

OFFERING CIRCULAR

# olivetti

OLIVETTI S.P.A.

(INCORPORATED WITH LIMITED LIABILITY UNDER THE LAWS OF THE REPUBLIC OF ITALY)

OLIVETTI FINANCE N.V.

(INCORPORATED WITH LIMITED LIABILITY UNDER THE LAWS OF THE NETHERLANDS AND HAVING ITS CORPORATE DOMICILE IN AMSTERDAM)

OLIVETTI INTERNATIONAL FINANCE N.V.

(INCORPORATED WITH LIMITED LIABILITY UNDER THE LAWS OF THE NETHERLANDS ANTILLES AND HAVING ITS CORPORATE DOMICILE IN CURAÇAO, NETHERLANDS ANTILLES)

€15,000,000,000

EURO MEDIUM TERM NOTE PROGRAMME

GUARANTEED BY

OLIVETTI S.P.A.

(INCORPORATED WITH LIMITED LIABILITY UNDER THE LAWS OF THE REPUBLIC OF ITALY)

Under this €15,000,000,000 Euro Medium Term Note Programme registered with the Luxembourg Stock Exchange under number 12247 (the "Programme"), each of Olivetti S.p.A. ("Olivetti") Olivetti Finance N.V. ("Olivetti Finance" and Olivetti International Finance N.V. ("Olivetti International Finance" and together with Olivetti and Olivetti Finance, the "Issuers") may from time to time issue Notes denominated in any currency agreed with the relevant Dealer (as defined below). Notes issued by Olivetti Finance or Olivetti International Finance will be guaranteed by Olivetti (in that capacity, the "Guarantor"). On 31 December 2000 Tecnost S.p.A. ("Tecnost"), the former guarantor of Notes issued by Olivetti International Finance (formerly Tecnost International Finance N.V.), merged with and into Olivetti and with effect from that date Tecnost's rights and obligations vested in Olivetti.

The maximum aggregate principal amount of all Notes from time to time outstanding will not exceed €15,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuous basis to one or more of the Dealers specified herein and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "Dealer" and together the "Dealers"). References in this Offering Circular to the "relevant Dealer" shall, in relation to any issue of Notes, be to the Dealer or Dealers agreeing to purchase such Notes.

Application has been made to list Notes issued under the Programme on the Luxembourg Stock Exchange. Details of the aggregate principal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined herein) of Notes will be set forth in a pricing supplement (the "Pricing Supplement") which, with respect to the Notes to be listed on the Luxembourg Stock Exchange, will be delivered to the Luxembourg Stock Exchange on or before the date of issue of the Notes of such Tranche. For Luxembourg Stock Exchange listing purposes, this Offering Circular is valid for a period of 12 months only from the date hereof.

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

Notes may be in bearer form or as otherwise specified in the applicable Pricing Supplement. The Notes issued in bearer form will initially be represented by a temporary global Note which will be deposited on the issue date thereof with a common depository on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and/or Monte Titoli S.p.A. ("Monte Titoli") and/or any other clearing system specified in the relevant Pricing Supplement and which will be exchangeable, as specified in the applicable Pricing Supplement, for either a permanent global Note or Notes in definitive form, in each case upon certification as to non-U.S. beneficial ownership if required by U.S. Treasury Regulations. The applicable Pricing Supplement will specify that a permanent global Note either (i) is exchangeable (in whole but not in part) for definitive Notes upon the expiry of a particular notice period or at any time or (ii) is only exchangeable (in whole but not in part) for definitive Notes following the occurrence of certain events described in "Summary of Provisions relating to the Notes while in Global Form" and "Form of Pricing Supplement" below.

The Issuers and the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Offering Circular will be prepared which will describe the effect of the agreement in relation to such Notes.

Payments of interest, principal or other amounts relating to the Notes may be subject to an Italian withholding tax (referred to as *imposta sostitutiva*) of 12.5 per cent. In order to obtain exemption at source from *imposta sostitutiva* in respect of payments of interest, principal or other amounts relating to Notes issued by Olivetti S.p.A., each Noteholder not resident in Italy is required to declare, prior to or concurrently with the delivery of the Notes that such Noteholder is (i) deemed to be resident for tax purposes in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information and (ii) is not resident, for tax purposes, in certain tax haven countries included in the black list referred to in Article 76, paragraph 7-bis of Presidential Decree 22 December 1986 No. 917 identified by Ministerial Decree of 23 January 2002 all as more fully set out in "Taxation" below.

**Notes issued by the Issuers with an original maturity of less than eighteen months may be subject to an Italian withholding tax or substitute tax levied at the rate of 27 per cent. in respect of interest and premiums (if any). Issuers will not be liable to pay any additional amounts to Noteholders in relation to any such withholding or substitute tax.**

Arranger

LEHMAN BROTHERS

Dealers

BARCLAYS CAPITAL

DEUTSCHE BANK

LEHMAN BROTHERS

MERRILL LYNCH INTERNATIONAL

CREDIT SUISSE FIRST BOSTON

JPMORGAN

MEDIOBANCA S.p.A.

MORGAN STANLEY

The date of this Offering Circular is 14 May 2002

This Offering Circular replaces the Offering Circular dated 8 June 2001.

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## IMPORTANT NOTICES

Each of the Issuers and the Guarantor accepts responsibility for the information contained in this document and to the best of the knowledge and belief of each of the Issuers and the Guarantor (which have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular should be read and construed together with any amendments or supplements hereto and with any other documents incorporated by reference herein and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the relevant Pricing Supplement (as defined herein).

The Issuers and the Guarantor have confirmed to the Dealers named under “*Subscription and Sale*” below that this Offering Circular (including for this purpose, each relevant Pricing Supplement) contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes and the guarantee of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes and the guarantee of the Notes) not misleading in any material respect; and that all proper and reasonable enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in this Offering Circular or any other document entered into in relation to the Programme or any information supplied by the Issuers or the Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuers, the Guarantor or any Dealer.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular. Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of any Issuer or the Guarantor since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular or any Pricing Supplement comes are required by the Issuers, the Guarantor and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Offering Circular, or any Pricing Supplement and other offering material relating to the Notes, see “*Subscription and Sale*”. In particular, Notes have not been and will not be registered under the Securities Act, and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. In addition, none of the Issuers or the Guarantor has authorised any offer of Notes having a maturity of one year or more to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended (the “*Regulations*”). Notes may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Regulations or otherwise in compliance with all applicable provisions of the Regulations.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuers, the Guarantor, the Dealers or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuers and the Guarantor.

