Olivetti S.p.A.

Registered Office: Via Jervis 77, Ivrea, Italy
Share capital Euro 7,290,443,977 fully paid
Registered at the Turin Register of Companies no. 00488410010

PROSPECTUS

RELATING TO

A RIGHTS ISSUE OF:

- Olivetti ordinary shares at Euro 1 par value per share

or alternatively

- Bonds of the series "Olivetti 1.5% 2001-2010 convertible bonds with premium upon redemption"

ADMISSION TO LISTING OF:

- Bonds of the series "Olivetti 1.5% 2001-2010 convertible bonds with premium upon redemption"

The act of publication of the Prospectus does not involve any judgement by the CONSOB regarding the desirability of the investment proposed and the merit of the data and information provided in respect of the investment.

Prospectus filed with the CONSOB on 31 October 2001 subsequent to ratification notified with note no. 1082226 of 30 October 2001, subsequently integrated with the information published, according to art. 9 of the CONSOB Regulation n. 11971/99, on the newspaper "Il Sole 24 Ore" of 31 October 2001.

This Prospectus has been drawn up in Italian and English. The Italian language text is the official and legally binding version.

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Notice

When contemplating an investment, future investors should consider the information provided in this Prospectus (hereinafter the **"Prospectus"**) in relation to their personal situation and investment goals. In light of the recent developments at the Olivetti Group, future investors should also assess a series of specific matters relating to the Issuer, to the business sectors in which it operates directly and indirectly and to the financial instruments on offer. These matters are set forth below and should be read jointly with the other information provided in this Prospectus.

Risk factors relating to the Issuer

Structure of the Olivetti Group – Earnings reported by Olivetti S.p.A. are generated entirely by Olivetti subsidiary or investee companies

Olivetti S.p.A. (hereinafter **"Olivetti"** or the **"Company"** or the **"Issuer"**) is a holding company operating mainly in the wireline and mobile telecommunications sector through direct and indirect control of, among others, Telecom Italia S.p.A. (hereinafter **"Telecom Italia"**), Telecom Italia Mobile S.p.A. (hereinafter **"TIM"**) and Seat Pagine Gialle S.p.A. (hereinafter **"SEAT"**). The structure of the Olivetti Group is described in Chapter I, point 1.1 of this Prospectus.
Earnings reported by Olivetti are generated entirely by Olivetti subsidiary or investee companies and therefore depend upon the results and dividend policies of such companies; in the event of implementation of reinvestment policies or policies to reduce the debt of Olivetti or other companies in the Group, there is no guarantee that such earnings will be paid out to Olivetti shareholders (see Chapter V, point 5.2).

Debt – Factors of a currently unforeseeable nature might have an impact on the Company's cash flow

The dividends Olivetti has collected to date from its subsidiary and investee companies have been sufficient to cover the funding requirements generated by its debt exposure (illustrated below in Chapter V point 5.2). However, there is no guarantee that factors of a currently unforeseeable nature, for example but not limited to, a deterioration in financial market conditions and in the business results of subsidiary and investee companies, will not have a significant impact on the Company's cash flow.

Development of the industrial plan

On 27 September 2001, the Olivetti Board of Directors approved the Group's industrial and financial strategic plan, whose main guidelines are as follows: (i) management renewal; (ii) focus on core businesses through a review of the asset portfolio and a disposals programme; (iii) a stronger focus on wireline and mobile telephony in Italy and on international mobile telephony; (iv) the valorization of Internet and directories businesses; (v) improvement of the financial structure through a debt review, also through the operation illustrated in this Prospectus (see Chapter V, point 5.1). The attainment of targets and full implementation of the strategic plan may be subject to factors beyond Olivetti's control or to economic and market conditions. Furthermore, there is no guarantee that the targets set by the strategic plan will actually be achieved by the new management as and when indicated.

Possible recourse to further borrowings or refinancing

The management and growth of the Group's core businesses, that is to say activities in the telecommunications sector, require the adoption of major investment plans. The Olivetti Group could find itself in the position of having to seek additional borrowings and to refinance its existing debt (see Chapter V, point 5.2). The Group's future profitability might depend on the outcome of such operations, market conditions and other exogenous factors.

Risk factors relating to the sectors/markets in which the Issuer conducts its operations

Changes in legislation and regulations could have a significant impact on Telecom Italia and TIM operations

As telecommunications operators, Telecom Italia and its subsidiary company TIM conduct their operations in compliance with the legislation and regulations in force in the European Union and in Italy. The regulation of the telecommunications sector is changing constantly in response to technological progress and market trends. Consequently, changes to laws, government policy or interpretation of current legislation governing the telecommunications market and operators could have a significant impact on the operations of Telecom Italia and TIM (see Chapter I, point 1.2).

The Italian telecommunications sector was opened up to competition only recently

The Italian telecommunications sector has been fully liberalised only since 1 January 1998. Although Telecom Italia has been operating on a competitive basis with regard to the supply of certain telecommunications services since 1990, up until 1 January 1998 it had exclusive rights to provide public wireline telephone services in Italy and to operate telecommunications networks to supply such services (see Chapter I, point 1.2). The entry of new operators as a result of the liberalisation of the sector has had an impact and could also have a future impact on revenues arising from the supply of wireline telephone services (see Chapter I, point 1.1).

European and global competition in Italy could increase as a result of industry consolidation and globalisation

The consolidation and globalisation of the telecommunications industry in Europe and elsewhere could augment competition on the Italian market. The industry is consolidating rapidly and competition is expected to increase at all levels in the future. The introduction of the European single currency could further heighten competitive pressures by facilitating the entry of international operators and other national operators on the Italian market and direct competition with Telecom Italia and TIM in wireline and mobile communication services and on local and long-distance markets (see Chapter I, point 1.2).

The telecommunications sector is subject to rapid technological change which might accentuate competition in the future

The telecommunications industry is subject to rapid and significant change in both technology and services. Telecom Italia and its subsidiary companies, whose operations are described in Chapter I, point 1.1, will therefore be under greater competitive pressure as new technologies and services are introduced. The Telecom Italia and TIM telephone networks will need to be sufficiently flexible to respond to customer demand as well as to continuous technological change; they will also have to support the offer of innovative services and/or traditional services using new technology, for example ESMR – Enhanced Specialised Mobile Radio –, FWA – Fixed Wireless Access –, satellite telephones, advanced interactive telecommunications and multimedia services. The cost of introducing new technologies and services could be considerable and the ability of the Telecom Italia Group to respond to the technological challenge may depend in part on its ability to obtain new funding.

Risk factors relating to the financial instruments on offer

The holders of the securities described in this Prospectus could encounter general liquidity problems on the market unconnected with the Issuer

The risks associated with the securities being issued are those specific to investments in listed financial instruments of this type.
The holders of the securities described in this Prospectus may liquidate their investment by selling the securities on the market on which they are listed. The securities may present generalised problems of liquidity unconnected with the Issuer and the amount of the securities, since offers of sale may not meet with suitable timely responses.

Dependence on the share price of the subsidiary company Telecom Italia

Olivetti directly and indirectly holds 54.9% of the ordinary share capital of Telecom Italia, whose market value represents a very significant portion of the market value of Olivetti. The performance of the Olivetti share price could therefore be heavily influenced by variations in the Telecom Italia share price.

Final issue conditions of the Bonds

The final issue conditions of the bonds designated "Olivetti 1.5% 2001-2010 convertible bonds with premium upon redemption" in respect of actual yield on maturity, coupon and redemption premium will be determined by the Olivetti Board of Directors or, on its behalf, by the legal representatives of the

Company, severally, prior to the rights exercise period and published through an additional notice placed in the "Il Sole 24 Ore" newspaper on 1 November 2001.

Bond guarantees

No guarantees have been underwritten nor have any commitments been assumed to guarantee the success of the Bond designated "Olivetti 1.5% 2001-2010 convertible bonds with premium upon redemption".

Risks relating to the exercise of conversion rights and to changes in the conversion rate

The Bonds are convertible into Olivetti ordinary shares at a rate of 1 Olivetti ordinary share for each Bond presented for conversion. The market value of the Bonds could fluctuate in relation to the subscription price, and also in relation to the performance of the Olivetti ordinary share price. No guarantee can be provided that the Olivetti share price will be equal to or higher than the nominal value of the bonds.
If the hypotheses illustrated in art. 7 of the Regulation of the Bonds designated "Olivetti 1.5% 2001-2010 convertible bonds with premium upon redemption", which is attached to this Prospectus, come about , the Bond conversion rate may be subject to changes in accordance with the terms set forth therein.

Early redemption of the bonds

Olivetti reserves the right to proceed with early redemption of the Bonds, pursuant to the terms and conditions specified in art. 2 of the Regulation of the Bonds designated "Olivetti 1.5% 2001-2010 convertible bonds with premium upon redemption", which is attached to this Prospectus.

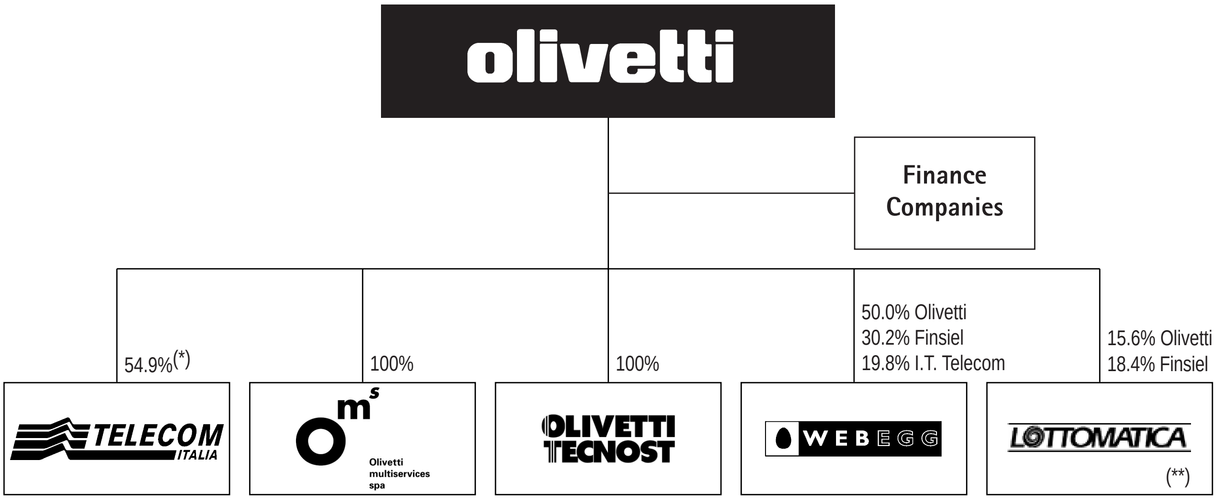
Exclusion of the markets in which the offer is not permitted absent authorisation by the competent authorities

This Prospectus is not an offer of financial instruments for sale in the United States of America or in any other countries in which such Offer is not permitted absent authorisation by the competent authorities (hereinafter **"Other Countries"**). Financial instruments may not be offered or sold in the United States of America or in Other Countries absent specific authorisation pursuant to local laws or absent exemption from such authorisation.
The Shares and Bonds have not been and will not be registered under the United States Securities Act of 1933 as amended nor under the corresponding laws of Other Countries and consequently may not be offered or in any case delivered directly or indirectly in the United States of America or in Other Countries.

Profile of the Issuer and of the operation

1. The Issuer

Olivetti is a holding company in equity investments whose core activities are wireline and mobile telecommunications, conducted through the Telecom Italia Group. Olivetti also has interests in other industrial sectors, including office and Internet products and services (Olivetti Tecnost Group), Internet services (Webegg Group), services and facilities management (Olivetti Multiservices) and gaming systems (Lottomatica).
The chart below illustrates the current structure of the Group:



(*) % of ordinary share capital; 39.5% of total share capital
(**) not consolidated line-by-line

Description of business and sectors of activity

The Telecom Italia Group is active mainly in wireline and mobile telephony through, respectively, the Telecom Italia Wireline Division and the subsidiary company TIM (of which it holds 56.27% of ordinary capital), and through the subsidiary and associated companies operating in other European countries and in South America.
The Telecom Italia Group is also active in the satellite telecommunications sector through the Telespazio Group, in the Internet and Media sector through the SEAT Pagine Gialle Group, in the information technology sector through the IT Telecom business unit and in innovation through Telecom Italia Lab S.p.A.
The Olivetti Tecnost Group is active in office products, communication devices and specialised IT systems for service and gaming automation. It has also launched new ventures in innovative fields such as home automation.
The Webegg Group provides consultancy services and IT solutions for companies adopting the e-enterprise business model.
Olivetti Multiservices is a real estate and services company that provides property management services for the Olivetti Group and on the global services market.

A breakdown of Olivetti Group revenues by sector of activity in the last two financial years is set out below:

Olivetti Group (*) – Third-party revenues

(in millions of Euro)	1st half 2001	1st half 2000	Year 2000	Year 1999
Telecom Italia Group	15,589	14,217	28,911	27,081
Olivetti Tecnost Group	540	576	1,120	1,002
Olivetti Multiservices	30	18	55	30
Webegg Group	30	18	30	34
O.I.S. Group				60
Total Group	**16,189**	**14,829**	**30,116**	**28,207**

(*) The revenue figures for the various periods are not comparable due to the continual changes in the corporate structure, particularly that of the Telecom Italia Group.
The table does not show revenues for 1998 (totalling Euro 3,702 million), given the even greater disparity in the consolidation area, which at that time did not include the Telecom Italia Group.

In geographical terms, the revenues of the Telecom Italia Group on non-Italian markets amounted to Euro 3.6 billion in the first half of 2001 (Euro 2.9 billion in 2000). In 2000, revenues totalled Euro 5.9 billion (Euro 3.9 billion in 1999). The other Olivetti Group companies accounted for approximately 45% of revenues generated on non-Italian markets in the last few years.
Olivetti Group revenues are generated by a very large number of customers. Although revenues from individual customers may in some cases be considerable, they are not significant in relation to total turnover. From a management point of view, the Olivetti Group operates independently of suppliers and lenders.

Future plans and strategies

The implementation of the industrial and financial strategy approved by the Company Board of Directors on 27 September 2001 provides for all Group operations to focus strongly on the core business in order to consolidate and enhance the Group's market positioning.
With regard to the main areas of activity:
a) in wireline telephony, the aim is to maintain leadership of the voice sector, to be leader in innovations in access and broadband services through use of fibre optics for business customers and by adopting a mass market strategy for use of DSL, to leverage in full the high quality of the network, to continue development of data transmission for corporate clients using the Group's complementary services;
b) in mobile telephony, the aim is to increase average revenues per user through a value-added services offer; to maintain network excellence and exploit the launch of the new GPRS services prior to the launch of UMTS; to become the leading GSM operator in South America; to rationalise European equity investments;
c) in the Internet and media sector, the main aims are to: increase market share in both traffic and customer connections; to maximise synergies between wireline and mobile activities; to re-organise the portfolio of the B2C and B2B portals and use the business directories as cash generators; to focus the TV sector on the "All news" segment by minimising financial risk and seeking possible partnerships.

The focus on the core business and the business portfolio review should lead to the disposal of non-strategic assets.
Regarding the rest of the Olivetti Group, the main goal is to reduce debt by cutting costs and disposing of non-core equity investments and through the extraordinary operation described in this Prospectus.

Capital expenditure

Olivetti's most significant expenditure, outside the Telecom Italia Group, has been mainly of a financial nature. During 2001, Olivetti made a number of carefully selected investments to strengthen its presence in the gaming, Internet and home automation businesses.
During the first few months of 2001, the Telecom Italia Group made investments totalling approximately Euro 2 billion in tangible fixed assets, mainly for the growth and modernisation of its wireline and mobile network infrastructure.
Its main expenditure for intangibles was the purchase of PCS licences in Brazil, through the Starcel, Blucel and Unicel companies, for a total of approximately Euro 1 billion. Financial expenditure (for approximately Euro 2.4 billion) related chiefly to the purchase of the IS TIM equity investment in Turkey.

2. The Offer

The rights issue described in this Prospectus (hereinafter the **"Offer"**) was approved by a resolution of the Olivetti Board of Directors on 13 October 2001 implementing the proxies conferred on the Board pursuant to arts 2443 and 2420 ter of the Italian Civil Code by the Extraordinary Shareholders' Meetings of 7 April 1999 and 13 October 2001.

The resolution of the Olivetti Board of Directors approved:
1) a share-capital increase for a maximum par amount of Euro 4,079,803,958 through the issue of a maximum of 4,079,803,958 ordinary shares at Euro 1 par value per share (hereinafter the **"Shares"**), intended both as a capital increase in the event of immediate subscription of the shares being issued and, alternatively, to service the conversion of bonds described in point 2) below; in this latter case, the increase is irrevocable and fixed until final expiry of conversion rights;
2) the issue of a maximum of 4,079,803,958 bonds designated "Olivetti 1.5% 2001-2010 convertible bonds with premium upon redemption" (hereinafter the **"Bonds"**) with a nominal value of Euro 1 per bond, convertible into Olivetti shares on a one-to-one basis;
3) the offer to the holders of Olivetti shares outstanding at the commencement of the rights issue period and to the holders of bonds designated "Olivetti 1998-2002 f.r. bonds convertible into ordinary shares" (hereinafter the **"Olivetti 2002 Bonds"**) and "Olivetti 1.5% 2001-2004 convertible bonds with premium upon redemption" (hereinafter the **"Olivetti 2004 Bonds"**),on an alternative basis at the choice of the rights holders, of the Shares being issued as at point 1) above and/or of the Bonds being issued as at point 2) above, at a rate of 1 new Share/Bond for every 2 shares/bonds held, at a unit price of Euro 1.

The maximum number of Shares and Bonds was computed by the Olivetti Board of Directors based on the share capital that would exist assuming exercise of all the warrants issued by the Company and exercisable prior to the commencement of the Offer, that is to say, the "Olivetti 1998-2002 ordinary share Warrants" (hereinafter the **"Olivetti 1998-2002 Warrants"**), the "Olivetti ex-Tecnost 1999-2004 share Warrants" (hereinafter the **"Olivetti ex Tecnost Warrants"**) and the "Olivetti 2001-2002 ordinary share Warrants" (hereinafter the **"Olivetti 2001-2002 Warrants"**), and also of the Olivetti 2002 Bonds and Olivetti 2004 Bonds, less 2,697,500 own shares.
At the date of publication of this Prospectus, the Company had received, in sufficient time to permit uptake of the Offer, applications for the exercise of 30 Olivetti 2001-2002 Warrants giving the right to obtain 15 new-issue Olivetti shares, whereas it had not received exercise applications from the holders of Olivetti ex Tecnost Warrants. Thus, considering that the Olivetti 1998-2002 Warrants may be exercised up until the day before the commencement of the Offer, with effect before tear-off of the right, a maximum of 3,915,916,285 Shares and/or a maximum of 3,915,916,285 Bonds are offered to rights holders on an alternative basis.

On the conclusion of the Offer, assuming full subscription of the Shares and the Bonds, Olivetti share capital will be as follows:

	maximum Shares
Pre right issue fully diluted share capital (*)	**8,200,757,066**
Maximum share capital after the right issue (**)	**12,116,673,351**
% of new Shares in respect of total share capital (*)	47.75

(*) Assuming full conversion/exercise of Olivetti 2002 Bonds, Olivetti 2004 Bonds, Olivetti 1998-2002 Warrants, Olivetti ex Tecnost Warrants, Olivetti 2001-2002 Warrants and Warrants reserved for employees of the Company and its subsidiary companies (hereinafter the **"Stock Options"**).
(**) Also assuming full subscription of the Share Offer or the full conversion of Bonds on maturity.

The net proceeds raised by the Offer of Shares and Bonds – totalling an estimated maximum amount of approximately Euro 3.8 billion – will enable the Company to achieve a more balanced debt/equity ratio and thus to establish a more appropriate financial structure. The share capital increase and convertible bond issue will also allow Olivetti to reduce its global debt-servicing burden. The convertible bond issue will have an immediate impact on the Company's income statement and cash flow, since bond repayment conditions will be less costly than those of the current borrowings, while equity will increase in the event of conversions.
Olivetti expects that, in line with the strategy launched during 2000, the proceeds raised by the Offer will be used to buy back bonds, in particular the floating-rate notes issued by the subsidiary company Olivetti Finance N.V. in 1999 and maturing in 2004, early redemption of which, as set forth in the relevant regulation, is possible in June 2002.
Specifically, beginning in 2002, the operation illustrated above will lead to a reduction of approximately Euro 140 million per annum in financial charges (assuming full subscription divided 50% in Shares and 50% in Bonds).

At the date of this Prospectus, the parties that directly or indirectly hold shares representing more than 2% of Olivetti share capital are as follows:

	ordinary shares	% on the present share capital	% on the "fully diluted" share capital (*)
Olimpia (**)	1,965,302,250	26.962	24.382
Assicurazioni Generali	225,253,984	3.090	2.747
Olivetti International S.A. (***)	211,931,328	2.907	2.584
Mediobanca S.p.A.	164,852,309	2.262	2.010
Total Share Capital	**7,289,206,911**		
Total fully diluted share capital	**8,200,757,066**		

(*) Assuming full conversion of Olivetti 2002 Bonds, Olivetti 2004 Bonds, exercise of Olivetti 1998-2002 Warrants, Olivetti 2001-2002 Warrants, Olivetti ex Tecnost Warrants and Stock Options (including securities held by shareholders who have sent notice thereof).
(**) Of which 1,701,802,250 shares pledged by Olimpia, which maintains voting rights.
(***) Shares without voting rights pursuant to art. 2359 bis of the Italian Civil Code.

The shareholder Olimpia S.p.A. (hereinafter **"Olimpia"**) has undertaken to subscribe the full amount in respect of which it holds rights, subscribing 50% in Shares and the remaining 50% in Bonds.

Since the operation described in this Prospectus contemplates an Offer of Shares or Bonds on an alternative basis at the choice of the rights holders, it is not possible to forecast exactly the effect of the operation on the current ownership structure, given the possible combinations that could arise depending on the decision made by each subscriber.

No individual party declared, pursuant to art. 120 of Legislative Decree no. 58/1998, to exercise control of the Company pursuant to article 93 of Decree Law no. 58/1998. Consob expressed the opinion according to which the Company is controlled "de facto" by Olimpia and that the latter is in turn subject to the sole control of Pirelli.

The texts of the extracts of the agreements published pursuant to art. 122 of the Consolidated Law are set forth in an attachment to this Prospectus.

The timetable for the Offer described in this Prospectus is as follows:

– Notice of Offer	31 October 2001
– Publication of final issue conditions of the bonds	1 November 2001
– Commencement of Offer period	5 November 2001
– Last day of trading of option rights	15 November 2001
– Conclusion of Offer period and payment of Shares and Bonds	23 November 2001

Option rights must be exercised, or lapse, from 5 November 2001 to 23 November 2001 inclusive, at the offices of all the authorised intermediaries belonging to the Monte Titoli S.p.A. centralised management system.

Option rights may be traded on the Stock Exchange from 5 November 2001 to 15 November 2001 inclusive. Option rights that are unexercised as of 23 November 2001 will be offered by the Company on the Stock Exchange, pursuant to par 3 of art. 2441 of the Italian Civil Code.

The Offer will be irrevocable as from the date of filing of the relevant notice with the Register of Companies, pursuant to par 2 of art. 2441 of the Italian Civil Code which will be effected by 2 November 2001. Should the Offer not be executed according to the timetable set forth in this Prospectus, a public notice to such effect will be published in the "Il Sole 24 Ore" daily newspaper by 4 November 2001.
The option rights will be represented by coupon no. 7 detached from Olivetti ordinary shares, by tear-off slip D detached from Olivetti 2002 Bonds and by tear-off slip A detached from Olivetti 2004 Bonds.

Since the Offer in question is a rights issue, no party is responsible for placement.
Subscription of the Shares and Bonds through exercise of option rights must take place at the offices of Olivetti or those of all the authorised intermediaries belonging to the Monte Titoli S.p.A. centralised management system.

3. Selected accounting data and multipliers

The main historical economic and financial data of the Olivetti Group are set out below, taken from the relevant accounting schedules included and published in the annual reports and half-year reports for the financial years in question; the data for the various periods is not comparable due to the changes made in the area of consolidation over the last few years (mainly the sale of Olsy S.p.A. – IT systems and services – in 1998, of Omnitel S.p.A. and Infostrada S.p.A. in the first half of 1999 and the acquisition of Telecom Italia at the end of the first half of 1999; the equity investment in Telecom Italia was valued at cost at 30 June 1999 and consolidated line-by-line as from 31 December 1999).
Data for the Olivetti parent company is not provided, since such data does not provide significant information in addition to that provided by the Group consolidated data. Parent company data is however available to the public at the offices indicated in Chapter IX below.
The adjusted average number of shares for each period was determined in accordance with International Accounting Standard (IAS) 33.
The number of shares at the end of the period includes also shares to be issued in respect of bond-conversion or warrant-exercise applications received before the end of the period in question.
Share prices reflect the arithmetic mean of the official Olivetti share price in the period in question.

HISTORICAL KEY FIGURES

HISTORICAL DATA	1st half 2001	1st half 2000	Year 2000	Year 1999	Year 1998
Cash Flow (mln Euro) (#)	6,734	6,139	12,327	11,618	718
Net financial indebtedness (mln Euro)	–41,911	–28,556	–37,524	–27,379	–1,531
Adjusted average number of shares	6,949,650,313	6,696,008,018	6,700,936,789	5,801,913,952	4,780,034,990
Number of shares at the end of the period	7,282,202,289	4,904,389,093	6,914,557,307	4,837,206,042	2,957,314,938

PER-SHARE DATA (Euro)					
Gross operating result	1.021	0.966	1.963	2.098	0.168
Result from ordinary operations, after taxes (^)	0.059	0.152	0.291	0.499	0.020
Net result	–0.156	–0.072	–0.140	0.851	0.027
Cash Flow	0.969	0.917	1.840	2.002	0.150
Total shareholders'equity	3.970	5.486	4.536	5.439	0.657
Group shareholders' equity	1.818	1.859	2.004	1.974	0.426
Price/Earnings	n.s.	n.s.	n.s.	3.007	113.003
Price/Cash flow	2.456	4.062	2.028	1.278	20.145
Price/Net equity	0.599	0.679	0.822	0.471	4.606
Dividend	–	–	0.035	0.031	–

OTHER HISTORICAL DATA					
Total capitalisation (mln Euro)	16,540	24,936	24,994	14,853	14,464
Group employee at the end of the period	126,869	135,107	120,973	129,073	16,742
of which in Italy	102,523	111,927	97,436	114,155	13,671
of which abroad	24,346	23,180	23,537	14,918	3,071

(#) Earnings before non-recurring income and charges, interest, taxes, plus depreciation and amortisation
(^) Determined through application of an average rate, weighted for the financial years 1998-2000.

At 31 August 2001, the Olivetti Group had net financial indebtedness totalling approximately Euro 42.7 billion (Euro 37.5 billion at 31 December 2000), or approximately Euro 17.6 billion excluding the Telecom Italia Group (Euro 18.5 billion at 31 December 2000).

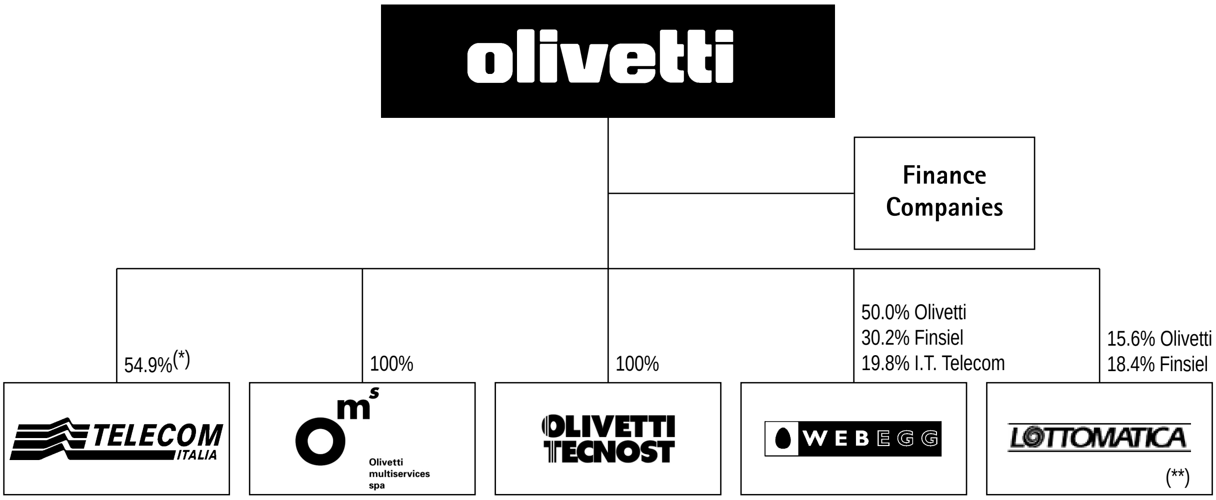
The quarterly figures for the Parent Company and the Group at 30 September 2001 will be approved by the Board of Directors and subsequently published in compliance with the terms set by the CONSOB regulation for listed companies, that is to say no later than next 14 November.

Section One – Information about Olivetti and the Olivetti Group

I – Information about the operations of the Issuer

1.1 Recent developments in operations

Olivetti is a holding company whose core activities are wireline and mobile telecommunications, conducted through the Telecom Italia Group, of which it owns 54.9% of ordinary share capital. Olivetti also has interests in other industrial sectors, including office and Internet products and services (Olivetti Tecnost Group), Internet services (Webegg Group), services and facilities management (Olivetti Multiservices S.p.A.) and gaming systems (Lottomatica S.p.A.). For a description of the development of Olivetti's activities since closure of financial 2000, see Chapter V, point 5.2.
The chart below illustrates the organisational structure of the Olivetti Group as of the date of the Prospectus:



(*) % of ordinary share capital; 39.5% of total share capital
(**) not consolidated line-by-line

The Telecom Italia Group

The Telecom Italia Group in the first half of 2001 had revenues of Euro 15,589 million, with earnings before interest and tax (EBIT) of Euro 3,630 million and net profit of 198 million, both for Olivetti Group consolidation purposes. In the first half of 2001, the Telecom Italia Group consolidation area was extended to include Entel Chile and various subsidiaries in Brazil; furthermore, some companies, such as Seat (which in turn consolidated various new companies of which it took control), Jet Multimedia and Maxitel, which in 2000 had only been consolidated on the balance sheet, from 2001 have also been consolidated on the income statement. On the other hand, the income statement for 2001 no longer includes the results of the Italtel and Sirti groups, which left the consolidation area at the end of September 2000 (see also Chapter V, point 5.2.1).
During the current accounting period, Telecom Italia has pursued an active policy of development, including acquisitions, in particular in mobile telecommunications, Internet and media and added-value

broadband services. Partly as a result of these operations, Group debt in the course of the half year increased by Euro 5,430 million, going from Euro 19,029 million at the end of 2000 to Euro 24,459 million at the end of June 2001.

In order to improve its business results and financial management, in the first half of 2001 Telecom Italia undertook some important operations including: issue of a Euro 6 billion bond, divided into three tranches with redemption dates between 2004 and 2011; issue of a Euro 2 billion bond (later increased to 2.5 billion with exercise of the green shoe) convertible into TIM and Seat Pagine Gialle shares; securitisation of telephone bill receivables of Euro 700 million (this is the first operation of its kind in the European telecommunications sector). Thus Telecom Italia has taken steps to consolidate and reduce its debt burden and improve its financial flexibility.

The growth of the Telecom Italia Group at consolidated level is the outcome of trends, operating results and problems that vary widely among the different business areas, linked in part to changes in the economic climate and regulatory environment as well as in the market situation.

The US economic downturn has had repercussions on European markets too, producing almost everywhere a noticeable slowdown in economic growth and above all a sharp decline in share prices. Although European demand for telecommunication and information technology services remained generally quite strong in the first half of the year, the crisis hit start-ups in the new Internet economy sectors or that were too heavily indebted. This created a negative market situation that seems to have slowed the transition towards more innovative telecommunication services, impacting on activities most closely tied to the Internet and third-generation mobile telecommunications (UMTS).

Growth in the telecommunications sector has also been conditioned by changes in the regulatory framework, albeit the liberalisation process can now be considered over, with all market segments open to competition.

In Italy, regulations introduced by the Communications Authority included those relating to tariff recalculation, which led to an average 4% increase in line rentals and a reduction in local and interdistrict call charges starting from 1 February 2001; a further adjustment to rental fees and interdistrict charges occurred on 1 July 2001. The Authority also regulated number portability among mobile operators and drew up the timetable for its introduction, which will involve operators in a series of technical and other operations.

The Antitrust Authority placed some restrictive measures on Telecom Italia as a condition for authorising the merger between Seat Pagine Gialle and Cecchi Gori Communications. In particular, it ruled that competitor operators can have access to civil infrastructure in order to lay fibre optic cables to transport interactive multimedia services. See also point 1.4 below.

Wireline telecommunications

In wireline telephony, the results of the Wireline Services business unit showed a significant increase in traffic volumes (+28.2% in terms of communication minutes), thanks above all to traffic "transported" on behalf of other operators and to on-line traffic. On the other hand, fierce competition and the changes in tariffs led to a reduction in prices and a consequent fall in revenues, only partially offset by increasing demand for interconnection from other wireline operators. Overall in the first half of 2001 income in this area fell by 2.7% to Lire 16,480 billion (Euro 8,511 million).

Containment of external costs, reductions in personnel and labour costs, and lower depreciation, amortisation and writedowns helped to prevent the fall in revenues from having a negative impact on the income statement, which in fact shows an improvement in gross operating profit and, more markedly, in operating income, which rose to 25.8% of revenues in the first half of 2001 (22.6% in the first half of 2000).
The strong increase in demand for ISDN connections created a further increase in the wireline network with 27.3 million lines at the end of the half year (of which 5.1 million were ISDN lines).
In the Residential Telephony segment, results were good, especially for the Internet and the "Teleconomy" offers (with over 3,000,000 customers at the end of June), as well as for some innovative network services.
In the Business Telephony segment, which has approximately 830,000 mid/high-end customers, the range was enhanced by numerous new services both for traditional telephony and the IP sector.
In particular the Data.com unit, which develops data services, launched various new solutions that were well received by customers. At 30 June 2001 the total number of connections to innovative broadband technologies was about 50,000, 55% of which were activated in the half year.
The strong increase in demand for connection to the data network, driven in part by the growth of the Internet, necessitated an updating of the infrastructure and management systems and this was carried out by means of innovative technological solutions. Furthermore, in the half year, the intelligent network platforms were Internet enabled and steps were taken to adapt the switching network to the requirements of the national telephone numbering plan.

Mobile telecommunications

In the mobile telecommunications sector, the TIM Group acquired control of all the mobile telephony shareholdings owned by the Telecom Italia Group, thus reinforcing its presence on international markets and especially in the Mediterranean and South America.
In the first half of 2001, TIM's revenues reached Lire 9,545 billion (Euro 4,930 million), an increase of 9.2%. The ratio of operating income to revenues rose to 32.8% (32.5% in the first half of 2000), which was also the result of repositioning the company in more profitable business and service areas.
At 30 June 2001, lines activated by the TIM Group totalled 45.7 million; for the first time, lines on foreign markets, at 23 million (corresponding to 6.7 million on an equity basis), overtook the number of lines in Italy (22.7 million). The total of lines for the TIM Group does not include the approximately 5 million mobile lines belonging to overseas subsidiary or associated companies of the Telecom Italia Group and consolidated by the International Operations business unit, since they operate in both the wireline and mobile telephony sectors.
At the end of June 2001, the staff of the TIM Group, following the consolidation of the Brazilian companies Digitel and Maxitel acquired at the end of 2000 and of Tim do Brasil, the holding company for Blucel, Starcel, Unicel and TIMnet.com set up during the half year, numbered over 16,000 employees.
In a delicate period for the market, which is preparing to receive services based on innovative technologies such as WAP, GPRS and UMTS, TIM's strategy aims at continuous development of innovative services (i-TIM) and maintenance of leadership in technological innovation.
In the first half of 2001, the revenues of the parent company, which operates in Italy, grew by 6.1%, but revenues from value-added services grew nearly 70%, above all following the increase in Internet services (over 400%) and SMS (about 60%).

