and the Fiscal Agent. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

11 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 7 (*Taxation*).

12 MEETINGS OF NOTEHOLDERS, MODIFICATIONS AND WAIVER

The Fiscal 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, or the Coupons or any of the provisions of the Fiscal Agency Agreement. Such a meeting may be convened by the Region 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, 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, or the Coupons), the quorum shall be one or more persons holding or representing not less than 75 per cent. 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 Couponholders.

The Fiscal Agent and the Region may agree, without the consent of the Noteholders or Couponholders, to:

- (a) any modification (except as mentioned above) of the Notes, the Coupons or the Fiscal Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Coupons or the Fiscal 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 and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 (*Notices*) as soon as practicable thereafter. No modification shall take effect without the approval of the Region.

13 FURTHER ISSUES

The Region may from time to time, without notice to or the consent of the holders of the Notes or the Coupons, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects save for the date for and amount of the first payment of interest thereon) so as to be consolidated with and form a single series with the Notes.

14 NOTICES

Notices to the Noteholders will be valid if published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*) or on the internet site of the Luxembourg Stock Exchange (*www.bourse.lu*). If such publication is not practicable, in a leading English language daily newspaper having

general circulation in Europe. Any such notice will be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders will be deemed for all purposes to have notice of the contents of any notice given the Noteholders.

Until such time as any definitive Notes are issued, so long as the Permanent Global Note is held in its entirety on behalf of Euroclear and/or Clearstream, Luxembourg, the publication in such newspaper may be substituted by 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 the 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 and by any formality 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 relevant Note or Notes, with the Fiscal Agent. Whilst the Notes are represented by the Permanent Global Note, such notice may be given by any holder of a Note to the Fiscal Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Fiscal Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15 CURRENCY INDEMNITY

The euro is the sole currency of account and payment for all sums payable by the Region under or in connection with the Notes, Receipts and the Coupons, including damages. Any amount received or recovered in a currency other than the euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any holders of Notes, Receipts or Coupons in respect of any sum expressed to be due to it from the Region shall only constitute a discharge to the Region to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that euro amount is less than the euro amount expressed to be due to the recipient under any Note, the Region shall indemnify such recipient against any loss sustained by it as a result. In any event, the Region shall indemnify the recipient against the cost of making any such purchase. These indemnities constitute separate and independent obligations from the Region's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holders of Notes and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Receipt or Coupon or any other judgment or order.

16 GOVERNING LAW AND JURISDICTION

(a) Governing Law

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

(b) Jurisdiction

The courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts, the Coupons or the Talons and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Receipts, the Coupons or the Talons (“**Proceedings**”) may be brought only in such courts. The Region irrevocably submits to the exclusive jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. However,

these provisions are made for the benefit of each of the Noteholders and the Couponholders and shall not limit the right of any of them to take Proceedings 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).

(c) **Agent for Service of Process**

The Region has in the Fiscal Agency Agreement irrevocably appointed Law Debenture Corporate Services Limited as its authorised agent in England to receive service of process in any Proceedings in England based on any of the Notes. If for any reason the Region does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) **Consent to Proceedings**

Subject to Condition 16(e) below, to the extent permitted by law, the Region has irrevocably and generally consented in respect of any Proceedings anywhere to the giving of any relief or the issue of any process in connection with those Proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever of any order or judgment which may be made or given in those Proceedings.

(e) **Waiver of Immunity**

To the extent that the Region or any of its revenues, assets or properties shall be entitled to any immunity from suit, from the jurisdiction of any such court, from attachment in aid of execution of judgment, from execution of a judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, the Region irrevocably waives such immunity to the fullest extent permitted by the laws and regulations of the Republic of Italy and of such jurisdiction. Such waiver of immunities constitutes only a limited and specific waiver by the Region for the purposes of the Notes and under no circumstances shall it be construed as a general waiver by the Region or a waiver with respect to proceedings unrelated to the Notes.

17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person who is not a Noteholder has any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of the Terms and Conditions of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will be exchangeable in whole, but not, except as provided in the next paragraph, in part, for Notes in definitive form (“**Definitive Notes**”) in the denomination of €50,000 each at the request of the bearer of the Permanent Global Note if (i) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (ii) principal in respect of any Notes is not paid when due and payable or (iii) any of the circumstances described in Condition 7 (*Taxation*) occurs (unless notice of an Event of Default has been given in respect of the Notes). Thereupon (in the case of (i) and (ii) above) the holder may give notice to the Fiscal Agent and (in the case of (iii) above) the Region may give notice to the Fiscal Agent and the Noteholders, of its intention to exchange the Permanent Global Note for Definitive Notes on or after the Exchange Date specified in the notice.

If principal in respect of any Notes is not paid when due and payable the holder of the Permanent Global Note may by notice to the Fiscal Agent (which may but need not be the notice of an Event of Default referred to above) require the exchange of a specified principal amount of the Permanent Global Note (which may be equal to or (provided that, if the Permanent Global Note is held by or on behalf of a clearing system, that clearing system agrees) less than the outstanding principal amount of Notes represented thereby) for Definitive Notes on or after the Exchange Date (as defined below) specified in such notice.

On or after any Exchange Date (as defined below) the holder of the Permanent Global Note may surrender the Permanent Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for the Permanent Global Note, or the part thereof to be exchanged, the Region will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes (having attached to them all Coupons in respect of interest and all Receipts in respect of principal which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in, or substantially in, the form set out in Schedule 1 to the Fiscal Agency Agreement. On exchange in full of the Permanent Global Note, the Region will, if the holder so requests, procure that it is cancelled and returned to the holder together with any relevant Definitive Notes.

“**Exchange Date**” means a day falling not less than 60 days, or in the case of exchange pursuant to (ii) above 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and, except in the case of exchange pursuant to (i) above, in the cities in which the relevant clearing system is located.

In addition, the Temporary Global Note and the Permanent Global Note will contain certain provisions which modify the Terms and Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note.

Payments

No payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. All payments in respect of the Temporary Global Note and the

Permanent Global Note will be made against presentation and (in the case of payment of principal in full and with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note to, or to the order of, the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose and will be effective to satisfy and discharge the corresponding liabilities of the Region in respect of the Notes.

Notices

While the Notes are represented by the Permanent Global Note and the Temporary Global Note or the Permanent Global Note is deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 14 (*Notices*), on the date of delivery to Euroclear and Clearstream, Luxembourg; *provided, however,* that, so long as the Notes are listed on the Luxembourg Stock Exchange and its rules so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *d'Wort*) or on the internet site of the Luxembourg Stock Exchange (www.bourse.lu).