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed €15,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into EUR at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under “*Subscription and Sale*”.

In this Offering Circular, unless otherwise specified, references to “*U.S.\$*”, “*U.S. Dollars*” or “*Dollars*” are to United States dollars; references to “*Lire*”, “*Lira*” or “*Lit.*” are to Italian Lire which are a sub-unit of the euro; references to “*NLG*” and “*Guilders*” are to Dutch Guilders which up to 31 December 2001 were a sub-unit of the euro and references to “*€*”, “*EUR*” or “*euro*” are to the single currency which was introduced at the beginning of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended. References to “*billions*” are to thousands of millions.

For convenience only (except where noted otherwise), certain Lira figures have been translated into EUR at the rate of Lit. 1,936.27 = €1.00, being the fixed Lira/EUR exchange rate established on 31 December 1998.

In this Offering Circular, unless the context otherwise requires or unless otherwise indicated, any reference to an ownership interest refers to an interest in share capital held directly or indirectly, as the case may be.

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

**In connection with the issue of any Notes under the Programme, the Dealer (if any) which is specified in the relevant Pricing Supplement as the Stabilising Manager (or any person acting for the Stabilising Manager) may over-allot or effect transactions with a view to supporting the market price of the relevant Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.**

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (1) the most recently published audited consolidated annual financial statements and any consolidated and unconsolidated interim financial statements (whether audited or unaudited) (if any) published subsequently to such annual financial statements, of Olivetti Finance from time to time; and
- (2) the most recently published audited annual financial statements and any consolidated and unconsolidated interim financial statements (whether audited or unaudited) (if any) published subsequently to such annual financial statements, of Olivetti International Finance from time to time; and
- (3) the most recently published audited consolidated annual financial statements and any consolidated and unconsolidated interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements, of Olivetti from time to time; and
- (4) all amendments and supplements to this Offering Circular prepared by any of the Issuers or the Guarantor from time to time,

save that any statement contained in this Offering Circular or in any of the documents incorporated by reference in, and forming part of, this Offering Circular shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement. Neither Olivetti Finance nor Olivetti International Finance publishes any interim financial statements. Olivetti publishes quarterly interim financial statements.

The Issuers and the Guarantor have undertaken, in connection with the listing of the Notes on the Luxembourg Stock Exchange, that if there shall occur any adverse change in the business or financial position of any of the Issuers or the Guarantor, or any change in the information set out under “*Terms and Conditions of the Notes*”, that is material in the context of the issuance by any Issuer of any Notes, the Issuers and the Guarantor will prepare or procure the preparation of an amendment or supplement to this Offering Circular or, as the case may be, publish a new Offering Circular, for use in connection with any subsequent issue by the Issuers of Notes to be listed on the Luxembourg Stock Exchange.

The Issuers will procure that copies of this Offering Circular and any document incorporated by reference in this Offering Circular and any amendment or supplement to this Offering Circular will be obtainable at the specified offices of the Paying Agents (including the Luxembourg Paying Agent) during normal business hours, free of charge. Written or oral requests for such documents should be directed to the specified office of any Paying Agent or the specified office of the Luxembourg Listing Agent.

## SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is qualified in its entirety by the remainder of this Offering Circular. Words and expressions defined in “*Forms of the Notes*” or “*Terms and Conditions of the Notes*” below shall have the same meanings in this summary.

<b>Issuers:</b>	Olivetti S.p.A. Olivetti Finance N.V. Olivetti International Finance N.V.
<b>Guarantor:</b>	Olivetti S.p.A. (in respect of Notes issued by Olivetti Finance or Olivetti International Finance)
<b>Arranger:</b>	Lehman Brothers International (Europe)
<b>Dealers:</b>	Barclays Bank PLC Credit Suisse First Boston (Europe) Limited Deutsche Bank AG London J.P. Morgan Securities Ltd. Lehman Brothers International (Europe) MEDIOBANCA-Banca di Credito Finanziario S.p.A. Merrill Lynch International Morgan Stanley & Co. International Limited and any other Dealer appointed from time to time by the Issuers and the Guarantor generally in respect of the Programme or by the relevant Issuer and the Guarantor (if appropriate) in relation to a particular Tranche of Notes.
<b>Fiscal Agent:</b>	JP Morgan Chase Bank
<b>Luxembourg Listing Agent:</b>	Banque Générale du Luxembourg S.A.
<b>Listing:</b>	Each Series may be listed on the Luxembourg Stock Exchange and/or the Electronic Trading System of Borsa Italiana S.p.A. (“ <i>Borsa Italiana</i> ”) and/or any other stock exchange as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer(s) and specified in the relevant Pricing Supplement or may be unlisted. Unlisted Bearer Notes may not be issued by Olivetti Finance N.V. without prior dispensation from the Dutch Central Bank. Application has been made to list the Notes issued during the period of twelve months from the date of this Offering Circular on the Luxembourg Stock Exchange.
<b>Clearing Systems:</b>	Euroclear and/or Clearstream, Luxembourg and/or Monte Titoli and/or any other clearing system as may be specified in the relevant Pricing Supplement.
<b>Initial Programme Amount:</b>	Up to €15,000,000,000 (or its equivalent in certain other currencies) aggregate principal amount of Notes outstanding at any one time provided that the aggregate principal amount of Notes issued by Olivetti may not exceed €9 billion (or its equivalent in certain other currencies) based on the current proxy received by the company’s shareholder meeting.
<b>Issuance in Series:</b>	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The Notes of each Series will all be subject to identical terms, except that the Issue Date, the Interest Commencement Date, the Issue Price and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

**Pricing Supplements:**

Each Tranche will be the subject of a Pricing Supplement which, for the purposes of that Tranche only, supplements the Terms and Conditions of the Notes and this Offering Circular and must be read in conjunction with this Offering Circular. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes as supplemented, amended and/or replaced by the relevant Pricing Supplement.

**Forms of Notes:**

Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note (each, a “*Global Note*”), in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the relevant Issue Date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Notes which are specified in the relevant Pricing Supplement as having Monte Titoli as a clearing system (“*Monte Titoli Notes*”) will be held on behalf of the beneficial owners thereof, from their date of issue until their redemption, by Monte Titoli for the account of the relevant Monte Titoli account holders. The expression “*Monte Titoli account holder*” means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli and includes any financial intermediary appointed by Euroclear and/or Clearstream, Luxembourg for the account of participants in Euroclear and/or Clearstream, Luxembourg.