In the field of value-added services, grouped together under the "i-TIM" brand, the i-TIM portal for interactive services was launched; WAP services were expanded through partnership agreements; in May 2001 the GPRS service for the Corporate sector and the Consumer market was launched, thus offering clients the possibility of direct Internet access on their mobile phone (WAP services) or by connecting their mobile to a PC or a palm-pilot (UNI.TIM service).
TIM effected new investments to continue development of the GSM network, complete the adaptation of the network to the GPRS service and intensify activities to develop the UMTS system.

International Operations

The International Operations business unit comprises various companies, mostly subsidiaries of the SIN holding company (Stet International Netherlands, 100% owned by Telecom Italia); these companies operate in the wireline and integrated wireline-mobile sector. The business unit has two main objectives: to strengthen operations in geographic areas (above all Europe and Latin America) and business sectors with high growth potential; and to dispose of non-strategic shareholdings. In keeping with these objectives, various operations were conducted with the main following results:

• in France, in the first half the subsidiary 9Télécom Réseau more than doubled its revenues, in part through acquisitions, but still reported an operating loss; in wireline telephony the company had more than 990,000 customers at 30 June 2001 (750,000 at the end of 2000).
In the same period, Jet Multimedia increased revenues by 15% and finalised the acquisition of 100% of Victoire Multimedia from the LVMH Group in a deal worth Euro 33.5 million. Victoire is the French leader in on-line services for financial operators;
• in Spain the ownership structure of AUNA (a holding company created in December 2000) was finalised; the Telecom Italia Group's overall stake amounts to 26.58 % of share capital, to which a stake (0.32%) held by Multimedia Cable should be added. In the first half of 2001, AUNA strengthened its position as the main competitor to Telefonica, serving 2,409,000 customers with indirect access (via Retevision) and 4,361,000 mobile telephony customers (via Amena);
• in Austria the legal transformation of Mobilkom Austria from a joint stock company to a partnership was completed in order to allow Telekom Austria to offset, with effect from 1 July 2000, its previous tax losses against the profits of Mobilkom. Increasing competition and market liberalisation were tackled through a policy of tariff reductions and the spin-off of the Internet segment. In the first half of 2001 revenues fell by 11% and a negative operating margin was reported;
• in Argentina the Group is present through Nortel Inversora, parent company of Telecom Argentina (54.74%), which at 30 June 2001 had over 3.6 million wireline subscribers (+9.5% compared to the end of June 2000), with a market share of 45%, and 2.2 million mobile phone customers (a share of 31%). The difficult economic situation and strong competition led to a fall of 5% in revenues and 16% in the operating margin;
• in Chile, SIN acquired new shareholdings in the Entel Chile Group, worth 905 million dollars, thus increasing its stake to 54.76%. Despite the countrywide recession, in the half year Entel Chile consolidated its market leadership in the mobile telephony sector with 1.6 million customers (+62%; +47% in terms of revenues); in long distance telephony revenues rose by 84%;
• in Brazil the Telecom Italia Group operates in wireline telephony through Brasil Telecom Participaçoes (BTP), a subsidiary of SIN. At 30 June 2001, BTP recorded good results, reaching 7.9 million connections (+59%) and 9.8 million lines installed.

However, the performance of Globo.com (GLB Serviços Interativos), which operates as an Internet portal, suffered from the slowdown in market growth. In the first half of 2001 the company, still in its start-up phase, could not match the forecasts made at the start of the year.

Satellite communications

In the field of satellite communication systems, the Satellite Services business unit, consisting mainly of the Telespazio Group, had revenues for the half year at the same level as the previous year (Lire 272 billion, or Euro 140 million), with an operating profit of Lire 9 billion (Euro 5 million), compared to a loss of Lire 56 billion (Euro 29 million) in the first half of 2000 (the exclusion from the consolidation of Iridium Italia and Comstar, both in liquidation, also had an effect on these results).

The Internet and Media

In the Internet and Media sector, Telecom Italia operates through the Seat Pagine Gialle Group, which has extended its activities from publishing to information, television and the whole range of Internet services for the consumer market and for small and medium-size businesses.
In the first half of 2001 the revenues of the Seat Group rose to Lire 1,598 billion (Euro 825 million), an increase of 44% mainly due to the enlargement of the consolidation area following numerous acquisitions, including those of the French company Consodata, the German Telegate and Cecchi Gori Communications (the La 7 channel, the former Telemontecarlo).
In a generally unfavourable market, the activities of the "Directories" segment confirmed their nature as counter-cyclical products, with steady growth of almost 2% and a positive trend in margins. On the other hand, revenues in the Television sector were strongly affected by the poor trend in the advertising market in a period of business reorganisation. The Internet area too suffered the consequences of lower advertising demand and the impact of start-up costs for the new initiatives Mundus (a marketplace), Giallo.it (a business portal), and Gialloviaggi; however, a positive contribution came from the strong growth in sales of ADSL subscriptions and the operations undertaken to control costs and recover efficiency.
The many corporate operations undertaken in the half year included:
• the acquisition in February of the majority stake (54.5%) in Consodata, a company listed on Paris' Nouveau Marché, which operates in information marketing;
• completion of the acquisition of 100% of Telegate Holding, a German company which controls approximately 51% of Telegate A.G., listed on the Neuer Markt and active in directory-assistance services;
• a public tender offer to buy the residual shares in the Buffetti Group: with this operation Seat increased its investment to 99.4% of Buffetti, whose shares were removed from the stock exchange list with effect from 17 May 2001;
• the issue in June of 76.31 million new Seat shares used for the acquisition of 100% of NetCreations, a company established in America and involved in marketing via e-mail;
• final approval by the Administrative Central Court for the acquisition of 100% of Telemontecarlo, renamed La 7, following a complex operation that began in the last accounting period.

IT services

In the area of IT services, the IT Telecom business unit completed the first stage of its industrial and corporate re-organisation to group its many units into homogeneous areas. The second phase of the plan involves the transfer to IT Telecom of the shareholdings held by Telecom Italia in Finsiel, Telesoft, Sodalia and Netsiel, which are part of the business unit.
In the first half of 2001, IT Telecom, which has just under 12,000 employees, recorded revenues of Lire 1,713 billion (Euro 885 million), a fall of 7.4% compared to the first half of 2000, mainly because of changes in the consolidation area and the impact of new outsourcing contracts made in 2001 by Telesoft and Netsiel with the parent company's Wireline Services business unit at market prices. The operating results, however, showed a clear improvement (+44.3%) and exceeded the threshold of 10% of revenues.
The Finsiel Group reinforced its traditional business of IT services for central and local government; it increased its range of development and system integration services, Enterprise Resource Planning (ERP) platforms, online services for e-business, e-banking and training; it upgraded its entire range to offer personalised web-based solutions for business, banks and public authorities.
Within IT Telecom, the Telesoft Group is the main supplier of software and IT services for the Telecom Italia Group; in the first half of 2001, it had revenues of Lire 309 billion (Euro 160 million), an increase of 4% which reflected the renewal of the outsourcing contract and the enlargement of the consolidation area.
Netsiel, which manages and operates Telecom Italia's IT infrastructure, recorded revenues of Lire 352 billion (Euro 182 million) in the first half of 2001. Sodalia, which produces innovative telecommunication software, recorded an 18% increase in revenues to Lire 21 billion (Euro 11 million) and returned to operating profit.

Telecom Italia LAB

The Telecom Italia Lab business unit operates in the field of venture capital and innovation and was created from the merger of CSELT's research activities with the Group's venture capital management activities. The objective of the business unit is to identify and manage innovative projects that can be translated into business and value-creation opportunities for the Telecom Italia Group.
In line with these objectives, a number of transactions were conducted during the first half of 2001, including:
- the sale to Olivetti Multiservices of the CSELT business arm active in general services and the management and maintenance of buildings and plants;
- the establishment of Loquendo through the spin-off of the business arm dedicated to voice technologies, with approximately 90 employees and related facilities. In its first months of business the new company fully met the targets set both in terms of organisational growth and revenues;
- the merger into CSELT of Telecom Italia's Venture Capital & Innovation business unit, consisting of about 70 employees, equity investments and stakes in specialist funds.

Research and development work covered a vast field of systems and services, with a special focus on applications in the mobile and wireline telecommunication sectors (localisation, messaging and multimedia services), development of planning tools, network planning and management, and experimentation in local access techniques (W-LAN, Bluetooth).

Other Olivetti Group equity investments

Olivetti Tecnost S.p.A.

Olivetti Tecnost is the Olivetti Group company that deals in office products, communication peripherals, dedicated IT systems for the automation of services and gaming, and innovative solutions for the Internet and home automation.

During 2001 it has reinforced its strategy of focussing on business areas with high profit and growth potential, such as products and services for the automation of vertical markets in banking, retail, gaming and lottery systems, together with solutions and products for the digital office environment.

In the first half of 2001, the consolidated revenues of the Olivetti Tecnost Group were Euro 559.3 million, a decrease of about 4.3% compared to the first half of 2000 at constant size, due to the refocusing of activities and lower sales of personal computers following completion of Tin.it's "e-vai" initiative. In the first half of 2001 the Group recorded a profit (for Olivetti Group consolidation purposes) of Euro 0.2 million.

An analysis of revenues highlights strong growth in:

- Vertical Markets, +17%, with banking and retail peripherals growing by 40%, while the gaming automation business in the first half of 2001 was above expectations in terms of systems installed;
- in Italy, +9%, generated by the dealer network in the small and medium-size business sector for new digital office solutions;
- in Latin America, growth of 28% in the IT services business.

During 2001, the operational structures of the companies set up last year for new business development were completed and the companies started to trade. The companies are Domustech (70% Olivetti Tecnost, 30% Vemer Siber), GoToWeb (80% Olivetti Tecnost, 20% Webegg) and OliWeb (100% Olivetti Tecnost).

Domustech operates in the field of home automation. In May 2001 the company was present at Intel 2001, the most important tradeshow for the electrical applications industry. The company continued development of its product range and business model, culminating in a presentation to the Group's Italian dealers. In parallel, it finalised the technical specifications of its system and relationships with the companies that supply monitoring services, technical assistance and insurance cover to accompany its offer.

GoToWeb has as its objective the realisation of web services for small and medium-size businesses. The services delivery and billing platform was developed and the go-to-market phase began with the involvement of the dealer network. In strategic terms, contact was made with Italian and overseas partners to distribute value-added services and, in particular, a partnership agreement was finalised with Telecom Italia for the resale of broadband connection services.

OliWeb manages and promotes Internet products and services for the consumer market. Its business model covers the whole value chain of Internet-based projects. Originally created as an industrial partner for Tin.it's e-Vai service, in the course of 2000 and in the first six months of 2001, OliWeb branched out by setting itself up as a service partner for commercial projects designed to stimulate consumer demand for and use of the Internet.

Analysis of hardware revenues, which represent 70% of Olivetti Tecnost's overall revenues, shows the following main results:

• in the reprographics sector, the product range based on digital technologies was reinforced by the introduction of new models distinguished by high-quality, reliability and easy network connection, support for a wide range of operating environments and extremely competitive operating costs;
• ink-jet faxes confirmed the success of models for the consumer channel. The Olivetti fax range, which grew overall by 28% in terms of revenues and by 44% in terms of production volumes, further consolidated its position as the supplier for Telecom Companies, by adding customers such as Telecom Italia and Telefonica (Spain) to its portfolio, which also includes France Telecom, British Telecom, BelgaCom, KPN and Telia;
• also on the consumer channel, the new PDAs (Personal Digital Assistant) in the DV series and the Xsmall device performed well, especially in France and Spain, with sales volumes of 235,000 units in the half year. These sales helped to maintain revenues in this segment and make up for the fall in traditional calculators;
• in ink-jet printers, stiff price competition and the now inevitable negative margins on hardware sales, dictated, as expected, a conservative approach which was reflected in a gradual fall in sales volumes;
• in the specialised printers segment, the PR2 printer for banks reconfirmed its position as a worldwide market leader and a benchmark for competitors, with 115,000 machines sold in the half year, over 50% up on the first half of 2000. Growth was particularly high in the emerging countries of Asia, with peak increases of 75% on the Chinese and Korean markets. New versions of the machine made it possible to win new customers such as the Danish Post Office and Caixa, a leading Spanish banking group;
• fiscal cash registers continue to represent a very interesting market. In this sector the company consolidated its market leadership in Italy with a market share of approximately 30%. The increase in sales in the first half of 2001 compared to the first half of 2000 was about 10%. From the point of view of product development, the "e-cash" range was presented at Cebit 2001. This is a series of products equipped with many complementary Internet-enabled services.

In the lottery systems sector, the main supplies were for Lottomatica, with the activation of over 4,500 new gaming terminals, the realisation of a more secure communication system between terminals and processing centres and the supply of over 6,000 Terminal Adapters to move terminals onto the ISDN network. Furthermore, as regards the contract for management of Totocalcio terminals on behalf of CONI, the installation of the new TotoBinGol game was completed, including off-line outlets.

With regard to new applications for specialised markets, in February 2001 Olivetti Tecnost won the tender issued by the Italian Post Office for the supply of 18,000 counter systems for automatic franking and weighing. New vertical applications represent a promising sector, where the company has already launched projects to develop devices for the labelling, medical and digital photo sectors. Manufacturing activities are handled by Olivetti I-Jet, the Olivetti Tecnost company that incorporates the Group's ink-jet technological and industrial assets. These projects aim to diversify use of ink-jet technology beyond traditional products for the consumer and business markets (faxes, printers, multifunctional devices).

At 30 June 2001, net debt stood at Euro 73.2 million (Euro 110 million at 31 December 2000) and staff numbered 5,444 employees, up by 71 compared to 31 December 2000.

Webegg S.p.A.

The company, jointly owned by Olivetti S.p.A. and Telecom Italia Information Technology S.p.A., provides consultancy and IT solutions for companies wishing to set up as e-Enterprises on the Web.

In 2001 Webegg completed its interdisciplinary range of services with particular attention to web design. An important step was the acquisition of a majority stake in the post-graduate school of design, Domus Academy, a laboratory for new ideas to develop an Italian approach to web design.
New capabilities were acquired through the purchase of Performer, TeleAp, and Software Factory. Performer operates in the sector of technical and planning consultancy for e-business solutions and the integration of IT systems. TeleAp operates as a consultancy and system integration company for complete Customer Relationship Management solutions based on technologies geared to innovation and reliability. Software Factory specialises in the design and production of IT systems, applied outsourcing services and specialist consultancy for technologically advanced projects.
The focus on continuous improvement made further progress with the audit inspection for ISO 9001 Certification, which was extended to Customer Relationship Management services and the Internet business positioning consultancy services. In 2001 the company was classified as "Recognised for Excellence" under the European Foundation for Quality Management's European Quality Award.
In the first half of 2001, the Webegg Group recorded consolidated revenues of Euro 48.9 million (an increase of 37% compared to the revenues – pro-forma – for the first half of 2000) and an operating profit of Euro 6.1 million (an increase of 74% compared to the pro-forma operating profit of the first half of 2000).

Olivetti Multiservices S.p.A. ("OMS")

OMS (100% owned by Olivetti S.p.A.), a property and services company, manages the Olivetti Group's property assets. It also intends to become a key player on the Global Service market, which offers interesting growth potential as increasing numbers of major Italian companies decide to outsource these services.
OMS' business is development of "Property Management" services, including property leasing, purchases, renovation and sales: these activities represent over 40% of the company's total revenues; the remaining 60% is made up of facility management services, such as energy management, planning and management of technological installations, maintenance of buildings and so on.
In the first half 2001 OMS recorded aggregate revenues of Euro 44.9 million (28.4 million in the first half of 2000 on a similar basis), of which Euro 30.1 million came from customers outside the Olivetti Group, and a net profit of Euro 1.9 million (a loss of 2.9 million in the first half of 2000).

1.2 Patents, licences, industrial, commercial or financial contracts and manufacturing procedures

Olivetti owns the patents registered before the incorporation of the operating companies to which the Group's core business units have been transferred as from 1995. All new developments since 1995 are registered under the individual companies of the Olivetti Group.
A number of companies in the Group, most notably Olivetti Tecnost S.p.A. and the companies it controls, conduct major R&D work in innovative fields where patent protection is required: significant examples include ink-jet printing technology and traditional dot-matrix printing technology.
Olivetti also owns licensing or cross-licensing agreements in technological areas in which Group companies operate.

However, since Olivetti is primarily a holding company, its activities do not depend to any significant extent on patents, licences or other industrial contracts.
With regard to patents for the Telecom Italia Group, there are no third party obligations to report.
The Olivetti Group's business and profits do not depend significantly on the use of patents, industrial, commercial or financial contracts, or manufacturing procedures.
The telecommunications activity undertaken by Telecom Italia and TIM are subject to the terms and conditions of the licences and authorisations granted to them on the basis of Presidential Decree no. 318/97, Ministerial Decree 25.11.1997 and AGCOM resolution 467/00/CONS. Telecom Italia's licences expire in 2012, TIM's in 2010 for GSM and in 2005 for TACS.
The national regulatory framework for the telecommunications sector is governed by Law no. 249/1997 (the so-called Maccanico Law), which set up the Communications Authority, and by Presidential Decree no. 318/97, which put into operation European Union directives relating to the liberalisation of the telecommunications market and established an individual licensing regime for the installation, supply and management of a fixed and mobile public telecommunications network, for the supply of public wireline voice services, and for mobile and personal communication services; it also foresees a general authorisation regime to cover all activities that are not subject to the aforementioned licensing regime.
The Telecom Italia Group is also the licence-holder for the provision of fixed and mobile telephony services in the countries where it operates through its subsidiaries or associated companies.

1.3 Capital expenditure and other investments

Olivetti

The most important investments made by Olivetti, other than in the Telecom Italia Group, are mainly financial in nature.
During 2001, Olivetti has made investments that have allowed it to strengthen its presence in the gaming sector, where it was already present through its stake in Lottomatica S.p.A and through companies in the Olivetti Tecnost group.
With regard to this sector, in June 2000 Olivetti bought 4.98% of Cirsa Business Corporation S.A., a Spanish-based world leader in the gaming sector. In the United States, the Olivetti Group (through Lottomatica and Olivetti International) has an important stake in Scientific Games Corporation, a company created from the merger in 2001 of Scientific Games into and with Autotote Corporation (merger in 2001); the company is listed on the AMEX and is considered one of the world leaders for global lottery systems and services and instant ticketing. In September 2001, Olivetti, with other partners, took part in the purchase of Leisure Link Group Ltd., a British company active in the gaming sector. The overall investment (in equity and for the most part through financing) totals approximately 10 million pounds sterling and was implemented through an intermediary company set up specifically to acquire 100% of Leisure Link Group; Olivetti's stake is approximately 10.9%.
During 2001 Olivetti exercised its call option on the Fin Priv S.r.l. quotas held by Lazard and through TrediciMarzo S.r.l. took part in the purchase of further Mediobanca shares that had previously been held by the Lazard Group. The overall value of the two operations was Euro 18 million.

With regard to the other companies in the Olivetti Group, and in particular Olivetti Tecnost, besides investments related to the operations of Group companies, further investments were undertaken following the formation or development of new companies operating in the Internet sector (OliWeb S.p.A., GotoWeb S.p.A., Localport S.p.A.) and in home automation (Domustech S.p.A.). During 2001, Gotoweb will make significant investments to develop services to help small and medium-size businesses transfer their business to the Web simply and cheaply, while Domustech S.p.A. will invest in the development of its home automation services platform. The investments mentioned are important from a strategic and financial point of view for Olivetti Tecnost, but are not significant in terms of size if compared with other investments in the Olivetti Group.
No significant capital expenditure is underway other than that described, relating to other than normal business operations, nor is such expenditure planned for the future, as of the date of this Prospectus.

Telecom Italia Group

A breakdown by business and class of capital expenditure at the Telecom Italia Group during the fist six months of financial 2001 is set out below. The table does not include capital expenditure at Olivetti as described above.

(in millions of Euro, net of intercompany profit)	
Tangible fixed assets:	
Wireline Services	923.5
Mobile Services	616.1
International Operations	368.2
Internet and Media	49.6
IT Services	28.9
Satellite Services	9.3
Telecom Italia Lab	6.7
Sundry operations and consolidation adjustments	77.5
Total expenditure in tangible fixed assets	**2,079.8**
Intangible fixed assets:	
Consolidation goodwill Entel Chile Group	730.8
Mobile telephony licences in Brazil	989.5
Other investments	1,005.5
Total expenditure in intangible fixed assets	**2,725.8**
Total investments in financial fixed assets	**2,404.1**
Total capital expenditure	**7,209.7**

Expenditure in intangible fixed assets largely related to PCS licences acquired in Brazil by Starcel, Blucel and Unicel and the consolidation goodwill following the acquisition of a controlling stake in the Entel Chile Group.
Expenditure in tangible assets were mainly concentrated in the transmission and switching sector for wireline and mobile networks.

Financial asset investments in the first half of 2001 totalled Euro 2,404.1 million and mainly referred to the purchase of equity investments and contributions to the future share-capital increase account for the IS TIM mobile phone company in Turkey.
No significant capital expenditure is underway other than that described, relating to other than normal business operations, nor is such expenditure planned for the future.

1.4 Information about any legal proceedings or arbitration that could have or have recently had a significant impact on the operations of the Issuer

Olivetti S.p.A.

The main legal proceedings are described below.
1. The investigations opened by the Public Prosecutor in Milan in connection with the presentation on 16 May 1993 of the memorandum by the then Chairman-Chief Executive Officer, regarding which the company has already issued a number of statements (including, in particular, a statement in the Directors' Report in the 1993 Annual Report), were continued by the Public Prosecutor in Rome following the transfer of the case for reasons of territorial jurisdiction. The proceedings are at the preliminary hearing stage before the Court of Rome.
2. With regard to the dispute in the Rome courts between Olivetti and Poste Italiane S.p.A. for non-payment by Poste Italiane S.p.A. of products and/or technical assistance, the rulings to date have found in favour of Olivetti. Poste Italiane S.p.A. has appealed such rulings.
3. The case brought by Centenary Corporation and Centenary International Corporation against Olivetti and its subsidiary Olivetti Finanziaria Industriale S.p.A. (which incorporated Sy.F.A. S.p.A., which had in turn incorporated Olivetti Personal Computers S.p.A.) for damages (put at Lire 250 billion) that the plaintiffs allege they suffered as a result of the acquisition of the Olivetti Group's personal computers business, is still underway in the Ivrea courts.
Olivetti and its legal advisors believe the case to be objectively groundless in fact and in law and designed to cover the purchasers' responsibilities and shortcomings that clearly emerged in their management.
Olivetti and its subsidiary Olivetti Finanziaria Industriale S.p.A. have taken legal action at the Milan courts against Piedmont International S.A. (a company in the Centenary Group) to recover receivables due.
4. Two hundred former Olivetti Personal Computers S.p.A. employees have brought an employment case before the Ivrea courts in order to obtain a statement of invalidity for all the contracts relating to the sale of the personal computers business unit, the continuation of the appellants' employment with Olivetti with recognition of all the salary variations due to them, and payment of damages.

Telecom Italia Group

Challenge to Shareholders' Meeting resolutions

On 10 January 2001 the Telecom Italia savings share buyback, authorised by the Shareholders' Meeting of 14 January 2000, was concluded. The operation, which began with a public tender offer from 17

February to 17 March 2000 and continued with direct purchases on the stock market, led to the purchase of 113 million saving shares, representing about 1.5% of the total share capital.
In January 2001 a suit for damages was brought against Olivetti and Telecom Italia, and against the Chairman and Deputy Chairman of Telecom Italia, for amounts totalling Euro 18.9 million. The suit alleges failure to execute the undertakings laid out in the Prospectus relating to the Olivetti and Tecnost Public Tender Offer for Telecom Italia in 1999, and failure to comply with the resolution of the Shareholders' Meeting of 14 January 2000, with specific reference to the mandate to purchase own saving shares on the automated trading system, in compliance with the relevant regulations, following the end of the public tender offer period.
Concerning the aforementioned Shareholders' Meeting resolution, a challenge is also pending by a shareholder on the grounds that the proposal submitted to the Meeting was an emended version of that filed prior to the Meeting.
Following the closure of the half year, the resolutions passed by the Shareholders' Meeting of 3 May 2001 have been challenged. These resolutions, which are economically and operationally linked, regard both the authorisation to establish a subsidiary for the purchase of Telecom Italia ordinary shares in accordance with article 2359 bis of the Italian Civil Code, by means of a public tender offer, and the offer for the conversion of saving shares into ordinary shares. In short, the suit is based on the premise that the overall impact of the operations decided by these resolutions would constitute a distribution of reserves, from which holders of saving shares who do not wish to convert would be unlawfully excluded.

Investigations by the Turin Public Prosecutor's Office

In February 2001, the Turin Public Prosecutor's Office opened an inquiry into Telecom Italia's acquisition of 29% of the capital of Telekom Srbija. Telecom Italia immediately placed all the documentation and data regarding the aforementioned operation at the Authority's disposal.
With regard to the checks carried out in full collaboration with the relevant company divisions, the Independent Auditors PricewaterhouseCoopers and the Board of Statutory Auditors have declared that in their audit of the financial statements for 2000 no facts have come to light that could challenge the accuracy of the statutory and group consolidated financial statements of Telecom Italia at 31 December 1997, 1998 and 1999, nor affect the accounting period closed at 31 December 2000.
At the beginning of July the Parent Company was notified of a request to hand over documentation concerning, above all, the acquisition of Seat and the Tin.it-Seat merger.
The company offices have given their utmost co-operation to the Investigating Authority and made available ample documentation.

Acquisition of Cecchi Gori Communications by Seat

The Seat acquisition of Cecchi Gori Communications, by means of a contract signed on 7 August 2000 with Fin.Ma.Vi. S.p.A. and Cecchi Gori Group Media Holding S.p.A. (Cecchi Gori Group), has been followed by a series of administrative and civil proceedings.
Following preliminary proceedings pursuant to Law no. 249 of 31 July 1997, on 17 January 2001 the Communications Authority issued an ruling on the lack of authorisation for the operation. Telecom Italia

and Seat filed an appeal with the Administrative Court (TAR) for the region of Lazio asking for the ruling to be overturned and suspended pending a decision. The TAR approved the suspension application and ordered the Authority to re-examine the case.
On 20 February 2001 the Authority confirmed its negative finding. Seat and Telecom Italia immediately filed an appeal against the new ruling with the TAR; on 7 March the TAR issued a final sentence on the merits of the case, overturning the Authority's rulings and thus authorising the operation to continue.
In April 2001, the Communications Authority appealed against the sentence of the TAR of the Region of Lazio. The Administrative Central Court, in a sentence of 26 June 2001, rejected the appeal, confirmed the sentence of first instance and issued an execution order to the administrative Authority.
The Authority consequently authorised the acquisition, by means of resolution 288/01/CONS of 4 July 2001.
In February the Cecchi Gori Group filed an urgent petition with the Civil Court of Rome requesting either the voiding or, otherwise, the annulment of the purchase contract for Cecchi Gori Communications; the Court declared this inadmissible and rejected the petition.
In April, the Cecchi Gori Group challenged the Shareholders' Meeting resolution, made on 11 August 2000, which modified the by-laws of Cecchi Gori Communications; the hearing should take place by the end of the year.
In May, the Cecchi Gori Group notified a writ of summons against Cecchi Gori Communications and Seat, requesting that the resolutions made on 27 April 2001 by the Cecchi Gori Communications' Shareholders' Meeting be investigated and declared as invalid, and that the execution of these resolutions be suspended. The Court rejected both the petition for suspension and the complaint lodged by the Cecchi Gori Group. The hearing of the case is expected in October.
In August the Cecchi Gori Group also started a civil case before the Milan Court for the annulment of the pledge on Cecchi Gori Communications shares belonging to the Cecchi Gori Group, given as a guarantee for fulfilment on the part of the selling companies of all the obligations set forth in the purchase contract of 7 August 2000.
As provided by the arbitration clause in the contract, an arbitration procedure initiated on 31 July 2001 by the Cecchi Gori Group is also pending in order to have the purchase contract of 7 August 2000 ruled invalid, ineffective or suspended (essentially for failure to apply the condition precedent clause, requiring receipt of the necessary authorisations from the competent authorities within the agreed time limit) or to seek its fulfilment and in any case to obtain damages.

Galactica proceedings

At the end of May 2001 a case started between Telecom Italia and the Internet Service Provider Galactica S.p.A. for failure to renew an agreement on the testing of a flat-rate Internet access service.
In this regard – following the rejection of the urgent petitions filed with the Civil Court and the Milan Appeal Court in accordance with law 287/90 – Galactica brought an action against Telecom Italia alleging illegitimate withdrawal from the agreement, seeking payment of damages and enjoining Telecom Italia not to interrupt provision of the service. On 16 July the Authority requested an agreement to protect users and "guarantee continuity of the service until the case is ended".

The arbitration process ended at the beginning of August with a statement of failure to reconcile. On 2 August the Authority approved, with effect from 3 September 2001, Telecom Italia's new offer to all Internet Service Providers, which allows interested operators to use a 709 number dedicated expressly to Internet access services. On 10 August eight rival operators (including Albacom, Atalnet and Edisontel) asked the Authority and Antitrust to suspend the launch of the service and denounced "its anti-competitive nature".
With regard to the case relating to the request for damages, Telecom Italia is confident of a positive resolution to the dispute and did not therefore make any provision in the first half of 2001.

12 Service (directory inquiries)

At the end of March Telecom Italia filed a petition with the TAR of the Region of Lazio for the annulment of the Communications Authority ruling (and sought its suspension pending a decision and at the same time made a request for damages), issued in writing on 23 March 2001, which – after authorising the new 12 Service – imposed the restoration of the original technical and economic conditions.
At the hearing on the merits of the case held in July, the TAR accepted the adjournment petition presented by Telecom Italia and the new AGCOM 271/01/CONS ruling was filed; this makes changes in the Service offer conditions and has, likewise, been contested by the company.
The case will be heard on a date to be decided.

Alleged anti-competitive strategies by Telecom Italia that hamper market growth

Following a complaint from 27 rival operators alleging anti-competitive strategies by Telecom Italia, with ruling 179/01/CONS the Communications Authority charged the company with a series of violations and gave notice of the initiation of sanction proceedings.
In June, Telecom Italia appealed the ruling and sought its suspension. In July the TAR of the Region of Lazio deferred the case to a hearing in February 2002.
In the meantime, on 4 July 2001, the Communications Authority commenced the previously announced sanction proceedings with seven rulings, all of which have been challenged by the Company.

Contribution pursuant to article 20, section 2, law no. 448 of 23 December 1998

Telecom Italia, Tim, Wind and Omnitel challenged before the TAR of the Region of Lazio, the Ministerial Decree of 21 March 2000 subsequent to Law no. 448 of 23 December 1998, which established, from 1 January 1999, a new contribution in place of the concession fee, the level of which progressively diminishes until 2003.
The TAR of the Region of Lazio asked the Treasury and the Ministry of Communications to supply the Court with a documented report clarifying the correspondence with the European Commission concerning the approval of the aforementioned provision and decided to consider the matter further by the end of the year. Furthermore, a pre-trial referral to the European Court of Justice was requested in order to assess the compatibility of the aforementioned Italian regulation with European Union provisions concerning telecommunications.
As a consequence of this case, Telecom Italia and TIM have not paid the amount due for financial 2000 (Lire 594 billion and Lire 346 billion, respectively).

Universal Service

The Omnitel and Infostrada companies have filed a petition with the TAR of the Region of Lazio against the Communications Authority and against Telecom Italia requesting the annulment of ruling 8/00/CIR regarding applicability of the mechanism for the distribution of the net cost of the universal service for 1999.
Under this ruling, part of the net cost, recognised as an "iniquitous charge" for Telecom Italia (the company legally responsible for providing the universal service), was divided among the petitioning parties and TIM.
Pending a sentence, Omnitel has not paid the contributions to the special fund set up by the Ministry of Communications, thus preventing the Ministry from paying the overall amount conceded to Telecom Italia against its costs for provision of the universal service for 1999, amounting to Lire 52 billion (Euro 26.8 million); the amount was booked under revenues from sales and services in the financial statements for 2000.

Data transmission services and x-DSL Internet access

Following the complaint lodged by Infostrada in July 1999 concerning the marketing of ADSL access services for data transmission networks, the Antitrust commenced an investigation into Telecom Italia to assess if, in the circumstances, this could represent an abuse of a dominant position.
Subsequently, the investigation was extended to Telecom Italia's behaviour concerning the supply of baseband circuits and the offer to its business clients of broadband data transmission services and x-DSL Internet access, in the absence of a corresponding wholesale offer to its competitors, and the definition of terms and conditions available to wholesale service competitors with ADSL access.
On 27 April 2001, a Lire 115 billion (Euro 59.3 million) fine was imposed on Telecom Italia. This ruling was appealed before the TAR of the Region of Lazio, and the hearing on the merits of the case is due to be held by the end of the year.
Telecom Italia trusts in a positive outcome to the dispute and did not record any provision for this in the first half of 2001.
In the meantime requests for damages have been presented to the Appeal Court of Rome by Albacom, Infostrada, AIIP, Pronet, Unidata, Data Service and other operators, for alleged abuse of Telecom Italia's dominant position in the offer of broadband data transmission services and x-DSL Internet access, in the absence of a corresponding wholesale offer to its competitors. Requests for damages total Lire 360 billion overall (approximately Euro 186 million).
In this case too, the Company trusts in a positive outcome to the dispute and did not make any provision in the first half of 2001.

Pagine Italia

The Pagine Italia company filed a petition in accordance with article 33 of Law no. 287/90 before the Appeal Court of Turin, for alleged abuse of a dominant position in the advertising media market deriving from the Seat/Telecom Italia merger. In particular, it requested the adoption of precautionary measures aimed at the annulment of the merger operation and of the contract between Telecom Italia and Seat for

the distribution of the "Yellow Pages". Subsequently a petition on the merits of the case was made with a request for damages.
The precautionary petition was rejected in November 2000; Pagine Italia subsequently presented an appeal that the Appeal Court of Turin rejected in February. This Court also ruled on the merits of the case and declared the requests made by Pagine Italia inadmissible and awarded costs against them.

SOGEI Concession

In 1992, Sogei – a subsidiary of Finsiel – was awarded a concession for the management of tax information systems by the Finance Ministry (now the Economy Ministry).
Sogei maintains that this concession, which was originally planned to last until 2001, should be considered legally extended until May 2012. However, in the view of the Economy Ministry, the concession ended in May 2001 without further extension, and the Ministry has in fact sought bids for the position of Advisor for the tender to assign management of its information systems from that date.
Sogei challenged the call for bids before the TAR of the Region of Lazio and requested arbitration on the question of the duration of the concession.
In May 2001 the Ministry and Sogei, without prejudice to their respective rights, agreed on a "technical extension" of the original concession until May 2003 and postponed resolution of the dispute regarding the duration of the concession.