USE OF PROCEEDS

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

DESCRIPTION OF THE REGION OF VENETO

Location, area and population

The Region of Veneto (the “**Region**” or “**Veneto**”) is located in the north-east of Italy (“**Italy**”). It borders the Autonomous Region of Trentino Alto Adige to the north-west, the Republic of Austria to the north, the Autonomous Region of Friuli Venezia Giulia and the Adriatic sea to the east, the Region of Emilia Romagna to the south and the Region of Lombardia to the west.

It has a territorial area of 18,264 square kilometres and it is divided into seven provinces (Venezia, Belluno, Padova, Rovigo, Treviso, Verona and Vicenza).

The Region had a population of approximately 4,699,950 as of 31 December 2004, representing 8% of the Italian population.

Venezia is the capital of the Region. The principal offices of the Region are located at Palazzo Balbi, Dorsoduro no. 3901 - 30123 Venezia, 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 Italy’s 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 authorities: regions (*regioni*, of which there are 20), provinces (*province*, of which there are 108 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) and municipalities (*comuni*, of which there are 8,101). In addition, the establishment of 9 metropolitan cities (*città metropolitane*) has been authorised, which, 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 Veneto 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 in the general terms described herein below. Both the regions and the Central Government can challenge the laws approved by the other in case these exceed the relevant powers, by bringing a claim before the Constitutional Court. Consequently, a consolidated interpretation of the exact distribution of the powers is still in the process of being re-defined, also through the adoption of judgments by the Constitutional Court (*Corte Costituzionale*) providing clarifications.

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**”) gives 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 the co-ordination of 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, on 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; the 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 Region exercises 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 new 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 new Constitutional Federalism Law also provides the regions with a role in international affairs. The new 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 establish that regions, provinces, metropolitan cities and municipalities may participate in a parliamentary commission that covers regional matters. If such a commission expresses a negative or a conditional opinion on a law that is being considered by the Central Government 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 new Constitutional Federalism Law underscores and confirms as part of the Italian 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.

Pursuant to Regional Law No. 39 of 29 November 2001 the activity of the Region is subject to a management control (*Controllo di gestione*), in order to verify the degree of efficacy and efficiency of the processes of acquisition and the use of the financial resources of the Region.

Regional Administration

The Region is governed by a Regional Council (*Consiglio Regionale*), a Regional Board (*Giunta Regionale*) and a President of the Regional Board (*Presidente della Giunta*), who is also President of the Region (*Presidente della Regione*).

Regional Council. Veneto's Regional Council is currently composed of 60 Regional Councillors (*Consiglieri Regionali*), although the number of Regional Councillors may vary slightly from one election to another. According to Law No. 43 of 23 February 1995, the electoral system provides that the majority of the regional councillors are to be elected from provincial lists in exact proportion to the votes received by the political parties to which the candidates belong. The other regional councillors, whose numbers may vary, are elected on a majority premium basis, from a list of candidates (i) put forward by the Regional President then 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 Regional Council has responsibility for the Region's administrative and political direction, legislative power and regulation. In particular, the Regional Council is responsible for approving regional laws and regulations (to the extent permitted by its powers) and for the Region's accounts and budgets and the Region's investment programmes. See "Financial Information of the Region of Veneto".

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:

Representation of the Political Parties in the Regional Council¹

<i>Political party</i>	<i>Seats</i>	<i>%</i>
Majority		
<i>Forza Italia</i>	16	27%
<i>Alleanza Nazionale</i>	6	10%
<i>Liga Veneta - Lega Nord Padania</i>	11	18%
<i>Partito Socialista Nuovo PSI</i>	1	2%
<i>U.D.C. (Unione dei Democratici Cristiani e Democratici di Centro)</i>	5	8%
Total Majority	39	65%
Opposition		
<i>Per il Veneto con Carraro</i>	1	2%
<i>Partito dei Comunisti Italiani</i>	1	2%
<i>Rifondazione Comunista – Sinistra Europea</i>	1	2%
<i>Verdi</i>	1	2%
<i>Italia dei Valori Di Pietro</i>	1	2%
<i>Uniti nell'Ulivo – La Margherita</i>	8	13%
<i>Uniti nell'Ulivo – Democratici di Sinistra</i>	5	8%
Total Opposition	18	30%
Other Parties		
<i>Progetto Nordest</i>	2	3%
<i>Gruppo misto</i>	1	2%
Total Others	3	5%

1. This table represents the situation as of 15 November 2006.

Regional President. The Regional President is directly elected by popular vote. The current Regional President is Mr. Giancarlo Galan, who is supported by a centre-right coalition. The Regional President reports directly to the Regional Council and, among other things, represents the Region, proclaims regional laws, issues regulations, leads and is responsible for the policy of the Regional Board, calls and chairs meetings of the Regional Board (described below), appoints Regional Board members and calls regional referenda and elections.

Regional Board. The Regional Board is the executive body of the Region. It consists of 12 members (*assessori*) and is led by the President of the Region. The Regional Board is responsible, inter alia, for drawing up interim budgets and final financial reports. See “Financial Information of the Region”. Members of the Regional Board currently oversee the following areas: agriculture; tourism; environmental policy; budget; education; transportation; infrastructures; public works; sport; healthcare; social assistance; local entities; immigration; land development and city planning; economy and industry; and development, research and innovation.

Employees of the Region

As of 31 December 2005, the Region employed 2,705 employees.

The number of the Region's employees decreased between 2001 and 2005, mainly due the rationalisation of the staff number provided for by the financial laws of the Central Government, while the costs of employees over the same period has increased, mainly due to the economic terms of new contracts (labour costs and salary arrears concerning the wage settlement for biennium 2002-2003 were included in 2004). The following table shows the actual number of employees of the Region, and the related cost to the Region, from 2001 to 2005:

	Employees of the Region				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Staff (number).....	2,841	3,011	2,995	2,790	2,705
Cost (euro millions)	128	137	128	153	144

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*).

Major Activities

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

Healthcare. The main sector in which the Region is involved is healthcare.

The Region, on the basis of the essential assistance levels set out by the Central Government in conjunction with the regions, 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.

The Region, through *Unità Locali Socio Sanitarie* ("ULSS") and *Aziende Ospedaliere*, both of which are controlled and funded by the Region, oversees the administration of the Region's public and private hospitals and all health services providers.

The present local healthcare structure of the Region consists of 22 ULSS and two *Aziende Ospedaliere*.

The Region's main objectives for healthcare are: (i) the rationalisation of healthcare structures with a focus on improved services that will adequately meet the population's healthcare requirements; (ii) the training of healthcare staff; (iii) the improvement of the technical and administrative structures of the competent Regional Board department (*assessorato*); (iv) the restructuring and improvement of the healthcare information system; (v) the setting up of a regional agency for healthcare services; and (vi) the establishment of an investment programme.