**Currencies:**

Notes may be denominated in euro, U.S. Dollars, Australian Dollars, Canadian Dollars, Danish Kroner, Hong Kong Dollars, Japanese Yen, New Zealand Dollars, Norwegian Kroner, Sterling, Swedish Kronor, Swiss Francs and/or such other currency or currencies as may be agreed with the relevant Dealer(s), subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to any currency or currencies other than the currency in which such Notes are denominated.

Issues of Notes with a maturity of more than one year denominated in Swiss Francs or carrying a Swiss Franc-related element (other than Notes privately placed with a single investor with no publicity) will be effected in compliance with the relevant regulations of the Swiss National Bank based on article 7 of the Federal Law on Banks and Savings Banks of 8 November 1934 (as amended) and article 15 of the Federal Law on Stock Exchanges and Securities Trading of 24 March 1995 in connection with article 2, paragraph 2 of the Ordinance of the Federal Banking Commission on Stock Exchanges and Securities Trading of 2 December 1996. Under these regulations, the relevant Dealer or, in the case of a syndicated issue, the lead manager (the “*Swiss Dealer*”), must be a bank domiciled in Switzerland (which includes branches or subsidiaries of a foreign bank located in Switzerland) or a securities dealer duly licensed by the Swiss Federal Banking Commission pursuant to the Federal Law on Stock Exchanges and Securities Trading of 24 March 1995. The Swiss Dealer must report certain details of the relevant transaction to the Swiss National Bank no later than the Issue Date of the relevant Notes.

<b>Status of the Notes:</b>	Notes will be issued on an unsecured and unsubordinated basis.
<b>Status of the Guarantee:</b>	Notes issued by Olivetti Finance or Olivetti International Finance will be unconditionally and irrevocably guaranteed by Olivetti S.p.A., on an unsecured and unsubordinated basis.
<b>Issue Price:</b>	Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Pricing Supplement.
<b>Maturities:</b>	Notes may have any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Any Notes in respect of which the issue proceeds are received by the relevant Issuer in the United Kingdom and which must be redeemed before the first anniversary of their date of issue must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (“FSMA”) by the relevant Issuer.
<b>Redemption:</b>	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement. Notes may also be redeemable in more than one instalment on such dates and in such manner as may be specified in the relevant Pricing Supplement.
<b>Optional Redemption:</b>	Notes may be redeemed before their stated maturity at the option of the relevant Issuer and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement.
<b>Tax Redemption:</b>	Except as described in “ <i>Optional Redemption</i> ” above, early redemption will only be permitted for tax reasons as described in Condition 11(b) ( <i>Redemption for tax reasons</i> ).
<b>Interest:</b>	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the Issue Date and the Maturity Date of the relevant Series.
<b>Denominations:</b>	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
<b>Negative Pledge:</b>	The Notes will have the benefit of a negative pledge as described in Condition 5 ( <i>Negative Pledge</i> ).
<b>Cross Default:</b>	The Notes will have the benefit of a cross default as described in Condition 14 ( <i>Events of Default</i> ).
<b>Taxation:</b>	All payments in respect of Notes (including pursuant to the Guarantee of the Notes) will be made free and clear of withholding taxes of the jurisdiction of incorporation of the relevant Issuer or (in the case of payments under the Guarantee of the Notes) the Republic of Italy, unless the withholding is required by law. In that event, the relevant Issuer or (as the case may be) the Guarantor will (subject as provided in Condition 13 ( <i>Taxation</i> )) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.



Payments of interest, principal or other amounts relating to the Notes may be subject to an Italian withholding tax (referred to as *imposta sostitutiva*) of 12.5 per cent. In order to obtain exemption at source from *imposta sostitutiva* in respect of payments of interest, principal or other amounts relating to the Notes issued by Olivetti S.p.A., each Noteholder not resident in Italy for tax purposes is required prior to or concurrently with the delivery of the Notes to file a self-declaration to declare that such Noteholder is (i) resident in a country which recognises the Italian tax authorities' right to an adequate exchange of information; and (ii) is not resident, for tax purposes, in certain tax haven countries included in the black list referred to in Article 76, paragraph 7-bis, of Presidential Decree 22 December 1986 No. 917, identified by Ministerial Decree of 23 January 2002 all as more fully set out in "Taxation" below.

Notes issued by the Issuers (i) with an original maturity of less than eighteen months may be subject to an Italian withholding tax or substitute tax levied at the rate of 27 per cent. in respect of interest and premiums (if any). The Issuers will not be liable to pay any additional amounts to Noteholders in relation to any such withholding.

**Redenomination:**

In respect of any Tranche of Notes, if the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Notes may be redenominated in euro in accordance with Condition 23 (*Redenomination, Renominalisation and Reconventioning*) if so specified in the relevant Pricing Supplement.

**Governing Law:**

The Notes will be governed by, and construed in accordance with, English law.

**Enforcement of Notes:**

Individual investors' rights against the Issuer in respect of Global Notes which have become void in accordance with their terms will be governed by a Deed of Covenant dated 9 May 2002 executed by the Issuers, a copy of which will be available for inspection at the specified office of JPMorgan Chase Bank, as Fiscal Agent.

**Selling Restrictions:**

For a description of certain local and worldwide restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, The Netherlands Antilles, the Republic of Italy, France, Japan, The Netherlands and Switzerland, see "*Subscription and Sale*" below.

## FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the “*Temporary Global Note*”), without interest coupons, or a permanent global note (the “*Permanent Global Note*”), without interest coupons, in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “*Global Note*”) will be deposited on or around the Issue Date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

The relevant Pricing Supplement will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the “*TEFRA C Rules*”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the “*TEFRA D Rules*”) are applicable in relation to a Tranche of Notes or, if the relevant Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### **Temporary Global Note exchangeable for Permanent Global Note**

If the relevant Pricing Supplement specifies the form of Notes as being “*Temporary Global Note exchangeable for a Permanent Global Note*”, then the relevant Tranche of Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the Issue Date of the relevant Tranche of Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the relevant Tranche of Notes cannot be collected without a certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the relevant Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership, within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; *provided, however, that* in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form (“*Definitive Notes*”):

- (i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (ii) at any time, if so specified in the relevant Pricing Supplement; or
- (iii) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

The Permanent Global Note will also become exchangeable, in whole but not in part and at the option of the relevant Issuer, for Definitive Notes if, by reason of any change in the laws of the jurisdiction of incorporation of the Issuer or (in the case of Notes guaranteed by Olivetti) the Republic of Italy, the Issuer or the Guarantor (if appropriate) is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note and delivery of the certificate(s) of non-U.S. beneficial ownership at the Specified Office of the Fiscal Agent within 30 days of the bearer or (as the case may be) the Issuer requesting such exchange.