Stet Hellas dispute

In December 1996, Mobitel, a company belonging to the Greek group Interamerican (now Demco Reinsurance), a minority shareholder in Stet Hellas and at that time its exclusive agent, started an arbitration process before the International Chamber of Commerce in Paris, principally asserting its right to receive commissions not only on outgoing traffic from subscribers it had procured, but also on incoming traffic and on traffic generated by customers in arrears. The overall compensation sought was approximately 38 million dollars.
Furthermore, Mobitel and Interamerican requested overall compensation of 172 million dollars following the rescission of exclusivity as notified by Stet Hellas.
Stet Hellas and Telecom Italia, having taken the place of Stet International (and already guarantor of Stet Hellas and, as such, party to the contracts made at the time), presented a counterclaim totalling approximately 210 million dollars, essentially to recover damages incurred because of the failure to acquire market share due to non-fulfilment of duties by Mobitel.
In October 2000 a partial award was made, which in principle accepted Mobitel's request for the recognition of a commission on Stet Hellas' revenues from incoming traffic; the quantification of the sum in question, regarding which various objections have been raised, is still under consideration.

Nortel Inversora dispute

In April a summons was issued to Nortel to appear before the commercial judge of Buenos Aires for an obligatory attempt at reconciliation regarding the impugnment of resolutions passed by the Shareholders' Meeting of 19 January 2001 relating, among other things, to the approval of the financial statements at 30 September 2000. The arbitration hearing did not produce any results.

Under Argentine law, when an arbitration procedure ends fails to produce a positive outcome, the plaintiff may continue the petition by notifying, in accordance with the law, their final request to the defendants. To date no such request has been notified.
In August a further summons was notified, similar to the first, for an obligatory attempt at reconciliation relating to the impugnment of resolutions passed at the Nortel Shareholders' Meeting of 26 April 2001, relating, among other things, to the approval of the financial statements at 31 December 2000.
The arbitration hearing has not yet taken place.

Entel Chile dispute

The company Americatel Corporation, in which Entel Chile directly owns an 80% shareholding, had a contract with the OAN company until May 2001 for the billing and collection of long-distance services provided for its customers through local US telephone operators. On 25 May 2001, OAN filed a petition for bankruptcy with the Court of Santa Barbara (California); Americatel applied for an emergency opinion to safeguard its funds and receivables managed by OAN, which, at that date, totalled approximately 30 million dollars. At a hearing on 5 July, the Court rejected the application. Americatel has therefore initiated proceedings for recognition of its right of title to the receivables held by OAN in the name and on behalf of Americatel itself pursuant to the contract between the two parties.

Brasil Telecom dispute

In April, Brasil Telecom started proceedings before the civil judge of Rio de Janeiro against Telecom Italia and Stet International Netherlands, and extended to two board members nominated by Telecom Italia.
The suit aims to obtain damages for the loss Brasil Telecom allegedly suffered following the purchase of shares in CRT – Companhia Riograndense de Telefonia – and the failure to participate in the SMP (Servicio Móvel Pessoal) tender. Quantification of the damages was left to the judge.

WTC dispute

In March 1999 Telecom Italia made filed a petition before the Court of Miami, for the payment by the local operator Wholesale Telecom Corporation ("WTC") of outstanding invoices worth approximately 13 million dollars, for the supply of line capacity for international traffic. WTC made a counterclaim and also sued Telemedia International U.S.A. Inc. (controlled by Telecom Italia), asking each of them for overall compensation of 60 million dollars. After the examination of pre-trial and procedural objections, the case is in the preliminary investigation phase.

Dispute with INPS (Italian national insurance board)

In compliance with Law no. 58/1992 Telecom Italia is required to provide full insurance coverage for all persons employed as of 20 February 1992 by the STET S.p.A., SIP S.p.A., Italcable S.p.A. and Telespazio S.p.A companies, and for persons transferred from the Public Administration to IRITEL, including periods previously worked in other companies, through the Telephone Workers Fund (FPT), which became part of the compulsory national insurance scheme on 1 January 2000. The contributions due are calculated by the INPS and must be paid in 15 annual instalments.

The total liability for these payments is uncertain due to a disagreement between Telecom Italia and INPS with regard to the method used to calculate the amounts due.
Nevertheless, the Telecom Italia Group half-year financial statements as of 30 June 2001 include a payable of Lire 1,377 billion (Euro 711 million) for residual amounts due to the INPS in respect of former IRITEL employees.
With regard to application and interpretation of the law, the dispute with the INPS concerns both the date from which, pursuant to Law no. 58/1992, interest should be calculated for payment of the liability on an instalments basis, and, pursuant to Law no. 58/1992, the exclusion from the calculations of all employees (except former IRITEL employees) who had already applied for re-absorption before 20 February 1992.
The matter has been taken to court and Telecom Italia has undertaken to pay with reservation the amounts requested by INPS according to the criteria established by them, subject to subsequent adjustment should the courts find in favour of Telecom Italia.
That said, according to Telecom Italia estimates, the principal amount of the liability (excluding, as mentioned, sums relating to former IRITEL employees) could vary, depending on the various interpretations and based on estimates including all the employees concerned, from Lire 1,900 billion (approximately Euro 980 million) to Lire 2,500 billion (approximately Euro 1,290 million), of which Lire 509 billion (Euro 263 million) has already been paid.
In the Olivetti Group consolidated half-year financial statements as of 30 June 2001, in compliance with the relevant accounting policies, an amount corresponding to the minimum estimated liability has been provided under goodwill arising as a result of the acquisition of Telecom Italia.
Under an agreement between the INPS and Telecom Italia, the latter has paid – with reservation – pre-amortisation interest (also covering former IRITEL employees), in fifteen deferred constant annual instalments, including annual 5% interest, through 1999, for an overall amount of Lire 216 billion (Euro 112 million). With the Court of Cassation sentence no. 4242 of 5 April 2000 in favour of Telecom Italia, payment of pre-amortisation interest and related respite interest for a residual amount of Lire 789 billion (Euro 407 million) was suspended.

1.5 Possible interruptions of operations

No interruptions have occurred or are expected to occur in the future in the operations of the Issuer or of the companies of the Olivetti Group that could have or have had a significant effect on its business and financial situation.

II – Information about the Company's bodies

2.1 Board of Directors

The Board of Directors was appointed by the Shareholders' Meeting of 13 October 2001 and will hold office for a three-year term. The members are listed below:

Position	First name, surname	Place and date of birth
Chairman	Antonio Tesone	Ancona – 20 July 1923
Deputy Chairman and Chief Executive Officer	Marco Tronchetti Provera	Milan – 18 January 1948
Deputy Chairman	Gilberto Benetton	Treviso – 19 June 1941
Chief Executive Officer	Enrico Bondi	Arezzo – 5 October 1934
Chief Executive Officer	Carlo Buora	Milan – 26 May 1946
Director	Giorgio Caprio	Milan – 19 November 1957
Director	Giorgio Cirla	Lanzo d'Intelvi (CO) 29 February 1940
Director	Pier Luigi Fabrizi	Siena – 23 April 1948
Director	Cesare Geronzi	Marino (RM) – 15 February 1935
Director	Gianni Mion	Vo' (PD) – 6 September 1943
Director	Piero Modiano	Milan – 3 November 1951
Director	Giampietro Nattino	Rome – 9 June 1935
Director	Alberto Pirelli	Milan – 1 July 1954
Director	Carlo Alessandro Puri Negri	Genoa – 11 July 1952
Director	Dario Trevisan	Milan – 4 May 1964
Director	Alberto Varisco	Nova Mil. (Mi) 20 October 1940
Secretary to the Board	Piera Rosiello	Spigno Monferrato (Alessandria) – 29 November 1926

For the purposes of their office, all the members of the Board of Directors are domiciled at Olivetti's registered office in Via Jervis 77, Ivrea, Italy.

No executive committee exists.

The powers of the company officers are as follows:
Chairman: legal representation and signature on the Company's behalf;
Deputy Chairmen: the Deputy Chairman Marco Tronchetti Provera has been given the same powers as the Chairman. In his role as Chief Executive Officer Marco Tronchetti Provera may perform all actions relating to company business with the following limitations: power to issue, with individual signature, personal guarantees up to Euro 50 million for Group companies and up to Euro 20 million for third parties; power to make investments, buy or sell equity investments in subsidiary or associated companies and dispose of business units for any reason, for amounts not exceeding Euro 250 million. The Deputy Chairman Gilberto Benetton has been given the same powers as the Chairman and the Deputy Chairman Marco Tronchetti Provera to be used in the absence of the Chairman or the other Deputy Chairman;
Chief Executive Officers Enrico Bondi and Carlo Buora: management powers regarding ordinary administration.

2.2 Board of Statutory Auditors

The Olivetti Board of Statutory Auditors was appointed by the Shareholders' Meeting of 4 July 2000 and holds office for the three years 2000-2002. The members are listed below:

Position	First name, surname	Place and date of birth
Chairman	Angelo Fornasari	Milan – 14 March 1936
Regular Auditor	Vittorio Bennani	Modena – 7 May 1938
Regular Auditor	Franco Caramanti	Mantua – 17 January 1943
Alternate Auditor	Sergio Lodi	Milan – 19 March 1933
Alternate Auditor	Massimo Nuti	La Spezia – 22 December 1963

For the purposes of their office, all the members of the Board of Statutory Auditors are domiciled at Olivetti's registered office in Via Jervis 77, Ivrea, Italy.

2.3 Chief Operating Officer and senior officers

The following managers occupy the following positions, which report directly to the Chief Executive Officer:

Position	First name, surname	Place and date of birth	Commencement of service
Chief Operating Officer	Corrado Ariaudo	Ivrea – 26 February 1960	1986
Vice President, corporate Finance	Luciano La Noce	Turin – 28 April 1949	1995

2.4 Main activities of the members of the Board of Directors, the members of the Board of Statutory Auditors and the Chief Operating Officer other than with the Company

Board of Directors	First name, surname	Main positions other than in Olivetti
Chairman	Antonio Tesone	Chairman Olivetti International S.A., Vice Chairman Banca di Legnano, Director Sogefi S.p.A. and Chairman Schlumberger Sema S.p.A.;
Deputy Chairman and Chief Executive Officer	Marco Tronchetti Provera	Chairman Telecom Italia S.p.A., Chairman Olimpia S.p.A., Chairman Pirelli & C. S.a.p.A., Chairman and Chief Executive Officer Pirelli S.p.A., Chairman CAMFIN S.p.A., Deputy Chairman Confindustria, Director Mediobanca, Banca Commerciale Italiana, Banca Intesa, GIM, RAS and Università Commerciale Luigi Bocconi, Chairman of the Council for Italo-American Relations, member European Round Table of Industrialists, Italian Group of the Trilateral Commission, International Advisory Board of Allianz, International Council of J.P. Morgan and the New York Exchange European Advisory Committee;
Deputy Chairman	Gilberto Benetton	Chairman Autogrill S.p.A., Benfin S.p.A., C.F.I. S.p.A., Edizione Holding S.p.A., Edizioni Property S.p.A., Ragione S.a.p.A. di G. Benetton & C. e di Verde Sport S.p.A., Deputy Chairman Fondazione Benetton, Olimpia S.p.A. and Telecom Italia S.p.A., Sole Director Regia S.r.l. and Immobiliare Marca Srl, Director Benetton Group S.p.A., Area Nord Concessionaria di Pubblicità, Banca Antoniana Popolare Veneta, Impresa Tipografica Veneta, Interbanca S.p.A., Schemaventotto S.p.A., Sep S.p.A., Società Finanziaria Editrice San Marco, HMS Host Corp., Lloyd Adriatico S.p.A., Autostrade S.p.A., Beni Stabili S.p.A. and Autopistas C.E.S.A.;
Chief Executive Officer	Enrico Bondi	Chief Executive Officer Telecom Italia S.p.A., Chairman TIM S.p.A. and Deputy Chairman SEAT Pagine Gialle S.p.A., Chairman Telespazio S.p.A.;
Chief Executive Officer	Carlo Buora	Chief Executive Officer and Chief Operating Officer Finance and Administration of Pirelli Group, Board Member of Pirelli S.p.A., of Pirelli & C S.a.p.A., of Olimpia S.p.A., of HdP Holding di Partecipazioni S.p.A. and of Telecom Italia S.p.A., Acting Partner of Pirelli & C S.a.p.A.;
Director	Lorenzo Caprio	Director Euroconsult s.g.r. S.p.A. and Institute of Science of Public Administration at Milan, Auditor Commercial Union Previdenza, Commercial Union Assicurazioni, Commercial Union Life and Commercial Union Insurance, Professor of Company Finance and Director of the Financial Studies Centre at Università Cattolica del Sacro Cuore;
Director	Giorgio Cirla	Chief Executive Officer Interbanca S.p.A., Board Member of Interbanca Gestione Investimenti s.g.r. S.p.A., of SNIA S.p.A., of Sirti S.p.A., of Antonveneta ABN Amro S.p.A. and of Interbanca International Holding S.A.;
Director	Pier Luigi Fabrizi	Chairman Board of Directors Banca Monte dei Paschi di Siena S.p.A., Chairman Monte Paschi Mercato SIM S.p.A., Director Banca Agricola Mantovana S.p.A. and Banca Monte Parma S.p.A., Director Associazione Bancaria Italiana (ABI) and honorary member Associazione Tesorieri Istituzioni Creditizie (ATIC), member of the Board of Directors and Executive Committee of Banca Nazionale del Lavoro, of the Board of Directors of Unipol Assicurazioni S.p.A., of Finsoe S.p.A., Professor of Stock Market Economics at Università Luigi Bocconi;
Director	Cesare Geronzi	Chairman Banca di Roma, Deputy Chairman and member Executive Committee Mediobanca S.p.A., Director Istituto della Enciclopedia Italiana founded by Giovanni Treccani S.p.A. and CASPIE, member of the Board of Directors of the Associazione Bancaria Italiana, of the Executive Committee of Fondazione Europa Occupazione: Impresa e Solidarietà, of the Directive Committee of ASSONIME, of the Directive Committee of Associazione "Guido Carli";
Director	Gianni Mion	Chief Executive Officer Edizione Holding S.p.A., Member Board of Directors Benetton Group S.p.A., Autogrill S.p.A., Edizione Property S.p.A., 21 Investimenti S.p.A., Autostrade S.p.A., Sagat S.p.A.;
Director	Pietro Modiano	Chairman Pioneer Alternative Investments Ltd, Pioneer Global Asset Management S.p.A., Tradinglab Banca S.p.A., Pioneer Investment Management Ltd, Pioneer Investment Management SGR, Pioneer Global Opportunities P.L.C., Euro Capital Structures Ltd; Deputy Chairman Gesticredit S.G.S.p.A., Pioneer Investment Management U.S.A. Inc., Director Borsa Italiana S.p.A., E-Mid S.p.A., Deputy Chief Operating Officer Unicredito S.p.A.;

Board of Directors	First name, surname	Main positions other than in Olivetti
Director	Giampietro Nattino	Chairman Finnat Investments S.p.A., Pirelli Cavi e Sistemi S.p.A., Deputy Chairman Generali SGR, Fideuram Fondi S.p.A., Assosim Associazione Nazionale Intermediari Mobiliari, Inasim S.p.A., Fondo nazionale di garanzia, Chief Executive Officer Banca Finnat Euramerica S.p.A., Finnat A.G. Zurigo, Director Banca Fideuram S.p.A., Caltagirone Editore S.p.A., S.C.I.A. S.p.A., Pirelli Real Estate S.p.A., Director Wargny Managements, Wargny Associes, Financiere Wargny, Wargny Societè de Bourse, Wargny Gestion, W.D.W., Wargny Mesactions, Sogesmar, Finance Gestion W.S. Invest, Partner of Ente Cassa di Risparmio di Roma, Member of the Finance Subcommittee at The Treasury, Consultant for the Economic Affairs Division of the Holy See;
Director	Alberto Pirelli	Deputy Chairman Pirelli & C. S.a.p.A., Pirelli S.p.A. and G.P.I. Gruppo Partecipazioni Industriali S.p.A., Board Member of CAMFIN S.p.A., Automobile Club di Milano, Smi and Olimpia S.p.A.;
Director	Carlo Alessandro Puri Negri	Chairman Aon Italia S.p.A., Deputy Chairman and Chief Executive Officer Pirelli & C Real Estate S.p.A., Deputy Chairman CAMFIN S.p.A., Pirelli & C Ambiente S.p.A., Director Pirelli S.p.A. and Olimpia S.p.A., Acting Partner of Pirelli & C S.a.p.A., Chief Operating Officer Pirelli & C S.a.p.A., management representative to the Trade Union Block of Pirelli & C S.a.p.A.;
Director	Dario Trevisan	Trevisan & Associati legal firm, Director SNIA S.p.A., Common Representative savings shareholders Banca Nazionale dell'Agricoltura, member Board of Governors International Corporate Governance Network and Eurolegal Lawyers Association, honorary member Council of Institutional Investors;
Director	Alberto Varisco	Chairman ATIC-FOREX, Board Member of e-MID S.p.A., of Caboto SIM S.p.A. and of Caboto Holding SIM S.p.A., Manager of the Corporate Finance and Treasury Divisions of Banca Intesa S.p.A., Member of the technical commission for finance of Associazione Bancaria Italiana and in Banca d'Italia for payment system reform, for the establishment and development of Internet-based inter-bank markets, for Government bonds and derivatives, for the growth of monetary and financial markets;

Board of Statutory Auditors	First name, surname	Main positions other than in Olivetti
Chairman	Angelo Fornasari	Chairman of the Board of Directors Tecnost Sistemi S.p.A. and Regular Auditor Alladium S.p.A.;
Regular Auditor	Vittorio Bennani	Professor of Tax Law at Università degli Studi in Turin, Chairman of the Board of Statutory Auditors Technoproduzioni S.p.A., Alladium S.p.A. and Olivetti Finanziaria Industriale S.p.A.;
Regular Auditor	Franco Caramanti	Chairman of the Board of Directors Fin. It. Cont. Advisory S.r.l.; Director Banca Cesare Ponti S.p.A., Corporate Finance Ponti S.p.A., Cereria Sgarbi S.p.A. and DeRoma Holding S.p.A.; Chairman of the Board of Statutory Auditors Monsanto Italiana S.p.A., Sandvik Italia S.p.A., Siemens Building Technologies S.p.A., Tektronix S.p.A., Tektronix Padova S.p.A., Volvo Holding Italia S.p.A., Volvo Veicoli Industriali S.p.A., Alliedsignal Italia S.p.A., Alliedsignal Sistemi di Sicurezza S.p.A., Aturia S.p.A. in Liquidazione in Concordato Preventivo (in winding up), Autoflug S.p.A. in Liquidazione (in winding up), Compagnia Costruzioni Cinture di Sicurezza S.p.A. in Liquidazione (in winding up), di Enter S.p.A., Essex Italia S.p.A., Fimat S.r.l., Galileo Industrie Ottiche S.p.A. in Liquidazione (in winding up), Honeywell Aftermarket Europe S.p.A., Honeywell Garret S.p.A., Hopa S.p.A., ICL Italia S.p.A, Meritor HVS Cameri S.p.A., Meritor HVS Verona S.r.l., Meritor Italiana S.p.A. Meritor LVS Avellino S.r.l. in Liquidazione (in winding up), Meritor LVS Como S.p.A., Rockwell BCS Cassino S.r.l. in Liquidazione (in winding up), Stoll Italia S.r.l. and Wienerberger Brunori S.r.l.; Regular Auditor Seat Pagine Gialle S.p.A., Sogefi S.p.A., Sogefi Filtration S.p.A., Schering-Plough S.p.A., SIG Simonazzi Beverage S.p.A., Gennaro Auricchio S.p.A., BBDO Italy S.p.A., DDB Communication S.r.l., Dormer Italia S.p.A., Locman S.p.A., Monsanto Agricoltura Italia S.p.A., Praxis Calcolo S.p.A., UOP M.S. S.p.A., UOP Sinco S.r.l. and Yorkshire Italia S.p.A.;

Chief Operating Officer	First name, surname	Main positions other than Olivetti
Chief Operating Officer	Corrado Ariaudo	Chief Executive Officer Olivetti Tecnost S.p.A., Chairman Webegg S.p.A., Tecnost Sistemi S.p.A., Director CIRSA Business Corp., Domustech S.p.A, Lottomatica S.p.A., Olivetti Finance N.V., Olivetti System Technology Corp. and Olivetti Multiservices S.p.A.

2.5 Emoluments due by the Issuer and by directly or indirectly controlled companies to the members of the Company's bodies and the Chief Operating Officer

The emoluments due by the Issuer and by subsidiary companies to the Directors, the Statutory Auditors and the Chief Operating Officer, on whatever basis and in whatever form, for financial 2000, are set out below.

	Description of appointment		Remuneration before taxation (in Euro)		
Name	**Title**	**Duration (days)**	**For duties**	**Other emoluments**	**Notes**
TESONE Antonio	Chairman	366	557,541	181,908	2)
TRONCHETTI PROVERA Marco	Deputy Chairman and CEO	(*)			
BENETTON Gilberto	Deputy Chairman	(*)			
BONDI Enrico	Chief Executive Officer	(*)			
BUORA Carlo	Chief Executive Officer	(*)			
CAPRIO Lorenzo	Director	(*)			
CIRLA Giorgio	Director	(*)			
FABRIZI Pier Luigi	Director	366	34,887		
GERONZI Cesare	Director	366	34,887		
MION Gianni	Director	(*)			
MODIANO Pietro	Director	(*)			
NATTINO Giampietro	Director	(*)			
PIRELLI Alberto	Director	(*)			
PURI NEGRI Carlo Alessandro	Director	(*)			
TREVISAN Dario	Director	366	34,887		(x)
VARISCO Pietro	Director	(*)			
Total Board of Directors			**662,202**	**181,908**	
FORNASARI Angelo	Chairman of Board of Statutory Audito	366	61,975	23,241	4)
BENNANI Vittorio	Auditor	366	41,317	31,762	3) 4) 5)
CARAMANTI Franco	Auditor	366	41,317	61,975	4)
Total Board of Statutory Auditors			**144,609**	**116,978**	
Total			**806,811**	**298,886**	
ARIAUDO Corrado	Chief Operating Officer	366		481,983	1) 2) 6)
Total emoluments			**806,811**	**780,869**	

(*) Directors named by the Shareholders' Meeting of 13 October 2001
(x) The legal firm Trevisan & Associati has billed fees totalling Euro 113,621 for services provided to Telecom Italia S.p.A. in 2000
1) Other emoluments
2) Directorships in other Group companies
3) Audit Committee
4) Chairman of the Board of Statutory Auditors of other Group companies
5) Regular Auditor of other Group companies
6) Bonus, other incentives and non-monetary benefits worth Euro 160,937 in total.

For financial 2000, a mixed cumulative emolument has been assigned to the Board of Directors serving until 13 October 2001, in execution of the resolution passed by the ordinary Shareholders' Meeting of 9 June 1999 (supplemented by the shareholders on 4 July 2000, in respect of the increase in the number of Directors). The emolument, distributed in equal parts pro rata temporis, comprises both a fixed amount (totalling Lire 800 million), and a variable amount (based on indexation of the fixed portion in proportion to the increase – after deduction of a 10% franchise – in the average official Olivetti ordinary share price in the year in which the emolument accrues compared with the prior-year annual average share price).
Following the resignation of Roberto Colaninno, the Olivetti S.p.A Board of Directors awarded Mr Colaninno an overall lump-sum of Lire 30 billion in complete settlement and severance of any and all sums due to him in his dual role of company manager and Chief Executive Officer, and also in respect of his waiver of unexercised stock options.
The Olivetti S.p.A. Shareholders' Meeting of 13 October 2001 approved the award to the Board of Directors, appointed on the same day for the three-year term 2001-2003, of annual total emoluments of Euro 826,331 which will be divided equally among the board members. This emolument will be recognised as from the date of the appointment of the new Board Members and will be computed before profits for the year.

2.6 Number and classes of financial instruments held by members of the Company's bodies and by the Chief Operating Officer

The shares in the Company and its subsidiary companies held by members of the governing bodies and by the Chief Operating Officer are detailed below:

	Investee company	No. shares at 31 December 2000	No. shares bought	No. shares sold	Type of shares	Type of ownership	No. shares at 13 October 2001	Date of leaving office
Board of Directors								
Chairman								
TESONE Antonio	Olivetti S.p.A.	224	0	0	Ordinary	Indirect	224	
	Telecom Italia Mobile S.p.A.	625	0	0	Ordinary	Indirect	625	
Deputy Chairman and Chief Executive Officer								
TRONCHETTI PROVERA Marco	–	–	–	–	–	–	0	
Deputy Chairman								
BENETTON Gilberto	–	–	–	–	–	–	0	
Chief Executive Officers								
BONDI Enrico	–	–	–	–	–	–	0	
BUORA Carlo	–	–	–	–	–	–	0	
Directors								
CAPRIO Lorenzo	–	–	–	–	–	–	0	
CIRLA Giorgio	–	–	–	–	–	–	0	
FABRIZI Pier Luigi	–	0	0	0	–	–	0 (a)	
GERONZI Cesare	Olivetti S.p.A.	8,720	32,500	31,220	Ordinary	Direct	10,000	
	Telecom Italia S.p.A.	3,750	21,950	7,000	Savings	Direct	18,700	
	Telecom Italia Mobile S.p.A.	4,000	17,750	6,750	Ordinary	Direct	15,000	
	Seat Pagine Gialle S.p.A.	9,000	29,500	18,500	Ordinary	Direct	20,000	
MION Gianni	Telecom Italia Mobile S.p.A.	–	–	–	Ordinary	Indirect	1,000	
MODIANO Pietro	–	–	–	–	–	–	0	

	Investee company	No. shares at 31 December 2000	No. shares bought	No. shares sold	Type of shares	Type of ownership	No. shares at 13 October 2001	Date of leaving office
NATTINO Giampietro	–	–	–	–	–	–	0	
PIRELLI Alberto	–	–	–	–	–	–	0	
PURI NEGRI Carlo Alessandro	–	–	–	–	–	–	0	
TREVISAN Dario	Olivetti S.p.A.	4,336	250 (b)		Ordinary	Direct	4,586	
	Seat Pagine Gialle S.p.A.	1,000	0	0	Ordinary	Direct	1,000	
VARISCO Alberto	Seat Pagine Gialle S.p.A.	–	–	–	Ordinary	Direct	5,000	
Former Directors								
COLANINNO Roberto	Olivetti S.p.A.	2,000,000	11,608,000 (b)(d)	1,000,000	Ordinary	Direct	12,608,000	31 July 2001
	Olivetti S.p.A. (e)	12,440,014	7,629,985	16,809,809	Ordinary	Indirect	3,260,190	
	Telecom Italia S.p.A.	292,000	0	10,000	Ordinary	Indirect	282,000	
	Telecom Italia S.p.A.	530,000	0	305,000	Savings	Indirect	225,000	
	Telecom Italia Mobile S.p.A.	254,000	10,000	0	Ordinary	Indirect	264,000	
	Seat Pagine Gialle S.p.A.	471,532	0	0	Ordinary	Indirect	471,532	
EREDE Sergio	Seat Pagine Gialle S.p.A. (c)	1,844,358	0	0	Ordinary	Indirect	1,844,358	3 August 2001
GNUTTI Emilio	Olivetti S.p.A.	8,259,860	27,307,901 (b)	25,840,214	Ordinary	Direct	9,727,547	13 October 2001
	Olivetti S.p.A. (e)	40,841,438	20,001,390	59,291,374	Ordinary	Indirect	1,551,454	
	Telecom Italia S.p.A.	1,500	0	0	Ordinary	Indirect	1,500	
	Telecom Italia Mobile S.p.A.	100,000	0	0	Ordinary	Indirect	100,000	
	Seat Pagine Gialle S.p.A.	1,288,084	0	0	Ordinary	Indirect	1,288,084	
LAMBORGHINI Bruno	Olivetti S.p.A.	40,680	2,030	0	Ordinary	Direct	42,710	13 October 2001
	Olivetti S.p.A.	4,704	235	0	Ordinary	Indirect	4,939	
	Telecom Italia Mobile S.p.A.	12,500	0	0	Ordinary	Indirect	12,500	
LONATI Ettore	Olivetti S.p.A.	614,984	929,000	924,000	Ordinary	Direct	619,984	13 October 2001
	Telecom Italia S.p.A.	106,000	0	2,000	Savings	Direct	104,000	
	Telecom Italia Mobile S.p.A.	150,000	0	0	Ordinary	Direct	150,000	
	Seat Pagine Gialle S.p.A.	1,724,324	250,000	0	Ordinary	Direct	1,974,324	
LUCCHINI Luigi	–	0	0	0	–	–	0	26 September 2001
MARCHIORELLO Dino	–	0	0	0	–	–	0	13 October 2001
MARINELLI Luciano	Olivetti S.p.A.	800	0	0	Ordinary	Direct	800	13 October 2001
	Telecom Italia S.p.A.	127,000	0	0	Ordinary	Direct	127,000	
	Telecom Italia Mobile S.p.A.	68,000	0	0	Ordinary	Direct	68,000	
	Seat Pagine Gialle S.p.A.	257,112	0	0	Ordinary	Direct	257,112	
OWEN Gordon	–	0	0	0	–	–	0	13 October 2001
ROSIELLO Piera	Olivetti S.p.A.	193,060	0	0	Ordinary	Direct	193,060	27 September 2001
SACCHETTI Ivano	Olivetti S.p.A.	56,000	62,800	118,800	Ordinary	Direct	0	13 October 2001
TAZARTES Alberto	–	0	0	0	–	–	0	5 October 2001
Board of Statutory Auditors								
Chairman								
FORNASARI Angelo	–	0	0	0	–	–	0	
Regular Auditors								
BENNANI Vittorio	–	0	0	0	–	–	0	
CARAMANTI Franco	Telecom Italia S.p.A.	40,000	0	20,000	Savings	Indirect	20,000	
	Seat Pagine Gialle S.p.A.	12,240	0	12,240	Ordinary	Indirect	0	
Chief Operating Officer								
ARIAUDO Corrado	Olivetti S.p.A.	0	559,750 (b)(d)	559,750			0	
	Telecom Italia S.p.A.	50,000	0	0	Ordinary	Direct	50,000	
	Telecom Italia S.p.A.	200,000	0	0	Savings	Direct	200,000	
	Telecom Italia Mobile S.p.A.	25,000	0	0	Ordinary	Direct	25,000	

(a) Resigned on 27 September and re-appointed on 13 October 2001
(b) Including shares bought in share capital increase
(c) Acquisition on 27 December 2000 following assignment and by mistake not previously reported
(d) Including shares bought through exercise of stock options
(e) Including shares owned by C+G S.p.A.

In the context of the share-capital increase reserved for managers of Olivetti and its subsidiaries, approved by the Board of Directors on 9 February 2001, the Chief Operating Officer of Olivetti Corrado Ariaudo was granted 2,500,000 warrants to be exercised at a price of Euro 2.81.
In respect of the stock option plan approved in 1999, Mr Ariaudo will be able to exercise warrants to subscribe to 533,332 shares in the period between 1 January and 31 January 2002 at the price of Euro 1.040.

Employee stock options

During financial 1999, a "Three-Year 1999-2001 Stock Option Plan" for the benefit of approximately one hundred managers of Olivetti S.p.A. and its subsidiary companies was approved as a tool to provide incentives and boost management loyalty. Approved by a Directors' resolution of 9 June 1999 and supplemented with a subsequent resolution of 29 November 1999, the Plan provided for a maximum of 48 million warrants, which cannot be transferred inter vivos, to be assigned free of charge to the beneficiaries. Each warrant gives an option on one Olivetti ordinary share at an overall price of Lire 2,320 (Euro 1.198). This increase, resolved by the above-mentioned Directors' meetings in execution of the powers delegated pursuant to art. 2443 of the Italian Civil Code (by the extraordinary Shareholders' Meeting of 7 April 1999) complies with the limits set by art. 134 par 2 of Legislative Decree 58/1998.
The options may be exercised at pre-specified times during the three-year period and may be accumulated until the end of the Plan. The first tranche was exercised on 15 December 1999 and the second in January 2001; exercise of the third and last tranche will be possible between 1 and 31 January 2002.

Exercise of stock options – 1999-2001 plan	**No. rights (warrants)**	**Exercise price**	**Market price (2)**
Rights exercised as of 15 December 1999	21,038,333	1.198	2.499
Rights exercised from January 2000 to August 2001	18,840,018	1.198	2.720
Rights to be exercised in January 2002	5,738,316 (1)	1.040 (3)	1.112

(1) With reference to allocations existing at the date in question
(2) Average share price for the month of December 1999, January 2001 and September 2001
(3) The price variation arises, as per the plan Regulation, from the adjustment applied following the share-capital increase in 2001.

On 24 February 2000 the Board of Directors passed a resolution for a Three-Year Stock Option Plan to run from 1 January 2002 until 31 December 2004, for the benefit of approximately one hundred managers of the parent company and its subsidiary companies, for the free assignment of 29,500,000 warrants for the subscription of an equal number of Olivetti ordinary shares at a price of Euro 3.705 (Lire 7,174) each, an amount equivalent to the market value of Olivetti ordinary shares as of the date of the Board of Directors meeting.
On 9 February 2001, the Board of Directors, subject to the revocation of the aforementioned resolution in so far as out of date and no longer aligned with the purposes for which it was intended, carried a resolution to increase share capital by Euro 29 million overall through issuance of 29 million shares at a price of Euro 2.81 each. The increase in share-capital is to service the stock option plan in favour of managers of the Company and its subsidiaries for the three-year period 2002-2004 (the conditions applied to eligible managers no longer working in the Group are unchanged).

The warrants may be exercised in three tranches in the period between 1 and 31 December of 2002, 2003 and 2004 and may be accumulated until the end of the Plan.
The Directors' resolution executes powers pursuant to art. 2443 of the Italian Civil Code conferred by the extraordinary Shareholders' Meeting of 7 April 1999.
The Company has not implemented any operations favourable to subscription of its shares by its employees pursuant to art. 2358 of the Italian Civil Code.

Other information

The Shareholders' Meeting of 4 October 2000 authorised, in accordance with par 1 of article 2357 ter, the Board of Directors to dispose by 31 December 2002 of 2,697,500 own shares through the allocation, on one or more occasions, of rights reserved for former employees of the Company and its subsidiary companies who are still in the active service of the Group.
The Shareholder's Meeting of 14 June 2001 established that the exercise price for the rights should correspond to the simple average of official Olivetti share prices on the Italian Stock Market in the period from the date of the allocation of the rights to the same day of the previous calendar month.

2.7 Interests of members of the Board of Directors, the Board of Statutory Auditors and the Chief Operating Officer in extraordinary transactions

The members of the Board of Directors, the Board of Statutory Auditors and the Chief Operating Officer have no interests in transactions of an extraordinary nature or conditions executed during the last and the present financial years or executed during previous financial years and still underway.

2.8 Interests of managers in respect of the Issuer or of the Group headed by the Issuer

The managers of the Issuer have no interests in respect of the Issuer or of the Group headed by the Issuer.

2.9 Outstanding loans and guarantees granted by the Issuer or by subsidiary companies to members of the Company's bodies and to the Chief Operating Officer

As of the date of this Prospectus, no loans have been granted by Olivetti or by subsidiary companies to the members of the Board of Directors, the Board of Statutory Auditors or the Chief Operating Officer, nor have guarantees been made by Olivetti and/or the subsidiary companies in favour of such persons.