Transportation. The Region is responsible for planning, coordinating and monitoring the regional public transportation services. For this purpose, the Region approves the Regional Transportations Plan (*Piano Regionale dei Trasporti*), which is aimed at developing and improving regional and local public transportation network within its territory and promoting, together with the local entities, the coordination of transportation modalities and the realisation of an integrated mobility system.

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 minimum services of public local transportation 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.

By determining the services, the Region and the local entities aim to attain levels 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.

The Region has approximately 23,942 kilometres of roads, of which 465 kilometres are motorways, 702 kilometres are state roads, managed by ANAS S.p.A., and 22,775 kilometres are regional, provincial and municipal roads.

The Region also has approximately 1,191 kilometres of railways, of which 1,133 kilometres are ordinary railways managed by Rete Ferroviaria Italiana S.p.A., while the residual part of 58 kilometres consists of small size railways managed by Sistemi Territoriali S.p.A., a company participated in by the Region.

Such railways are estimated to service approximately 52,393,612 passengers per year, of which 51,510,000 (working average 170,000 passengers per 303 days) use services provided by Rete Ferroviaria Italiana S.p.A. and 883,612 use services provided by Sistemi Territoriali S.p.A.

In 2003, the public transport by bus and ferries was used by 345,795,568 passengers in the whole Region.

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 of Veneto”.

Participation. The Region holds an interest in certain companies primarily involved with local investment and development. The most significant of these companies, participated directly or through the regional finance company Veneto Sviluppo S.p.A., are: Autovie Venete S.p.A., Finest S.p.A, Aeroporto Valerio Catullo di Verona Villafranca S.p.A., Sistemi Territoriali S.p.A., Venezia Terminal Passeggeri S.p.A.

Significant Assets

The Region has both alienable and inalienable assets. Its assets consist of houses, buildings, apartments, land, forests and other miscellaneous assets. As of 31 December 2004, the Region had approximately €98,000,000 of alienable assets and approximately €180,000,000 of inalienable assets.

DESCRIPTION OF THE ECONOMY OF THE REGION OF VENETO

The following discussion of the Region's economy is based on a collection of data produced by ISTAT (Istituto Nazionale di Statistica) and the Region itself.

Gross Domestic Product

In 2004, the Region generated €121,243 million, or approximately 9% of Italy's Gross Domestic Product ("GDP") measured in current prices. In 2004, the Region's GDP per capita, estimated in 1995 prices,¹ was €20,380, versus Italy's GDP per capita equal to €18,000. The following table shows per capita GDP in the Region and in Italy as a whole from 2000 to 2004:

	GDP per capita				
	<i>Year ended 31 December,</i>				
	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>(in euro)</i>				
Veneto	20,735	20,915	20,550	20,338	20,380
Italy	17,549	18,125	18,090	17,958	18,000

1. Figures estimated in 1995 prices, including GDP, are estimated at constant prices, i.e. net of inflation, in order to allow a better comparison between different years.

Source: data ISTAT processing.

Values estimated in 1995 prices.

The following table provides a breakdown of GDP of the Region for the periods indicated:

	GDP of the Region			
	<i>Year ended 31 December,</i>			
	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>(in euro millions)</i>			
GDP	94,153	94,743	94,067	94,429
Net Imports	-5,888	-4,890	-2,759	-2,131
Total	88,265	89,853	91,309	92,298
Final Internal Consumption	67,888	68,980	69,063	69,975
<i>Expenditure for final consumptions by families</i>	55,138	55,767	55,614	56,230
<i>Expenditure for final consumptions by Private Social Institutions</i>				
(Istituzioni Sociali Private)	444	442	449	455
<i>Expenditure for final consumptions by Public Administrations</i>	12,306	12,771	13,000	13,289
Gross Fixed Investments	20,140	20,738	21,750	21,421
Changes in Inventory and valuables	237	135	496	902

Source: data ISTAT processing.

Values estimated in 1995 prices.

Value added for Sectors

The following table shows the historical trend and the contribution of each sector to the value added at basis costs¹ for the Region. The GDP at market costs is equal to the sum of the aggregate of value added at basis costs for sectors, VAT, indirect net taxes on products and import duties, net of financial brokerage services indirectly measured (*servizi di intermediazione finanziaria indirettamente misurati* or SIFIM).²

	Value Added at basis costs for Sectors and GDP				
	<i>Year ended 31 December,</i>				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
	<i>(in euro millions)</i>				
Agriculture, silviculture and fishing	2,999	3,055	2,916	2,619	2,992
Industry <i>strictu sensu</i> ³	26,839	26,130	25,551	25,577	25,675
Construction	4,695	4,754	5,148	5,241	5,405
Services	54,206	55,427	55,530	55,814	56,584
Value added at basis costs (before SIFIM)	88,739	89,366	89,145	89,252	90,655
Financial brokerage services indirectly measured (SIFIM) (-)	4,578	4,766	5,056	4,923	4,993
Value added at basis costs (net of SIFIM)	84,162	84,600	84,089	84,329	85,662
VAT, indirect net taxes on products and import duties	9,991	10,143	9,978	10,100	10,125
GDP at market costs	94,153	94,743	94,067	94,429	95,787

Source: data ISTAT processing.

Values estimated in 1995 prices.

- 1 The value added at basis costs is equal to the balance between production and intermediate consumption, where production is valued at basis costs, that is net of taxes over products and gross of contributions to products.
- 2 These services correspond to the value of the production arising from the financial brokerage activity not deducted at the level of the single productive branches.
- 3 Excluding construction.

In 2004, the agriculture, industry *strictu sensu*, construction and services sectors contributed 3.3%, 28.3%, 6% and 62.4%, respectively, to the value added of the Region. The contribution of the Region to Italy's value added as a whole for each of these sectors was 9.9%, 11.4%, 10.3% and 8.2%, respectively.

Service Sector

The service sector accounts for the largest contribution to the Region's value added, as is the case with most developed economies.

The following table shows the contribution of each sector to value added for services in the Region:

	Service Sector year 2003	
	<i>(in euro millions)</i>	<i>(Comp.)%</i>
Services	55,814	100.0%
Commerce, repairs, hotels and restaurants, transport and communications	22,913	41.1%
Wholesale and retail commerce; car, motorcycles, personal and domestic belongings repairs	13,073	23.4%
Hotels and restaurants	3,575	6.4%
Transport, storage and communications	6,265	11.2%
Monetary and financial Brokerage; real estate and entrepreneurial activities	20,601	36.9%
Monetary and financial Brokerage	4,796	8.6%
Real estate, rental, informatics, research and other professional and entrepreneurial activities	15,806	28.3%
Other services	12,300	22.0%
Public Administration and Defence, compulsory social insurance	2,753	4.9%
Education	2,979	5.3%
Healthcare and other Social Services	3,489	6.3%
Other public, social and personal services	2,618	4.7%
Domestic services for families and cohabitants	462	0.8%

Source: data ISTAT processing.