#### **Temporary Global Note exchangeable for Definitive Notes**

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the Issue Date of the relevant Tranche of the Notes.

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the Issue Date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without a certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

#### **Permanent Global Note exchangeable for Definitive Notes**

If the relevant Pricing Supplement specifies the form of Notes as being “*Permanent Global Note exchangeable for Definitive Notes*”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (ii) at any time, if so specified in the relevant Pricing Supplement; or
- (iii) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

The Permanent Global Note will also become exchangeable, in whole but not in part and at the option of the relevant Issuer, for Definitive Notes if, by reason of any change in the laws of the jurisdiction of incorporation of the Issuer or (in the case of Notes guaranteed by Olivetti) the Republic of Italy, the Issuer or the Guarantor (as appropriate) is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuers shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer or (as the case may be) the relevant Issuer requesting such exchange.

**Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “*Summary of Provisions relating to the Notes while in Global Form*” below.

**Legend concerning United States persons**

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

The sections referred to in such legend provide that a United States person who holds a Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

## TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions relating to the Notes while in Global Form” below.

### 1. Introduction

- (a) *Programme*: Olivetti S.p.A. (“Olivetti”), Olivetti Finance N.V. (“Olivetti Finance”) and Olivetti International Finance N.V. (“Olivetti International Finance”) each an “Issuer” and together the “Issuers” have established a Euro Medium Term Note Programme (the “Programme”) for the issuance of up to €15,000,000,000 in aggregate principal amount of notes (the “Notes”). Notes issued by Olivetti Finance and Olivetti International Finance will be guaranteed by Olivetti S.p.A. (the “Guarantor” or “Olivetti”).
- (b) *Pricing Supplement*: Notes issued under the Programme are issued in series (each a “Series”) and each Series may comprise one or more tranches (each a “Tranche”) of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Date, Interest Commencement Date and Issue Price (as these terms are defined below) and the amount of the first payment of interest. Each Tranche is the subject of a pricing supplement (the “Pricing Supplement”) which supplements these terms and conditions (the “Conditions”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.
- (c) *Agency Agreement*: The Notes are the subject of an amended and restated issue and paying agency agreement dated 9 May 2002 (as amended or supplemented from time to time, the “Agency Agreement”) between the Issuers, the Guarantor, JP Morgan Chase Bank as fiscal agent (the “Fiscal Agent”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the “Paying Agents”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).
- (d) *Deed of Guarantee*: The Notes are the subject of a deed of guarantee dated 9 May 2002 entered into by the Guarantor (as amended or supplemented from time to time, the “Deed of Guarantee”).
- (e) *Deed of Covenant*: The Notes are the subject of a deed of covenant dated 9 May 2002 entered into by the Issuers (as amended from time to time, the “Deed of Covenant”).
- (f) *The Notes*: All subsequent references in these Conditions to “Notes” are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for inspection by Noteholders during normal business hours at the Specified Office of the Fiscal Agent, the initial Specified Office of which is set out below or may be obtained at the paying agent in Luxembourg.
- (g) *Issuer and Guarantor*: All subsequent references in these Conditions to the “Issuer” are to whichever of Olivetti, Olivetti Finance or Olivetti International Finance is identified as the Issuer in the relevant Pricing Supplement. If Olivetti is identified as the Issuer in the relevant Pricing Supplement, references in these Conditions to the Guarantor and the Guarantee of the Notes are not applicable.
- (h) *Summaries*: Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Guarantee and are subject to their detailed provisions. The holders of the Notes (the “Noteholders”) and the holders of the related interest coupons, (the “Couponholders” and the “Coupons”, respectively), if any, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Guarantee applicable to them. Copies of the Agency Agreement and the Deed of Guarantee are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 2. Definitions and Interpretation

- (a) *Definitions*: In these Conditions the following expressions have the following meanings:

“*Accrual Yield*” has the meaning given in the relevant Pricing Supplement;

“*Additional Business Centre(s)*” means the city or cities specified as such in the relevant Pricing Supplement;

“*Additional Financial Centre(s)*” means the city or cities specified as such in the relevant Pricing Supplement;

“*Business Day*” means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in London and each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

“*Business Day Convention*”, in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) “*Following Business Day Convention*” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) “*Modified Following Business Day Convention*” or “*Modified Business Day Convention*” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be brought forward to the first preceding day that is a Business Day;
- (iii) “*Preceding Business Day Convention*” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) “*FRN Convention*”, “*Floating Rate Convention*” or “*Eurodollar Convention*” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that:*
  - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) “*No Adjustment*” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“*Calculation Agent*” means the Fiscal Agent or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest, Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

“*Clearstream, Luxembourg*” means Clearstream Banking, société anonyme;

“*Coupon Sheet*” means, in respect of a Note, a coupon sheet relating to the Note;

“*Day Count Fraction*” means, in respect of the calculation of an amount for any period of time (the “*Calculation Period*”), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

- (i) if “*Actual/Actual (ISMA)*” is so specified, means:
  - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (b) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if “*Actual/365*” or “*Actual/Actual (ISDA)*” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if “*Actual/365 (Fixed)*” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “*Actual/360*” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “*30/360*”, “*360/360*” or “*Bond Basis*” is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if “*30E/360*” or “*Eurobond Basis*” is so specified means, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

“*Early Redemption Amount (Tax)*” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“*Early Termination Amount*” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with the relevant Pricing Supplement;

“*Euroclear*” means Euroclear Bank S.A./N.V., as operator of the Euroclear System;

“*Extraordinary Resolution*” has the meaning given in the Agency Agreement;

“*Final Redemption Amount*” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“*Fixed Coupon Amount*” has the meaning given in the relevant Pricing Supplement;

“*Guarantee*” means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) 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;

- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness;

“*Guarantee of the Notes*” means the guarantee of the Notes given by the Guarantor in the Deed of Guarantee;

“*Indebtedness*” means any obligation (whether present or future, actual or contingent) for the payment or repayment of money which has been borrowed or raised;