III – Information about ownership

3.1 Parties owning financial instruments representing more than 2% of share capital

The parties who directly or indirectly own interests exceeding 2% of the share capital of Olivetti as of the date of this Prospectus are detailed below:

	ordinary shares	% on the present share capital	% of "fully diluted" share capital (*)
Olimpia (**)	1,965,302,250	26.962	24.382
Assicurazioni Generali	225,253,984	3.090	2.747
Olivetti International S.A. (***)	211,931,328	2.907	2.584
Mediobanca S.p.A.	164,852,309	2.262	2.010
Total share capital	**7,289,206,911**		
Total fully diluted share capital	**8,200,757,066**		

(*) Assuming full conversion of Olivetti 2002 Bonds, Olivetti 2004 Bonds, exercise of Olivetti 1998-2002 Warrants, Olivetti 2001-2002 Warrants, Olivetti ex Tecnost Warrants and Stock Options (including those held by shareholders who have given notice thereof).
(**) of which 1,701,802,250 shares pledged by Olimpia, which maintains voting rights.
(***) Shares without voting rights pursuant to art. 2359 bis of the Italian Civil Code.

3.2 Ownership interests as a result of the Offer

Since the operation described in this Prospectus contemplates an Offer of Shares or Bonds on an alternative basis at the choice of the rights holders, it is not possible to forecast exactly the effect of the operation on the current ownership structure, given the possible combinations that could arise depending on the decision made by each subscriber.

3.3. Controlling parties pursuant to art. no. 93 of the Consolidated Law

No individual party declared pursuant to art. 120 of Legislative Decree no. 58/1998 to exercise control of the Company pursuant to article 93 of Legislative Decree no. 58/1998. Consob expressed the opinion that the Company is controlled "de facto" by Olimpia and that the latter is in turn subject to the sole control of Pirelli.

3.4 Information about covenants

On 22 September 2001 notices were published in national newspapers reproducing extracts from the text of the following agreements:
- agreement of 7 August 2001 between Pirelli S.p.A. and Edizione Holding S.p.A., subsequently modified on 14 September 2001;
- agreement of 14 September between Pirelli S.p.A., Unicredito Italiano S.p.A. and Intesa BCI S.p.A.

The above-mentioned extracts are reproduced in the Appendix attached to this Prospectus. Extracts from the agreements concerning the transfer of the Bell S.A. equity investment in Olivetti to Olimpia were also published, and are reproduced in the Appendix.

IV – Information about the net assets, financial situation and business results of the Issuer

4.1 Information about net assets and financial situation

Information about Olivetti net assets and financial situation is provided in the documents in the Appendix and in those available for consultation by the public.

4.2 Loans, borrowings and commitments

a) Bonds awaiting redemption

The bonds issued by Olivetti and Tecnost directly or through subsidiary companies and the corresponding guarantees at 30 September 2001 are set out below:

Issuer	Denomination	Amount in Euro	Maturity	Coupon	Additional interest (*)
Olivetti S.p.A.	Olivetti 1998-2002 f.r. bond convertible into Olivetti shares	17,023,769 (@)	30-Sept-02	Euribor+125 b.p.	–
Olivetti S.p.A.	Olivetti 2001-2003 convertible bond	400,000,000	11-June-03	Eonia+92 b.p.	–
Olivetti S.p.A.	Olivetti 2001-2004 bond convertible into Olivetti shares with redemption premium	1,267,627,834	01-Jan-04	1,5% (3,25%YTM")	–
Olivetti Finance N.V.	Oliv.Finance 1999-2004 f.r.	7,300,000,000 (°)	23-June-04	Euribor +185 b.p.	45 b.p.
Olivetti Finance N.V.	Oliv. Finance 2000-2005 bond convertible into Telecom Italia ord.shares with redemption premium	2,500,000,000	03-Nov-05	1% (3,5% YTM")	–
Olivetti International Finance N.V.	Oliv.Int Finance 1999-2004 bond	4,950,000,000	30-July-04	5,375%	45 b.p.
Olivetti International Finance N.V.	Oliv.Int Finance 1999-2009 bond	2,100,000,000	30-July-09	6,125%	45 b.p.
Olivetti International Finance N.V.	Oliv.Int Finance 1999-2029 bond	174,200,000 (#)	29-Oct-29	5%	45 b.p.
Olivetti International N.V.	Oliv.International 1998-2003 bond	700,000,000	22-May-03	5,875%	15 b.p.
Olivetti International N.V.	Oliv.International 1999-2009 bond	1,500,000,000	09-Feb-09	5%	15 b.p.
Olivetti International N.V.	Oliv.International 1986-2046 bond	67,746,088	12-June-46	5,625%	–

(*) Additional rate paid in accordance with the credit protection package
(@) Residual amount as at Prospectus publication date
(") YTM: Gross annual actual yield on maturity
(°) The original amount of Euro 9,443,614,903 reduced to Euro 7,300,000,000 after re-purchase on the market and subsequent cancellation of bond; an additional amount for approximately Euro 1,860 million had been re-purchased at 30 September 2001
(#) Effective 30/9/2001 the bond maturing in 2029 was converted into a loan, with all original conditions unchanged.

The credit protection package shown in the last column of the above table was introduced in 2000. It consisted of a system of coupon modifications (or of modifications to the spread over Euribor for floating rate notes) relating to the credit ratings assigned by Moody's and Standard&Poor's as follows:

RATING		Coupon modification (bp)	
Moody's	S&P's	Tecnost notes	Olivetti notes
A3	A–	0	0
Baa1	BBB+	15	0
Baa2	BBB	45	15
Baa3	BBB–	95	65
non investment grade	non investment grade	195	165

The credit protection package took effect from 5 October 2000 and was originally conditional upon closure of the merger between Olivetti and Tecnost (effective on 31 December 2000) and will be valid until the minimum rating of Olivetti returns to the A3 level (Moody's) and the equivalent A- (Standard& Poor's).
Determination of the coupon, including the increments illustrated in the above table, will be based on the lowest of the ratings assigned by Moody's and Standard&Poor's. Coupons will be increased in the event of a ratings downgrade and reduced in the event of an upgrade. In all cases, interest (or the spread over Euribor for floating rate notes) will not be lower than interest at the time of issue.
The credit protection package was approved by the bondholders' meetings held in London on 29 September 2000.
The current Moody' rating is Baa2, while the current Standard&Poor's rating is BBB.
The loans listed above are senior unsecured loans, rank pari passu and do not contemplate special covenants other than standard covenants for bond issues on the Euro market, including a "negative pledge" clause (extension of pledges to pre-existing bondholders in the event that similar guarantees are provided in respect of new operations on the capitals market).
The average interest rate in the first nine months of 2001, taking account of hedging transactions, was approximately 5.3%.

b) Other loans and borrowings

Olivetti bank borrowings at 30 June 2001 amounted to Euro 939 million, of which Euro 565 million in respect of medium/long-term credit lines. Medium/long-term lines falling due in the second half of 2001 total Euro 428 million and are being renewed.
The Company has no loans and borrowings secured by guarantees on assets, with the exception of debt totalling Euro 38 million in respect of research loans paid by San Paolo IMI, which are guaranteed by pledges on securities.

c) Conditional commitments

At 30 June 2001, personal guarantees given by Olivetti for an aggregate amount of Euro 19,818 million were as follows:
– suretyship in favour of third-party holders of securities issued by Olivetti International Finance N.V. (wholly owned by Olivetti Finance, in turn wholly owned by Olivetti S.p.A.) for Euro 6,424 million;
– suretyships in favour of third-party holders of securities issued by Olivetti Finance N.V. for Euro 7,300 million;
– suretyships in favour of third-party holders of securities issued by Olivetti International N.V. for Euro 2,200 million;
– suretyships in favour of third-party holders of securities issued by Olivetti International N.V. for Euro 66 million;
– suretyships in favour of third-party holders of securities issued by Olivetti Finance N.V. for Euro 2,836 million;
– suretyships in favour of third-party holders of securities issued by Olivetti for Euro 400 million;
– guarantees in favour of banks and finance companies in respect of guarantees and loans granted to subsidiary companies for Euro 138 million;

– counter-securities to third parties in respect of guarantees provided by them on behalf of subsidiary and associated companies and third parties for Euro 66 million;
– other personal guarantees for Euro 344 million.

Counter-securities received in respect of the above guarantees totalled Euro 283 million.

Other non-significant commitments (totalling Euro 52 million) were provided to third parties.

Olivetti and its financial subsidiary companies also had contracts to hedge interest and exchange risks on financial payables and receivables for Euro 410 million, at 30 June 2001.

In order to mitigate the risk of changes in interest rates, the Olivetti Group transacted hedging agreements in the form of interest rate swaps and interest rate collars. Together, these operations reduce the vulnerability of debt-servicing charges in the event of interest rate increases.

The aggregate nominal amount of hedging contracts at 30 June 2001 was Euro 13,040 million.

V – Information about the Issuer's recent performance and outlook

5.1 Events subsequent to 30 June 2001

Calling of Olivetti ordinary and extraordinary Shareholders' Meeting

On 4 September 2001, the Olivetti Board of Directors examined and approved proposals to be submitted to the Shareholders' Meeting, which was held on third call on 13 October 2001.

The ordinary session of the Shareholders' Meeting carried a resolution to renew the Board of Directors, and the extraordinary session carried a resolution granting proxies to the directors –pursuant to art. 2443 of the Italian Civil Code – to raise share capital in one or more operations over a period of five years from the date of the resolution, for a maximum nominal amount of Euro 7 billion through issuance of shares to be assigned or offered to rights holders, and to issue convertible and non-convertible bonds – pursuant to art. 2420 ter of the Italian Civil Code – up to a maximum nominal value of Euro 10 billion in one or more operations for a period of 5 years from the date of the resolution, subject to the other existing proxies for the residual amounts (for further details see Chapter II and Chapter VI).

The new proxies are additional to those not yet utilised for an amount respectively of approximately Euro 1,232 million for the issue of shares and approximately Euro 2,464 million for the issue of bonds.

The Olivetti S.p.A. Board of Directors met on 13 October 2001 to carry resolutions regarding the rights Offer described in this Prospectus (for further details see Chapter VI).

Definition of guidelines of the industrial plan

On 27 September 2001, the Boards of Olivetti and Telecom Italia approved the key guidelines of the strategic industrial and financial plan of the Group. The plan is due to be completed by the year-end.

The Top Management team is composed of: Enrico Bondi and Carlo Buora, Chief Executive Officers; Riccardo Ruggiero, Head of Wireline Telephony operations; Marco De Benedetti, Head of Mobile Telephony operations; Paolo Dal Pino, Head of Directories, the Internet and Media. The new management team will bring a strictly industrial approach to running Group operations, ensuring effective and timely control of business performance, costs, purchasing and investments.

All Group activities will be closely focused on the core businesses, with the objective of further enhancing the strong market positioning.
As regards the main areas of activity:
a) in wireline telephony, the objective is to maintain leadership in voice services, become leader in broadband access and services through use of fibre optics for business users, with a mass market strategy for use of DSL technology, maximise the network's high quality standard, and further develop data transmission for companies by using the additional service that the Group can offer;
b) in mobile telephony the aims are: to increase revenues per customer through the provision of value added services; to maintain network excellence and optimise the launch of the new GPRS services before the launch of UMTS; to become leader in Latin American GSM services; and lastly to rationalise European shareholdings;
c) in the Internet and media, the aims are: to increase market share in traffic and access; to develop synergies between wireline and mobile telephony; to streamline the B2C and B2B Internet portals businesses and to use the business directories to generate cash; to focus the TV sector on the "All news" segment by minimising financial risks and seeking partnerships.
The guiding principle underpinning the management of the Group will be value creation, taking advantage of every business opportunity and technological advance. This objective will be supported by the continuous optimisation of the financial structure, based on higher operating cash flows. Over the next 24 months, the increasing focus on the core businesses and the business portfolio review mentioned above should generate cash from disposals, considering the current international economic climate, of approximately Euro 5 billion at Telecom Italia and of approximately Euro 1 billion at Olivetti. Obviously, this re-focusing policy be supported by tighter controls on costs and investments, with savings difficult to estimate today.
As regards Olivetti S.p.A., the Board re-stated its commitment to dealing with indebtedness through cost reductions, disposal of non-core equity investments and the extraordinary operation described in this Prospectus.

Telecom Italia: share buy-back authorisation

On 27 September 2001, the Board of Telecom Italia also agreed to ask its Shareholders' Meeting to authorise a buy-back of Telecom Italia shares (ordinary and/or savings) with the objective of improving liquidity, facilitating ongoing trading in the shares and ensuring that the share price in the market reflects the intrinsic value of the stock. The buy-back will be made within the limits of the law and in such a way as to ensure equal treatment for all shareholders, for an amount of up to Euro 1,500,000,000. The authorisation will be valid for 18 months from the date of the shareholders' resolution.
The acquisition price of each share shall be no more than 15% above or below the average market price on the Borsa Italiana regulated market in the three trading sessions prior to each operation.
Any shares acquired will be able to be sold or exchanged, including in relation to any stock option plans.
The Telecom Italia Board then approved the calling of the ordinary and extraordinary Shareholders' Meeting to take place on the first call on 7 November 2001 and on the second call on 8 November 2001 with the following agenda:

• *ordinary session,*
– Appointment of the Board of Directors ;
– Authorisation of the purchase and subsequent disposal of own shares ;
– Integration ex post of the fees of the independent auditors PricewaterhouseCoopers S.p.A., in respect of the audit on the statutory and consolidated accounts for financial 2000;

• *extraordinary session,*
– Modification of articles 2 (transfer of the head office), 10 (Board of Directors), 14 and 15 (legal representation and the delegation of powers), 17 (conditions related to the holding of the Board of Statutory Auditors), 18 (location of Shareholders' Meeting) of the Company By-Laws.

Reopening of bonds: "Olivetti International Finance NV 5 3/8% 1999-2004" and "Olivetti International Finance NV 6 1/8% 1999-2009"

On 17 July Olivetti authorised Lehman Brothers to reopen the following bonds: "Olivetti International Finance NV 5 3/8% 1999-2004" worth Euro 4.5 billion and "Olivetti International Finance NV 6 1/8% 1999-2009" worth Euro 1.75 billion (previously Tecnost International Finance NV).
As a result of over-subscription – the applications received were for more than double the initial amount planned of Euro 500 million – Olivetti decided to increase the offer to a total of Euro 800 million.
This sum has been divided in two tranches:
• Euro 450 million to increase the bond "Olivetti International Finance NV 5 3/8% 1999-2004" originally worth Euro 4.5 billion (increased to Euro 4.95 billion); the re-offer price of this tranche was 99.695%, equivalent to a yield of 153 basis points above the French benchmark BTAN 3.50% July 2004;
• Euro 350 million to increase the bond "Olivetti International Finance NV 6 1/8% 1999-2009" originally worth Euro 1.75 billion (increased to Euro 2.1 billion), offered at a price equivalent to 94.956%, representing a yield of 248 basis points above the German benchmark Bund 4.50% July 2009.
The two bonds both have credit protection features, as a consequence of which the coupons are currently incremented by 0.45%.
The operation was managed by Lehman Brothers as Lead Manager and book runner and by Mediobanca as Senior Co-lead Manager.
Proceeds from the issue were used to refinance existing debt on more favourable terms.

Telecom Italia: cancellation of the pledge on Seat PG ordinary shares

On 20 August, Telecom Italia notified the cancellation of the pledge regarding 339.3 million Seat ordinary shares, originally established in favour of Chase Manhattan Bank. The pledge was linked to the borrowing granted to Telecom Italia and redeemed on 17 August, used to pay for the aforementioned shares, which were purchased through the Company's public tender offer for Seat in May 2000.

Company operations

On 3 August, Huit II, a Telecom Italia subsidiary, purchased (in exchange for 186 million Seat ordinary shares) 100% of ISM S.r.l. (owned by Messrs Ainio and Gualandri, both of whom are managers and directors of Group companies), a company that owns 33.3% of Matrix through the Vertico N.V. subsidiary. The purpose of the operation was to consolidate the Group's control of Matrix and thus of the Virgilio portal, which is exercised through the subsidiaries Seat and Webfin, a company owned 60% by Seat and 40% by De Agostini. In this connection, on 17 July, the Seat Board of Directors decided to enforce, as contractually provided, the serious alteration in the economic balance between the services provided under the contract previously stipulated with De Agostini, which, among other things, provides for the transfer of 40% of Webfin for 1,355 billion lire; a settlement is being attempted. In the meantime, De Agostini has alleged that the share exchange effected by Huit II substantially violates the said contract. Telecom Italia has rejected this allegation, stating that the operation was a legitimate exercise of its rights.

Unbundling local loop

On 13 July, the Authority started the third stage of the process for the supply by Telecom Italia of unbundled local access services: it drew up a list of the 550 remaining shared locations (the previous two stages started in January and March respectively), that are destined to house other operators' equipment. A change has been introduced in this last stage: operators that have obtained access to the last mile may utilise it directly themselves or sell it to other smaller operators, thus increasing the number of Telecom Italia competitors .
In the meantime, from 3 August, in accordance with the timetable established by the Authority, the Company has made available the allocated areas in the first 150 switching centres of the first batch of switching centres requested by other operators at the end of March.

Single decoder

Stream and Tele+, in accordance with the new deadline of 26 August set by the Authority, put into operation the regulation on the single decoder, which will allow customers to view the programs of the two broadcasters with the same receiver, but with two separate subscriptions.

Interconnection agreement with Ipse 2000

In July, Ipse 2000, holder of one of the five UMTS licences awarded in Italy, signed an interconnection agreement (the first of its kind in Italy) with Telecom Italia, which will allow Ipse's customer base to communicate with the Company's customers and those of all the other national wireline and mobile operators, as well as with the main international carriers.

50% line rental for low-income households

On 1 August, the Authority established the rules to bring into operation resolution no. 314 of 1 June 2000, which allows low-income households to benefit from a 50% reduction in Telecom Italia's fixed line rental for residential services. The provision, which affects approximately 1.3 million families, should be operative after 31 October, the deadline set by a previous legislative decree for the INPS (National Insurance Board) to organise a database to be shared with the Company to check customer details.

5.2 Outlook of the Olivetti Group

5.2.1 – General information on Group business performance since closure of financial 2000

During the first half of 2001, the Olivetti Group continued its strategy of further rationalising and focussing its structures, reinforcing its presence in the most innovative sectors of the Internet and telecommunication services, and managing its financial and asset structure.

In the first half the Group successfully completed an increase in share capital and the issue of a convertible bond, operations that generated Euro 0.9 billion of proceeds from the rights issue and Euro 1.27 billion from the bond, a total of Euro 2.17 billion.

In April Olivetti approved new terms for a buyback plan for Telecom Italia's ordinary shares (initially proposed in February and then reviewed in light of changed conditions on the financial markets), subject to the success of a voluntary operation to convert Telecom Italia's savings shares into ordinary shares, which it was not possible to implement due to share market trends.

Furthermore, in the half year numerous smaller operations were undertaken to reduce the debt burden and optimise the financial structure: in particular in May the Company approved the updating of the Euro 10 billion "Euro Medium Term Notes" bond (EMTN, launched in July 1999) with the issue of a privately-placed floating-rate two-year non-convertible bond of Euro 400 million. Also within the context of the EMTN plan, two Olivetti International Finance NV bonds, Euro 800 million in total and originally issued in July 1999, were reopened in July.

The proceeds from the new issues were used, in keeping with the strategy adopted beginning in the last financial period, to refinance part of Olivetti's debt on more favourable terms.

At corporate level, various operations were undertaken to simplify the organisational structure and increase operating efficiency.

The Telecom Italia Group acquired a structure more in line with that of a holding company, controlling the business units operating in four main sectors: wireline telephony (Wireline Services), mobile telephony (Mobile Services, led by the TIM Group), the Internet and media sector (the Seat Group) and international operations, which supervise a vast collection of subsidiaries and associated companies, especially in Europe and Latin America, active in wireline or mixed wireline-mobile telecommunications.

As for other businesses controlled by Olivetti, in the half year Olivetti Tecnost intensified its strategy of focussing on high-profit business sectors with significant growth potential, such as products and services for automation of vertical markets and gaming and lottery systems, together with digital-office products and solutions.

Furthermore, in the half year, commercial start-up operations were completed on the companies set up last year for new business development, including as Domustech, GoToWeb and OliWeb.

At Webegg, operations continued in the half year to develop the company offer, through the acquisition of resources and new capabilities to round out its interdisciplinary range of services, such as Performer (a technical and planning consultancy for e-business solutions and IT systems integration), Software Factory (design and realisation of information systems, application outsourcing and advanced project consultancy) and Domus Academy, a post-graduate school of design.

In May the public offer of shares of Lottomatica (of which the Olivetti Group owns, directly or indirectly, 34%) was successfully completed at a price of Euro 4.75 per share.

Business performance in the first half of 2001 is illustrated in the reclassified statement of income set out below:

Olivetti Group reclassified statement of income

(in millions of Euro)	1st half 2001	%	1st half 2000	%	Full Year 2000	%
Net revenues	16,189	100.0	14,829	100.0	30,116	100.0
Operating costs:						
Labour	(2,595)	(16.0)	(2,681)	(18.1)	(5,219)	(17.3)
Materials and services	(6,500)	(40.2)	(5,679)	(38.3)	(11,745)	(39.0)
Grants	10	0.1	10	0.1	21	0.1
Depreciation of tangible assets	(2,235)	(13.8)	(2,328)	(15.7)	(4,561)	(15.1)
Amortisation of intangible assets:						
Consolidation goodwill	(1,130)	(7.0)	(712)	(4.8)	(1,413)	(4.7)
Others	(557)	(3.5)	(395)	(2.7)	(982)	(3.3)
Provisions for writedowns, risks and future charges	(396)	(2.4)	(405)	(2.7)	(855)	(2.9)
Other income, net	26	0.2	65	0.4	9	–
Result before non recurring income and charges, interest and taxes	**2,812**	**17.4**	**2,704**	**18.2**	**5,371**	**17.8**
Non recurring income:						
Gains on disposals and other non-recurring income (*)	483	3.0	629	4.2	1,705	5.7
Non recurring costs:						
Losses on disposals and other non-recurring charges (*)	(333)	(2.1)	(348)	(2.3)	(1,613)	(5.4)
EBIT	**2,962**	**18.3**	**2,985**	**20.1**	**5,463**	**18.1**
Income from equity investments, net	62	0.4	158	1.1	915	3.0
Financial income and charges, net	(1,236)	(7.7)	(781)	(5.3)	(1,831)	(6.0)
Value adjustments to financial assets	(957)	(5.9)	(383)	(2.6)	(1,206)	(4.0)
Result before taxes and minority interests	**831**	**5.1**	**1,979**	**13.3**	**3,341**	**11.1**
Taxes	(1,226)	(7.5)	(1,507)	(10.2)	(2,340)	(7.8)
Minority interests	(692)	(4.3)	(955)	(6.4)	(1,941)	(6.4)
Net result for the period	**(1,087)**	**(6.7)**	**(483)**	**(3.3)**	**(940)**	**(3.1)**

(*) The amounts concerning the Telecom Italia Group have been classified as extraordinary items in the Half Year Report of the Telecom Italia Group.

Group revenues in the first half of 2001 totalled Euro 16,189 million, of which 15,589 million for the Telecom Italia Group (shown gross of amounts due to other telecommunications operators), giving an overall increase of 9.2% (+0.4% at constant size) compared to the first half of 2000.

Third-party revenues

(in millions of Euro)	1st half 2001	1st half 2000	Changes	%
Telecom Italia Group	13,829.9	13,750.1	79.8	0.6
Olivetti Tecnost Group	539.9	575.7	(35.8)	(6.2)
Olivetti Multiservices	30.1	18.2	11.9	65.4
Webegg Group	20.4	17.8	2.6	14.6
Total at constant size	**14,420.3**	**14,361.8**	**58.5**	**0.4**
Webegg Group companies	9.4	–	9.4	–
Telecom Italia Group companies acquired in the first half 2001	1,759.3	–	1,759.3	–
Telecom Italia Group companies sold to third parties in the second half 2000	–	466.9	(466.9)	–
Total Group	**16,189.0**	**14,828.7**	**1,360.3**	**9.2**

Telecom Italia Group revenues from sales and services in the first half of 2001 totalled Euro 15,589 million, an increase of 9.7% from the first half of 2000 (+ 0.6% at constant size). Revenue growth arose almost entirely from the newly consolidated companies, in particular the Entel Chile Group and the Seat Pagine Gialle Group, offset in part by the elimination from the consolidation area of manufacturing and plant companies (Sirti Group and Italtel Group).
At constant size, the increase in mobile telephone services revenues in and outside Italy was offset by a decrease in sales at Telecom Italia S.p.A., whose traffic revenues decreased by 8.9%, despite a 28.6% rise in minutes (+ 616 million); the average gross traffic yield in the half year was 81 lire per minute, compared to 115 lire per minute in the first half of 2000 (–29.2%, equivalent to –1,053 million).

Operating costs and other net recurring charges in the first half of 2001 totalled Euro 13,377 million (Euro 12,125 million in the first half of 2000), of which 12,057 million for the Telecom Italia Group (10,770 million in the first half of 2000), the equivalent of 82.6% of consolidated revenues. Total costs to revenues therefore rose by 0.4 percentage points compared to the 2000 full-year figure (+ 0.8 percentage points compared to the first half of 2000), despite the change in the consolidation area.
Specifically, while labour costs decreased by Euro 86 million from the first half of 2000 (from 2,681 million to 2,595 million), the costs of materials and services increased by Euro 821 million compared to the first half of 2000 (from 5,679 million to 6,500 million), largely as a result of the change in the consolidation area (the inclusion of the Entel Chile Group and the Seat Pagine Gialle Group, offset in part by the elimination from the consolidation area of the manufacturing and plant companies).
Depreciation and amortisation charges in the first half of 2001 totalled Euro 3,922 million (3,211 million for the Telecom Italia Group), an increase of 487 million from the first half of 2000. They included Euro 649 million for amortisation of consolidation goodwill in respect of purchases of Telecom Italia shares; excluding this item, the ratio of operating costs to revenues in the first half of 2001 decreased to 78.6% (77.3% in the first half of 2000).

The overall increase of Euro 487 million included 484 million for the Telecom Italia Group, as a result of the inclusion in the consolidation area of the Seat Pagine Gialle Group (101 million) and the Entel Chile

Group (97 million) and of higher charges for amortisation of goodwill (426 million, of which 283 million in respect of the purchase of Seat Pagine Gialle), offset only in part by the reduction of depreciation charges on tangible fixed assets at Telecom Italia S.p.A. and the other Group companies.
Provisions totalled Euro 396 million (405 million in the first half of 2000) and were as follows:
• Euro 339 million for the Telecom Italia Group, including:
– 241 million for writedowns, largely in respect of receivables;
– 98 million for risks and charges;
• Euro 57 million Euro for provisions made by other companies in the Olivetti Group, of which Euro 42 million for future charges in respect of Olivetti Finance loans.

Earnings before non-recurring items, interest and taxes amounted to Euro 2,812 million, or 17.4% of revenues (18.2% in the first half of 2000).

Non-recurring income totalled Euro 483 million. This included Euro 410 million for the Telecom Italia Group, as follows:
• 95 million from the sale of 30% of Mediterranean Nautilus S.A. to Israel's F.T.T. Investment;
• 35 million from the increase in net assets at Lottomatica as a result of the share premium collected through the IPO;
• 32 million as a result of the partial annulment by Public Administration Central Court ruling no. 3699/2001 of the fine imposed on TIM and Omnitel by the Antitrust authority, which had previously been provided in full;
• 16 million from the dilution of the AUNA equity investment.
Non-recurring income of 73 million Euro reported by the other companies in the Group arose as follows:
• 29 million from the increase in net assets at Lottomatica as a result of the share premium collected through the IPO, in respect of the shareholding owned directly by Olivetti S.p.A.;
• 5 million as a result of the offer on the market of unexercised rights relating to the share capital increase organised in 2001 by Olivetti S.p.A.;
• a 6 million adjustment on the selling price of the equity investments in Olivetti Ricerca and Modinform, following state grants towards the cost of the companies' research work;
• a 5 million adjustment on the selling price of the equity investment in O.i.S. relating to prior years;
• 9 million of insurance compensation for damages at Olivetti Tecnost as a result of floods in Piedmont and the Aosta Valley in the autumn of 2000;
• 12 million from amounts collected from the sale of receivables due from authorities in the Russian Federation, which had previously been provided in full under the allowance for doubtful accounts;
• 2 million from the sale of minor equity investments.

Non-recurring charges totalled Euro 333 million (348 million in the first half of 2000). This included 313 million for the Telecom Italia Group, as follows:
• 106 million of charges relating to personnel retirements and mobility;
• 37 million for an extraordinary payment to the INPS national insurance board – pursuant to the 2000 state budget for the three-year period 2000/2002 – to cover increased financial requirements following the suppression of the Telephone Workers Fund (FPT);

• 55 million provided by TIM for risks and charges;
• 115 million in other non-recurring charges.
Non-recurring charges for the other Group companies totalled Euro 20 million and included:
• 7 million for reorganisation charges at the Olivetti Tecnost Group;
• 13 million for damages caused by floods in the autumn of 2000 and other non-recurring charges.

Consolidated EBIT amounted to Euro 2,962 million, compared to 2,985 million in the first half of 2000.
Income from equity investments, net, amounted to Euro 62 million (158 million in the first half of 2000). This included 37 million for the Telecom Italia Group (113 million in the first half of 2000) consisting of 18 million in dividends and 19 million in net capital gains from the sale of stakes in listed companies, held as current assets.
The remaining amount of 25 million arose mainly from operations on securities by other companies in the Olivetti Group.

Interest expense and other financial charges, net, amounted to Euro 1,236 million (781 million in the first half of 2000), of which 794 million for the Telecom Italia Group (262 million in the first half of 2000) and 442 million for the other Group companies (519 million in the first half of 2000).
Net financial charges at the Telecom Italia Group increased by Euro 532 million as a result of higher Group borrowings and the inclusion in the consolidation area of the Maxitel Group (net financial charges of 92 million), the Seat Pagine Gialle Group (26 million) and the Entel Chile Group (34 million).
The net financial charges of the other companies decreased by Euro 77 million.

Value adjustments to financial assets generated an overall writedown of Euro 957 million (383 million in the first half of 2000). This included 773 million for the Telecom Italia Group (376 million in the first half of 2000) and 184 million for the other Group companies (7 million in the first half of 2000).
Value adjustments at the Telecom Italia Group (773 million) related in the main to the Group's share of the earnings and losses of investee companies valued with the equity method, including amortisation of goodwill arising on the purchase of the relevant shareholdings (154 million; 89 million in the first half of 2000). Key factors were the losses reported by IS TIM (210 million), due to start-up charges and the book impact of the currency crisis in Turkey, the writedown of Stream (123 million) and the writedown to stock-market values of TIM shares held as current assets (114 million).
Value adjustments relating to the other Group companies totalled 184 million and were as follows:
• 62 million for the writedown of 41.4 million Telecom Italia shares held for trading under current assets, to the stock market value as of 29 June (Euro 10.527 per share);
• 118 million for the writedown of 174.2 million Seat Pagine Gialle shares held as currents assets, in part as securities available for sale (161.7 million), in part as securities held for trading (12.5 million), to, respectively, the average share price for June (Euro 1.203 per share) and the stock market value at the end of June (Euro 1.229 per share);
• 4 million for the net value adjustment of other securities and equity investments.

Income taxes for the first half amounted to an estimated Euro 1,226 million (1,507 million in the first half of 2000), of which 1,210 million for the Telecom Italia Group, 10 million for the Olivetti Tecnost Group and 6 million for other companies.

Income attributable to minority interests totalled Euro 692 million, and consisted almost entirely of earnings attributable to Telecom Italia Group minority shareholders.

The Group therefore had a net loss for the first half of Euro 1,087 million; before amortisation of goodwill in respect of the acquisition of Telecom Italia, the net loss amounted to Euro 438 million.

Analysis of the Group balance sheet

The Olivetti Group reclassified balance sheet as of 30 June 2001 is set out below:

(in millions of Euro)	30.6.2001	%	31.12.2000	%	Changes	30.6.2000	%
Short-term assets							
Financial resources and loans	12,867	12.4	7,559	7.9	5,308	3,300	4.2
Operating assets	14,690	14.2	14,426	15.2	264	12,770	16.4
Total short-term assets	**27,557**	**26.6**	**21,985**	**23.1**	**5,572**	**16,070**	**20.6**
Medium/long-term assets:							
Financial receivables and marketable securities	–	–	3	–	(3)	28	–
Intangible fixed assets	41,220	39.8	39,640	41.5	1,580	28,270	36.2
Tangible fixed assets	24,995	24.1	23,776	25.0	1,219	25,568	32.8
Other assets	9,828	9.5	9,956	10.4	(128)	8,119	10.4
Total medium/long-term assets	**76,043**	**73.4**	**73,375**	**76.9**	**2,668**	**61,985**	**79.4**
TOTAL ASSETS	**103,600**	**100.0**	**95,360**	**100.0**	**8,240**	**78,055**	**100.0**
Short-term liabilities							
Short-term debt	16,763	16.2	17,601	18.5	(838)	6,664	8.5
Operating liabilities	16,273	15.7	14,957	15.6	1,316	16,393	21.0
Total short-term liabilities	**33,036**	**31.9**	**32,558**	**34.1**	**478**	**23,057**	**29.5**
Medium/long-term liabilities							
Medium/long-term debt	38,015	36.7	27,485	28.8	10,530	25,220	32.3
Other medium/long-term liabilities	3,637	3.5	3,951	4.2	(314)	2,873	3.7
Total medium/long-term liabilities	**41,652**	**40.2**	**31,436**	**33.0**	**10,216**	**28,093**	**36.0**
TOTAL LIABILITIES	**74,688**	**72.1**	**63,994**	**67.1**	**10,694**	**51,150**	**65.5**
TOTAL SHAREHOLDERS' EQUITY	**28,912**	**27.9**	**31,366**	**32.9**	**(2,454)**	**26,905**	**34.5**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**103,600**	**100.0**	**95,360**	**100.0**	**8,240**	**78,055**	**100.0**

Short-term assets as of 30 June 2001 amounted to Euro 27,557 million, with a net increase of 5,572 million compared to 21,985 million as of 31 December 2000, of which 3,004 million for the Telecom Italia Group, mainly as result of the change in the consolidation area.
Medium/long-term assets amounted to Euro 76,043 million, with a net increase of 2,668 million compared to Euro 73,375 million at 31 December 2000, arising from an increase at the Telecom Italia Group of 3,220 million (goodwill in respect of acquisition of control of the Entel Chile Group for 731 million, capitalisation of costs for the new mobile communications licences in Brazil for 990 million, and other net additions for 1,499 million, relating in the main to the change in the consolidation area) and a reduction of 552 million largely as a result of amortisation of consolidation goodwill at Olivetti S.p.A. for the acquisition of Telecom Italia.
Short-term liabilities as of 30 June 2001 amounted to Euro 33,036 million, an increase of 478 million (of which 242 million for the Telecom Italia Group) compared to Euro 32,558 million as of 31 December 2000.
Medium/long-term liabilities amounted to Euro 41,652 million with an increase of 10,216 million from Euro 31,436 million at 31 December 2000. This included 8,708 million at the Telecom Italia Group, of which 9,023 million for higher debt, offset in part by a reduction of 315 million in non-financial medium/long-term liabilities.
The Olivetti Group's consolidated net financial indebtedness as of 30 June 2001 amounted to Euro 41,911 million, an increase of 4,387 million from 31 December 2000 (Euro 37,524 million).