Values estimated in 1995 prices.

In 2003, the service sector's primary components were real estate activities, rental, informatics, research and other professional and entrepreneurial activities (28.3%), commerce and repairs (23.4%), and transportation and communications (11.2%).

Financial Services. In 2004 there were 58 banks operating in the Region, representing 7.4% of all Italian banks, having 3,298 branches, representing 10.7% of all Italian bank branches. The territorial presence of bank branches is very high, since the municipalities provided with bank branches are 95% against a national average of 73.1%.

As of 31 December 2003, total transactions (*impieghi*) at the banks in the Region amounted to €95,374,000, equal to €20,542 per capita. In the same period, total deposits amounted to €49,586,000 in the Region, equal to €10,680 per capita, at fourth place among Italian regions.

Tourism. In the last years, notwithstanding the unfavourable political and economical international framework, the number of tourists remained high and, in 2005, the Region accounted more than 56,000,000 arrivals. The revenues arising from the expenditure by foreign tourists in Veneto account for 3.2% of regional GDP, 1% more than the national average.

Industrial Sector

In 2003, manufacturing and construction in the Region represented 12.1% and 10.3%, respectively, of Italy's manufacturing and construction. The table set forth below provides the contribution of the various categories to the value added for the industrial sector of the Region:

	Industrial Sector year 2003	
	(in euro millions)	(Comp.)%
Industry	30,819	100.0%
Industry strictu sensu	25,577	83.0%
Mining extraction.....	117	0.4%
Manufacturing industry	23,863	77.4%
<i>Food, drinks and tobacco</i>	1,724	5.6%
<i>Textiles and clothing</i>	2,805	9.1%
<i>Leather tanning, hide and leather products manufacturing</i>	1,123	3.6%
<i>Paper products manufacturing; printing and publishing</i>	1,532	5.0%
<i>Coking plant, refinery, chemical and pharmaceutical goods</i>	1,598	5.2%
<i>Non-Metal Minerals and products</i>	1,806	5.9%
Metal mineral production and metal mineral products manufacturing.....	3,590	11.6%
<i>Mechanical, electrical and optical products manufacturing; means of transport</i>	5,858	19.0%
<i>Wood/rubber/plastic and others</i>	3,827	12.4%
<i>Production and distribution of electric energy, vapour and water</i>	1,598	5.2%
Constructions ⁽²⁾	5,241	17.0%

Source: data ISTAT processing.

Values estimated in 1995 prices.

The manufacturing sector in the Region is well diversified as shown in the table above. The Region's most relevant manufacturing sectors are: textiles and clothing (9.1%), metals and metal products manufacturing (11.6%), cars and means of transport manufacturing (19%), and wood, rubber, plastic and other industries (12.4%). The Region also benefits from a significant agro-business industry, supported by its agricultural sector.

Agricultural Sector

In 2005, the Region's land used for agriculture (*Superficie Agricola Utilizzata* or SAU) was approximately equal to 880,000 hectares. Maize growing accounts for 34 per cent. of land used for agriculture, the main agricultural crop in Veneto.

Inflation

The table below shows the consumer price index (“CPI”) in the primary towns of the Region and in Italy as a whole for the year 2005:

Verona	1.6
Vicenza	1.8
Belluno	1.4
Treviso ⁽¹⁾	1.3
Venezia	1.8
Padova	1.4
Rovigo	1.2
Italia.....	1.8

Source: data ISTAT processing.

(1) Average 11 months.

Employment

In 2005, the employment rate of the Region was 64.6%, which is higher than the national average of 57.5%. While in 2004 the unemployment rate of the Region was 4.2%, which is lower than the national average of 8%. The table set forth below provides information as to employment in the Region and in Italy as a whole for the periods indicated:

	Employment rate					
	Year ended 31 December,					
	2000	2001	2002	2003	2004	2005
Veneto	62.0	62.8	63.1	64.8	64.3	64.6
Italy	54.8	55.9	56.7	57.5	57.4	57.5

Source: data ISTAT processing, Ministry of Economic and Finance – Development Policies Department.

Employment rate: 15 – 64 years.

Of those employed in the Region in 2004, 57.8% were in the service sector, 31% were involved in industry *strictu sensu*, 7.6% were in construction, and the remaining 3.5% were active in the agricultural sector. Unlike the national average, in the Region there are less people employed in the agricultural and services sectors, and more people involved in industry. The following table provides a breakdown of average employment by sector for both the Region and Italy as a whole in 2004:

	Employment by Sector – year 2004			
	Veneto		Italy	
	thousands	%	thousands	%
Agriculture, silviculture and fishing.....	77	3.5%	1,079	4.4%
Industry <i>strictu sensu</i>	672	31.0%	5,358	21.9%
Constructions	165	7.6%	1,735	7.1%
Services.....	1,253	57.8%	16,325	66.6%
Total	2,167	100.0%	24,496	100.0%

Source: data ISTAT processing.

Annual average.

Education

Over a period of six years, and particularly from 1998 to 2004, the number of graduates in Veneto almost doubled, from less than 10,760 in 1998 to over 20,700 in 2004, or approximately 8% of all Italian graduates.

In addition, the attendance at secondary education has increased and during the 2004/2005 school year, 88.3% of students between 14 and 18 years attended diploma courses, which represents 10% more than ten years before.

Exports and Imports

In 2004, the exports to Veneto GDP ratio was higher than the national average (at 33.2% versus 21% for Italy as a whole). Imports as a percentage of Veneto GDP (at 26%) were higher than the national average (at 21.1%).

	Trade Balance				
	<i>Year Ended 31 December,</i>				
	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>(in euro millions)</i>				
Exports	34,267	35,116	34,866	33,327	33,703
Imports	25,429	25,577	26,444	25,972	26,825
Balance	8,839	9,539	8,423	7,355	6,878

Source: data ISTAT processing.

Values at 1995 prices.

Foreign Direct Investment

Data concerning foreign net direct investments (i.e. foreign direct investments less foreign direct disinvestments) as a percentage of GDP confirms the increase of Veneto participations in foreign companies, which in 2004 was 0.62% of the Region's GDP, the fourth largest among the Italian regions.

EU programmes

For the period 2000/2006, the Region received funds from the EU under various EU programmes, namely (i) Objective 2 ("**Objective 2**"); (ii) Objective 3 ("**Objective 3**"); (iii) the Interreg programme III ("**Interreg III**"); (iv) the Leader Plus programme ("**Leader Plus**"); and (v) the Equal programme ("**Equal**").

Objective 2. Objective 2 promotes the economic and social reconversion of zones with structural difficulties.

Objective 3. Objective 3, promotes the adjustment and the modernisation of education, training and occupation policies and systems.

Interreg III. The Interreg III programme is designed to stimulate the cross-border, transnational and interregional cooperation.