“*Interest Amount*” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period, as calculated in accordance with these Conditions and (or as otherwise specified in) the relevant Pricing Supplement;

“*Interest Commencement Date*” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

“*Interest Determination Date*” has the meaning given in the relevant Pricing Supplement;

“*Interest Payment Date*” means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“*Interest Period*” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“*ISDA Definitions*” means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.);

“*Issue Date*” has the meaning given in the relevant Pricing Supplement;

“*Issue Price*” has the meaning given in the relevant Pricing Supplement;

“*Margin*” has the meaning given in the relevant Pricing Supplement;

“*Material Subsidiary*” means a Subsidiary of the Issuer or (as the case may be) the Guarantor whose consolidated net revenues or consolidated net assets as shown on its most recent audited consolidated financial statements represent 10 per cent. or more of the consolidated net revenues or consolidated net assets, respectively, of the Issuer or (as the case may be) the Guarantor, as shown in its most recent audited consolidated financial statements;

“*Maturity Date*” has the meaning given in the relevant Pricing Supplement;

“*Maximum Redemption Amount*” has the meaning given in the relevant Pricing Supplement;

“*Minimum Redemption Amount*” has the meaning given in the relevant Pricing Supplement;

“*Optional Redemption Amount (Call)*” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“*Optional Redemption Amount (Put)*” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“*Optional Redemption Date (Call)*” has the meaning given in the relevant Pricing Supplement;

“*Optional Redemption Date (Put)*” has the meaning given in the relevant Pricing Supplement;



“*Participating Member State*” means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

“*Partly Paid Notes*” means Notes which have been paid for in part;

“*Payment Business Day*” means:

- (i) if the currency of payment is euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and each (if any) Additional Financial Centre;

“*Person*” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“*Principal Financial Centre*” means, in relation to any currency, the principal financial centre for that currency *provided, however, that:*

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“*Put Option Notice*” means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“*Put Option Receipt*” means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note and a Put Option Notice with such Paying Agent by such Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“*Rate of Interest*” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

“*Redemption Amount*” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

“*Reference Banks*” has the meaning given in the relevant Pricing Supplement or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

“*Reference Price*” has the meaning given in the relevant Pricing Supplement;

“*Reference Rate*” has the meaning given in the relevant Pricing Supplement;

“*Regular Period*” means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first

Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “*Regular Date*” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “*Regular Date*” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

“*Relevant Date*” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“*Relevant Financial Centre*” has the meaning given in the relevant Pricing Supplement;

“*Relevant Indebtedness*” means any Indebtedness (excluding, for the avoidance of any doubt, any bank loans) which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate 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);

“*Relevant Screen Page*” means the page, section or other part of a particular information service (including, without limitation, the Reuters Money 3000 Service and the Moneyline Telerate Service) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“*Relevant Time*” has the meaning given in the relevant Pricing Supplement;

“*Reserved Matter*” means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment, to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer, the Guarantor or any other Person formed or to be formed, to change the currency of any payment under the Notes, to modify any provision of the Deed of Guarantee or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

“*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 but excluding any such security interest over the property of any Person incorporated or merged into or acquired by the Issuer or (as the case may be) the Guarantor (including, for the avoidance of doubt, any property of any Subsidiary of such a Person) after 1 January 1999 and existing immediately prior to such incorporation, merger or acquisition;

“*Specified Currency*” has the meaning given in the relevant Pricing Supplement;

“*Specified Denomination(s)*” has the meaning given in the relevant Pricing Supplement;

“*Specified Office*” has the meaning given in the Agency Agreement;

“*Specified Period*” has the meaning given in the relevant Pricing Supplement;

“*Subsidiary*” means in relation to any Person (in this paragraph, the “*first Person*”) at any particular time, any other Person (in this paragraph, the “*second Person*”):

- (A) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital or contract, the power to appoint or remove a majority of the members of the governing body of the second Person or otherwise; or
- (B) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

“*Talon*” means a talon for further Coupons;

“*TARGET Settlement Day*” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open;

“*Treaty*” means the Treaty establishing the European Community, as amended; and

“*Zero Coupon Note*” means a Note specified as such in the relevant Pricing Supplement.

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include any Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being “*outstanding*” shall be construed in accordance with the Agency Agreement; and
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is “*not applicable*” then such expression is not applicable to the Notes.

### **3. Form, Denomination and Title**

Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law or as provided for in these Conditions) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No Person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination.

### **4. Status and Guarantee**

- (a) *Status of the Notes:* The Notes constitute unconditional, unsecured and unsubordinated obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (b) *Guarantee of the Notes:* The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. The Guarantee of the Notes constitutes direct, general and

unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

## **5. Negative Pledge**

So long as any Note remains outstanding, the Issuer and the Guarantor shall not, and shall procure that none of their respective Material Subsidiaries shall, create or permit to subsist any Security Interest upon the whole or any part of their present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or any Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

## **6. Fixed Rate Note Provisions**

- (a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 12 (*Payments*). Each Note will cease to bear interest from (and excluding) the due date for final redemption of such Note unless, upon due presentation, payment of the Redemption Amount in respect of such Note is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Fixed Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to but excluding that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to (but excluding) such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period shall be calculated by applying the Rate of Interest to the principal amount of such Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded downwards). For this purpose a “*sub-unit*” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

## **7. Floating Rate Note and Index-Linked Interest Note Provisions**

- (a) *Application:* This Condition 7 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the applicable Rate(s) of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 12 (*Payments*). Each Note will cease to bear interest from (and excluding) the due date for final redemption of such Note unless, upon due presentation, payment of the Redemption Amount in respect of such Note is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (*Floating Rate Note and Index-Linked Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to (but excluding) that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to (but excluding) such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of

Interest applicable to the Notes for an Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable at or about the Relevant Time on the relevant Interest Determination Date, the Calculation Agent will:
  - (A) request the principal Relevant Financial Centre office of each the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date offered to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
  - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean rate so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean rate in accordance with the above provisions in relation to an Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate (or as the case may be) the arithmetic mean rate last determined in relation to the Notes in respect of the immediately preceding Interest Period.

- (d) *ISDA Determination*: If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate, where “*ISDA Rate*” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as calculation agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
  - (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;
  - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and
  - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement.
- (e) *Index-Linked Interest*: If the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Pricing Supplement.