	30.6.2001			31.12.2000			
(in millions of Euro)	Telecom Italia Group	Other companies	Total (A)	Telecom Italia Group	Other companies	Total (B)	Total changes (A–B)
Current portion of medium/long-term debt	1,800	941	2,741	1,622	1,128	2,750	(9)
Short-term bank loans and amounts due to other lenders	12,226	828	13,054	13,484	692	14,176	(1,122)
Financial indebtedness due to Group companies	19	–	– (*)	29	–	– (*)	–
Interest accruals and deferrals	317	651	968	196	479	675	293
Financial resources	(5,769)	(4,434)	(10,203)	(3,324)	(2,356)	(5,680)	(4,523)
Financial receivables	(1,290)	(549)	(1,839)	(1,106)	(104)	(1,210)	(629)
Financial receivables due from Group companies	–	(19)	– (*)	–	(29)	– (*)	–
Interest accruals and prepayments	(135)	(690)	(825)	(137)	(532)	(669)	(156)
Total short-term net financial indebtedness (A)	**7,168**	**(3,272)**	**3,896**	**10,764**	**(722)**	**10,042**	**(6,146)**
Medium/long-term bonds and other debt	17,291	20,724	38,015	8,268	19,217	27,485	10,530
Medium/long-term financial receivables and marketable securities	–	–	–	(3)	–	(3)	3
Total medium/long-term net financial indebtedness (B)	**17,291**	**20,724**	**38,015**	**8,265**	**19,217**	**27,482**	**10,533**
Total net financial indebtedness (A+B)	**24,459**	**17,452**	**41,911**	**19,029**	**18,495**	**37,524**	**4,387**

(*) after elimination of intercompany balances

The 2001 first-half financial requirement of Euro 4,387 million arose as follows:

(in millions of Euro)	1st half 2001
Telecom Italia Goup	
Acquisition of additional share (28%) in Entel Chile equity investment	970
Full consolidation of Entel Chile net financial indebtedness	911
Other capital expenditure (IS TIM in Turkey; mobile telephony licences in Brazil)	2,638
Payment of dividends:	
to Olivetti S.p.A.	891
to third parties	2,225
Operations and other proceeds, net	(2,205)
Net financial requirement of Telecom Italia Group	**5,430**
Other companies	
Net proceeds from Olivetti S.p.A. share capital increase	(905)
Proceeds from dividends paid by Telecom Italia S.p.A.	(891)
Payment of dividends by Olivetti S.p.A.	255
Financial charges and other payments, net	498
Net financial surplus of other companies	**(1,043)**
Total net financial requirement	**4,387**

5.2.2. Information with respect to a reasonable forecast on results for financial year 2001

As in the last two financial years, the results of the parent company Olivetti S.p.A. for full-year 2001 depend on the size of the Telecom Italia dividend payout for the year (which will be recorded at 31 December 2001) and, furthermore, on the market performance of the Seat PG shares arising from the Telecom Italia spin-off in respect of the Tin.it operation (which in the first half generated a writedown of Euro 108 million for adjustment to the average share price in June of Euro 1.2).

The consolidated results of the Olivetti Group will be influenced by the capital expenditure of Telecom Italia, by increased charges for amortisation of goodwill on acquisitions, start-up losses on consolidated companies and interest expense on increased levels of debt.

Furthermore, taking into account the possibility of further losses on the securities portfolio as a result of stock market trends, and despite the decrease in Olivetti's debt-servicing charges, a consolidated full-year profit before amortisation of goodwill arising from the acquisition of Telecom Italia is not expected.

As regards Telecom Italia, in the second half of 2001 the Group will intensify its commitment to industrial renewal, in pursuit of the objective of achieving further improvements in productivity, maintaining growth rates at high levels, and seizing opportunities for development arising from technological evolution.

The 2001 financial year will be characterised by three main factors:

• growth in industrial operations in terms of revenues and EBITDA;

• maintenance of high levels of profitability, despite the significant number of businesses currently in the start-up phase, through prudent management of resources and reduction of operating costs in companies that are already operational;

• rigorous financial management, in order to contain overall levels of debt and improve the ability to generate dividends for shareholders.
Total Group revenues will approach Euro 33 billion, a significant increase in comparison to 2000, mainly as a result of the consolidation of the new acquisitions (Seat Group, Entel Chile Group, Maxitel in Brazil), the strong performance of mobile telephone services and the growth of Internet/data services offered in Italy by TIWS.
The improvement of Group EBITDA should confirm the trend reported in the first half, which reflected not only the change in the area of consolidation, but also the positive performance of the domestic wireline and mobile business in terms of volumes and reduction of costs.
The burden of development costs will lead to a considerable reduction in the Telecom Italia Group's consolidated net earnings figure compared to 2000. Group net financial indebtedness, which rose in the first half due to the completion of the international acquisitions in mobile telephony and payment of dividends for 2000, will amount to approximately Euro 25 billion, substantially in line with the level reported at the end of the first half.

VI – General information about the Issuer and the share capital

6.1 Issuer name and legal status

The legal name in full is "Ing. C. Olivetti & C. Società per Azioni". The Company may also used the shortened forms "Ing. C. Olivetti & C. S.p.A." or "Olivetti S.p.A.". Olivetti is a joint stock company.

6.2 Registered office and administrative headquarters

The registered office and administrative headquarters are in Via Jervis 77, Ivrea, Italy.

6.3 Compliance of the By-Laws with the Consolidated Law

The extraordinary Shareholders' Meeting of 7 April 1999 amended the company By-Laws to ensure compliance with Legislative Decree no. 58 of 24 February 1998.

6.4 Share capital

Olivetti's fully subscribed and paid-up share capital as of the date of this Prospectus stands at Euro 7,290,443,977 and is represented by the same number of ordinary shares at Euro 1 per share.
With effect from 31 October 2001 further 15 ordinary shares were issued in respect of Olivetti 2001-2002 Warrants. This change is currently being registered at the Turin Register of Companies.

Voting rights

Olivetti's share capital is represented entirely by ordinary shares. Each share has one voting right.

Rights in respect of the distribution of earnings

As stated in art. 21 of the By-Laws, the company year closes on 31 December. At the closure of each year, the Board of Directors is legally required to draw up the Company's statutory financial statements for the year, the Group consolidated financial statements and the Report on Operations. With regard to the distribution of earnings, the provisions of law apply: specifically, a deduction of 5% is made from net earnings to be assigned to the Legal Reserve until such reserve stands at an amount equivalent to one fifth of share capital. The residue is used to distribute the dividend approved by the Shareholders' Meeting and for other purposes the Shareholders' Meeting deems necessary. Should such purposes also be of a social, cultural, welfare or educational nature or relate to technical and scientific research, the relevant amounts must be paid in territories in which the Company has its head office and any secondary offices.
Should the Company be wound up, the shareholders have the right to receive a share of the residual assets, pursuant to the provisions of law.
Dividends that are not collected within five years of the date from which they are payable revert to Olivetti, pursuant to the provisions of law.

6.5 Authorised capital not yet subscribed or share-capital-increase commitments and proxies granted to the Directors

Authorised capital that has not been subscribed

Share capital may currently be increased to a maximum of Euro 8,200,757,066 to service the following operations:
– exercise of 24,799,274 Olivetti 1998-2002 warrants for subscription of an equal number of ordinary shares at Euro 1 par value each, on payment at the time of exercise of Lire 1,000(*);
– conversion at par into an equal number of ordinary shares of 31,737,637 Olivetti 2002 Bonds with a par value of Lire 1,000 each (*);
– exercise of 137,358,025 Olivetti ex Tecnost Warrants for subscription of 153,840,988 Olivetti ordinary shares at a basis price of Euro 2.8(**) with annual 15% increments as from 20 August 1999;
– exercise of 6,296,660 Stock Options pursuant to art. 2441 final par of the Italian Civil Code in accordance with the resolutions passed by the Board of Directors on 9 June 1999 implementing the proxy received from the extraordinary Shareholders' Meeting of 7 April 1999, giving the right to subscribe for an equal number of ordinary shares at Euro 1 par value each, in respect of which share capital will rise by an amount equivalent to the subscriptions received by 31 January 2002;
– conversion (from 1 January 2002) into an equal number of ordinary shares, of 487,549,167 Olivetti 2004 bonds of Euro 2.6 nominal value each;

(*) On approval of the free share-capital increase and simultaneous re-denomination of share capital in Euro, the extraordinary Shareholders' Meeting of 4 July 2000 passed a resolution to set aside a reserve irrevocably for the exercise of these financial instruments, providing that on receipt of each warrant/bond exercise/conversion request, an amount of Lire 936.27 would be transferred to share capital for the free capital increase (in order to permit issuance of shares with a par value of Euro 1).

(**) The Olivetti extraordinary Shareholders' Meeting of 4 October 2000 (which approved the upstream merger of Tecnost) amended the resolution passed by Tecnost on 4 July 2000 (for the free share-capital increase and simultaneous re-denomination in Euro) to take account of the merger, providing for a maximum amount of Euro 102,505,387.56 (now consisting of a residual maximum amount of Euro 101,893,115.23) to be allocated to a reserve irrevocably set aside for the exercise of Warrants re-denominated "Olivetti ex Tecnost 1999-2004" and providing that on receipt of each warrant exercise request, an amount of Lire 1,436.27 (equivalent to the difference between the per-share value of Euro 1 (Lire 1,936.27) and the pre-existing per-share par value of Lire 500) would be transferred to share capital for the free capital increase.

– exercise of 347,868,718 Olivetti 2001-2002 warrants for subscription of 173,934,359 ordinary shares at Euro 1 par value each corresponding to an exercise price of Euro 2 per share;
– exercise of 1,824,989 Stock Options pursuant to art. 2441 final par of the Italian Civil Code in accordance with the resolutions passed by the Board of Directors on 29 November 1999 implementing the proxy received from the extraordinary Shareholders' Meeting of 7 April 1999, giving the right to subscribe for an equal number of ordinary shares at Euro 1 par value each, in respect of which share capital will rise by an amount equivalent to the subscriptions received by 31 January 2002;
– exercise of 1,330,000 Stock Options relating to the "Three-year 2002-2004 stock option plan" pursuant to art. 2441 final par of the Italian Civil Code in accordance with the resolutions passed by the Board of Directors on 24 February 2000, and subsequently modified by the Board of Directors on 9 February 2001, implementing the proxy received from the extraordinary Shareholders' Meeting of 7 April 1999, giving the right to subscribe for an equal number of ordinary shares at Euro 1 par value each, in respect of which share capital will rise by an amount equivalent to the subscriptions received on exercise of warrants no later than the final date of 15 December 2004.
– exercise of 29,000,000 Stock Options relating to the "Three-year February 2002-December 2004 stock option plan", pursuant to art. 2441 final par of the Italian Civil Code in accordance with the resolutions passed by the Board of Directors on 9 February 2001 implementing the proxy received from the extraordinary Shareholders' Meeting of 7 April 1999, giving the right to subscribe for an equal number of ordinary shares at Euro 1 par value each, in respect of which share capital will rise by an amount equivalent to the subscriptions received on exercise of warrants no later than the final date of 31 December 2004.

Proxies granted to the Directors

Pursuant to arts. 2443 and 2420 ter of the Italian Civil Code, the extraordinary shareholders meeting of 7 April 1999 granted the Directors a five-year proxy to:

a) raise share capital, through one or more operations, by a maximum nominal amount of Lire 5,000 billion (Euro 2,582,284,495), on a free basis or otherwise, with or without a share premium, through issuance of ordinary shares and/or shares with rights, ranking pari passu with outstanding shares, to be assigned or offered respectively to rights holders, empowering the Directors to establish from time to time share class, share issue price, dividend rights, the possible limitation of the increase to service the conversion of own or third-party bonds issued in or outside Italy, and/or warrants, and also empowering the Directors to reserve the increase or increases (pursuant to art. 134 of Legislative Decree 58/1998), including operations in respect of options, warrants or similar rights, for employees of the Company, its controlling company and its subsidiary companies;

b) to issue in one or more tranches non-convertible bonds or bonds convertible into ordinary shares and/or bonds with rights, ranking pari passu with outstanding shares, with or without warrants, in any currency, to be offered to rights holders, for a maximum amount of Lire 8,000 billion (Euro 4,131,655,192 million), within the limits stipulated from time to time by the law, with a corresponding increase in share capital to service conversion of the bonds and/or exercise of the warrants, and to determine terms, conditions and procedures and the relevant bond regulations.

The powers as per sub a) were implemented in part by the Board of Directors as follows:
– on 7 April 1999 a resolution was passed to increase share capital to finance the Tender Offer then being made on the ordinary shares of Telecom Italia, through subscription of the share-capital increase resolved for such purpose by the subsidiary Tecnost. The increase was executed from 21 June 1999 – 7 July 1999 for an amount equivalent to a par value of Lire 1,497,601,424,000 (Euro 773,446,588 million).
– on 9 June 1999, 24 February 2000 and 9 February 2001, the Board of Directors passed resolutions regarding stock option plans for an overall maximum of 78,330,000 shares for an overall par value of Lire 105,481,830 billion (Euro 54,476,819 million), as specified in detail in art. 5 of the company By-Laws (similarly to other separate capital operations previously and subsequently resolved and executed); on 4 July 2000, the extraordinary Shareholders' Meeting convened to approve the free share-capital increase and the simultaneous re-denomination in Euro passed resolutions to express in Euro the amounts relating to the above proxies;
– on 18 December 2000 the Board of Directors approved the offer of 357,184,480 Olivetti shares of par value Euro 1, with a similar number of warrants attached for subscription of 174,124,702 Olivetti shares.
The powers as per sub b) were in part implemented as follows:
– on 18 December 2000, the Board of Directors in relation to the aforementioned share-capital operation approved the issue of 487,549,167 convertible bonds with par value Euro 2.6 each (in total Euro 1,267,627, 834.20);.
– on 30 May 2001 the Olivetti Board of Directors approved the issue of a privately placed two-year floating non-convertible bond worth Euro 400 million.
On 13 October 2001 the extraordinary Shareholders' Meeting approved delegated proxies to the directors – in accordance with art. 2443 of the Italian Civil Code – to increase share capital in one or more operations over a five-year period from the date of the resolution for a maximum of Euro 7 billion par value by means of a share issue to be assigned and offered to rights holders, and to issue convertible bonds – in accordance with art. 2420 ter of the Italian Civil Code – up to a maximum of Euro 10 billion par value, on one or more occasions over a five-year period from the date of the resolution, without prejudice to other proxies for outstanding amounts.
The new proxies are in addition to those not yet used, for a total value of approximately Euro 1,232 million for the issuance of shares and approximately Euro 2,464 million for the issuance of bonds.
The Board of Directors meeting held on 13 October 2001 implemented the proxies granted by the Shareholders' Meeting of 7 April 1999 in accordance with art. 2443 and 2420 ter of the Italian Civil Code in respect of the residual part to approve the Offer set out in this Prospectus, for a maximum total of Euro 4,079,803,958 through the issue of a corresponding number of shares and/or bonds, on an alternative basis and at the discretion of the rights holders.
Furthermore the Board of Directors resolved to make no further use of the remaining proxies, conferred in accordance with art. 2420 ter and 2443 of the Italian Civil Code, in operations that would bring an increase in share capital and, consequently, to submit to the approval of the Shareholders' Meeting any further issue of shares, convertible bonds or bonds cum warrant, warrants, options or other similar instruments giving the right to subscribe shares, which, albeit covered by the residual proxies, could be necessary and opportune. In order to regularise its decision the Board of Directors also agreed to submit to an imminent Shareholders' Meeting the withdrawal of the proxies conferred pursuant to art. 2420 ter

and 2443 of the Italian Civil Code, for any further issue of shares, convertible bonds or bonds cum warrant, warrants, options or other similar instruments giving the right to subscribe shares that would be unutilised after the execution of the Offer.

6.6 Convertible bonds

At the date of this Prospectus a total of 32,962,614 Olivetti 2002 Bonds and 487,549,167 Olivetti 2004 Bonds, convertible into ordinary shares on a one-to-one basis, are still outstanding (see point 6.5 above). Conversion shall be under the terms and conditions prescribed in the relevant Regulation.

6.7 Own financial instruments

Olivetti owns 2,697,500 ordinary shares at Euro 1 par value each arising from the conversion of an equal amount of saving shares, following the approval by the Extraordinary Shareholders Meeting held on 4 July 2000 of compulsory conversion of preferred and savings stock into ordinary shares. These shares, whose carrying value is Lire 1,650 (Euro 0.85), are owned also as a result of Shareholder-authorised purchases from employees of the Company , its controlling company and subsidiary companies, executed upon fulfilment of the conditions at which the relevant offer regulations required sale to the Company.
Pursuant to art. 2357 ter, first par, the Shareholders' Meeting of 4 October 2000 authorised the Board of Directors to dispose of all the above-mentioned own shares by 31 December 2001 through the assignment, through one or more operations, of non-compulsory call options to former employees of the Company and its subsidiary companies who continue to work in the service of the Group.
The Shareholders' Meeting of 14 June 2001 amended the criterion for the definition of the exercise price (see Chapter II, point 2.6).
For full information, (as also disclosed in Chapter III, point 3.1) Olivetti International S.A. owns 211,931,328 shares of the controlling company Olivetti. The company intends to sell the rights assigned in relation to the Offer described in this Prospectus.

6.8 Authorisations by Shareholders' Meetings for the purchase of own financial instruments representing capital

No Olivetti shareholder authorisations exist for the purchase of own shares.

Section Two – Information about the financial instruments relating to the offer and the listing

VII – Financial instruments

7.1 Shares offered under the rights issue or reserved to service the conversion of Bonds

7.1.1 Description of Shares

The shares offered in the rights issue are a maximum of 3,915,916,285 Olivetti ordinary shares, of Euro 1 par value each with regular dividend entitlement rights, bearing coupons no. 8 and following, representing a maximum value (in the event of subscription of the rights issue entirely in shares) of 47.75% of the share capital before the increase of capital contemplated in this Prospectus and of 32.32% of the share capital post increase, assuming in both cases full exercise of Olivetti 1998-2002 Warrants, Olivetti ex Tecnost Warrants, Olivetti 2001-2002 Warrants and Stock Options.
A similar number of shares may be underwritten, as an alternative to the aforementioned shares, for conversion of the Bonds.
The precise number of Shares offered under the rights issue or reserved to service the conversion of the Bonds could be less than the aforementioned maximum and will depend on how many of the 24,799,274 outstanding Olivetti 1998-2002 Warrants are exercised prior to exercise of the option rights.

7.1.2 Description of option rights

The Shares offered under the rights issue and those reserved for the conversion of Bonds will rank pari passu with and carry the same option rights as the Olivetti ordinary shares outstanding as of the issue date (see Section One, Chapter VI, point 6.4).

7.1.3 Dividend entitlement

The Shares offered under the rights issue will have dividend entitlement as from 1 January 2001. Shares arising from the conversion of Bonds will carry the same dividend entitlements as traded Olivetti shares as of the date on which the conversion of Bonds takes effect.

7.1.4 Taxation

Dividends

Dividends paid by Italian companies to resident individuals in respect of non-significant equity investments, as defined in the next paragraph, and providing that such equity investments, pursuant to article 77 of the Income Tax Consolidated Law (TUIR, Testo Unico delle Imposte sui Redditi), are held other than in the course of business, are subject to a final 12.50% withholding tax. To be eligible for such tax treatment, parties must certify the existence of the aforementioned prerequisites and undertake to communicate any change. In this case, since application of the final withholding tax does not allow inclusion of the dividend in taxpayers' overall taxable income, it does not give entitlement to the dividend tax credit as at article 14 of the TUIR.

Resident individuals who hold equity investments represented by registered shares may, even if they have presented the declaration mentioned above, elect, when the dividends are paid, non-application of the 12.50% withholding tax. In this case, and in cases when a declaration certifying that the equity investments are non-significant and are held other than in the course of business is not presented, the dividends form part of taxable income and must be included in the tax return, giving entitlement to the aforementioned tax credit, in so far as this credit is covered by the total taxes (levied on the entity paying the dividend) pursuant to subs a) and b) of article 105 of the TUIR.
Dividends paid by Italian companies to resident individuals in respect of significant equity investments are not subject to withholding tax, just as dividends arising from equity investments, whether significant or not, held as assets relating to businesses managed by the receivers. In these cases, dividends must be indicated in the annual tax return and the aforementioned tax credit is applicable.
Equally, the withholding tax is not applied to dividends resulting from individual portfolio-management operations, in respect of which application is requested of the substitute 12.50% income tax pursuant to article 7 of Legislative Decree no. 461/1997.
The withholding tax is applied at 12.50% on dividends collected by real estate investment trusts, pursuant to Law no. 86/1994. In accordance with the Decree Law no. 351 of 25 September 2001, from 26 September 2001, real estate investment trusts are subject to a substitute tax of 1% of their net book value. Dividends are included in the determination of book net value. The new regime is applicable to real estate investment trusts set up after the execution of the aforementioned Decree (i.e. 26 September 2001), while for real estate investment trusts already existing at that date, application of the regime requires the saving management companies to elect such treatment within sixty days of the law coming into force. The Decree Law must be converted into law within sixty days of its publication in the Gazette (Gazzetta Ufficiale), which took place on 26 September 2001.
Dividends collected by residents other than individuals and the above-mentioned funds (any type of company, commercial and non-commercial bodies, Italian branches of non resident companies) are not subject to a withholding tax, but form part of total taxable income, and give entitlement to the dividend tax credit in so far as this credit is covered by the total taxes (levied on the entity paying the dividend) pursuant to subs a) and b) of article 105 of the TUIR. A 27% final withholding tax is applied to dividends paid to subjects exempt from corporate income tax (IRPEG).
Dividends collected by investment trusts and open-end investment companies (SICAV) resident in Italy are not subject to withholding tax and constitute part of operating results, subject to a 12.5% substitute tax.
Dividends collected by pension funds resident in Italy are not subject to a withholding tax and constitute part of net results, subject to a 12.5% substitute tax.
Dividends paid to non-residents other than in respect of Italian branches are subject to a 27% final withholding tax. Nevertheless, non-resident investors are entitled to reimbursement of 4/9 of the tax deducted in Italy on presentation to the Italian tax authorities of a certificate from the tax authorities of their country of residence attesting to the irrevocable payment in such country of tax on the same income.
The above benefits also apply when a double-taxation treaty exists between Italy and the country of residence of the investor providing for the abatement of tax liabilities in Italy. Since such benefits are not cumulative, the beneficiary may opt for the Italian or the conventional treatment, whichever is the more favourable.

Non-resident investors who elect the conventional treatment are also entitled, within the limits allowed by the treaty, to exemption from the withholding tax by the dividend payer, on presentation before dividend payout of a certificate from the tax authorities of their country of residence attesting to fulfilment of the treaty conditions. In addition, the Italian tax authorities jointly with the tax authorities of some foreign countries have drawn up specific forms to expedite the procedure for total or partial reimbursement of or exemption from withholdings deducted in Italy.
Dividends from Italian company shares which are traded on regulated markets and compulsorily lodged with the Monte Titoli S.p.A. centralised deposit system are subject not to the above withholdings but to a substitute income tax at the same rates of 12.50% and 27% and at the same conditions as the above withholdings. Where due, such tax is applied directly by the entities (banks, securities brokers and other resident financial intermediaries required to apply such tax) with whom the securities are lodged, which belong to the centralised deposit system run by Monte Titoli S.p.A., as well as by non-resident depositaries that belong directly or indirectly through foreign central depositaries to the Monte Titoli system (Euroclear/CEDEL).
In this case, when shares are deposited by foreign investors resident in countries with which double-taxation treaties operate, dividends are subject to the substitute tax at any more favourable rate provided under the treaties than that applicable in Italy, provided that the beneficiary of the dividends declares fulfilment of all conditions required by the conventional system and that a certificate is provided by the tax authorities of the country of residence of the beneficiary attesting that the beneficiary is resident in such country pursuant to the requirements of the treaty. Such certificate is held valid until 31 March of the year following the year of presentation.

Capital gains

Capital gains realised from the sale of shares other than those realised in the course of business, arts and professions are qualified under Italian law as "other income" (of a financial nature) and are subject to a substitute income tax.
Taxation of such capital gains is applied in respect of two separate groups, relating respectively to "significant equity investments" and to "non-significant equity investments", based on the sum of the positive and negative income components of each of the two "groups". A 27% substitute income tax rate is applied to capital gains arising from significant equity investments; a 12.50% substitute rate is applied to those arising from non-significant equity investments.
"Significant equity investments" are equity investments, options or securities that combined represent, in the case of a listed company, more than 2% of the voting rights at the ordinary shareholders' meeting or more than 5% of total share capital; the corresponding percentages in the case of an unlisted company are 20% of the voting rights or 25% of total share capital.
The percentage of equity held is determined on the basis of all sales effected over twelve months, to one or more purchasers; the twelve months take effect from the date on which the voting rights at ordinary shareholders' meetings or ownership of capital or of shareholders' equity exceed the threshold percentages at which holdings are treated as significant equity investments.
For resident taxpayers subject to the substitute tax there are three different tax bases: tax return (or ordinary regime), asset management or individual portfolio management.

In the ordinary regime the tax is set off (in a lump sum payment) in the tax return under the net taxable amount determined by netting the capital gains and losses realised in the tax year, with the possibility of carrying forward any capital losses not set off in the year to following years, up to a maximum of four years. In the case of securities lodged permanently in the keeping or administration of a qualified intermediary (asset management), capital gains as realised are taxed on an individual basis, although previous capital losses may be deducted against capital gains realised in subsequent transactions. In the case of individual portfolio management by qualified operators, tax is payable on the net result of the portfolio management for the tax year. In both the latter cases, too, any year-end losses may be carried forward into successive years, but for no more than four years.
In order to ensure financial parity between tax treatment in respect of realisation and tax treatment in respect of maturity, capital gains and capital losses arising from the sale of non-significant equity investments not covered by portfolio management operations more than twelve months after the date of purchase, formed part of taxable income for an amount adjusted through application of a specific equalization rate or "equaliser" established by the Italian tax authorities.
In accordance with Article 9 of Decree Law no. 350 of 26 September 2001, this rate is annulled on capital gains realised from 4 August 2001 onwards. The aforementioned Decree Law must be converted into law within sixty days of its publication in the Gazette (Gazzetta Ufficiale), which took place on 26 September 2001.
Gains realised by non-residents on the sale of significant equity investments in resident companies are taxable under Italian laws, subject to more favourable treatment provided under double-taxation treaties. Capital gains realised by non-residents on the sale of non-significant equity investments in resident companies traded on regulated markets are not subject to taxation in Italy.
For further details on taxation of investment income and other financial income, refer to the appropriate clauses of Legislative Decree no. 461 of 21 November 1997, Legislative Decree no. 259 of 21 July 1999, Legislative Decree no. 221 of 19 July 2000, and articles 20, 41, 42, 81 and 82 of the TUIR.

7.1.5 Share circulation

The Shares offered under the rights issue and those reserved for the conversion of Bonds are registered shares and subject to the dematerialisation regulations pursuant to Legislative Decree no. 213 of 24 June 1998 and Consob Resolution no. 11768 of 23 December 1998.

7.1.6 Potential limits on Share availability

There are no limitations on share availability imposed by By-Laws clauses or the conditions of issuance.

7.1.7 Listing of Olivetti ordinary Shares

The Shares offered under the rights issue and those reserved for the conversion of Bonds are officially listed on the Automated Trading System set up and run by Borsa Italiana S.p.A. and on the Frankfurt stock exchange, under the same conditions as currently outstanding shares.

The official monthly average prices of Olivetti ordinary shares during the last six months are set out below:

(in Euro)	
April	2.37
May	2.40
June	2.04
July	2.18
August	1.85
September	1.11

7.1.8 Dilution

The offer price of Euro 1 per Share compares with a consolidated book shareholders' equity (attributable to the Olivetti Group) of Euro 1.8 per share as reflected in the Half Year Report at 30 June 2001.

7.1.9 Possible dilution in the event of non-subscription of rights

In the event of non-subscription of rights, the interests of current shareholders as a percentage of share capital would undergo a maximum dilution of 32.32% (assuming full subscription of the Share offer or full exercise of the Bonds).

7.2 "Olivetti 1.5% 2001-2010 convertible Bonds with premium upon redemption"

7.2.1 Diffusion

The Bonds "Olivetti 1.5% 2001-2010 convertible Bonds with premium upon redemption" will be offered to eligible parties as illustrated above in "Profile of the Issuer and of the operation" and as detailed in Section III, Chapter XI.

7.2.2 Designation and characteristics

The convertible bond is designated "Olivetti 1.5% 2001-2010 convertible Bonds with premium upon redemption" and is subject to the Regulation set out in the Appendix to this Prospectus.

7.2.3. Number of Bonds

The "Olivetti 1.5% 2001-2010 convertible Bonds with premium upon redemption" bond consists of a maximum of 3,915,916,285 Bonds with a par value of Euro 1 each.
The exact number of Bonds offered could be less than the maximum number and will depend on how many of the 24,799,274 outstanding Olivetti 1998-2002 Warrants will be effectively exercised prior to exercise of the rights.

7.2.4 Currency

The “Olivetti 1.5% 2001-2010 convertible Bonds with premium upon redemption” are denominated in Euro.

7.2.5 Par value

The par value of the “Olivetti 1.5% 2001-2010 convertible Bonds with premium upon redemption” bond is a maximum of Euro 3,915,916,285, except as specified at point 7.2.3.

7.2.6 Issue price and redemption

The Bonds will be offered at par, that is at a nominal value of Euro 1 each. The Bonds will be redeemed at par incremented by an amount that will be determined by the Olivetti Board of Directors or, on its behalf, by the legal representatives of the Company, separately, prior to the commencement of the option rights exercise period and published in a supplementary notice in the “Il Sole-24 Ore” newspaper on 1 November 2001.

7.2.7 Nominal interest rate

The nominal gross annual interest rate of the Bonds will be determined by the Olivetti Board of Directors or, on its behalf, by the legal representatives of the Company, separately, prior to the commencement of the Option rights exercise period and published in a supplementary notice in the "Il Sole 24 Ore" newspaper on 1 November 2001.

7.2.8 Effective interest rate

The effective gross annual interest rate will be between 3% and 4%. The interest rate will be determined, in the above range, by the Olivetti Board of Directors or, on its behalf, by its legal representatives, separately, prior to the commencement of the option rights exercise period and published in a supplementary notice in the “Il Sole-24 Ore” newspaper on 1 November 2001.

7.2.9 Due dates, method and terms of interest payments

Interest will be paid, with no deductions for expenses, on 1 January of each year from 2003 to 2010. The first coupon will fall due on 1 January 2003 and will represent interest accruing as from the date of issue.
Payment will be effected via the authorised intermediaries belonging to the Monte Titoli S.p.A. centralised management system.

7.2.10 Rights and benefits

The Bonds carry the rights and benefits as provided under the laws regulating securities of the same category.

7.2.11 Conditions and terms of conversion rights

The Bonds are convertible into Olivetti shares on a one-to-one basis, subject to the provisions of paragraph 7.2.12 below.
Bondholders may exercise conversion rights on all or part of the Bonds held, on the following conditions:
(i) The application for the conversion of Bonds (the **"Conversion Application"**) must be delivered by the Bondholder to an intermediary, who must be a participant in the centralised system of Monte Titoli S.p.A. The Conversion Application may be delivered on any Business Day as from the 60th day from the date of issue and until 15 December 2009, except as provided by point (iv) below; the day on which conversion shall take place (the **"Conversion Date"**), including for the purposes of point (ii) below and subject to point (iv) below, shall be the last Stock Exchange business day of the month during which the Conversion Application was delivered, if the notice was delivered on or before the 15th day of any month (inclusive), or the 10th Stock Exchange business day of the following month, if the application was delivered on or after the 16th day of any month.
(ii) The shares issued in exchange for the converted Bonds shall carry the same dividend entitlement rights as Olivetti shares traded on the Stock Exchange on the Conversion Date and shall be issued with the current dividend coupons. Bonds delivered for conversion shall bear interest until the 31 December immediately preceding delivery of the Conversion Application and must be complete with all unmatured coupons. The Bondholder shall pay an amount equal to the total value of any missing coupons upon delivery of the Conversion Application.
(iii) Olivetti shall issue by the Delivery Date, without charge of any fee or expense to the Bondholder, the conversion shares requested and shall pay any cash amounts due in accordance with the following paragraph, and make the amounts available to those Bondholders who submitted a valid Conversion Application, via the Intermediary that received the Conversion Application;
(iv) no Conversion Application may be submitted on the day following a meeting of the Board of Directors where the Board decided to call a meeting of Olivetti ordinary Shareholders and until the day in which the meeting is eventually held (inclusive), even if the meeting is not held at the time of first call. If the Board of Directors calls a meeting of Olivetti ordinary Shareholders to resolve upon a distribution of dividends, no Conversion Application may be submitted during the period commencing on the 15th day after the Board's decision (inclusive) up to and including the day of payment of the dividend resolved at such Shareholders' meeting. In this case, any Conversion Applications submitted prior to the 15th day after the meeting of the Board of Directors shall take effect, including for the purposes of point (ii) above, and in any case on or before the day prior to the payment of the dividend.
In the event that, pursuant to the provisions of point 7.2.12 below, the Bondholder is entitled to a fractional number of conversion shares, conversion shares shall be delivered to the Bondholder equal to the whole number of conversion shares to which the Bondholder is entitled and will be paid by the Issuer a cash amount, rounded to the nearest hundredth of Euro, equal to the value of the fractional share as calculated using the simple mathematical average of the official Olivetti ordinary share price on the Automated Trading System in the calendar month preceding delivery of the Conversion Application.
At the time of signing and of delivering the Conversion Application, in addition to providing all other necessary and customary information, the Bondholder shall acknowledge that the conversion shares have not been registered under the Securities Act of 1933, as amended and in force in the United States of America. No conversion share shall be issued to any Bondholder who does not fulfil these conditions.

7.2.12 Conditions and terms of possible adjustments to terms of conversion of Bonds

In the event of capital increases or other extraordinary operations executed by Olivetti, the provisions of article 7 of the Regulation laid out in the Appendix will apply.

7.2.13 Maturity

Subject to the right to proceed with early redemption as at letter (b) of article 2 of the Bond Regulation, the Bonds will be redeemed in full in a lump sum by the Company on 1 January 2010.

7.2.14 Accrual of interest

Bond interest will accrue from the date of the Bond issue.

7.2.15 Amortisation and redemption terms

Bonds will be redeemed in full in a lump sum – via the authorised intermediaries belonging to the centralised management system of Monte Titoli S.p.A. – on 1 January 2010, subject to article 9 of the Regulation laid out in the Appendix.
The Bonds will be redeemed at par incremented by an amount that will be determined by the Olivetti Board of Directors or, on its behalf, by the legal representatives of the Company, separately, prior to the commencement of the option rights exercise period and published in a supplementary notice in the "Il Sole-24 Ore" newspaper on 1 November 2001.
No deduction will be made for expenses. The Bonds will cease to bear interest at the date of maturity.

7.2.16 Clauses subordinating bondholders' rights

The terms of issue include no clauses subordinating bondholders' rights to those of other Company creditors.

7.2.17 Guarantees and commitments relating to the outcome of the bond issue

There are no guarantees or commitments relating to the "Olivetti 1.5% 2001-2010 convertible bonds with premium upon redemption"

7.2.18 Prescription of rights and lapsing

Bondholders' interest rights shall prescribe five years after the coupon due date; bondholders' rights to redemption of the capitalised principal shall prescribe ten years from the date of maturity. In both cases, the beneficiary is the Company.

7.2.19 Taxation

Article 10 – Taxation

A) Interest and other income

Interest, premiums and other income, including the difference between the amount or the market value of the redeemed securities and the issue price, for bonds with a maturity date not less than 18 months issued by joint stock companies who list their shares on Italian regulated markets, treated under Italian tax laws as investment income, if realised by particular categories of resident and non-residents subjects, are subject to a 12.50% substitute income tax.