Leader Plus. The Leader Plus programme is designed to promote the socio-economic development of rural areas.

Equal. The Equal programme is aimed at developing new procedures in order to eliminate discriminations and disparities to entry into the job market.

Transfers from the EU under the above mentioned programmes are indicated among the current revenues and the capital revenues of the Regional budget. See "Financial Information of the Region of Veneto".

FINANCIAL INFORMATION OF THE REGION OF VENETO

Financial reports

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

Veneto, like other regions of Italy, has passed a regional budget and accounting law setting out the process by which the 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. 39 of 29 November 2001 ("**Law No. 39**" or the "**Regional Budget and Accounting Law**").

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

Law No. 39 requires the Region to produce certain financial documents hereinafter described.

The Regional Programme Document. The regional annual programme document (*Documento di Programmazione Economica e Finanziaria* or DPEF) (the "**Regional Programme Document**") addresses the government's activity of the Region, the entities, the regional enterprises and agencies, for the following year. It includes an analysis of the current economic situation, a valuation of the status of the expenditure plans and the relevant proposed changes.

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

The Region's Provisional Budget is drawn up by the regional budget department and submitted, by 30 September of the year preceding the reference fiscal period, by the President of the Regional Board to the Regional Council for approval to occur by the following 31 December. Once approved by the Regional Council and enacted by the President of the Region, the Provisional Budget law is published in the regional law bulletin.

Temporary Provisional Budget. The Region may postpone the adoption of the Provisional Budget even after 31 December, by authorising by law the 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. Because 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 forecast of regional revenues and expenditures for the next three to five 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. The revenues and the expenditures entered into the Pluri-Annual Budget are classified on the basis of the same criteria adopted for the Provisional Budget. It is approved by the same law which approves the Provisional Budget, and it may form a single document together with the Provisional Budget.

Provisional Budget Adjustment. The Regional Council, by 30 June of each year, approves the provisional budget adjustment (*assestamento del bilancio di previsione*) (the "**Provisional Budget Adjustment**") on the

basis of accounting results of the previous year's financial report. The adjustment may also allow for new indebtedness.

Provisional Budget Variations. The Provisional Budget variations (*variazioni al bilancio*) are provided for by the regional law or, in certain cases, passed by the Regional Board. Such variations are approved by 30 November of each year, or in case of urgent or particular 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 Balance Account shows, *inter alia*, the following data: (a) annual revenues assessed and collected; (b) annual expenses committed and paid; (c) accruals (*residui attivi e passivi*); and (d) surplus or deficit management. The Assets and Liabilities Account shows, *inter alia*, the following data: (a) financial assets and liabilities; (b) movables and real estates; and (c) any other asset or liability. The Actual Financial Report for the Region's last fiscal year (as of 31 December) is submitted by the President of the Regional Board by 31 May of each year and must be approved by the Regional Council by the following 30 June.

The Financial Law. The financial law (*legge finanziaria*) (the “**Financial Law**”) determines the general financial framework for the period covered by the Pluri-Annual Budget and, in particular, establishes: (a) the maximum recourse to the financial market for each of the years considered in the Pluri-Annual Budget; (b) the measures affecting regional taxation; (c) the re-financing or reduction of allocations set forth by regional expenditure laws for each of the years considered in the Pluri-Annual Budget; (d) a different allocation of the authorised expenditures provided by current legislation; and (e) the amount allocated under special funds.

The Financial Law may also prescribe rules aimed at social and economic programmes or infra-structure programmes.

The Financial Law is prepared by the Regional Board and presented, by 30 September of each year, by the President of the Region to the Regional Council for approval to occur by the following 31 December, together with the Provisional Budget.

Regional Treasurer (Tesoriere Regionale) and Central Government Provincial Treasurer (Tesoreria Provinciale dello Stato). The Region makes all payments and collects all revenues through one or more agent banks acting as their treasurer (each a “**Treasury Bank**”). According to article 52 of Law No. 39, the treasury's service is regulated by regional law.

The Regional Treasurer for the Region at the date of this Prospectus and for the period up to 31 December 2008 is composed by a pool of banks including Banco Popolare di Verona e Novara, acting as agent on behalf of the other banks (the “**Regional Treasurer**”).

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 devolved finance system, where Central Government transfers represented the greater portion of a regions' revenues, to a system where tax revenues are prevalent. In 2005, tax revenues represented approximately 85% of Region revenues (current and capital revenues). The percentage of transfers on final revenues (current and capital) is equal to 14%, 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*); (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 from the National Compensation Fund of an amount equal to €1,445 million.

Revenues and Expenditures

The following table sets forth for the periods indicated the current revenues and expenditures of the Region:

	Revenues and Expenditures				
	<i>Year Ended 31 December,</i>				
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>(in euro millions)</i>				
Current Revenues					
Tax Revenues ⁽¹⁾	6,080	6,633	6,941	7,139	7,800
Other transfers from the Central Government (also on behalf of EU)	1,543	1,203	790	893	919
Other Revenues	83	67	89	97	80
Total Current Revenues	7,706	7,902	7,821	8,129	8,798
Total Current Expenditures	7,507	7,668	7,649	8,185	8,436
Current Balance	199	234	172	-56	363
Capital Revenues	973	992	1,281	671	381
Capital Expenditures ⁽²⁾	1,069	1,276	1,644	2,032	1,335
Capital Balance	-96	-284	-363	-1,361	-954
Balance before financing	103	-50	-191	-1,417	-591

(1) Formed mainly by IRAP, Addizionale IRPEF and VAT participation.

(2) Within the wider category of capital expenditure, only certain expenses may be financed by indebtedness. Such subcategory of “investments” defined in article 3, paragraph 18, of Law No. 350 of 24 December 2003.

Current Revenues

In 2005, the total tax revenues constituted 89% of current revenues while, for the same year, Central Government transfers represented 10 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. In 2005, such revenues constituted approximately 1% of current revenues.

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

	Current Revenues				
	<i>Year Ended 31 December,</i>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
	<i>(in euro millions)</i>				
Local Taxes					
of which	3,830	4,135	4,296	4,479	4,445
IRAP	2,829	2,959	3,137	3,237	3,240
Addizionale IRPEF	432	636	582	665	597
Automobile Tax.....	443	471	485	499	520
Others	126	69	93	79	88
Taxes from the State					
of which	2,249	2,497	2,644	2,660	3,354
Petrol Tax Participation.....	244	250	228	221	196
VAT Participation ⁽¹⁾	2,005	2,247	2,416	2,439	3,159
Transfers from	1,543	1,203	790	893	919
Central Government	1,322	1,090	604	781	776
EU	221	113	186	112	142
• Objective ⁽³⁾	215	107	157	110	137
• other EU programmes	6	6	29	1	6
Other revenues	83	67	89	97	80
Total Current Revenues	7,706	7,902	7,821	8,129	8,798

(1) This item is net of the sums to be transferred to the National Compensation Fund.