- (f) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to an Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note during such Interest Period and multiplying the product by the relevant Day Count Fraction.
- (h) *Calculation of other amounts:* If the relevant Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Pricing Supplement.
- (i) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each stock exchange (if any) on which the Notes are then listed as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.
- (j) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 (*Floating Rate Note and Index-Linked Interest Note Provisions*) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes in accordance with this Condition 7 (*Floating Rate Note and Index-Linked Interest Note Provisions*).

## **8. Zero Coupon Note Provisions**

- (a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 8(b) (*Late payment on Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of 30E/360.

## **9. Dual Currency Note Provisions**

- (a) *Application:* This Condition 9 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Pricing Supplement as being applicable.

- (b) *Rate of Interest*: If the Rate of Interest or (as the case may be) Interest Amount falls to be determined by reference to an exchange rate, the Rate of Interest or (as the case may be) Interest Amount payable shall be determined in the manner specified in the relevant Pricing Supplement.

#### **10. Partly Paid Note Provisions**

- (a) *Application*: This Condition 10 (*Partly Paid Note Provisions*) is applicable to any Notes only if the Partly Paid Notes Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Interest*: Interest will accrue only on the paid-up principal amount of the Notes and otherwise as specified in the relevant Pricing Supplement.

#### **11. Redemption and Purchase**

- (a) *Scheduled redemption*: Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 12 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part:
  - (i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable); or
  - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders and the Guarantor (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to (but excluding) the date fixed for redemption, if:

- (A) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of The Netherlands Antilles or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a ruling by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (B) (1) the Guarantor has or (if a demand was made under the relevant Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a ruling by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

*provided, however, that* no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this Condition 11(b) (*Redemption for tax reasons*), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (1) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right

of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 11(b) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 11(b) (*Redemption for tax reasons*).

- (c) *Redemption at the option of the Issuer*: If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders and the Guarantor (which notice shall be irrevocable and shall oblige the Issuer to redeem all the Notes or (as the case may be) the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to (but excluding) such date).
- (d) *Partial redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition 11(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law and the rules of each stock exchange(s) on which the Notes are then listed, and the notice to Noteholders referred to in Condition 11(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (e) *Redemption at the option of Noteholders*: If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to (but excluding) such date. In order to exercise the option contained in this Condition 11(e) (*Redemption at the option of Noteholders*), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 11(e) (*Redemption at the option of Noteholders*), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 11(e) (*Redemption at the option of Noteholders*), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.
- (f) *No other redemption*: Neither the Issuer nor the Guarantor shall be entitled to redeem the Notes otherwise than as provided in Conditions 11 (a) (*Scheduled Redemption*) to (e) (*Redemption at the option of Noteholders*) above.
- (g) *Early redemption of Zero Coupon Notes*: Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day



Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 11(g) (*Early redemption of Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of 30E/360.

- (h) *Purchase*: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price and such Notes may be held, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent for cancellation (provided that, if the Notes are to be cancelled, they are purchased together with all unmatured Coupons relating to them).
- (i) *Cancellation*: All Notes redeemed and any unmatured Coupons attached to or surrendered with them shall be cancelled and all Notes so cancelled and any Notes cancelled pursuant to Condition 5(h)(*Purchase*) above (together with all unmatured Coupons cancelled with them) may not be reissued or resold.

## 12. Payments

- (a) *Principal*: Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the Specified Currency or by transfer to an account denominated in such currency (or, if the Specified Currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with a bank in the Principal Financial Centre of the Specified Currency (in the case of a Sterling cheque, a town clearing branch of a bank in the City of London).
- (b) *Interest*: Payments of interest shall, subject to Condition 12(h) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 12(a) (*Principal*) above.
- (c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the principal and interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such principal or interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons*: If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:
  - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “*Relevant Coupons*”) being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
    - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for

payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 12(a) (*Principal*) against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

- (f) *Unmatured Coupons void*: If the relevant Pricing Supplement specifies that this Condition 12(f) (*Unmatured Coupons void*) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 11(b) (*Redemption for tax reasons*), Condition 11(c) (*Redemption at the option of the Issuer*), Condition 11(e) (*Redemption at the option of Noteholders*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day, the holder shall not be entitled to payment of the amount due until the next succeeding Payment Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 12(c) (*Payments in New York City*)).
- (i) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon sheet will be delivered in respect of such Talon.

### **13. Taxation**

- (a) *Gross up*: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction (as defined below) or (in the case of payments made under the Guarantee of the Notes) the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable:
  - (i) in respect of any Note or Coupon presented for payment by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Relevant Jurisdiction or (in the case of payments made under the Guarantee of the Notes) the Republic of Italy other than the mere holding of such Note or Coupon; or
  - (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- (iii) in respect of any Note or Coupon presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a member state of the European Union; or
  - (iv) in respect of any Note issued by Olivetti (or any related Coupon) in relation to any payment or deduction of any interest, principal or other proceeds of any Note or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996 as amended and supplemented at the time of issue of the Note; or
  - (v) in respect of any Note issued by Olivetti (or any related Coupon) having an original maturity of less than eighteen months where such withholding or deduction is required pursuant to Italian Legislative Decree No. 600 of 29 September 1973 as amended and supplemented at the time of issue of the Note; or
  - (vi) in respect of any Note or Coupon presented for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days; or
  - (vii) in respect of any Note or Coupon presented for payment by or on behalf of a holder if such withholding or deduction may be avoided by such holder producing a declaration or other evidence of non-residence in the Relevant Jurisdiction or (in the case of payments made under the Guarantee of the Notes) the Republic of Italy to the relevant taxing authority or making any other claim or filing, unless such holder is not entitled to produce such declaration or other evidence or to make such other claim or filing.
- (b) *Relevant jurisdiction*: Each reference in this Condition 13 to the “*Relevant Jurisdiction*” shall mean:
- (i) the Republic of Italy, if the Issuer is Olivetti, or if Olivetti becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, the Republic of Italy and/or such other jurisdiction;
  - (ii) The Netherlands Antilles, if the Issuer is Olivetti International Finance, or if Olivetti International Finance becomes subject at any time to any taxing jurisdiction other than The Netherlands Antilles, The Netherlands Antilles and/or such other jurisdiction; and
  - (iii) The Netherlands, if the Issuer is Olivetti Finance, or if Olivetti Finance becomes subject at any time to any taxing jurisdiction other than The Netherlands, The Netherlands and/or such other jurisdiction.

If the Guarantor becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, the Republic of Italy and/or such other jurisdiction, each reference in this Condition 13 to the Republic of Italy shall be construed as a reference to the Republic of Italy and/or such other jurisdiction.