In particular, residents subject to the substitute tax are: (i) individuals, even if carrying out business activities; (ii) ordinary partnerships, their equivalent de facto partnerships and associations for arts and professions; (iii) public and private bodies, but not companies, (associations, foundations, non-profit organisations etc.), which do not have as their exclusive or main purpose the exercise of business activities, pursuant to article 87, par 1, letter c), of the Income Tax Consolidated Law[1], including Regions, Provinces, Municipalities and other parties indicated by article 88 of the aforementioned consolidated law; (iv) parties exempt from income tax on corporate bodies. Individuals exercising business activities and public or private bodies, but not companies, in accordance with the aforementioned article 87, par 1, letter c) of the consolidated law, provided that the bonds relate to the business activities undertaken by them, must include the interest income in their taxable income for personal income tax or corporation tax and are entitled to claim on their tax return, as a tax credit, the withholding tax deducted.

The tax is normally applied by authorised financial intermediaries (banks, trust companies, securities brokers, exchange brokers and other bodies expressly specified by the Ministry of Finance in agreement with the Treasury) which are involved in the payment of interest and other revenue or, also as buyers, in the transfer of bonds (that is, the sale or any other act, with or without payment of consideration, that leads to a change in the legal title to the securities).

Interest and other income received via non-authorised intermediaries, interest paid directly by the issuer and interest that, albeit collected through authorised intermediaries, relates to securities not deposited with these intermediaries, are, nonetheless, subject to taxation. In this case, taxpayers exempt in principle from the tax are entitled to claim the withholding tax, as a tax credit, on their tax return.

Bondholders resident overseas in countries with which Italy has double-taxation treaties which permit the Italian tax authorities to acquire information, are exempt from the deduction at source of the substitute tax. However, the exemption is subject to the lodging of the securities in question with an Italian bank or securities broker or with an Italian branch of non-resident banks or securities brokers, and to the presentation of a specific application requesting exemption together with a certificate from the competent tax authority of the country of residence, both to be prepared in a form that complies with that approved by the Italian Tax Administration. Bondholders resident in foreign countries with a preferential tax regime, as identified in the relevant decree of the Ministry of Finance, are in any case subject to the substitute tax.

Article 10 of Decree Law no. 350 of 25 September 2001, the provisions of which have effect in respect of the interest and other income that accrue as from 1 January 2002, provides for the suppression of the

(1) Presidential Decree no. 917 of 22 December 1986 and subsequent amendments and additions.

condition (to which the tax exemption is currently subject) of residence in foreign countries which have double-taxation treaties with Italy and which permit an exchange of information. Thus, as from the aforementioned date, all parties who are resident abroad will be able, without distinction, to take advantage of the exemption, except, however, those who live in countries with a preferential tax regime as identified by Italian law. The same provision also provides, from 1 January 2002, for the suppression of the certificate from the tax authority of the foreign country of residence (form 116/IPM) and its substitution with a declaration from the bondholder attesting to their non-resident status in Italy and in states or territories with a preferential tax regime. The Decree Law must be converted into law within sixty days of its publication in the Gazzetta Ufficiale, which took place on 26 September 2001.
If exemption from the substitute tax is not applicable, any more favourable rates that may be levied by the Italian authorities under the terms of double-taxation agreements between Italy and the foreign country of residence of the parties concerned apply.

B) Capital gains

Capital gains realised on the sale or redemption of convertible bonds traded on regulated markets, consisting of the difference – net of investment income matured and not collected (which remains subject to the treatment summarised in part A above) – between the consideration collected or the amount or market value of the redeemed securities and the purchase cost or value, treated under Italian tax laws as other income (of a financial nature), are subject, if not gained in the exercise of business or arts or professions, to a 12.50% substitute income tax, except if they are sales through which significant equity investments (as defined in paragraph 7.1.4) can be acquired , in which case the substitute tax is due at a rate of 27%. Specifically, with reference to convertible bonds, determination of the percentage sold takes account of the percentages of voting and investment rights potentially linked to the equity investments to which the convertible bonds give acquisition rights.
Non-residents are excluded from the 12.50% tax on the condition that: (i) the capital gains are realised in relation to a sale of convertible bonds which represent a non-qualified equity investment; and (ii) the convertible bonds are traded on regulated markets. The non-resident status must be documented by a declaration on the part of the party in question. In particular, recognition of exemption is due to non-residents who present to the resident withholding agent or intermediary, with which they have direct dealings regarding the custody, administration, deposit or management of securities, a form of self-certification, signed by them with a simple signature, in which they declare to be non-resident in Italy pursuant to Italian tax laws. Should the aforementioned dealings be undertaken by non-resident intermediaries on behalf of their clients, also non-resident, the declaration must be made by the intermediaries. Vice versa, should the aforementioned condition exist for the application of the 27% substitute tax, non-residents – according to Italian law – are not exempt, except for the application of any more favourable rates under the terms of the double-taxation agreements between Italy and the foreign country of residence.
For resident taxpayers subject to the substitute tax there are three different tax bases: tax return (or ordinary regime), asset management or individual portfolio management.
In the ordinary regime the tax is set off (in a lump sum) in the tax return under the net taxable amount determined by netting the capital gains and losses realised in the tax year, with the possibility of carrying

forward any capital losses not set off in the year to following years, up to a maximum of four years. In the case of securities lodged permanently in the keeping or administration of a qualified intermediary (asset management), capital gains as realised are taxed on an individual basis, although previous capital losses may be deducted against capital gains realised in subsequent transactions. In the case of individual portfolio management by qualified operators, tax is payable on the net result of the portfolio management for the tax year. In both the latter cases, too, any year-end losses may be carried forward into successive years, but for no more than four years.
For further details on taxation of investment income and other financial income, refer to the appropriate clauses of Legislative Decree no. 239 of 1 April 1996 and to the legislative sources quoted or referred to regarding taxation of shares.

7.2.20 Bond circulation

The Bonds are bearer bonds and are subject to the dematerialisation regime pursuant to Legislative Decree no. 213 of 24 June 1998 and Consob Resolution no. 11768 of 23 December 1998.

7.2.21 Transferability

There are no restrictions on the transferability of the Bonds.

VIII – Recent transactions concerning the financial instruments relating to the offer or for which admission to listing is requested

8.1 Public tender offers for cash and/or shares

During the last financial year and during financial 2001, no public tender offer for cash or shares was made by third parties for Olivetti shares, nor was any public tender offer for shares made by the Company for the shares or capital stock of other companies.

8.2 Purchase of a 26.96% equity investment by Olimpia

By means of a series of acquisitions executed between August and October 2001, Olimpia has come into possession of a total of 1,965,302,250 Olivetti ordinary shares and 68,409,125 2001-2002 Warrants. The acquisitions took place through a series of operations, as follows:
• on 30 July 2001, Pirelli S.p.A. and Edizione Holding S.p.A. agreed to buy directly or through a company designated by them a total of 1,552,662,120 Olivetti ordinary shares and 68,409,125 Olivetti 2001-2002 Warrants, sold by Bell S.A. and/or subjects designated by Bell S.A., for a consideration of Euro 4.175 per share and Euro 1.088 per warrant, for a total of Euro 6,556,759,274;
• on 9 August 2001, Kallithea S.p.A. (a company owned by Pirelli S.p.A.) transferred to Olimpia 147,337,880 Olivetti ordinary shares, previously transferred by Bell S.A. and by another subject to

Kallithea S.p.A. on the same conditions established in the agreement of 30 July 2001 above. On the same date, Pirelli Finance Luxembourg S.A. and Edizione Holding S.p.A. transferred to Olimpia, for a total value of approximately Euro 576.3 million, 265,302,250 Olivetti ordinary shares, previously bought on the market;

• on 27 September 2001, 552,000,000 Olivetti ordinary shares were transferred by Bell S.A. to Olimpia S.p.A. in partial implementation of the 30 July 2001 agreement, as well as the subsequent 19 September 2001 agreement between the majority shareholders in Bell S.A., Pirelli S.p.A., Edizione Holding S.p.A. and Olimpia S.p.A.;

• on 5 October 2001, the remaining 1,000,662,120 Olivetti ordinary shares and 68,409,125 Olivetti 2001-2002 Warrants, as per the agreement of 30 July 2001, were transferred by Bell S.A. and by other shareholders to Olimpia;

• also on 5 October 2001, in compliance with the 19 September 2001 agreement, Bell S.A. underwrote a six-year bond issued by Olimpia worth Euro 1,032,920,000, and redeemable on maturity – subject to early redemption at the request of the bondholder – by Olivetti shares, at a rate of 1 Olivetti ordinary share for each bond with a nominal value of Euro 3.92.

Furthermore, by virtue of the agreements reached with Bell S.A., Olimpia has reserved the right to buy from Bell S.A. and, should such a right not be exercised in a period of 180 days from receipt of the relevant Bell S.A. notice, Bell S.A. has reserved the right to sell to Olimpia, within the next 30 days, 54,000,000 Olivetti ordinary shares, should such shares be transferred by Banca di Roma S.p.A. to Bell S.A. pursuant to previous agreements. Olimpia's purchase right or obligation will lapse should Bell S.A. not provide the above-mentioned notice about the completion of transfer of the aforementioned shareholding by Banca di Roma S.p.A., by and no later than the ninetieth day after 5 October 2001. The acquisition by Olimpia, if undertaken, will be on the same conditions agreed for the transfer of Olivetti shares in the 30 July 2001 agreement. On 15 October Banca di Roma S.p.A. publicly announced that its subsidiary Mediocredito Centrale S.p.A. had sold on the same date 53,373,600 Olivetti shares to Bell S.A. in exercise of the above mentioned put option, at a price of Euro 4.175 per share.

Further information on the content of the aforementioned agreements is included in the public notices published in the national press in accordance with article 122 of Legislative Decree no. 58/1998, included in the Appendix of this Prospectus.

Section Three – Information about the offer

IX – The Offerer

The Shares and the Bonds described in this Prospectus are offered directly by the Issuer.

Location of documents available for public consultation

The documents available for public consultation are located at the Issuer's registered office, in via Jervis 77, Ivrea, Italy, at Borsa Italiana S.p.A. in Piazza Affari 6, Milan, Italy, and on the Issuer's Internet site at www.olivetti.com

X – Bodies responsible for placement

Since the operation is a rights issue, no body is responsible for placement.
Subscription of Shares and of Bonds through exercise of option rights shall take place on Olivetti premises (see Chapter IX), or on the premises of all authorised intermediaries belonging to the centralised management system of Monte Titoli S.p.A..

XI – The Offer

11.1 Overall value of securities

The Offer was approved by a resolution of the Olivetti Board of Directors on 13 October 2001 implementing the proxies conferred on the Board pursuant to arts 2443 and 2420 ter of the Italian Civil Code by the Extraordinary Shareholders' Meetings of 7 April 1999 and 13 October 2001.

The resolution of the Olivetti Board of Directors approved:
1) a share-capital increase for a maximum Euro 4,079,803,958 through the issue of a maximum of 4,079,803,958 Shares, intended both as a capital increase in the event of immediate subscription of the shares being issued and, alternatively, to service the bonds described in point 2) below; in this latter case, the increase is irrevocable and fixed until final expiry of conversion rights;
2) the issue of a maximum of 4,079,803,958 Bonds, with a nominal value of Euro 1, per bond, convertible into Olivetti shares on a one-to-one basis;
3) the offer to the holders of Olivetti shares outstanding at the commencement of the option rights period and to the holders of Olivetti 2002 bonds and Olivetti 2004 bonds, on an alternative basis at the choice of the rights holders, of the Shares being issued as at point 1) above and/or of the Bonds being issued as at point 2) above, at a rate of 1 new Share/Bond for every 2 shares/bonds held, at a unit price of 1 Euro.

The maximum number of Shares and Bonds was computed on the share capital that would exist assuming exercise of all warrants issued by the Company and exercisable prior to the commencement of the

Offer, that is to say the Olivetti 1998-2002 Warrants, the Olivetti ex Tecnost Warrants and the Olivetti 2001-2002 Warrants, and also of the Olivetti 2002 Bonds and Olivetti 2004 Bonds, minus 2,697,500 treasury shares.
At the date of publication of this Prospectus, the Company had received, in sufficient time to permit uptake of the Offer, applications for the exercise of 30 Olivetti 2001-2002 Warrants giving the right to obtain 15 new-issue Olivetti shares, whereas it had not received exercise applications from the holders of Olivetti ex Tecnost Warrants. Thus, considering that the Olivetti 1998-2002 Warrants may be exercised up until the day before the commencement of the Offer, with effect before tear-off of the right, a maximum of 3,915,916,285 Shares and/or a maximum of 3,915,916,285 Bonds are offered to rights holders on an alternative basis.

11.2 Resolutions, mandates and official approvals

The issue of Shares and of Bonds was approved under a resolution passed by the Company Board of Directors on 13 October 2001, implementing the proxies conferred pursuant to arts. 2443 and 2420 ter of the Italian Civil Code by the extraordinary shareholders' meeting of 7 April 1999 and 13 October 2001.
The Board resolution of 13 October 2001 was filed with the Turin Register of Companies on 23 October 2001.

11.3 Markets

The Shares and the Bonds will be issued and offered to eligible parties in Italy.
This Prospectus is not an offer of financial instruments for sale in the United States of America or in Other Countries. Financial instruments may not be offered or sold in the United States of America or in Other Countries without specific authorisation pursuant to local laws or without registration of an exemption from authorisation.
The Shares and Bonds have not been and will not be, registered under the United States Securities Act of 1933, as amended, nor under the corresponding laws of Other Countries, and consequently may not be offered or in any way delivered directly or indirectly in the United States of America or in Other Countries.

11.4 Offer period

Exercise of option rights shall take place during the period from 5 November 2001 to 23 November 2001 inclusive, at the Olivetti offices in via Jervis 77, Ivrea (Italy) and on the premises of all authorised intermediaries belonging to the centralised management system of Monte Titoli S.p.A.
Option rights may be traded on the stock market during the period from 5 November 2001 to 15 November 2001 inclusive.
Unexercised rights as of 23 November 2001 will be offered on the stock market by the Company, pursuant to par 3 of art. 2441 of the Italian Civil Code.
The Offer will become irrevocable as from the date on which the relevant notice is filed with the Turin Register of Companies, pursuant to art. 2441 par 2 of the Italian Civil Code. In the event of non–execu-

tion of this Prospectus within the stipulated period, a notice will be published by 4 November 2001 in the daily newspaper "Il Sole 24 Ore".
Option rights will be represented by coupon no. 7 detached from Olivetti ordinary shares, tear-off slip D detached from Olivetti 2002 Bonds and tear-off slip A detached from Olivetti 2004 Bonds.

11.5 Offer price

Shares will be offered at a price of Euro 1 each. Bonds will be offered at par, that is at a price of Euro 1 each.

11.6 Uptake of the offer and minimum and maximum quantities

The Shares and/or Bonds are offered for subscription to all Olivetti ordinary shareholders and Olivetti 2002 and Olivetti 2004 bondholders at the following ratios, and with no restrictions on quantities:
– 1 Share for every 2 shares and/or Olivetti 2002 Bonds and/or Olivetti 2004 Bonds held;
– 1 Bond for every 2 shares and/or Olivetti 2002 Bonds and/or Olivetti 2004 Bonds held.
The rights issued under the Offer will also apply to Olivetti shares arising from the exercise of Olivetti 1998-2002 Warrants, effective before exercise of the option right.
Uptake shall be effected through completion of special forms prepared by the authorised intermediaries belonging to the Monte Titoli S.p.A. centralised management system; such forms will contain at least the distinguishing elements of the operation and the following information in a legible form:
– a note that the shareholder or bondholder may receive a free copy of this Prospectus;
– a reference to the section "Notice" of this Prospectus.
Furthermore, a facsimile of the subscription form will be available at Olivetti offices for those who intend to subscribe the offer at the Company offices, as well as for intermediaries who request such facsimile.

11.7 Party required to announce the results of the Offer

Since the Offer is a rights offer, the party required to announce the results of the offer to the public and to Consob is the Issuer.

11.8 Communication of assignment of Shares and Bonds

The intermediaries belonging to the Monte Titoli S.p.A. centralised management system will be responsible for informing their respective clients with regard to the assignment of Shares and Bonds.

11.9 Basis and timing of payment

Payment of the Shares and of Bonds shall be made in full upon subscription. No additional expenses will be charged to subscribers.

11.10 Delivery of securities

Shares and Bonds will be made available to rights holders at the offices of the authorised intermediaries belonging to the Monte Titoli S.p.A. centralised management system within the 10th business day of the Italian Stock Exchange following 23 November 2001.

11.11 Guarantees relating to the outcome of the Offer

The shareholder Olimpia S.p.A has undertaken to subscribe for its full quota of the rights offer, 50% in shares and 50% in convertible bonds.

Olivetti has reached an agreement with each of the Italian banks and overseas financial institutions listed below (the **"Guarantors"**) setting forth commitments to ensure guarantees for the full subscription of the offer, with the exception of the part of the offer reserved for the shareholder Olimpia S.p.A.: Banca di Roma S.p.A., Banca Nazionale del Lavoro S.p.A., BNP Paribas, IntesaBCI S.p.A., J.P. Morgan Securities Ltd., Merrill Lynch, Monte dei Paschi di Siena S.p.A., Lehman Brothers International (Europe), Mediobanca S.p.A., Banca IMI Sanpaolo, Unicredit Banca Mobiliare S.p.A.

Each Guarantor has separately and irrevocably undertaken to guarantee a portion of the Offer, specifically to underwrite Shares or Bonds, should Shares or Bonds not be subscribed on closure of the offer of unopted rights on the stock market, pursuant to par 3, article 2441 of the Italian Civil Code. Each Guarantor may underwrite Shares and Bonds as it chooses, provided that the quantity of shares it underwrites does not exceed 50% of the rights exercised in respect of its guarantee.

11.12 Estimated total amount of expenses

The total amount of expenses – including underwriting commissions and fees (equivalent to 2.5% of the countervalue of the effective risk assigned, in addition to a maximum of 1% of the countervalue of the shares and bonds effectively subscribed by the end of the Offer and expenses to be reimbursed to the intermediaries (based on Monte Titoli S.p.A.'s current rates) – is estimated at a maximum of approximately Euro 100 million.

11.13 Amount and application of net proceeds

The net proceeds of the Offer of Shares and Bonds will total an estimated maximum amount of about Euro 3.8 billion and will permit the company to improve its debt/equity ratio with a view to strengthening its financial structure. The share capital increase and issue of a convertible bond will also enable Olivetti to reduce its overall debt-servicing burden. The convertible bond issue will have immediate benefits for the company's income and cash flow, since the bond repayment conditions will be less costly than those of current borrowings, while equity could rise in the interim as a result of conversions.

In keeping with the strategy launched in 2000, Olivetti plans to use the proceeds from the Offer to buy back its own bonds, in particular the floating rate notes issued by the subsidiary Olivetti Finance N.V. in 1999 and maturing in 2004, for which early redemption is possible in June 2002 as provided by the bond regulation.

Specifically, the aforementioned operation will generate lower financial charges of approximately Euro 140 million per year as from 2002 (assuming subscription of the full amount, 50% in Shares and 50% in Bonds).

XII – The listing

12.1 Markets

The Shares offered under the rights issue are listed on the Automated Trading System of Borsa Italiana S.p.A. and on the Frankfurt Stock Exchange, at the same conditions as current outstanding shares.
An application has been presented for the admission to listing of the Bonds on the Automated Trading System of Borsa Italiana S.p.A.

12.2 Listing authorisation

Borsa Italiana S.p.A. has authorised admission to listing of the Bonds with order no. 1973 of 29 October 2001.

12.3 Commencement of trading

Trading of the Bonds will commence on the date set by Borsa Italiana S.p.A. with a specific order pursuant to par 6 art. 2.4.4 of the Regulation of Markets organised and run by Borsa Italiana S.p.A., following ascertainment that a sufficient number of Bonds are in circulation following the Offer.

12.4 Sponsors

No sponsor activity is involved.

XIII – Appendices and documents available for the public

Appendices

- Consolidated Accounting Statements of the Olivetti Group for the year 2000
- Olivetti Group reclassified Statements of Income and Balance Sheets for the year 2000 and for the first half of 2001, presented in a comparable format
- Independent Auditors' and Board of Statutory Auditors' Reports on the financial statements as of 31 December 2000
- Extracts from the agreements published pursuant to art. 122 of the Consolidated Law
- Regulation: Bonds of the series "Olivetti 1.5% 2001-2010 convertible Bonds with premium upon redemption".

Documents available for the public

• Olivetti Statutory Financial Statements and Olivetti Group Consolidated Financial Statements for the years 1999 and 2000.
• Half-Year Report at 30 June 2001.
• Olivetti By-Laws.

XIV – Information on the parties responsible for the Prospectus, on audits and on consultants

14.1 Name and location of the legal entities responsible for this Prospectus

Olivetti is responsible for this Prospectus. Its registered office is in via Jervis 77, Ivrea, Italy.

14.2 Declaration of liability

This Prospectus complies with the model filed with Consob on 30 October 2001 and contains all the information necessary for accurate assessment of the Issuer's financial position, results and prospects, and the rights in respect of the Shares as well as of the convertible Bonds listed on the Automated Trading System organised and run by Borsa Italiana S.p.A. with order no 1973 of 29 October 2001.
Olivetti is responsible for the completeness and veracity of the data and information contained in this Prospectus and also assumes responsibility for all other data and information that it might be required to know and to verify.

14.3 Auditors

For the last three financial years 1998, 1999 and 2000, the PricewaterhouseCoopers S.p.A. auditing firm headquartered in Corso Montevecchio 37/39, Turin, Italy, fully examined the annual Statutory accounts of Olivetti and the consolidated accounts of the Olivetti Group and conducted a limited review of the half-year reports; no exceptions were made in the relevant reports.
The Reconta Ernst & Young S.p.A. auditing firm headquartered in Corso Vittorio Emanuele II 83, Turin, Italy, conducted a limited review of the 2001 half-year report and no exceptions were made.
The appointment of Reconta Ernst & Young will lapse with approval of the Financial Statements for 2003.
No external bodies other than the above-mentioned auditors have verified the Company's accounts in the last three financial years.

Olivetti S.p.A.

The Chairman of the Board of Directors

Antonio Tesone

The Chairman of the Board of Statutory Auditors

Angelo Fornasari

APPENDICES

Consolidated Accounting Statements of the Olivetti Group for the year 2000

Olivetti Group
Consolidated Balance Sheet
(in millions of euro)

ASSETS	31.12.2000	31.12.1999
A) AMOUNTS DUE FROM SHAREHOLDERS	**1**	**1**
B) FIXED ASSETS		
I. Intangible fixed assets		
1) Start-up and expansion costs	94	74
2) Industrial patents and intellectual property rights	837	789
3) Concessions, licences, trademarks and similar rights	3,505	153
4) Goodwill	72	9
5) Assets in process of formation and advance payments	840	398
6) Other	654	446
7) Consolidation differences	33,638	26,175
Total intangible fixed assets	39,640	28,044
II. Tangible fixed assets		
1) Land and buildings	3,208	5,331
2) Plant and machinery	18,170	16,576
3) Industrial and commercial equipment	92	145
4) Other assets	849	578
5) Assets under construction and advance payments	1,457	1,235
Total tangible assets	23,776	23,865
III. Financial fixed assets		
1) Equity investments in		
subsidiary companies	26	127
associated companies	7,166	5,951
other companies	574	381
2) Financial receivables		
Due within 12 months from		
subsidiary companies		4
associated companies		
other companies	78	25
3) Other receivables		
Due within 12 months from		
others	111	100
Due after 12 months from		
associated companies	127	133
others	242	333
4) Other securities		
Guarantee deposits	1	
Other	668	34
5) Treasury stock	393	2
Total financial fixed assets	9,386	7,090
Total fixed assets (B)	**72,802**	**58,999**

	31.12.2000	31.12.1999
C) CURRENT ASSETS		
I. Inventories		
1) Raw, ancillary and consumable materials	51	113
2) Work-in-progress and semi-finished products	35	90
3) Contract work-in-progress	471	641
4) Finished products and goods for resale	402	355
5) Advances to suppliers	9	16
Total inventories	968	1,215
II. Receivables		
Due within 12 months from		
– customers	8,322	8,075
– subsidiary companies	42	46
– associated companies	444	494
– others	4,030	2,491
Due after 12 months from		
– customers	5	35
– others	754	767
Total receivables	13,597	11,908
III. Financial assets not held as fixed assets		
Equity investments	739	69
Securities	2,909	1,749
Receivables for securities held under reverse repurchase agreements	1	133
Total financial assets not held as fixed assets	3,649	1,951
IV. Liquid funds		
Bank and post office accounts	2,762	1,149
Cash	8	13
Total liquid funds	2,770	1,162
Total current assets (C)	**20,984**	**16,236**
D) ACCRUED INCOME AND PREPAID EXPENSES		
1) Discounts on loan issues and deferred charges on loans	24	29
2) Other accrued income and prepaid expenses	1,549	261
Total accrued income and prepaid expenses (D)	**1,573**	**290**
TOTAL ASSETS	**95,360**	**75,526**

LIABILITIES AND SHAREHOLDERS' EQUITY		31.12.2000	31.12.1999
A) SHAREHOLDERS' EQUITY			
I.	*Share capital*	4,915	2,487
I.bis	*Share capital increase to be filed with the Register of Companies pursuant to article 2444 of the Italian Civil Code*		11
I.ter	*Share capital increase payment relating to shares to be issued*		
I.quater	*Shares in exchange with Tecnost S.p.A. shares*	1,999	
II.	*Additional paid-in capital*	3,196	2,267
II.bis	*Additional paid-in capital in respect of share capital increases to be filed with the Register of Companies*		14
III.	*Revaluation reserve*	1	
IV.	*Legal reserve*	877	
V.	*Reserve for treasury stock*	2	2
VII.	*Other reserves*	2,466	
VIII.	*Sundry reserves and retained earnings (accumulated losses)*	1,340	(171)
IX.	*Group income (loss) for the year*	(940)	4,939
Group shareholders' equity		**13,856**	**9,549**
X.	*Minority interests*	17,510	16,761
Total shareholders' equity (A)		**31,366**	**26,310**
B) RESERVES FOR RISKS AND CHARGES			
1)	Employee pensions and similar obligations	31	56
2)	Taxation	1,321	358
3)	Other provisions	1,727	977
Total reserves for risks and charges (B)		**3,079**	**1,391**
C) RESERVE FOR EMPLOYEE SEVERANCE INDEMNITIES		**1,388**	**1,577**

	31.12.2000	31.12.1999
D) PAYABLES		
Due within 12 months		
1) Bonds	404	169
2) Due to banks	14,035	5,468
3) Due to other lenders	448	264
4) Advances	376	384
5) Due to suppliers	7,047	6,353
6) Due to associated companies	739	600
7) Due to subsidiary companies	6	21
8) Due to tax authorities	960	1,930
9) Due to social security authorities	294	305
10) Other payables	4,486	3,640
Due after 12 months		
1) Bonds	17,658	19,203
2) Convertible bonds	2,855	45
3) Due to banks	4,617	4,348
4) Due to other lenders	1,318	688
5) Due to suppliers	35	6
6) Due to associated companies	506	
7) Due to tax authorities	2	6
8) Due to social security authorities	1,365	1,444
9) Other payables	634	7
Total payables (D)	**57,785**	**44,881**
E) ACCRUED EXPENSES AND DEFERRED INCOME		
Premiums on loan issues		
Other accrued expenses and deferred income	1,742	1,367
Total accrued expenses and deferred income (E)	**1,742**	**1,367**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**95,360**	**75,526**

MEMORANDUM ACCOUNTS	**31.12.2000**	**31.12.1999**
Personal guarantees, net of counter-securities received	3,106	1,210
Guarantees on Group companies' assets	2	9
Commitments	5,001	84
Other accounts	266	586
TOTAL MEMORANDUM ACCOUNTS	**8,375**	**1,889**

Olivetti Group
Consolidated Income Statement
(in millions of euro)

	Year 2000	Year 1999
A) Value of production		
1) Revenues from sales and services	30,116	28,207
2) Changes in inventories of work-in-progress, semi-finished and finished products	45	(78)
3) Changes in contract work-in-progress	248	183
4) Capitalised production	912	1,066
5) Other revenues and income		
grants	21	22
other	462	547
Total value of production (A)	**31,804**	**29,947**
B) Costs of production		
6) Raw, ancillary and consumable materials and goods for resale	3,058	3,111
7) Services received	8,623	7,584
8) Leases and rentals	827	739
9) Personnel:		
a) wages and salaries	3,810	3,707
b) social securities charges	1,172	1,165
c) employee severance indemnities	252	279
d) other	11	109
	5,245	5,260
10) Amortisation, depreciation and writedowns		
a) Amortisation of intangible fixed assets	2,395	1,625
b) Depreciation of tangible fixed assets	4,561	4,393
c) Other writedowns of tangible fixed assets	48	88
d) Writedowns of receivables classified as current assets and of liquid funds	495	416
	7,499	6,522
11) Change in inventories of raw, ancillary and consumable materials and goods for resale	(25)	26
12) Provisions for risks	154	263
13) Other provisions	165	71
14) Other operational expenses	930	1,057
Total costs of production (B)	**26,476**	**24,633**
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A–B)	**5,328**	**5,314**

	Year 2000	Year 1999
C) FINANCIAL INCOME AND CHARGES		
15) Income from equity investments		
Subsidiary companies	529	759
Associated companies	80	15
Others	308	147
	917	921
16) Other financial income		
a) On receivables classified as fixed assets due from		
Associated companies	10	3
Others	10	12
b) On securities held as fixed assets	–	4
c) On securities held as current assets	171	133
d) Other interest income from		
Subsidiary companies	1	1
Associated companies	15	14
Others	601	380
	808	547
17) Interest and other financial charges	(2,641)	(1,647)
Total financial income and charges (C)	**(916)**	**(179)**
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS		
18) Revaluations of		
equity investments	276	242
securities held as current assets	4	1
	280	243
19) Writedowns of		
equity investments	(1,314)	(811)
financial fixed assets	(134)	(19)
securities held as current assets	(38)	(13)
	(1,486)	(843)
Total value adjustments to financial assets (D)	**(1,206)**	**(600)**
E) EXTRAORDINARY INCOME AND CHARGES		
20) Income		
gains on disposal	1,408	7,000
other income	297	147
	1,705	7,147
21) Charges		
losses on disposal	(15)	(17)
prior years taxation	(6)	(4)
other charges	(1,549)	(1,459)
	(1,570)	(1,480)
Total extraordinary income and charges (E)	**135**	**5,667**
RESULT BEFORE TAXATION AND MINORITY INTERESTS (A–B+C+D+E)	**3,341**	**10,202**
22) Income taxes for the year	(2,340)	(3,207)
23) Telecom Italia Group pre-acquisition result	–	(911)
24) Result attributable to minority-shareholders	(1,941)	(1,145)
25) GROUP NET RESULT FOR THE YEAR	**(940)**	**4,939**

Olivetti Group Reclassified Statements of Income and Balance Sheets for the year 2000 and for the first half 2001, presented in a comparable format

Olivetti Group reclassified statement of income

(in millions of euro)	1st half 2001	1st half 2000	Year 2000	Year 1999
Net revenues	16,189	14,829	30,116	28,207
Operating costs				
Labour	(2,595)	(2,681)	(5,219)	(5,194)
Materials and services	(6,500)	(5,679)	(11,745)	(10,843)
Operating gross margin	**7,094**	**6,469**	**13,152**	**12,170**
Grants	10	10	21	22
Depreciation of tangible assets	(2,235)	(2,328)	(4,561)	(4,393)
Amortisation of intangible assets:				
Consolidation goodwill	(1,130)	(712)	(1,413)	(698)
Others	(557)	(395)	(982)	(927)
Provisions for writedowns, risks and future charges	(396)	(405)	(855)	(653)
Other income, net	26	65	9	79
Result before non recurring income and charges, interest and taxes	**2,812**	**2,704**	**5,371**	**5,600**
Gains from disposals and other non recurring income	483	629	1,705	7,149
Tender Offer costs				(740)
Other non recurring charges	(333)	(348)	(1,613)	(1,028)
EBIT	**2,962**	**2,985**	**5,463**	**10,981**
Income from equity investments, net	62	158	915	921
Other financial income (charges), net	(1,236)	(781)	(1,831)	(1,100)
Value adjustments to financial assets	(957)	(383)	(1,206)	(600)
Result before taxes and minority interests	**831**	**1,979**	**3,341**	**10,202**
Taxes	(1,226)	(1,507)	(2,340)	(3,207)
Telecom Italia Group result before acquisition				(911)
Minority interests	(692)	(955)	(1,941)	(1,145)
Net result for the period	**(1,087)**	**(483)**	**(940)**	**4,939**
Cash flow (*)	6,734	6,139	12,327	11,618

(*) Results before non recurring items, interests and taxes, + amortisation and depreciation.

Olivetti Group– Analysis of the Group balance sheet

(in millions of euro)	30.6.2001	30.6.2000	31.12.2000	31.12.1999
Short-term assets				
Financial resources and loans	12,867	3,300	7,559	3,426
Operating assets	14,690	12,770	14,426	12,430
Total short-term assets	**27,557**	**16,070**	**21,985**	**15,856**
Medium/long-term assets				
Financial receivables and marketable securities		28	3	29
Intangible fixed assets	41,220	28,270	39,640	28,044
Tangible fixed assets	24,995	25,568	23,776	23,865
Other assets	9,828	8,119	9,956	7,732
Total medium/long-term assets	**76,043**	**61,985**	**73,375**	**59,670**
TOTALE ASSETS	**103,600**	**78,055**	**95,360**	**75,526**
Short-term liabilities				
Short-term debt	16,763	6,664	17,601	6,543
Operating liabilities	16,273	16,393	14,957	15,290
Total short-term liabilities	**33,036**	**23,057**	**32,558**	**21,833**
Medium/long-term liabilities				
Medium/long-term debt	38,015	25,220	27,485	24,291
Other medium/long-term liabilities	3,637	2,873	3,951	3,092
Total medium/long-term liabilities	**41,652**	**28,093**	**31,436**	**27,383**
TOTAL LIABILITIES	**74,688**	**51,150**	**63,994**	**49,216**
Share Capital (Registered)	7,282	2,529	4,915	2,487
Reserves and Group income	5,960	6,589	8,941	7,062
Group shareholders' equity	13,242	9,118	13,856	9,549
Minority interests	15,670	17,787	17,510	16,761
TOTAL SHAREHOLDERS' EQUITY	**28,912**	**26,905**	**31,366**	**26,310**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**103,600**	**78,055**	**95,360**	**75,526**
Working Capital	**(1,583)**	**(3,623)**	**(531)**	**(2,860)**
Investments				
Tangible	2,109	1,726	3,976	2,405
Intangible	2,797	1,230	13,255	27,628
Financial assets	2,427	1,749	3,124	718
Total	**7,333**	**4,705**	**20,355**	**30,751**
Net financial indebtedness	**41,911**	**28,556**	**37,524**	**27,379**

Independent Auditors' and Board of Statutory Auditors' Reports on the Financial Statements as of 31 December 2000

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE N° 58 DATED 24 FEBRUARY 1998

To the shareholders of
Olivetti S.p.A.

1 We have audited the consolidated financial statements of Olivetti S.p.A. as of 31 December 2000. These consolidated financial statements are the responsibility of Olivetti S.p.A.'s directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The financial statements and consolidated financial statements of certain subsidiaries (mainly Seat Pagine Gialle S.p.A., Telecom Italia Mobile S.p.A.,TI Web S.A. and 9 Telecom Reseau S.a.S.) representing respectively 20% and 32% of consolidated assets and consolidated revenues, have been examined by other audit firms who have supplied us with their audit reports. Our opinion, as expressed in this report, in relation to the values of these subsidiaries included in the consolidation, is also based on the audits carried out by other audit firms.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by law, reference is made to our report dated 12 June 2000.