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 current rate of IRAP is 4.25%, and the regions are able to increase or decrease such tax rate by up to 1%.

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 current rate of Addizionale IRPEF is 0.9 per cent., and the regions are able to increase such Addizionale IRPEF by up to 1.4%.

However, pursuant to the financial law of the Central Government the possibility for regions to increase such percentages of both IRAP and Addizionale IRPEF has been suspended until 31 December 2006 (referring to increases decided after 29 September 2002 and not confirmative of rates in force in 2002), except for increases covering healthcare deficits.

Both IRAP and Addizionale IRPEF are collected by the Central Government, which then transfer such 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. However, as far as IRAP is concerned, the Region may in the future decide to manage this tax directly.

While the implementation of fiscal federalism is still in progress and, as a consequence, the complete financial responsibility of regions, a guaranty fund (*fondo di garanzia*) has been established 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 automobile tax and, among minor taxes, regional surtax on natural gas consumption, regional tax for the right to university education, waste disposal tax and taxes upon regional authorisation.

The Region also receives a participation of revenue taxes, the most relevant of which is the VAT participation, that has been introduced pursuant to Legislative Decree No. 56 of 18 February 2000 (“**Legislative Decree 56**”).

In 2005, the regions’ VAT participation rate, which is established annually, was 44.3% of national VAT revenues.

In recent years, the Region has adopted tax measures with regard to IRAP and Addizionale IRPEF, but in spite of such measures, preserves wide margins to increase its yield of taxes, as indicated in the following table:

	Residual tax flexibility for 2005 (in euro millions)
IRAP	550
IRPEF	156
Automobile tax	46
Petrol tax	•
Natural gas surtax	79
Regional tax on diesel fuel	40
Other taxes.....	•
Total	871

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

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

	Current Expenditures				
	<i>Year Ended 31 December,</i>				
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>(in euro millions)</i>				
Personnel Expenses.....	115	120	122	127	145
Goods and Services.....	86	109	105	91	94
Current Transfers	7,013	7,343	7,330	7,573	8,126
Interest Expense	39	27	19	20	20
Others Expenses	254	70	73	375	52
Total Current Expenditures.....	7,507	7,668	7,649	8,185	8,436

Personnel Expenses. Personnel Expenses comprise salaries, social security expenses (including *Trattamento di Fine Rapporto*) and training.

Goods and Services. Goods and Services include amounts spent on goods and services provided by independent contractors.

Current Transfers. Current Transfers are transfers to provinces and municipalities, to ULSS, to *Aziende Ospedaliere* and other public entities, as well as to families, enterprises and other private institutions. In 2005, approximately 83% of current expenditure was related to healthcare.

Interest Expense. Interest Expense is the interest paid on both the Region's long-term, (both loans and notes), and short-term debt. See "Debt of the Region".

Other Expenses. Other Expenses are administrative expenses of the Region and miscellaneous expenses.

The table set forth below provides a breakdown of the uses of current transfers to ULSS and local entities:

	Transfers to ULSS and Local Entities				
	<i>Year Ended 31 December,</i>				
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>(in euro millions)</i>				
To ULSS	6,066.7	6,457.5	6,306.1	6,456.4	7,026.3
To Local Entities	275.1	291.7	311.6	352.8	464.4
General administration	12.2	14.8	14.7	15.3	24.7
Employment	4.9	16.2	10.0	7.5	19.4
Tourism	0.0	11.9	12.1	16.1	12.2
Mobility.....	200.9	208.4	209.9	200.5	207.0
Environment and territory.....	3.6	3.6	3.4	5.9	6.7
Culture, teaching and training	1.8	12.4	11.4	13.2	54.8
Interventions for houses	43.9	2.6	21.5	24.0	25.7
Social Assistance.....	2.3	15.5	22.1	62.7	102.4
Others	5.4	6.2	6.3	7.6	11.6
Total Current Transfers to ULSS and Local Entities.....	6,341.8	6,749.2	6,617.7	6,809.2	7,490.7

Healthcare Expenditure

The healthcare expenditure is determined annually by the Central Government in consultation with the regions. The financing procedures of the regional healthcare service are set forth by Legislative Decree 56. Veneto provides financial support for healthcare expenditure through IRAP, *Addizionale IRPEF* (at a current rate of 0.9%) 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.

In 2005, the Region's healthcare deficit was equal to €288,000,000.00 and was covered by regional financial measures, expenditure reductions and Central Government resources.

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 forth for the periods indicated the capital revenues of the Region:

	Capital Revenues				
	<i>Year Ended 31 December,</i>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
	<i>(in euro millions)</i>				
Transfers from Central Government	715	529	612	385	278
Transfers for EU programmes	3	210	208	81	103
• Objective 2.....	0	182	191	62	79
• other EU programmes	3	28	17	19	23
Total Transfers from the Central Government	718	739	820	466	381
Debt, for which principal and interest are paid by the Central Government	254	247	460	205	0
Other Revenues	1	6	1	0	0
Total Capital Revenues.....	973	992	1,281	671	381

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, the 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 forth, for the periods indicated, the capital expenditures of the Region attributable to its major activities:

Capital Expenditures					
<i>Year Ended 31 December,</i>					
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>(in euro millions)</i>				
Transfers	935	1,004	1,379	1,658	966
Direct investments.....	102	243	217	324	331
Other Capital Expenditures.....	32	29	49	49	38
Total Capital Expenditures	1,069	1,276	1,644	2,032	1,335

Capital expenditures increased up to 2004, mainly due to increased commitments for the completion of the Region's investment programmes provided for by law.

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					
<i>Year Ended 31 December,</i>					
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>(in euro millions)</i>				
Cash at year end	580	481	865	914	696
Accruals receivable	6,132	8,233	6,198	8,421	12,190
Accruals payable.....	4,990	6,968	4,739	8,385	12,248
Financial Result.....	1,723	1,745	2,324	949	638

The financial result (*avanzo/disavanzo di amministrazione*) is a key ratio in Italian state accounting. Accruals receivable consists of determined but uncollected revenues, while accruals payable consist of committed but unpaid expenditures within the financial year. Committed expenditures are brought forward, in the accruals payable account, for a maximum period of two years for current expenditures and seven years for investment expenditures, after which they are cancelled 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).

DESCRIPTION OF THE DEBT OF THE REGION OF VENETO

The Region incurs debt for its own account or on behalf of the Central Government, where repayments are made by the Region or by the Central Government.

As of 1 August 2006, the Region had bank indebtedness equal to €2,662 million, of which €1,509 million (57%) was assisted by Central Government contributions or to be paid by the Central Government, and this indebtedness is not taken into account when determining the permitted Debt Cover Ratio (as defined below), and €1,153 million (43%) to be paid by the Region with its own resources. The indebtedness to be paid by the Central Governments is not reflected in the Region's financial statements.