#### **14. Events of Default**

If any of the following events occurs and is continuing:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within seven Business Days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer or (as the case may be) the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Guarantee of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer and (as the case may be) the Guarantor by any Noteholder, has been delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent; or
- (c) *Cross-default of Issuer, Guarantor or Subsidiary*:
  - (i) any Indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries is not paid when due or within any originally applicable grace period (as the case may be);
  - (ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or any of their respective Subsidiaries or

(provided that no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or

- (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds €25,000,000 (or its equivalent in any other currency or currencies); or

- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) from which no further appeal or judicial review is permissible under applicable law is rendered against the Issuer or the Guarantor or any of their respective Subsidiaries for the payment of an aggregate amount exceeding the greater of (i) €25,000,000 (or its equivalent in any other currency or currencies) or (ii) an amount equal to five per cent. of the net consolidated assets of (in the case of the Issuer or any of its Subsidiaries), the Issuer or (in the case of the Guarantor or any of its Subsidiaries) the Guarantor, in each case, as stated in its most recent audited consolidated financial statements and any such judgment(s) or orders continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Security enforced*: a secured party takes possession of or becomes entitled to enforce its security over, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Subsidiaries; or
- (f) *Insolvency*:
  - (i) if the Issuer is Olivetti Finance or Olivetti International Finance and any of the following occurs with respect to the Issuer or any of its Material Subsidiaries:
    - (A) the entry of a decree, judgment or order by a court having jurisdiction adjudging it bankrupt (*failliet*), or approving a petition seeking moratorium of payments (*surséance van betaling*), reorganisation, arrangement, adjustment or composition of or in respect of it under any applicable law, or adjudging that it is in a situation requiring special measures (*bijzondere voorzieningen*) in the interests of all creditors as referred to in Chapter X of the Act on the Supervision of Credit Institutions 1992 (*Wet Toezicht Kredietwezen 1992*) or any re-enactment thereof or pursuant to the 1994 Government Ordinance on the Supervision of Banking and Credit Institutions (*Landsverordening Toezicht Bank en Kredietwezen*) or any subsequent amendment, modification or re-enactment thereof or appointing a receiver, liquidator, administrator, assignee or sequestrator (or other similar official) in relation to it or of any substantial part of its property, or ordering the winding up, dissolution or liquidation of it or its affairs; or
    - (B) an involuntary case of proceeding is initiated against or a voluntary case or proceeding is initiated by the Issuer or any of its Material Subsidiaries under any applicable insolvency law, including presentation to the court of an application for bankruptcy (*faillissement*), for an administration, liquidation or dissolution order or seeking the appointment of a receiver, administrator, liquidator or other similar official in relation to the Issuer or any of its Material Subsidiaries or to the whole or any substantial part of the undertaking or assets of the Issuer or any of its Material Subsidiaries or the competent Chamber of Commerce takes any action to dissolve the Issuer or any of its Material Subsidiaries pursuant to the *Trade Registry Act* or the Bankruptcy Act of 1931 (*Faillissementsbesluit*) (or any amendment, modification, re-enactment thereof), or a receiver, administrator, liquidator or other similar official is appointed in relation to the Issuer or any of its Material Subsidiaries or in relation to the whole or any substantial part of the undertaking or assets of the Issuer or any of its Material Subsidiaries or an encumbrancer takes possession or execution or other process is levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer or any of its Material Subsidiaries or if the Issuer or any of its Material Subsidiaries initiates or consents to any case or judicial proceeding relating to itself or its assets

under any applicable insolvency law, makes a conveyance or assignment for the benefit of its creditors generally, admits in writing its inability to pay its debts generally as they become due or takes corporate action in furtherance of any such action; or

- (ii) if (irrespective of the identity of the Issuer) any of the following occurs with respect to Olivetti or any of its Material Subsidiaries:
  - (A) it is declared by a court to be insolvent, or petitions a court to be declared insolvent or admits in writing that it is unable to pay its debts as they fall due;
  - (B) an administrator, receiver or liquidator of it or the whole or a substantial part of its undertaking, assets and revenues is appointed (or application for any such appointment is made);
  - (C) it takes any action for the deferral, rescheduling or other readjustment of all or a substantial part of its Indebtedness or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it; or
  - (D) it ceases to carry on its business under its corporate objects from time to time.
- (g) *Winding up etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any of their respective Material Subsidiaries (otherwise than, in the case of a Material Subsidiary of the Issuer or (as the case may be) a Material Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
- (h) *Analogous event*: any event occurs which under the laws of The Netherlands Antilles, The Netherlands or (as the case may be) the Republic of Italy has an analogous effect to any of the events referred to in Conditions 14(d) (*Unsatisfied judgment*) to (g) (*Winding up etc.*) above; or
- (i) *Failure to take action etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (A) to enable the Issuer or (as the case may be) the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes and the Guarantee of the Notes, (B) to ensure that those obligations are legal, valid, binding and enforceable and (C) to make the Notes, the Coupons and the Deed of Guarantee admissible in evidence in the courts of The Netherlands Antilles, The Netherlands or (as the case may be) the Republic of Italy is not taken, fulfilled or done; or
- (j) *Unlawfulness*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes or the Guarantee of the Notes, respectively; or
- (k) *Guarantee not in force*: the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect;

then any Note may, by written notice addressed by the holder thereof to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality, *provided, however, that* Conditions 14(f) (*Insolvency*), (g) (*Winding up etc.*) and (h) (*Analogous event*) shall not include any such event which occurs for the purposes of or pursuant to an amalgamation, restructuring or reorganisation of a Material Subsidiary of the Issuer or (as the case may be) the Guarantor in respect of which two officers of the Issuer or (as the case may be) the Guarantor shall have certified to the Fiscal Agent that such Material Subsidiary shall be solvent immediately prior to, during and immediately after the consummation of such amalgamation, restructuring or reorganisation.

## 15. Prescription

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

## **16. Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then listed on any stock exchange which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such stock exchange), subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Guarantor and/or relevant Paying Agent may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

## **17. Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor Fiscal Agent or Calculation Agent and additional or successor Paying Agents; *provided, however, that:*

- (a) the Issuer and the Guarantor shall at all times maintain a Fiscal Agent; and
- (b) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer and the Guarantor shall at all times maintain a Calculation Agent; and
- (c) if and for so long as the Notes are listed on any stock exchange which requires the appointment of a Paying Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent having its Specified Office in the place required by the rules of such stock exchange; and
- (d) if the conclusions of the ECOFIN Council meeting of 26-27 November 2000 are implemented, the Issuer and the Guarantor will ensure that they maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing such conclusions or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 20 (*Notices*).