3 In our opinion, the consolidated financial statements of Olivetti S.p.A. as of 31 December 2000 comply with the laws governing the criteria for their preparation; accordingly, they give a true and fair view of the financial position and of the results of operations of the Group.

Sede legale: Milano 20124 Via Vittor Pisani 20 Tel. 0267831 Fax 0266981433 Cap. Soc. 7.220.000.000 i.v. Reg. Imp. Milano N. 278929/1999 C.F. e P. IVA 12979880155 Iscritta all'Albo Consob – Altri uffici: **Ancona** 60123 Via Corridoni 2 Tel. 07136881 – **Bari** 70125 Viale della Repubblica 110 Tel. 0805429863 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25124 Via Cefalonia 70 Tel. 0302219811 – **Firenze** 50129 Viale Milton 65 Tel. 0554627100 – **Genova** 16121 Piazza Dante 7 Tel. 0105702013 – **Milano** 20122 Corso Europa 2 Tel. 0277851 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 0817644441 – **Padova** 35137 Largo Europa 16 Tel. 0498762677 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 V.le Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37/39 Tel. 011556771 – **Trento** 38100 Via San Francesco 8 Tel. 0461237004 – **Treviso** 31100 Piazza Crispi 8 Tel. 0422542726 – **Udine** 33100 Via Marinoni 12 Tel. 043225789 – **Verona** 37121 Via Malenza 2 Tel. 0458002561

4 For a better understanding of the consolidated financial statements reference should be made to the explanatory notes to the consolidated financial statements, chapter "Valuation Criteria", in relation to the dispute with the Italian National Insurance Board (INPS) regarding the uncertainty of the amount of the payable in Telecom Italia S.p.A. relating to the pension fund of the personnel providing telephone services.

Turin, 21 May 2001

PricewaterhouseCoopers SpA

Sergio Duca
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation.

(2)

Report of the Board of Statutory Auditors to the Olivetti S.p.A. Shareholders' Meeting, pursuant to art. 153 Legislative Decree 58/98 and art. 2429 of the Italian Civil Code.

(Translation from the original version in Italian)

To the Shareholders,

This report illustrates the monitoring activities performed by the Board of Statutory Auditors and the other duties it is required to perform pursuant to Legislative Decree no. 58/98 and art. 2429 of the Italian Civil Code and also with reference to the recently published Consob communication no. DEM/1025564 and related attachments of 6 April 2001.
The Company statutory financial statements as of 31/12/2000 show earnings of 869,820,034 euro and were consigned to the Board of Statutory Auditors together with the Directors' Report on Operations as prescribed by law. The Board of Statutory Auditors has verified that the statements were drawn up in compliance with legal requirements through its own auditing work and through the information provided by the Independent Auditors.
The Group consolidated financial statements at your disposal show a loss of 940 million euro and were similarly consigned to the Board of Statutory Auditors together with the Directors' Report on Operations as prescribed by under law.

1. The main business and financial operations transacted by Olivetti S.p.A. during financial 2000, regarding which the Directors kept the Board of Statutory Auditors periodically and fully informed, are summarised below and described in fuller detail in the Directors' Report on Operations:
• Following the contribution of the industrial operations of the Tecnost group to Tecnost Sistemi S.p.A., the latter was sold in February 2000 to Olivetti S.p.A., based on the reports drawn up by the experts appointed by the Presiding Judge of the Court of competent jurisdiction.
The sale of Tecnost Sistemi S.p.A. to Olivetti S.p.A. was preparatory to the subsequent contribution (at the end of the year) of Tecnost Sistemi S.p.A. to Olivetti Lexikon S.p.A. (which was subsequently renamed Olivetti Tecnost S.p.A.), as part of the Group industrial re-organisation.
• Conversion of Company preferred and savings shares into common shares, at par.
Free increase of share capital through the increase of the nominal value of all shares from 1,000 lire to 1,936.27 lire (1 euro) and simultaneous re-denomination of share capital in euro.
Both operations were resolved by the Extraordinary Shareholders' Meeting of 4 July 2000 and ratified by the competent Courts on 17 July 2000.
• Upstream merger of Tecnost S.p.A. into and with Olivetti S.p.A. The operation was approved by the companies' respective Shareholders' Meetings of 4 October 2000. It took effect for juridical purposes as from 31 December 2000 and for accounting purposes as from 1 October 2000. The share exchange ratio, the fairness of which was substantiated by the opinions of leading advisors and by the two independent auditors, based on balance sheet as of 30 April 2000, was set at 1.12 Olivetti shares for each Tecnost share. The object of the operation was to rationalise the ownership structure of the Olivetti Group.
The shareholders' resolutions were ratified by the competent Courts on 10 October 2000.
• Operations resolved by the Board of Directors of 18 December 2000 in execution of the powers granted by the Extraordinary Shareholders' Meeting of 7 April 1999:
a) increase in share capital for a maximum nominal amount of 357,184,480 euro through issuance of a maximum of 357,184,480 common shares cum warrants with a nominal value of 1 euro per share;
b) issue of a convertible bond loan for a maximum nominal amount of 1,600,186,470.40 euro;

c) increase in share capital for a maximum nominal amount of 678,650,512 euro through issuance in one or more tranches of a maximum of 678,650,512 common shares with a nominal value of 1 euro per share, of which up to 178,592,240 to service the exercise of the warrants as at point a) and up to 500,058,272 to service the conversion of the bonds as at point b).
The final share price, the warrant exercise price and the bond redemption premiums were set by the Board of Directors on 9 February 2001.
In the opinion of the Board of Statutory Auditors, the operations performed comply with the law and with the Articles of association, are in the interests of the Company, are not manifestly imprudent or hazardous, do not conflict with shareholder resolutions and do not compromise the integrity of the Company's net assets.

2. The Board of Statutory Auditors has not encountered any atypical and/or unusual operations by Olivetti S.p.A. with third parties or with related parties or infragroup operations.
The terms of the ordinary operations between Olivetti S.p.A. and related parties and Group companies are in the interests of the Company, are conducted at normal market conditions and consist largely of financial charges (totalling 331 million euro posted to the income statement) relating in the main to the debt acquired following the merger of Olivetti S.p.A. with Tecnost S.p.A.
The following operations with related parties and Group companies should also be mentioned:
• income from equity investments comprising dividends from subsidiary and associated companies and related tax credits for 1,430 million euro (of which 891 million euro of dividends from Telecom Italia S.p.A. accruing on earnings for 2000, 523 million euro of related tax credits and the balance for dividends from minor equity investments and related tax credits);
• capitalised costs for bond issues totalling 106 million euro, arising from the merger of Tecnost S.p.A. into Olivetti S.p.A., of which approximately 4 million euro have been amortised;
• other operations for smaller amounts as described in the Directors' Report on Operations.

3. The Board believes that the information provided in the Directors' Report on Operations with regard to infragroup operations and operations with related parties is adequate and reflects the company's interest in the transaction of such operations.

4. The reports issued by the auditors PricewaterhouseCoopers S.p.A. on 21/5/2001 pursuant to art. 153 of Legislative Decree 58/98 declare that the Company statutory financial statements and the consolidated financial statements and the related Directors' Report on Operations give a true and fair view of the operations and financial situation of the Parent Company and the Group.

5. During the Shareholders' Meeting of 4 July 2000, the shareholder D'Atri consigned to the Board of Statutory Auditors a copy of a letter sent by a lawyer to the Olivetti company on 2 July 1999 and attached sub H to the minutes of the said Ordinary Shareholders' Meeting as requested by the shareholder, which, according to the shareholder, constitutes a complaint to the Board of Statutory Auditors pursuant to art. 2408 of the Italian Civil Code.
The Board of Statutory Auditors examined the document but was unable to ascertain its exact purpose. It therefore sent a letter to the shareholder (dated 12 July 2000) asking him to specify the matters he considered censurable and which he wished the Board to investigate.

Speaking at the Extraordinary Shareholders' Meeting of 4 October 2000, shareholder D'Atri declared that he would not reply to the letter of the Board of Statutory Auditors and to date the Board has not received any correspondence on the subject.

6. No petitions, complaints or objections have been brought in any way to the attention of the Board of Statutory Auditors.

7. During the year, Olivetti S.p.A. appointed the auditing firm PricewaterhouseCoopers S.p.A. to perform the following services in addition to the audit of the financial statements, the costs of which are deemed by the Board of Statutory Auditors to be congruous and adequate in view of the complexity and extent of the work involved:

- report on the share exchange ratio for the upstream merger of Tecnost S.p.A. into and with Olivetti S.p.A. The costs incurred amounted to 2 billion lire;
- report on the proforma consolidated data as of 30 June 2000 in respect of the above merger operation. The costs incurred amounted to 30 million lire;
- other activities for costs totalling 10 million lire.

8. During the year, Olivetti S.p.A. did not commission services from bodies with whom the auditing firm PricewaterhouseCoopers S.p.A. has relations on a continuous basis.

9. During the year, the Board of Statutory Auditors gave its opinions, pursuant to law, on the following matters:

- opinion on the audit engagement to the auditing firm Reconta Ernst & Young S.p.A. for the Company statutory and consolidated financial statements and the half-year reports pursuant to art. 159, par 1 Legislative Decree 58/98, on 2 June 2000;
- opinion on the correctness of the calculation of the emoluments of Directors with special responsibilities.

10. During the period between the Statutory Auditors' Report to 1999 Financial Statements and this Report, the Board of Statutory Auditors held 12 meetings. The Auditors also attended all the meetings of the Board of Directors held in 2000, for a total of eight meetings, and obtained information from the directors on the work performed and on the main business, financial and equity operations performed by the Company and its subsidiary companies.
Furthermore, an Auditor attended the meetings of the Remuneration Committee and of the Audit Committee.

11. Within the limits of its competence, the Board of Statutory Auditors ascertained and monitored compliance with the principles of correct administration, through direct observation, collection of information from heads of function and meetings with the managers of the independent auditors for the purpose of exchanging significant data and information.
It has nothing of note to report.

12. Within the limits of its competence, the Board of Statutory Auditors also ascertained and monitored the adequacy of the Parent Company's organisational structure, and found nothing of note to report.

13. The Board of Statutory Auditors monitored the internal control system of the Company, whose structure is that of a holding company, verifying the activities and control procedures therein and confirming their adequacy.

14. Furthermore, the administrative-accounting system is adequate and reliable for the purposes of correct disclosure of operations.

15. Olivetti S.p.A. provided the subsidiary companies with the instructions necessary to ensure fulfilment of disclosure requirements pursuant to art. 114, par 2 Legislative Decree 58/98. These instructions are adequate to ensure compliance with legal requirements.

16. During the meetings held with the independent auditors, pursuant to art. 150, par 2 Legislative Decree 58/98, no comments or observations were made to the Board of Statutory Auditors as regards matters for which the auditors are responsible. The Board of Statutory Auditors therefore has nothing of note to report.

17. The corporate governance model adopted by the Company is based on the key points of the Voluntary Code of Practice for listed companies. Specifically:
- the Company By-Laws comply with Legislative Decree 58/98.
- the majority of Directors on the Board are "non-executive" and/or "independent".
- the Board of Directors has formed an Audit Committee and a Remuneration Committee.
- in accordance with art. 12 of the By-Laws, the Chairman of the Board of Directors is invested with full powers for the moderation of, participation in and voting at the Shareholders' Meeting, while the Chief Executive Officer reports periodically to the Board of Directors and to the Board of Statutory Auditors on the ordinary and extraordinary operations performed in the exercise of his powers.
- a specific function guarantees relations with institutional investors and shareholders.

The Report on Operations undertakes to take further action to ensure full compliance with the recommended principles in the interests of transparent and democratic governance of the Company.

18. The monitoring activities of the Board of Statutory Auditors have not found any omissions, censurable facts or irregularities to be reported to the shareholders and to the Controlling Bodies.
The Board of Statutory Auditors requested and obtained the Reports of the Boards of Statutory Auditors on the 2000 Annual Report of the companies controlled directly by Olivetti S.p.A. and – in view of its significance – that of the Telecom Italia Mobile S.p.A. company. No critical matters were found in these reports or through the contacts with the Boards of Statutory Auditors, in particular that of Telecom Italia S.p.A.
In point 18 of its Report, and also at the specific request of Consob, the Board of Statutory Auditors of Telecom Italia S.p.A. highlights the acquisition in 1997 by STET International N.V. of a 29% share of

TELEKOM Srbija a.d., concluding that at the present time nothing of significance has emerged that could vitiate the correctness of the Telecom Italia financial statements as of 31 December 1997, 1998, 1999 and 2000.

19. The Board of Statutory Auditors of Olivetti S.p.A. invites the Shareholders to approve the Company statutory financial statements as of 31 December 2000 as drawn up by the Board of Directors and, with reference to art. 153 par 2 Legislative Decree 58/98, has no objections to the proposal for the allocation of the income for the year.

Ivrea, 23 May 2001

The Board of Statutory Auditors

Angelo Fornasari
(signed in the original version)

Vittorio Bennani
(signed in the original version)

Franco Caramanti
(signed in the original version)

Extracts from the agreements published pursuant to art. 122 of the Consolidated Law

EXTRACT FROM THE AGREEMENT OF 30 JULY 2001
BETWEEN PIRELLI S.p.A., EDIZIONE HOLDING S.p.A. and BELL S.A.

Notice published pursuant to art. 122 of Legislative Decree no. 58 of 24 February 1998 and to the executive Regulation adopted by Consob resolution no. 11971 of 14 May 1999 (as amended)

1. Contents of the agreement

The transfer of the Equity Investment from Bell to the Purchasers, which may also take place through a company to be named, will be effected at a price of Euro 4.175 per Share and Euro 1.0875 per Warrant. The price will be reduced if payment should be made before 31 August 2001 and increased for interest if payment should be made after said date.

Condition precedent to the transfer of the Equity Investment

The transfer of the Equity Investment is suspended subject to attainment of the authorisations required by any applicable regulation be it a European Community regulation or a national regulation in Italy or any foreign country within 120 days as of from 30.7.2001, subject to the power of Bell to extend said term. The Purchasers reserve the right to waive all conditions precedent or request an authorisation of exemption from the prohibition on execution of a trust pursuant to art. 7, par 4 EEC regulation 4064/89.

Company officers

The Seller has undertaken to ensure that by the date of transfer of the Equity Investment, certain members of the Board of Directors of Olivetti and Telecom Italia S.p.A. present their irrevocable resignation (Olivetti S.p.A.: Antonio Tesone, Emilio Gnutti, Pierluigi Fabrizi, Ettore Lonati, Alberto Tazartes, Ivano Sacchetti, Luciano Marinelli, Dino Marchiorello; Telecom Italia S.p.A.: Antonio Tesone, Emilio Gnutti, Joseph Tucci, Ettore Lonati).
The Purchasers have undertaken not to propose nor express a contrary vote and to act so that their subsidiary companies do not propose or express a contrary vote in order that no resolution is passed regarding any claim for liability or compensation against the members of the Board of Directors or Board of Statutory Auditors standing as of the date of the agreements of Olivetti and of the listed subsidiary companies of Olivetti. Such claims are understood to have been waived by the Purchasers also pursuant to art. 1381 of the Italian Civil Code.

Additional undertakings

The Seller has undertaken to abstain, until the date of transfer of the Equity Investment, from any transaction for the purchase and/or sale of shares and/or convertible bonds and/or warrants issued by Olivetti or by Olivetti's listed subsidiary companies, with the exception of transactions that have already been concluded or are to be concluded between the Seller and its direct and/or indirect shareholders and between the Seller and its subsidiary companies and/or other transactions on securities instrumental to or consistent with the execution of the agreements.
The Seller has declared that, all relevant regulations having been duly observed, 1) Olivetti will approve the allocation to Mr Roberto Colaninno of the gross sum of Lire 30 billion; 2) Telecom Italia will approve the allocation to Mr Roberto Colaninno of the gross sum of Lire 30 billion.

The above sums will cover all amounts due and waive any stock options in addition to those maturing before or at the time of his resignation.
As a consequence of a right of co-sale in favour of Banca di Roma S.p.A. (agreement between Banca di Roma S.p.A. and Fingruppo Holding S.p.A.), the Seller has undertaken to purchase or to cause to have purchased, should the above right be exercised, 54,000,000 Olivetti shares currently held by Banca di Roma S.p.A. In this case, the Seller is required to inform the Purchasers of the completed acquisition, within and no later than ninety days from the date of transfer of the Equity Investment.
The Purchasers will have the right to purchase said shares at the price established for the transfer of the Equity Investment in the 180 days following receipt of said notice.
Should the Purchasers not exercise the above right of acquisition within 180 days following the expiry of the above term, the Seller will have the right to sell the above shares to the Purchasers within the following thirty days.

2. Filing with the Register of Companies

The agreements will be filed with the Register of Companies, at the Milan and Turin/Ivrea offices.

9 August 2001

EXTRACT FROM THE AGREEMENT OF 19 SEPTEMBER 2001 BETWEEN THE MAJORITY SHAREHOLDERS OF BELL S.A., PIRELLI S.p.A., EDIZIONE HOLDING S.p.A. and OLIMPIA S.p.A.

Notice published also pursuant to art. 122 of Legislative Decree no. 58 of 24 February 1998 and to the executive regulation adopted by Consob resolution no. 11971 of 14 May 1999 (as amended)

Whereas:

on 19 September 2001 agreements were transacted between Pirelli S.p.A. (based in Milan, viale Sarca 222, registered with the Milan Register of Companies, tax code and VAT no. 00086890151, hereinafter **"Pirelli"**), Edizione Holding S.p.A. (based in Treviso, Calmaggiore 23, registered with the Treviso Register of Companies, tax code and VAT no. 00778430264, hereinafter **"Edizione"**), Olimpia S.p.A. (based in Milan, viale Sarca 222, registered with the Milan Register of Companies, tax code and VAT no. 03232190981, hereinafter the **"Purchaser"**) and Hopa S.p.A., G.P.P. International S.A., Interbanca S.p.A., Banca Antoniana Popolare Veneta S.c.a.r.l., G.P. Finanziaria S.p.A., Monte dei Paschi di Siena S.p.A., Compagnia Assicurativa Unipol S.p.A. (hereinafter collectively the **"Bell majority shareholders"**) to regulate the transfer from Bell S.A. (based in Luxembourg, 7, Val Sainte Croix, registered with the business companies register in Luxembourg at no. B 68801, hereinafter the **"Seller"**) to the Purchaser of 1,552,662,120 Olivetti ordinary shares and 68,409,125 "Olivetti 2001-2002 ordinary share warrants" (the Olivetti shares and warrants hereinafter collectively the **"Equity Investment"**),

the following is announced:

Agreements between Pirelli, Edizione, the Purchaser and the Bell majority shareholders

1. Contents of the agreement

The transfer of the Equity Investment (the **"Execution"**) will be effected at a price of Euro 4.175 per Olivetti share and Euro 1.0875 per Olivetti warrant. The price will be increased for interest accruing as from 31 August 2001. The transfer of 552,000,000 Olivetti shares will be effected on 27 September 2001 and the transfer of the residual part of the Equity Investment will be effected by 12 October 2001 (the **"Second execution date"**).

Condition precedent to the transfer of the Equity Investment

The transfer to be effected by 12 October 2001 is subject to attainment of the authorisations (or conditional authorisations) required by any applicable regulation be it a European Community regulation or a national regulation in Italy or any foreign country, subject to the power of the Seller to extend the term.

Bond loan of the Purchaser

The Bell majority shareholders have also agreed to act so that the Seller subscribes and pays (or has third parties subscribe and pay) in full, subordinately to the Execution and concurrently with the payment of the full price due at the Second execution date, a bond loan that will be issued by the Purchaser for a principal amount of Euro 1,032,920,000 corresponding to Lire 2,000 billion, the main terms of which will be as follows: a) term: 6 years; b) fixed rate: 1.5% per annum payable in a single sum on maturity; c) redemption in kind through delivery of approximately 263 million Olivetti shares at a rate of one Olivetti share for each bond with a nominal value of Euro 3.92; d) unlimited right to early redemption in kind, on the terms set out above, in favour of the holders of the Bonds that may so request.

2. Filing with the Register of Companies

The agreements will be filed with the Register of Companies, at the Turin/Ivrea office.
In the event that some of the clauses of the Convention that concern Olivetti S.p.A. ordinary shares form covenants pursuant to art. 122 of Legislative Decree 24 February 1998, the parties have agreed as a precautionary measure to make such clauses subject to the publication requirements that regulate covenants in respect of shares of listed companies.

29 September 2001

AGREEMENT BETWEEN PIRELLI S.p.A. AND EDIZIONE HOLDING S.p.A.

Notice published pursuant to art. 122 of Legislative Decree no. 58 of 24 February 1998 and to the executive regulation adopted by Consob resolution no. 11971 of 14 May 1999 (as amended)

Whereas:
- on 7 August 2001 an agreement was transacted between Pirelli S.p.A. (based in Milan, viale Sarca 222, registered with the Milan Register of Companies, tax code and VAT no. 00086890151, hereinafter **"Pirelli"**), Edizione Holding S.p.A. (based in Treviso, Calmaggiore 23, registered with the Treviso Register of Companies, tax code and VAT no. 00778430264, hereinafter **"Edizione"**) regarding criteria for the governance and regulation of their common status as shareholders of a company specifically identified as a vehicle for the purchase from BELL S.A. and from other parties of 1,552,662,120 ordinary shares (hereinafter the **"Shares"**) and 68,409,125 "Olivetti 2001-2002 ordinary share warrants" (hereinafter the **"Warrants"** and jointly with the shares the **"Equity Investment"**) of Olivetti S.p.A. (hereinafter **"Olivetti"**);
- on 9 August 2001 Edizione and Pirelli (the "Parties" and individually the "Party") transferred to Olimpia S.p.A. (based in Milan, viale Sarca 222, hereinafter **"Newco"** or **"Olimpia"**) respectively 134,322,250 and 130,980,000 Olivetti ordinary shares, representing respectively 1.84% and 1.80% of Olivetti voting stock;
- on 9 August 2001 an additional 147,337,880 Olivetti shares purchased by Pirelli on 30 July 2001 through a subsidiary company from Bell S.A. and from another party (representing 2.02% of Olivetti voting stock) were transferred to Newco

and whereas:

- with effect as from 7 August 2001, Edizione Finance International S.A. (an Edizione subsidiary) took over the rights and obligations of Edizione in respect of the Agreement, as defined below;
- on 14 September 2001 Pirelli, Edizione and Edizione Finance International S.A. stipulated an amendment to the agreement in question, shown in bold type at point 1 below, paragraph Additional Undertakings,

the entire contents of the agreement are summarised below:

1. Contents of the agreement

Purposes and contents of the agreement

The following agreement (hereinafter the **"Agreement"**) was reached by the parties regarding criteria for the governance and regulation of their common status as shareholders of a company specifically identified as a vehicle (Olimpia) for the purchase of the Equity Investment from BELL S.A. and/or from other parties designated by the latter.

Transfer of Olivetti shares to Newco

Furthermore the Equity Investment (wherein the Olivetti ordinary shares represent 21.32% of capital) will be transferred to Newco.
Subsequent to execution of the above, Newco will hold a total of approximately 27% of Olivetti capital.

Newco share capital

The share capital of Newco will be held 80% by Pirelli and 20% by Edizione. Pirelli will have the right to sell to one or more parties up to 20% of the capital of Newco, subject to the agreement of Edizione.

Shareholders' Meeting, Board of Directors and Board of Auditors of Newco

The By-Laws of Newco will provide for the Extraordinary Shareholders' Meeting to carry resolutions with votes in favour cast by 81% of share capital, at both first and second call.
The Newco Board of Directors will be composed of 10 members, designated with the list voting clause. Edizione will have the right to name two directors, Pirelli has undertaken to do everything in its power, within the limits permitted by law, so that no resolution is carried by the Newco Board of Directors without the favourable vote of at least one of the directors named by Edizione (if present) on specific important points of business, including:
- an indication of the vote to be cast at the Ordinary and Extraordinary Shareholders' Meetings of Olivetti;
- the purchase, sale and disposing in any manner of equity investments with a total value of more than Euro 100,000,000 per transaction;
The Parties undertake to do everything in their power so that one permanent Auditor and one alternate Auditor of Newco is named by Edizione.

Corporate officers at Olivetti and at Olivetti listed subsidiary companies, resolutions of the Board of Directors of Olivetti and of Olivetti listed subsidiary companies

The Parties have undertaken to do everything in their power so that with regard to the directors of Olivetti S.p.A., Telecom Italia S.p.A., TIM – Telecom Italia Mobile S.p.A. and Seat – Pagine Gialle S.p.A. (hereinafter the **"Listed companies"**), Edizione may designate one fifth of the members to be named (after directors named by the market and by government agencies) and the Deputy Chairman who will have powers of substitute legal representative of the above companies;
- Edizione has undertaken for the entire term of the Agreement not to present opposition to the fact that the members of the Boards of Directors of the Listed companies not named by Edizione, the Market or Government Agencies are named by Pirelli;
- the Parties have undertaken to do everything in their power so that the Board of Directors of Olivetti and of the Listed companies carries resolutions with the favourable vote of at least one of the directors named by Edizione with regard to the following points of business:
• individual investments greater than Euro 250 million;
• purchase, sale and disposing in any manner of equity investments and controlling equity investments with a unit value of more than Euro 250 million;
• disposing in any manner of firms or branches thereof individually greater than Euro 250 million;
• proposals to call the Extraordinary Shareholders' Meeting;
• transactions between the Olivetti group and the Pirelli group for amounts individually greater than Euro 50 million;
• transactions with related parties.

Penalties

In the event of non-fulfilment of the terms of the Agreement, a payment will be made to the non-breaching party of a penalty equivalent to 10% of the amount invested by the non-breaching party, without prejudice to the right to compensation of greater damages.

Term

The Agreement shall run for three years and shall be deemed to be renewed on each expiry date unless notice of withdrawal has been given by Edizione at least 6 months in advance.

Additional undertakings

The Agreement prohibits the Parties and/or their subsidiary and parent companies pursuant to art. 2359 par 1 of the Italian Civil Code from effecting further purchases of Olivetti shares or other securities giving the right to receive Olivetti shares.
In the event that third parties should make a Public Tender Offer on Olivetti, Edizione undertakes, at Pirelli's request, not to present opposition to the acceptance of the Public Tender Offer by Newco.
Should the Agreement not be renewed on expiry due to actions and behaviour of Pirelli, Edizione will have the right to sell all its Newco shares to Pirelli which will have a corresponding obligation to purchase.
The agreement also provides for the resolution of deadlock situations in Newco or in the Board of Directors of the Listed companies through specifically i) the right of Edizione to sell all Newco shares to Pirelli, which will have a corresponding obligation to purchase; ii) the right of Pirelli to purchase all Newco shares from Edizione, which will have a corresponding obligation to sell.
The Newco By-Laws will provide for a pre-emption right in the event of acts of disposition that require the direct and/or indirect transfer of Newco shares and also, subject to the above pre-emption, a right of co-sale in favour of the minority shareholder(s) where Newco shares are offered to third parties by the majority shareholder (50.01%).
If during the term of the Agreement, as a result of one or more deeds inter vivos for any reason whatsoever, a substantial change should take place in the ownership structure of Edizione or of Pirelli (including for such purposes Pirelli & C. Accomandita per Azioni) in respect of the situation as of the date of the agreement, by which is meant the exercise by parties other than the present of the determinative power to designate the majority of the members of the Board of Directors with the consequent possible change in strategic direction, a "Key Event" takes place.
In the event of a Key Event concerning one Party, the other Party will have the right to transfer all its Newco shares to the Party that incurred the Key Event.

2. Filing with the Register of Companies

The Agreement is filed with the Register of Companies – Milan and Turin/Ivrea offices.

22 September 2001

EXTRACT FROM THE AGREEMENT OF 14 SEPTEMBER 2001 BETWEEN PIRELLI S.p.A., UNICREDITO ITALIANO S.p.A. AND INTESABCI S.p.A.

Notice published pursuant to art. 122 of Legislative Decree no. 58 of 24 February 1998 and to the executive regulation adopted by Consob resolution no. 11971 of 14 May 1999 (as amended)

1. Purposes and contents of the agreement

The following agreement (hereinafter the **"Agreement"**) was stipulated between the Parties as defined below with regard to the entry of UniCredito Italiano S.p.A. (**"UCI"**) and IntesaBCI S.p.A. (**"BCI"**, jointly with UCI the **"New Partners"**, each of the New Partners being individually the **"New Partner"** and the New Partners jointly with Pirelli the **"Parties"**) into the capital of Olimpia S.p.A. (**"Olimpia"** or the **"Company"**) and to the criteria for the governance and regulation of their common status as shareholders of Olimpia, the company that currently holds a total of 412,640,130 ordinary shares of Olivetti S.p.A. (**"Olivetti"**), equivalent to approximately 5.66% of the share capital of Olivetti and designated for the purchase from BELL S.A. and from other parties of 1,552,622,120 Olivetti ordinary shares (**"Olivetti Shares"**) and 68,409,125 Olivetti 2001-2002 ordinary share warrants (**"Olivetti Warrants"**).

2. Share capital of Olimpia

Following the execution of the matters set forth in the Agreement, the share capital of Olimpia (currently held 80% by Pirelli and 20% by Edizione Finance International S.A.) will be held as follows: 60% Pirelli, 20% Edizione Finance International S.A., 10% UCI (**"UCI Olimpia Equity Investment"**) and 10% BCI (**"BCI Olimpia Equity Investment"**).

3. Board of Directors of Olimpia

3.1

Within the limits allowed by law and for the entire term of the Agreement: (i) the Board of Directors of the Company will be made up of 10 members; (ii) 1 director out of 10 will be named at the request and indication of UCI; (iii) 1 director out of 10 will be named at the request and indication of BCI; (iv) should an Executive Committee be created, UCI and BCI will have the right respectively to request at any time the inclusion in said committee of the directors designated by them.

3.2

It is understood that the right of UCI and BCI to designate, each, a member of the Board of Directors of the Company will remain valid even after the first expiry of the Agreement if such Agreement is renewed pursuant to Point 8.2, provided that UCI and BCI hold, jointly, a percentage of the Company share capital of more than 10%. If the joint holding of BCI and UCI in the Company share capital is 10% or less, then BCI and UCI may designate jointly only one director.

4. Company officers in Olivetti, Telecom Italia S.p.A. ("Telecom"), Seat – Pagine Gialle S.p.A. ("Seat") and Telecom Italia Mobile S.p.A. ("TIM")

4.1

The Agreement provides that within the limits allowed by law and for the entire term of the Agreement, in the Boards of Directors of Olivetti, Telecom, Seat and TIM (the **"Olivetti Companies"**) one director must be appointed at the request and designation of UCI and another director at the request and designation of BCI.

4.2

It is understood that the right of UCI and BCI to designate, each, a member of the Board of Directors of the Olivetti Companies will remain valid even after the first expiry of this Agreement if such Agreement is renewed pursuant to Point 8.2, provided that UCI and BCI hold, jointly, a percentage of the Company share capital above 10%. If the joint holding of BCI and UCI in the Company share capital is 10% or less, then BCI and UCI may designate jointly only one director.

5. Key Issues

Pursuant to point 6 below, the following are deemed Key Issues:
a) the resolutions of the Extraordinary Shareholders' Meeting and those of the Company Board of Directors, the latter referring to the following:
- indication as to how to vote in Olivetti Ordinary Shareholders' Meetings on key issues for the purposes of the application of articles 104 or 107 of the Consolidated Law no. 58 of 24 February 1998 and with regard to purchase of own shares as well as how to vote in Olivetti Extraordinary Shareholders' Meetings;
- purchase, sale and disposing in any manner (i) of own shares for any amount and (ii) of equity investments (including shares and financial instruments of any type issued by Olivetti and/or by Olivetti Companies) with a value per individual operation of more than Euro 100 million;
- determination of the ratio between the equity and debt of the Company and methods, terms and conditions for recourse to outside sources of finance;
- proposals to be submitted to the Company's Extraordinary Shareholders' Meeting;
b) the resolutions of the Board of Directors of Olivetti and Telecom in respect of:
- individual investments above Euro 300 million;
- purchase, sale and disposing in any manner (i) of own shares for any amount and (ii) of equity investments and controlling equity investments (including shares and other financial instruments issued by the Company or by the Olivetti Companies) with a value per individual operation of more than Euro 300 million;
- acts of disposition in any manner of companies or branches thereof with an individual value of more than Euro 300 million;

- proposals to call the Extraordinary Shareholders' Meeting for resolutions regarding modification of the corporate purpose, capital operations of any kind, mergers, spin-offs, transformations and dissolutions;
- operations between Olivetti, Telecom and the Pirelli Group with an individual value of more than Euro 50 million;
- operations with related parties.

6. Deadlock

6.1 Obligation to consult

Pirelli and the New Partners, the latter jointly, pledge to consult each other prior to the discussion and formulation of a decision of any of the Key Issues as identified in point 5 above.

6.2 Manifestation of Will

Whenever in the prior consultation as in paragraph 6.1 above Pirelli and the New Partners fail to reach an agreement with regard to the issues under consultation, the dissenting New Partners, jointly or singly, or the dissenting New Partner will have the right to send to Pirelli a **"Notice of Deadlock"** within 15 days from the end of the consultation as in paragraph 6.1.

6.3 Rights of the New Partners

(a) Whenever UCI and/or BCI send a Notice of Deadlock, the New Partner that sends the Notice of Deadlock will have the right to sell to Pirelli, which will have corresponding obligation to purchase from said New Partner, respectively all but not part of the UCI Olimpia Equity Investment and/or all but not part of the BCI Olimpia Equity Investment at a price determined pursuant to the provisions in point (b) below.
(b) For the purposes of point (a) above, the Parties agree, also by way of a contingency, that the object of determination must be: (x) the price of the BCI Olimpia Equity Investment and/or of the UCI Olimpia Equity Investment, corresponding proportionately to the value of the Company's business capital (**"Price of the UCI Olimpia Equity Investment"** and/or **"Price of the BCI Olimpia Equity Investment"**) as well as (y) a surcharge expressing the proportion of the majority bonus as if the BCI Olimpia Equity Investment and/or the UCI Olimpia Equity Investment were an expression of control of Olivetti, assuming that Olivetti controls Telecom and the subsidiary companies of Telecom (**"Premium"**).
(c) The price payable by Pirelli will not be less than the sums paid by the New Partner for the purchases and subscriptions of shares in the Company, less any dividends received (**"Floor"**), nor will they be greater than an amount that implies, in respect of said sums, less any dividends received, an annual IRR, before taxes, of 15% (**"Cap"**).

7. Penalties

In the event of breach of one or several undertakings assumed pursuant to the provisions of the Agreement, the breaching Party will be required to pay a penalty of a single and total amount equivalent, for each breach, to 5% (five per cent) of the amounts paid by the breaching Party for the purchases and subscriptions of shares in the Company as of that date, without prejudice to any other right of the non-breaching Party/ies (including the right to compensation of greater damages).

8. Term

8.1

The effectiveness and validity of the Agreement are subject to the complete and regular execution of the contract between Pirelli S.p.A., Edizione Holding S.p.A. and Bell S.A. in respect of the purchase by Olimpia (Newco) of the Olivetti Shares and Olivetti Warrants. If such securities are not purchased by 31 January 2002 the Agreement will be deemed null.

8.2

The Agreement will have a term of three years as from the date of purchase of the Olivetti Shares and Olivetti Warrants (**"Execution Date"**) and will be deemed tacitly renewed from time to time on expiry for a further two years in the absence of an opt-out notice from one of the Parties, without prejudice to the provisions of point 9 below.