The indebtedness to be repaid by the Region consists of 50% of loans and 50% of bonds.

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%. The Debt Cover Ratio of the Region was equal to 8% as of 1 August 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 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 Euro 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 the payment obligations of the Region, 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 the payment obligations of the Region, 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 other payment obligations and with recourse to all available income of the Region, amounts sufficient, for each financial year, to meet the Region's obligations.

Guarantees

The Region granted guarantees amounting to €10,000,000, mainly in respect of agrarian loans. Historically, the Region has never paid significant amounts in connection with its issued guarantees.

Medium-long term Debt of the Region

As of 1 August 2006, following the restructuring of regional debt incurred during the first six months of 2006, approximately 72% of the Region's total debt is floating rate and approximately 28% is fixed rate. 40% of the floating rate debt is covered by financial derivative instruments (collars).

The following table sets forth a breakdown of the outstanding debt of the Region:

<i>Date Issued</i>	<i>Outstanding Amount of Debt of the Region (in euro millions)</i>	<i>Maturity Date</i>	<i>Rate</i>
1998	19	2008	3.66 per cent. annual fixed rate if the 6 month arrears USD-LIBOR-BBA rate is lower or equal to 7.50 per cent. If the 6 month arrears USD-LIBOR-BBA rate is higher than 7.50 per cent., the annual floating rate equal to the 6 month arrears USD – LIBOR – BBA rate less spread of 0.10 per cent.
1999	7	2006	6 month Euribor plus spread of 0.007 per cent.
1999	38	2009	6 month Euribor plus spread of 0.017 per cent.
1999	46	2035	4.389 per cent.
1999	40	2035	4.389 per cent.
1999	60	2014	6 month Euribor less spread of 0.091 per cent.
1999	95	2035	4.389 per cent.
1999	84	2035	4.389 per cent.
2000	37	2036	4.425 per cent.
2003	130	2036	6 month Euribor plus spread of 0.06125 per cent. zero cost collar hedging
2004	247	2024	6 month Euribor plus spread of 0.0473 per cent.
2006	200	2026	6 month Euribor plus spread of 0.0229 per cent. zero cost collar hedging
2006	150	2036	6 month Euribor plus spread of 0.0479 per cent.
Total	1,153		

The following table shows changes in the debt of the Region for the periods indicated:

	<i>Year Ended 31 December,</i>				
	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006⁽¹⁾</i>
	<i>(in euro millions)</i>				
Outstanding at beginning of year	784	724	809	899	821
New borrowings	0	150	250	0	350
Capital share	60	65	76	78	19
Early redemption.....	0	0	84	0	0
Outstanding at end of year	724	809	899	821	1,153

(1) Expected data as of 1 August 2006.

The following table shows the aggregate annual principal amounts due on the Region's outstanding debt up to 1 August 2006:

Principal Amounts Due on Region's Outstanding Debt

Year	Amortisation of debt to be paid by the Region	Year	Amortisation of debt to be paid by the Region	Year	Amortisation of debt to be paid by the Region
<i>(in euro millions)</i>					
1/08/2006	1,153				
31/12/2006	1,129	2017	672	2028	226
2007	1,091	2018	627	2029	200
2008	1,051	2019	581	2030	172
2009	1,017	2020	534	2031	144
2010	994	2021	486	2032	113
2011	951	2022	438	2033	82
2012	901	2023	388	2034	49
2013	851	2024	338	2035	14
2014	804	2025	304	2036	0
2015	761	2026	275		
2016	717	2027	251		

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 made little use of such *anticipazioni di Cassa*; in September 2006, the Region had outstanding *anticipazioni di Cassa* in principal amount of approximately €70,000,000.

Debt Record

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

TAXATION

Italian Taxation

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.

*The statements herein regarding taxation are based on the laws in force in Italy as of the date of this 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 such change occurs, the information in this summary could be superseded. In particular, the Italian Parliament is currently discussing a draft of delegated law (*legge delega*) for a wide reform of the taxation regime of financial income. Under this law, the Italian Government will be delegated to implement the reform by way of legislative decrees in accordance with the guidelines provided by the afore mentioned delegated law.*

Prospective purchasers of the Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

Under current Italian law, all payments of principal and interest premiums and other income in respect of the Notes, Receipts and Coupons made by the Issuer to non-Italian residents - without 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 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.

Payments of interest, premiums and other income in respect of the Notes, Receipts and Coupons 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, premiums and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as “**Interest**”) in respect of the Notes will not be subject to the “*imposta sostitutiva*” or to withholding or deduction in Italy if the payments are made to 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 on 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) investors 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 any may be deducted from the taxation on income due.

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

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted with amendments by Law No. 410 of 23 November 2001, as subsequently amended and as clarified by Circular No. 47/E of 8 August 2003 of the Ministry of Economy and Finance, payments of interest in respect of the Notes made to Italian resident real estate investment funds established pursuant to article 37 of Legislative Decree No.

58 of 24 February 1998, as amended and supplemented (“**Decree No. 58**”) and Article 14-bis of Law No. 86 of 25 January 1994 are not subject to *imposta sostitutiva* or income tax.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund (the “**Fund**”) or a *società di investimento a capitale variabile* (a “SICAV”), and the Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund accrued at the end of each tax period, subject to an ad-hoc substitute tax (the Collective Investment Fund Tax) applicable at a 12.5 per cent. rate, or if the conditions under Art. 12 of Law Decree No. 269 of 30 September 2003 are met, at a 5 per cent. rate. However, on 7 September 2005 the European Commission announced that the Italian tax regime provided by Article 12 of Decree No. 269 above for Funds and SICAVs investing in small or medium capitalised companies is not compatible with Article 87 of the EC Treaty (on State aid) and requested Italy to abolish these provisions with retroactive effect. As a result, the provisions under Article 12 of Decree No. 269 should be abolished in the near future.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Articles 14, 14-ter and 14-quater, paragraph 1 of Legislative Decree No. 124 of 21 April 1993) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to the *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. annual substitute tax.

In order to ensure payments without the application of the *imposta sostitutiva*, the Italian investors mentioned above must be the beneficial owners of the payments of interest, premium or other income in respect of the Notes, Receipts or Coupons and deposit the Notes, Receipts or Coupons with a resident (i) bank, (ii) *Società d’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 decree of the Ministry of Economic and Finance.

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 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 and 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 (the “**Capital Gain Tax**”). Noteholders may set off losses with gains.