8.3

Except where otherwise required by law, each of the Parties may opt out of the Agreement before every expiry, with notice sent 6 (six) months in advance.

9. Absence of renewal

(a) If at the first expiry of the Agreement or subsequent expiries, Pirelli should send to the New Partners, jointly or separately, an opt-out notice in the term set forth in paragraph 8.3 above, UCI and BCI will individually have the right to sell to Pirelli, which upon simple request will the corresponding obligation to purchase, respectively all but not part of the UCI Olimpia Equity Investment and/or all but not part of the BCI Olimpia Equity Investment held by the New Partner that exercised the option right, under terms and conditions determined, mutatis mutandis, pursuant to paragraph 6.3 (b) above (and to the provisions therein), giving notice to Pirelli within 30 business days, without prejudice to the provisions of paragraph 6.3 (c) above. The aforementioned price will be paid in cash.
(b) If on the first expiry of the Agreement, both or one of the New Partners should, jointly or separately, send to Pirelli the opt-out notice in the term set forth in paragraph 8.3 above, Pirelli will have the right to purchase from both New Partners opting out or from the sole New Partner opting out , which, upon simple request, will have the corresponding obligation to sell, respectively all but not part of the UCI Olimpia Equity Investment and/or all but not part of the BCI Olimpia Equity Investment held by the New Partner that exercised the opt-out right, on terms and conditions determined, mutatis mutandis, pursuant to paragraph 6.3 (b) above (and to the provisions therein), less the Premium, giving notice to the New Partner that sent the opt-out notice within 30 business days.

(c) If both or one of the New Partners should send to Pirelli the opt-out notice on expiry of the first renewal for an additional two years as provided in paragraph 8.2 above, and therefore on expiry of the fifth year after the effective Date of this Agreement, or on the subsequent further expiries, both New Partners opting out, jointly or separately, or the sole New Partner opting out will have the right to sell to Pirelli, which upon simple request, will have the corresponding obligation to purchase, respectively all but not part of the UCI Olimpia Equity Investment and/or all but not part of the BCI Olimpia Equity Investment held by the New Partner that exercised the opt-out right, on terms and conditions determined, mutatis mutandis, pursuant to paragraph 6.3 (b) above (and to the provisions therein), giving notice to the New Partner that sent the opt-out notice within 30 business days, without prejudice to the provisions set forth in paragraph 6.3 (c) above.

10. Changes in share ownership

10.1

For the purposes of this paragraph, "Change of Control" is understood to mean a substantial modification in the direct and indirect control of Pirelli, that is to say cessation of control of Pirelli S.p.A. by Pirelli & C. Accomandita per Azioni as exercised today.

10.2

(d) If a Change of Control occurs, each of the New Partners will have the right to sell to Pirelli, which upon simple request, will have the corresponding obligation to purchase, respectively all but not part of the UCI Olimpia Equity Investment and/or all but not part of the BCI Olimpia Equity Investment held, on terms and conditions determined, mutatis mutandis, pursuant to paragraph 6.3 (b) above (and to the provisions therein), giving notice to Pirelli within 30 business days of the date on which the New Partners, jointly or separately, declare in writing that they have learned of the Change of Control or have been informed in writing of such Change of Control. It is agreed, also by way of a contingency, that the price due by Pirelli will not be less than the sums paid by the New Partner for the purchases and subscriptions of shares in the Company, less any dividends received (**"Floor"**), nor greater than an amount that implies, in respect of said sums, less any dividends received, an annual IRR, before taxes, of 15% (**"Cap"**).

10.3

If Pirelli intends to divest, in any form, part of its equity investment in the Company with the result that Pirelli holds less than the majority of the Company's share capital, Pirelli may not sign any agreement in this respect, being obligated to give prior and timely notice to both New Partners of the planned sale, illustrating in full the terms and conditions of the sale transaction and of any covenants (blocking and voting) with the purchasers.

10.4

Within 30 business days from the date of receipt of the aforementioned notice, UCI and/or BCI will have, individually, the right to sell to Pirelli, which upon simple request will the corresponding obligation to purchase respectively all but not part of the UCI Olimpia Equity Investment and/or all but not part of the BCI Olimpia Equity Investment held by the New Partner that exercised the option right regulated herein, on terms and conditions determined, mutatis mutandis, pursuant to paragraph 6.3 (b) above, it being agreed, also by way of a contingency, that the price due by Pirelli will not be less than the sums paid by the New Partner for the purchases and subscriptions of shares in the Company, less any dividends received (**"Floor"**).

11. Additional undertakings

11.1

For the entire term of the Agreement, the Parties directly or through their respective subsidiary and/or parent companies pursuant to art. 2359 par 1 of the Italian Civil Code, may not purchase Olivetti shares, bonds convertible into Olivetti shares and/or Warrants bearing rights to purchase shares or bonds convertible into Olivetti shares, issued by Olivetti or by the Olivetti Companies (including Olivetti voting rights held under any status). UCI and BCI may however purchase and hold such securities within a maximum limit, separately for each of them, of 0.40% of Olivetti capital, as from the Execution Date.

11.2

Unless otherwise agreed in writing between the Parties, the Company may not purchase the shares and the bonds and the instruments indicated in point 11.1 above in excess of the current Public Tender Offer threshold of 30% (thirty per cent) also including the securities as at point 11.1 above held by BCI and UCI and own shares held directly and indirectly, in accordance with current laws and regulations, including the directives issued by CONSOB.

12. Disputes

Any dispute concerning this Agreement will be submitted to an arbitration board.

13. Filing with the Register of Companies

The Agreement is filed with the Register of Companies – Milan and Turin/Ivrea offices.

22 September 2001

Pirelli S.p.A.   UniCredito Italiano S.p.A.   IntesaBCI S.p.A.

Regulation:
Bonds of the series “Olivetti 1.5% 2001-2010 convertible Bonds with premium upon redemption”

Regulation: Bonds of the series "Olivetti 1.5% 2001-2010 convertible Bonds with premium upon redemption"

Art. 1 – Principal amount, denomination and form of notes

(a) The Olivetti 1.5% 2001-2010 convertible bond with premium upon redemption for a total of Euro 4,079,803,958 consists of a maximum of 4,079,803,958[1] notes (the **"Notes"**) convertible into ordinary Olivetti S.p.A. shares issued by Olivetti S.p.A. (**"Olivetti"** or the **"Issuer"**) at par, at a price of Euro 1 each.
(b) The Notes shall be held, in accordance with the regulations in force, in dematerialised form in the centralised system of Monte Titoli S.p.A.[2]
(c) On or before the commencement of trading of the Notes on the Mercato Telematico Azionario (**"MTA"**) managed by Borsa Italiana S.p.A. (**"Borsa Italiana"**), the Issuer shall enter into an agency agreement (the **"Agency Agreement"**) with Società per Amministrazioni Fiduciarie "SPAFID" S.p.A. (the **"Conversion Agent"**) to manage and execute the conversion of the Notes into Shares (as defined below) and with Società per Amministrazioni Fiduciarie "SPAFID" S.p.A. (the **"Calculation Agent"**) to perform the calculations related to the Notes pursuant to these Rules. The Calculation Agent shall act autonomously and shall take decisions independently from the Issuer. The decisions taken by the Calculation Agent pursuant to these terms and conditions shall be deemed to be conclusive and binding on the Issuer and the noteholders (the **"Noteholders"**), except in the case of manifest error. Copies of this Agency Agreement shall be available to the Noteholders free of charge at the offices of the Issuer, the Conversion Agent, and the Calculation Agent. The Issuer reserves the right to terminate the Agency Agreement at any time solely for the purpose of replacing the Conversion Agent and/or the Calculation Agent, provided that upon such termination the Issuer shall simultaneously appoint, by entering into a new Agency Agreement, a Conversion Agent and/or Calculation Agent not less than thirty days and not more than forty-five days from the day before notice of such termination and subsequent appointment is provided to the Noteholders in accordance with Article 13 below, (except in the case of insolvency, in which case such termination and appointment of new Agents shall be immediately effective). Neither the Company, nor any company controlled by the Issuer or any associated company of the Issuer, pursuant to Article 2359 of the Italian Civil Code and to article 93 of Legislative Decree no. 58 of 24 February 1998 may be appointed as Conversion Agent or Calculation Agent.

Art. 2 – Maturity and redemption

(a) Except as provided in Article 9 herein and without prejudice to the early redemption option as at letter (b) herein, the Notes shall be redeemed in full on 1 January, 2010 (the **"Redemption Date"**). At

(1) The total amount of the bond and the related number of Notes can only be determined following the outcome of the capital increase subscription approved by the Board of Directors of Olivetti S.p.A. on 13 October 2001. The increase contemplates the offer to right holders of a maximum of 4,079,803,958 Olivetti S.p.A. ordinary shares or, alternatively, a maximum of 4,079,803,958 Notes convertible into Olivetti S.p.A. ordinary shares.

(2) (a) The bonds shall be in dematerialised form, and title to the Notes shall be certified in accordance with: (i) Article 28 of Legislative Decree no. 213 of 24 June 1998 (the "Decree"); (ii) Article 33 of Regulation No. 11768 of CONSOB dated 23 December 1998; and (iii) the agreements between Olivetti and Monte Titoli S.p.A. No certificate shall be issued for the Notes, except as provided in paragraph (b) below.
(b) The Noteholders shall have the right to receive certificates representing the Notes, in a form approved by Olivetti, (the "Note Certificates") upon occurrence of one of the following events: (i) Monte Titoli S.p.A. becomes incapable of continuing, or stops, centralised management of financial instruments as a company authorised by the Bank of Italy and by CONSOB to carry out centralised management of financial instruments pursuant to Part V of the Decree and Olivetti appoints no other company to carry out the centralised management of the financial instruments as authorised by Part V of the Decree; or (ii) the Notes stop being actively traded on a regulated market pursuant to Article 28 of the Decree. The Note Certificates will not be issued to the bearer, under any circumstance. Each Note Certificate will be issued in the name of the person(s) identified in the Noteholder's instructions to Monte Titoli S.p.A. or to any company for the centralised management of financial instruments that succeeds Monte Titoli S.p.A.

redemption, an amount equal to 18.37825% of the nominal value of each Note shall be paid to each Noteholder in addition to the nominal value of the Note, and therefore the total amount paid per Note (the **"Redemption Value"**) shall be 118.37825% of the nominal value of the Note. No expenses shall be deducted on redemption. The Notes shall bear no interest from the Redemption Date.

(b) As from 1 January 2004 and until 1 January 2010 the Issuer reserves the option to proceed to early redemption (**"Early Redemption"**) of all the Notes outstanding (the **"Notes Outstanding"**), providing that the Calculation Agent has verified that the Share official price, as defined in the Regulation for Markets Organised and Managed by the Italian Stock Exchange, multiplied by the Conversion Ratio, as defined in Article 6 herein, and possibly subject to one or more adjustments in application of the provisions of Article 7 herein is more than – for at least 30 Stock Exchange Business Days (as defined at Article 6 herein), falling in a period of 45 (forty-five) consecutive Stock Exchange Business Days - 140% of the Accreted Principal Amount, as defined in Article 9 herein. This 45 (forty-five) day period cannot precede by more than 10 (ten) days the Redemption Notice as defined hereinafter.

Early Redemption shall be carried out as follows:

(i) exercise of the Early Redemption option will be communicated by the Issuer in the forms foreseen by Article 13 herein (the **"Redemption Notice"**) with a notice period of not less than thirty (30) and no more than sixty (60) days in relation to the redemption date announced in the Redemption Notice (the **"Redemption Date"**). The Redemption Notice shall specify the last day on which the Noteholder will have the option to exercise their Conversion Right in accordance with point (ii) hereinafter;

(ii) until the [fifth] Business Day (as defined in Article 6 herein) preceding the Redemption Date, the Noteholder shall have the option to present a Conversion Request, as defined hereinafter, in accordance with the terms and conditions set forth in Article 6;

(iii) the payment to Noteholders following exercise by the Issuer of the Early Redemption option shall take place on the Redemption Date and shall be equivalent, for each Note, to the Accreted Principal Amount (as defined hereinafter) of the Note at the Redemption Date in addition to accrued interest, calculated in accordance with the provisions at Article 3 herein;

(iv) payment of the due sum following Early Redemption will take place without charge of any fee or expense to the Noteholder.

Art. 3 – Interest

(a) The Notes shall bear gross interest from and including 23 November 2001 (the **"Issue Date"**) at the rate of 1.5% per annum (the **"Interest Rate"**), equal to Euro 0.015, calculated on the nominal value of the Notes, payable annually in arrears on 1 January from 2003 to 2010 (**"Interest Payment Date"**) gross of withholding tax. The first Interest Payment Date shall be 1 January 2003, for a gross payment equal to Euro 0.0166 per Note, that shall be the interest accrued since the Issue Date. At each Interest Payment Date following the first Interest Payment Date, the coupon shall amount to a gross amount of Euro 0.015 per Note.

(b) Each Note shall cease to bear interest in the following cases: (i) at the Redemption Date; (ii) in the event of exercise of the Conversion Right pursuant to Article 6, on and after the Interest Payment Date immediately preceding the Conversion Notice (as defined below); (iii) in the case of Early Redemption in accordance with Article 2, as from the Redemption Date (inclusive).

(c) Interest on a Note for a period ending on a date other than an Interest Payment Date shall be calculated by the Calculation Agent by applying the Interest Rate to the total nominal value of the Note and multiplying such sum by the "Day Count Fraction" (as defined below) and rounding the resulting figure to the nearest one per cent, each fraction of one per cent being rounded downward. For the purposes of this Article, **"Day Count Fraction"** means the actual number of days from and including the most recent Interest Payment Date (or the Issue Date) to the next scheduled Interest Payment Date (which shall be excluded), divided by the actual number of days in the same period from and including the Interest Payment Date (or the Issue Date) to the following Interest Payment Date (which shall be excluded).
(d) Interest shall be paid in accordance with the provisions of Article 8 below.

Art. 4 – Legal status

The Notes constitute direct, general, unconditional, and unsubordinated obligations of the Issuer and shall at all times rank pari passu among themselves and at least pari passu with all other present and future unsecured obligations of the Issuer, other than such obligations that are preferred by provisions of law that are both mandatory and of general application.

Art. 5 – Negative pledge

As long as any Note remains outstanding, the Issuer shall not, and shall procure that none of its Material Subsidiaries (as defined below) shall not create, or permit to subsist, any Security Interest (as defined below) upon the whole or any part of their present or future undertaking, assets, or revenues to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness (as defined below), without (a) simultaneously or prior thereto equally and rateably securing the Notes, or (b) providing such other security to benefit the Notes, and this with the prior favourable vote of the Noteholders at a Noteholders' Meeting.
"Material Subsidiary" means a company controlled by the Issuer whose consolidated net revenues or consolidated net assets as shown in the most recent audited consolidated financial statements represent 10 per cent or more of the consolidated net revenues or consolidated net assets of the Issuer, likewise as shown in the most recent audited consolidated financial statements.
"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction different than Italy, excluding any such security interest over the property of any Person (as defined below) incorporated, merged with, or acquired by, the Issuer after 1 January, 1999 and existing immediately prior to such incorporation, merger, or acquisition.
"Relevant Indebtedness" means any Indebtedness (excluding, for avoidance of doubt, any bank loans) in the form of or represented by any bond, debenture, note, or other instrument which is, or is capable of being, listed, quoted, or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market).
"Guarantee of Relevant Indebtedness" means, in relation to any Relevant Indebtedness assumed by any Person, any obligation of another Person to pay Relevant Indebtedness, including without limitation:

(a) any obligation to purchase such Relevant Indebtedness;
(b) any obligation to lend money, to purchase or subscribe to shares or other securities, or to purchase goods or services in order to provide funds for the payment of such Relevant Indebtedness;
(c) any indemnity against the consequences of a default in the payment of such Relevant Indebtedness;
(d) any other agreement to be responsible for such Relevant Indebtedness.
"Person" means any individual, company, corporation, firm, partnership, association, joint venture, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

Art. 6 – Right of conversion into shares of the Company

(a) Each Note is convertible into ordinary shares of the Issuer (the **"Shares"**), each with a nominal value of Euro 1, at a conversion ratio of 1:1 (the **"Conversion Ratio"**). The numerator of the Conversion Ratio represents one Share and the denominator represents one Note. The Noteholders shall have the right (the **"Conversion Right"**) to request and receive one Share (a **"Conversion Share"**) for each Note presented for conversion. Conversion Shares shall be issued pursuant to the resolution as to the capital increase to service the "Olivetti 1.5% 2001-2010 convertible Bonds with premium upon redemption" of the Board of Directors of 13 October 2001, and are irrevocably and exclusively reserved for the conversion of the Notes until the last date for conversion of the Notes. The Conversion Ratio will be subject to adjustments pursuant to Article 7 hereinafter.
(b) Each Noteholder may exercise its Conversion Right for all or any of the Notes held by same in accordance with the following conditions:
(i) An application (the **"Conversion Application"**) requesting the conversion of Notes must be delivered by the Noteholder to an intermediary (the **"Intermediary"**), who must be a participant in the centralised system of Monte Titoli S.p.A. ("Monte Titoli"). The Conversion Application may be delivered on any Business Day (as defined below) as from 22 January 2002 and until 15 December 2009, except as provided by sub-clause (iv) below; the day on which conversion shall take place (the **"Conversion Date"**), including for the purposes of sub-clause (ii) below and subject to sub-clause (iv) below, shall be the last Stock Exchange Business Day (as defined below) of the month during which the Conversion Application was delivered, if the application was delivered on or before the 15th day of any month (inclusive); or the 10th Stock Exchange Business Day of the following month, if the application was delivered on or after the 16th day of any month.
"Business Day" means any day other than a Saturday or a Sunday on which banks are open for business in Milan.
"Stock Exchange Business Day" means any day when the Milan Stock Exchange is open for trading.
(ii) Conversion Shares issued shall carry the same dividend rights as Olivetti shares traded on the Stock Exchange on the Delivery Date and shall be issued with the current dividend coupons. Notes delivered for conversion shall bear interest until the 31 December immediately preceding delivery of the Conversion Application and must be complete with all unmatured coupons. The Noteholder shall pay an amount equal to the total value of any missing coupons upon delivery of the Conversion Application.
(iii) Olivetti shall, without charge of any fee or expense to the Noteholder, by the Delivery Date issue the Conversion Shares requested and shall pay any monies due in accordance with the following paragraph, and make the moneys available to those Noteholders who submitted a valid Conversion Notice, via the Intermediary that received the Conversion Application;

(iv) no Conversion Application may be submitted on the day following a meeting of the Board of Directors where the Board decided to call a meeting of Olivetti ordinary Shareholders and until the day in which the meeting is eventually held (inclusive), even if the meeting is not held at the time of first call. If the Board of Directors calls a meeting of Olivetti ordinary Shareholders to resolve upon a distribution of dividends, no Conversion Application may be submitted during the period commencing on the 15th day after the Board's decision (inclusive) up to and including the day of payment of the dividend resolved at such Shareholders' meeting. In this case, any Conversion Applications submitted prior to the 15th day after the meeting of the Board of Directors shall take effect, including for the purposes of sub-clause (ii) above, and in any case on or before the day prior to the payment of the dividend.
In the event that, pursuant to the provisions of Article 7 below, the Noteholder is entitled to a fractional number of Conversion Shares, the Noteholder shall be issued Conversion Shares equal to the whole number of Conversion Shares to which the Noteholder is entitled and will be paid by the Issuer a cash amount, rounded to the nearest hundredth of Euro, equal to the value of the fractional share as calculated using the simple mathematical average of the official price of a Share on the MTA in the calendar month preceding delivery of the Conversion Application.
At the time of signing and delivering the Conversion Application, in addition to providing all other necessary and customary information, the Noteholder shall acknowledge that the Conversion Shares have not been registered under the Securities Act of 1933, as amended and in force in the United States of America (the **"Securities Act"**). No Conversion Share shall be issued to any Noteholder who does not fulfil these conditions.

Art. 7 – Adjustments to the conversion ratio

If at any time from the Issue Date to 31 December 2009, any of the events described in this Article 7 occurs, the Issuer shall notify the Noteholders in accordance with Article 13, of an adjustment (an **"Adjustment"**) to the Conversion Ratio and of the new Conversion Ratio, pursuant to the terms of this Article 7. Adjustment shall be determined by the Calculation Agent on the basis of the last determined Conversion Ratio (except as otherwise provided).
(a) If the Issuer effects a paid-in capital increase, or issues notes convertible into shares, or warrants or similar securities convertible into shares (the **"Other Securities"**), which are offered in pre-emption to Olivetti shareholders, then the Noteholders also shall be entitled to such pre-emptive rights on the same terms and conditions, in proportion to the Conversion Ratio.
(b) If the Issuer effects any subdivision or combination of Shares, the number of Conversion Shares to which the Noteholder shall be entitled shall be adjusted on the same basis used for the subdivision or combination of the Shares, and the Conversion Ratio shall be modified accordingly. The Adjustment shall become effective upon the effective date of the subdivision or combination.
(c) If the Issuer effects any capital increase without the payment of consideration by the issuance of new Shares, the number of Conversion Shares to which a Noteholder shall be entitled shall be increased by an amount equal to the ratio of the newly-issued Shares and those already outstanding at the time. Such adjustment shall be effective at the date of issue of such new shares of the Company. Provided that, if the Issuer effects any capital increase without the payment of consideration by increasing the nominal value of the Shares, the Conversion Ratio shall not be adjusted and the number of Conversion Shares to which the Noteholder is entitled shall not be modified.

(d) In the event that the Company merges or consolidates with another company (except if the Issuer is the incorporating entity) or in the event of a demerger, each Note shall have a Conversion Right to a number of shares of the Issuer or the company/ies resulting from such merger, or demerger, equal to the number of Shares that would have been assigned to each Olivetti Share, on the basis of the applicable exchange ratio, if the Note had been converted into Shares prior to the effective date of the merger or demerger.

(e) No adjustment shall be made to the Conversion Ratio if the Issuer grants or issues Shares or Other Securities to the managers, or workers of the Issuer or its affiliates and/or subsidiaries pursuant to Article 2359 of the Italian Civil Code and article 93 of Legislative Decree 24 February 1998, no. 58 or in connection with severance payments.

(f) In the event that the Issuer believes that any event or circumstance that has occurred or shall occur in the future, different from those expressly contemplated in this Article, could have or will have similar effects to those discussed above, then any Adjustment to the Conversion Ratio shall be determined in good faith by the Advisor (as defined below) using generally accepted methods and fully respecting the provisions of the applicable law. As soon as reasonably possible after receiving the Advisor's determination, the Issuer shall adjust the Conversion Ratio in accordance with the terms of such determination.

"Advisor" means an independent, internationally known investment bank selected by the Calculation Agent and by the Issuer, at the expense of the Issuer. In the event that the Issuer and the Calculation Agent do not agree on the appointment of the Advisor, then:

(i) each of them shall appoint one advisor;

(ii) the two advisors selected pursuant to sub-clause (i) shall then jointly appoint a third advisor;

(iii) a simple majority shall be needed for the decisions of the advisors;

(iv) any reference herein to the Advisor shall include the three advisors so appointed.

(g) Notwithstanding any provision in this Article 7, no Adjustment shall be made unless the Adjustment represents a change of at least 1% to the Conversion Ratio. Any Adjustment not made because of the provision in this paragraph shall be carried forward and taken into consideration for the calculation of any later Adjustment.

(h) In the event that a third party publicly announces its intention to make a tender offer to Olivetti Shareholders for purchase or exchange of all or part of the Shares of Company (a **"Tender Offer"**), and offers under the terms of the Tender Offer, a price or value which is higher than the market value of an ordinary Olivetti Share on the day on which the Tender Offer is publicly announced, Olivetti agrees to notify the Noteholders in accordance with Article 13 below of their right to convert the Notes at any time in accordance with the maximum notice periods under Italian law concerning such offers.

Under no circumstance shall the Conversion Shares be issued at a value lower than the nominal value.

Art. 8 – Payment

The payment of principal, interest, and other amounts due with respect to the Notes, shall be made in Euro by crediting or transferring to a Euro-denominated account (or to any other account into which Euro currency may be transferred or credited). The payments, in favour of Noteholders, shall be made to

the relevant intermediaries for sums not less than a hundredth of a Euro and should, by reason of a calculation performed in accordance with the present Regulation, a fractional payment of over a hundredth of a Euro be due to the Noteholder, the payment in favour of the Noteholder shall be carried out by rounding down to a hundredth of a Euro.
Payment of principal, interest, or other amounts due with respect to the Notes shall be subject to all fiscal laws and/or other laws or regulations applicable in the place of payment. No commission fee or expense shall be charged to the Noteholders in connection to such payments.
In the event that the date of payment of the principal, interest or other amounts due with respect to the Notes is not a Business Day, then payment shall be made on the Business Day immediately after, and the Noteholders shall not be entitled to any interest or any other sums because of the postponed payment. For the purposes of this Article only, **"Business Day"** means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is operating.

Art. 9 – Default of the issuer or the subsidiaries

In the event that:
(i) any Indebtedness (as defined below) of the Issuer or any of its Controlled Companies (as defined below) is not paid when due or (as the case may be) within any originally agreed grace period;
(ii) any such Indebtedness becomes due or payable prior to its stated maturity otherwise than at the option of the Issuer or any of the Controlled Companies (provided that no event of default howsoever described has occurred) or any Person entitled to such Indebtedness;
(iii) the Issuer or any of the Controlled Companies fails to pay any amount when due under any Guarantee of any Indebtedness (as defined below);
and the Indebtedness referred to in sub-clause (i) and/or sub-clause (ii) above and/or any amount payable under any Guarantee referred to in sub-clause (iii) above, individually or in the aggregate, exceeds Euro 25,000,000 (or its equivalent in any other currency or currencies);
then any Note may, upon notice by the Noteholder written and delivered to the Issuer, be declared immediately due and payable at an amount equal to its Accreted Principal Amount (as defined below) together with the interest accrued from the last Interest Payment Date.
"Indebtedness" means any obligation (whether present, future, actual, or contingent) for the payment or repayment of money which has been borrowed or raised.
"Guarantee" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness, including without limitation:
(a) any obligation to purchase such Indebtedness;
(b) any obligation to lend money, to purchase or subscribe shares or other securities, or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
(c) any indemnity against the consequences of a default in the payment of such Indebtedness;
(d) any other agreement from which responsibility for such Indebtedness arises.
"Control" means as set forth in Article 93 of Legislative Decree no. 58 of 24 February 1998.
"Controlled Company" means any Person subject to the direct and/or indirect Control of the Issuer, pursuant to the provisions of par 2 Article 2359 of the Italian Civil Code.
"Accreted Principal Amount" or **"APA"** means the following:

$$APA = (\text{Previous APA} - N) \times (1+i)^{(d/e)} + N \times (1+i-c)^{(d/e)}$$

Where:
– Previous APA is the APA as of the Interest Payment Date preceding the date set for payment of the APA (pursuant to this Article), or the nominal value if the date set for payment of the APA is before 1 January 2003;
– N is the nominal value of the Notes;
– i is the actual yield rate to maturity, equal to 3.5% gross annual interest rate;
– d is the number of actual days in the period from the Interest Payment Date preceding the date set for payment of the APA (exclusive) – or the Issue Date if the date set for payment of the APA is before 1 January 2003 – to the date set for the payment of the APA (inclusive);
– e is the number of actual days yearly equal to 365; and
– c is the gross annual interest rate equal to 1.5%.
The table below sets out the APA and the calculation thereof on the indicated dates (the data is expressed in terms of percentage of the nominal value of the Notes).

Date	Nominal value (1)	Accretion (2)	APA (1) + (2)
1 January 2003	100	2.21605	102.21605
1 January 2004	100	4.29361	104.29361
1 January 2005	100	6.44389	106.44389
1 January 2006	100	8.66942	108.66942
1 January 2007	100	10.97285	110.97285
1 January 2008	100	13.35690	113.35690
1 January 2009	100	15.82440	115.82440
1 January 2010	100	18.37825	118.37825

Art. 10 – Taxation

A) Interest and other income

Interest, bonuses and other income, including the amount or the normal value of the redeemed securities and the issue price, for notes with a maturity date not less than 18 months issued by joint stock companies who list their shares on Italian regulated markets, treated under Italian tax laws as investment income, if realised by particular categories of resident and non-residents subjects, are subject to a 12.50% substitute income tax.
In particular, residents subject to the substitute tax are: (i) individuals, even if carrying out commercial activities; (ii) ordinary partnerships, their equivalent de facto partnerships and associations for arts and professions; (iii) public and private bodies, but not companies, (associations, foundations, non-profit organisations etc.), which do not have as their exclusive or main purpose the exercise of commercial activities, pursuant to article 87, par 1, letter c), of the consolidated law on income taxes[3], including Regions, Provinces, Municipalities and other parties indicated by article 88 of the aforementioned con-

(3) Presidential Decree no. 917 of 22 December 1986 and subsequent amendments and additions.

solidated law; (iv) parties exempt from income tax on corporate bodies. Individuals exercising commercial activities and public or private bodies, but not companies, in accordance with the aforementioned article 87, par 1, letter c) of the consolidated law, provided that the notes relate to the business activities undertaken by them, must include the interest in their taxable income for personal income tax or corporation tax and are entitled to claim on their tax return, as a tax credit, the tax withholding deducted.

The tax is normally applied by authorised financial intermediaries (banks, trust companies, securities brokers, exchange brokers and other bodies expressly specified by the Ministry of Finance in agreement with the Treasury) who are involved in the payment of interest and other revenue or, also as buyers, in the transfer of notes (that is, the sale or any other act, with or without payment of consideration, that leads to a change in the legal title to the securities).

Interest and other income received via non-authorised intermediaries, interest paid directly by the issuer and interest that, albeit collected through authorised intermediaries, relates to securities not deposited with these intermediaries, are, nonetheless, subject to taxation. In this case, taxpayers exempt in principle from the tax are entitled to claim the withholding tax deducted, as a tax credit, on their tax return.

Noteholders resident overseas in countries with which Italy has double-taxation treaties which permit the Italian tax authorities to acquire information, are exempt from withholding tax of the substitute tax. However, the exemption is subordinate to the lodging of the securities in question with an Italian bank or securities broker or with a permanent organisation in Italy of non-resident banks or securities brokers, and to the presentation of a specific application requesting exemption together with a certificate from the competent tax authority of the country of residence, both to be prepared in a form that complies with that approved by the Italian Tax Administration. Noteholders resident in foreign countries with a preferential tax regime, as identified in the relevant decree of the Ministry of Finance, are in any case subject to the substitute tax.

Article 10 of Decree Law no. 350[(4)] of 25 September 2001, the provisions of which have effect for the interest and other revenue that accrue as from 1 January 2002, provides for the suppression of the condition (to which the tax exemption is currently subject) of residence in foreign countries which have double-taxation treaties with Italy and which permit an exchange of information. Thus, as from the aforementioned date, provided that the aforementioned decree passes into law, all parties who are resident abroad will be able, without distinction, to take advantage of the exemption, except, however, those who live in countries with a preferential tax regime as identified by Italian law. The same provision also provides, from 1 January 2002, for the suppression of the certificate from the tax authority of the foreign country of residence (form 116/IPM) and its substitution with a declaration from the noteholder attesting to their non-resident status in Italy and in states or territories with a preferential tax regime.

If exemption from the substitute tax is not applicable, any more favourable rates that may be levied by the Italian authorities under the terms of double-taxation agreements between Italy and the foreign country of residence of the parties concerned apply.

(4) The provision, at date of publication, has not passed into law.

B) Capital gains

Capital gains realised on the sale or redemption of convertible notes traded on regulated markets, consisting of the difference – net of investment income matured and not collected (which remains subject to the treatment summarised in part A above) – between the consideration collected or the amount or normal value of the redeemed securities and the purchase cost or value, treated under Italian tax laws as other income (of a financial nature), are subject, if not gained in the exercise of business or arts or professions, to a 12.50% substitute income tax, except if they are sales through which significant shareholdings[5] can be acquired, in which case the substitute tax is due at a rate of 27%.

Non-residents are excluded from the 12.50% tax on the condition that: (i) the capital gains are realised in relation to a sale of convertible notes which represent a non-qualified shareholding; and (ii) the convertible notes are traded on regulated markets. The non-resident status must be documented by a declaration on the part of the party in question. In particular, recognition of exemption is due to non-residents who present to the resident withholding agent or intermediary, with which they have direct dealings regarding the custody, administration, deposit or management of securities, a form of self-certification, signed by them with a simple signature, in which they declare to be non-resident in Italy pursuant to Italian tax laws. Should the aforementioned dealings be undertaken by non-resident intermediaries on behalf of their clients, also non-resident, the declaration must be made by the intermediaries. Vice versa, should the aforementioned condition exist for the application of the 27% substitute tax, non-residents – according to Italian law – are not exempt, except for the application of any more favourable rates under the terms of the double-taxation agreements between Italy and the foreign country of residence.

For resident taxpayers subject to the substitute tax there are three different tax bases: tax return (or ordinary regime), asset management or portfolio management.

In the ordinary regime the tax is set off (in a lump sum) in the tax return under the net taxable amount determined by netting the capital gains and losses realised in the tax year, with the possibility of carrying forward any excess of capital losses not set off in the year to following years, up to a maximum of four years. In the case of securities entrusted permanently in custody or administration to a qualified intermediary (asset management), capital gains are taxed on an individual basis, although previous capital losses may be deducted against capital gains realised in subsequent transactions. In the case of individual portfolio management by qualified operators, tax is payable on the net result of the portfolio management for the tax year. Also in both the latter cases, any year-end losses may be carried forward into successive years, but for no more than four years.

For further details on taxation of investment income and other financial income, refer to the appropriate clauses of Legislative Decree no. 239 of 1 April 1996, Legislative Decree no. 461 of 21 November 1997, Legislative Decree no. 259 of 21 July 1999, Legislative Decree no. 221 of 19 July 2000, and articles 20, 41, 42, 81 and 82 of the consolidated law on income taxes.

(5) In the case of shares traded on regulated markets, "significant shareholdings" include shareholdings, rights or securities that in the aggregate represent more than 2% of voting rights at ordinary shareholders' meetings or more than 5% of capital. In order to determine the substitute tax rate to be applied, the percentage shareholding sold is determined taking into account all the sales carried out over the twelve months, both before and after the sale, albeit to different parties. However this regulation is only applied as from the date in which the shareholdings, securities and rights owned represent a percentage of voting rights or capital such as constitute a significant shareholding.
With reference to convertible notes, the percentage sold is determined by taking account of the percentages of voting rights and capital that can potentially be added to the shareholdings to which the aforementioned convertible notes give rights give the right to buy.

Art. 11 – Negative prescription

Noteholders’ claims for payment of interest shall become void if not made within five years from the due date of the payment thereof. Noteholders’ claims for the payment of the Accreted Principal Amount shall become void if not made within ten years of the Redemption Date.

Art. 12 – Listing

The Notes have been admitted for listing on the MTA. The date of commencement of trading will be set by Borsa Italiana after verification of satisfactory distribution of the Notes.

Art. 13 – Notices

Except as provided for by the applicable law or regulations, notices required or permitted under these Terms and Conditions shall be valid for all Noteholders if published in at least two daily newspapers of which one shall be a national daily newspaper in Italy.

Art. 14 – Governing law and jurisdiction, miscellaneous

(a) Subscription or purchase of the Notes implies full acceptance of these Terms and Conditions.
(b) The Notes and these Terms and Conditions shall be governed by Italian Law.
(c) The courts of Ivrea shall have exclusive jurisdiction to hear any dispute between the Issuer and the Noteholders arising out of or in connection to the Notes or these Terms and Conditions.