In respect of the application of the Capital Gain Tax taxpayers may opt for one of the three following regimes:

- (a) the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, and which is regulated by provisions set forth by Article 5(3) of Legislative Decree No. 461 of 21 November 1997 (the “**Decree 461**”);
- (b) the non-discretionary investment portfolio regime (the “*risparmio amministrato*” regime), which is regulated by provisions set forth by Article 6 of Decree 461;

- (c) the discretionary investment portfolio regime (the “*risparmio gestito*”) which is regulated by provisions set forth by Article 7 of Decree 461.

Any capital gains realised by a Noteholder which 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. or 5% substitute tax.

Any capital gains realised by a Noteholder which is an Italian pension fund (subject to the regime provided for by Articles 14, 14-*ter* and 14-*quater*, paragraph 1, of Legislative Decree No. 124 of 21 April 1993) 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 the Notes are not subject to Italian taxation, provided that the Notes are held outside Italy.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes traded on regulated markets are not subject to taxation in Italy.

Capital gains realised by non Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets can be exempt from taxation in Italy provided that such Noteholders meet all requirements provided by Article 6 of Decree 239.

Taxation of Gifts

Pursuant to Law No. 286 of 24 November 2006, transfers of the Notes upon death by reason of gift would fall within the scope of, and could be subject to, the Italian *ad valorem* inheritance and gift tax, levied at the rates of 4% (on any amount in excess of Euro 1,000,000 for each beneficiary), 6% or 8%, depending on whether or not there is a marriage or kinship relationship between the transferor and the transferee, and, in the affirmative on the type of any such relationship.

Local Taxes

There are no regional taxes or withholding taxes imposed or levied on any Noteholder in respect of the Notes or the Coupons. 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 out in Royal Decree No. 3278 of 30 December 1923, the transfer of the Notes may be subject to 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 the 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 resident 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 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; and (v) contracts for a consideration of not more than €206.58.

Implementation in Italy of the EU Savings Directive

The Italian Government has implemented the EC Council Directive 2003/48/EC (the “**Savings Directive**”) through Legislative Decree No. 84 of 18 April 2005 (“**Decree No. 84**”). Decree No. 84 applies to payments of interest made by paying agents established in Italy to beneficial owners who are individuals resident in a different EU Member State as well as in the dependent or associated territories that have adopted similar legislation and requires such paying agents to report to the Italian tax authorities details of the relevant payments and personal information of the individual beneficial owner. Any individual receiving an interest payment is deemed to be the beneficial owner, unless he provides evidence that such payment was not received or secured for his own benefit. According to Article 1(1) of Decree No. 84, for these purposes the definition of “paying agents” includes, *inter alia*, banks, *Società di Intermediazione Mobiliare*, *Società di Gestione del Risparmio*, fiduciary companies, financial intermediaries and any economic operator that may be involved commercially or professionally in the payment of interest.

Both payments of interest on the Notes or the realisation of capitalised interest through a sale of the Notes would constitute “payments of interest” under Article 6 of Savings Directive and, in relation to Italy, Article 2 of Decree No. 84. Accordingly, such payment of interest in relation to the Notes would fall within the scope of the rules described in this section.

The Savings Directive provides that Austria, Belgium or Luxembourg shall apply a withholding tax for a transitional period, as defined therein, unless they elect otherwise. The withholding tax shall be levied at the rate of 15 per cent. during the first three years of the transitional period, 20 per cent. for the subsequent three years and 35 per cent. thereafter. The Savings Directive provides for an exemption from the withholding tax to the extent that the beneficial owner provides the paying agent with minimum data requirements.

The Noteholders should consult their tax advisers and/or the custodians with which they hold the Notes in order to carefully assess the regime to which their Notes are subject for the purposes of the Savings Directive, depending, *inter alia*, on their status, the country in which they are resident for tax purposes, and the country where the relevant paying agents are established.

SUBSCRIPTION AND SALE

Each of Depfa Bank plc, Merrill Lynch International, Banca IMI S.p.A., Ixis Corporate & Investment Bank and Dexia Banque Internationale à Luxembourg acting under the name Dexia Capital Markets (the “**Managers**”) has, in a subscription agreement dated 4 December 2006 (the “**Subscription Agreement**”) and made between the Region and the Managers upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Notes at their issue price of 100 per cent. of their principal amount plus any accrued interest in respect thereof and less a combined management, underwriting and selling commission of 0.20 per cent. of their principal amount. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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 and regulations thereunder.

The Managers have agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of the Notes as determined, and certified to the Region, by the Fiscal Agent, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

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

United Kingdom

Each of the Managers has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Region; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, each of the Managers has represented,

warranted and agreed that it will not offer, sell or deliver Notes or distribute or make available any Notes or copies of this Prospectus or any other document relating to the Notes in the Republic of Italy except:

- (a) to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph of CONSOB Regulation No. 11522 of 1 July 1998, as amended, in compliance with the terms and procedures provided therein, provided that such professional investors will act in that capacity and not as depositaries or nominees for other holders; or
- (b) 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.

Each of the Managers has represented, warranted and agreed that any offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

- (i) 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 and Legislative Decree No. 385 of 1 September 1993, as amended (the “**Banking Act**”) and the implementing guidelines of the Bank of Italy;
- (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines (*Istruzioni di Vigilanza per le Banche*) of the Bank of Italy, pursuant to which the issue, offer or sale of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued, offered or sold in the Republic of Italy and their characteristics; and
- (iii) in compliance with any other applicable laws and regulations.

General

No action has been or will be taken in any jurisdiction by the Region or any of the Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Region and each of the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

LISTING

Application has been made for the Notes to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market and to be listed on the Luxembourg Stock Exchange.

AUTHORISATION

The Region has obtained all necessary consents, approvals and authorisations in the Republic of Italy in connection with the issue of the Notes. The issue of the Notes has been duly made in compliance with the provisions of Regional Law No. 39 of 29 November 2001 and Regional Law No. 3 of 3 February 2006. The issue of the Notes has been duly authorised by the Regional Board in its resolution No. 2401 of 1 August 2006.

LITIGATION

The Region is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Region is aware) during the previous 12 months which may have, or have had in the recent past, a significant effect on the Region's financial position.

SIGNIFICANT CHANGE

Save as may be disclosed in this Prospectus, there has been no significant change in relation to the public finances, balance of payments and trade of the Region since the fiscal year ended 31 December 2005.

DOCUMENTS AVAILABLE FOR INSPECTION

For so long as any of the Notes are outstanding, copies of the following documents may be inspected (and in the case of (a), obtainable) during normal business hours at the Specified Office of each Paying Agent:

- (a) this Prospectus;
- (b) the Subscription Agreement; and
- (c) the Fiscal Agency Agreement.

CLEARING SYSTEMS

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS0277998760 and the common code is 027799876.

LEGENDS

Each Note, Receipt, Coupon and Talon will bear the following legend: "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 REGION OF VENETO

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Paying Agent

The Bank of New York (Luxembourg) S.A.

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