## **18. Meetings of Noteholders (or *Rappresentante Comune*); Modification and Waiver**

### **18.1 Notes issued by Olivetti Finance or Olivetti International Finance.**

- (a) *Meetings of Noteholders:* Part B of schedule 1 of the Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by them upon the request in writing of Noteholders holding not less than one-fifth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Voters (as defined in the Agency Agreement) holding or representing one half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Voters being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Voters holding or representing not less than one half or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification*: The Notes, these Conditions and the Deed of Guarantee may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer and the Guarantor shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

## **18.2 Notes issued by Olivetti**

- (a) *Meetings of Noteholders*: Part A of Schedule 1 of the Agency Agreement contains provisions consistent with the rules of the Italian Civil Code for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by a Resolution of these Conditions or the provisions of the Agency Agreement (such modifications shall be adopted, either on first call or second call, by favourable vote of one or more persons present holding or representing Notes, representing an aggregate of more than 50 per cent. of the principal amount of the Notes outstanding at the time such resolution is adopted). A Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they were present at the meeting, and on all Couponholders. Any modification shall be notified to the Noteholders in accordance with Condition 20 (*Notices*).
- (b) *Rappresentante Comune*: In accordance with the Italian Civil Code, a “*rappresentante comune*” must be appointed in order to represent the Noteholders’ hereunder and to give effect to the resolutions of the Noteholders’ meeting. The “*rappresentante comune*” is appointed by resolution passed at the Noteholders’ meeting. In the event the Noteholders’ meeting fails to appoint the “*rappresentante comune*”, the appointment will be made by the president of the court of first instance of the venue where the registered office of the Issuer is located at the request of any Noteholder or at the request of the board of directors of the Issuer.

## **19. Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the date of, and the amount of, the first payment of interest) so as to form a single series with the Notes.

## **20. Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, if the Notes which are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

## **21. Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the “*first currency*”) in which the same is payable under these Conditions or such order or judgment into another currency (the “*second currency*”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

## 22. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded downwards), (b) all United States Dollar and euro amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded down), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded downwards.

## 23. Redenomination, Renominalisation and Reconventioning

- (a) *Application:* This Condition 23 (*Redenomination, Renominalisation and Reconventioning*) is applicable to the Notes only if it is specified in the relevant Pricing Supplement as being applicable.
- (b) *Notice of redenomination:* If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders and Couponholders, on giving at least 30 days' prior notice to the Noteholders in accordance with Condition 20 (*Notices*), the Guarantor and the Paying Agents, designate a date (the "*Redenomination Date*"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.
- (c) *Redenomination:* Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:
- (i) the Notes shall be deemed to be redenominated into euro in the denomination of EUR0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); *provided, however, that*, if the Issuer determines, with the agreement of the Fiscal Agent, that the then market practice in respect of the redenomination into EUR0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders and Couponholders, each stock exchange (if any) on which the Notes are then listed and the Paying Agents of such deemed amendments;
  - (ii) if Notes have been issued in definitive form:
    - (A) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date (the "*Euro Exchange Date*") on which the Issuer gives notice (the "*Euro Exchange Notice*") to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (provided that such Notes and Coupons are available) and no payments will be made in respect thereof;
    - (B) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 23 (*Redenomination, Renominalisation and Reconventioning*)) shall remain in full force and effect; and
    - (C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Specified Currency in such manner as the Fiscal Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and
  - (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities.



- (d) *Interest*: Following redenomination of the Notes pursuant to this Condition 23 (*Redenomination, Renominalisation and Reconventioning*), where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder.
- (e) *Interest Determination Date*: If the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable and Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date, the Interest Determination Date shall be deemed to be the second TARGET Settlement Day before the first day of the relevant Interest Period.

## **24. Substitution**

- (a) *Requirements for substitution*: The Issuer and the Guarantor may at any time require the substitution in place of the Issuer (or of the previous substitute under this Condition 24 (*Substitution*)) as the principal debtor in respect of the Notes of the Guarantor or any other Subsidiary of the Guarantor (such substitute, a “*New Issuer*”) and/or the appointment of an additional guarantor of the Notes (an “*Additional Guarantor*”) and/or the substitution in place of the Guarantor (or an Additional Guarantor) as guarantor of the Notes of any entity that may succeed to, or to which the Guarantor (or that Additional Guarantor) may transfer, all or substantially all of the assets and business of the Guarantor (or the Additional Guarantor) by operation of law, contract or otherwise (such substitute, a “*New Guarantor*”), provided that:
  - (i) in the case of a New Issuer, a deed poll and such other documents (if any) shall be executed by the New Issuer, the Guarantor, any Additional Guarantor and, to the extent necessary, the other parties to the Agency Agreement, as may be necessary to give full effect to the substitution and pursuant to which the New Issuer shall undertake in favour of the Noteholders and each Accountholder (as defined in the Deed of Covenant) to be bound by these Conditions, the Deed of Covenant and the Agency Agreement as principal debtor in respect of the Notes in place of the Issuer (or of the previous substitute under this Condition 24 (*Substitution*)) and pursuant to which the Guarantor and any Additional Guarantor shall guarantee in favour of each Noteholder and Accountholder the payment of all sums payable by the Issuer to the extent of, and in the terms specified in, the Deed of Guarantee, *mutatis mutandis*;
  - (ii) in the case of an Additional Guarantor, the Additional Guarantor shall guarantee in favour of each Noteholder and Accountholder the payment of all sums payable by the Issuer to the extent of, and in the terms specified in, the Deed of Guarantee, *mutatis mutandis*;
  - (iii) in the case of a New Guarantor, a deed poll and such other documents (if any) shall be executed by the New Guarantor and, to the extent necessary, the other parties to the Agency Agreement, as may be necessary to give full effect to the substitution and pursuant to which the New Guarantor shall guarantee in favour of each Noteholder and Accountholder the payment of all sums payable by the Issuer to the extent of, and in the terms specified in, the Deed of Guarantee, *mutatis mutandis*;
  - (iv) in the case of a New Issuer, the Fiscal Agent shall have received legal opinions from independent legal advisers approved by it to the effect, *inter alia*, that (A) the New Issuer has obtained all governmental and regulatory approvals and consents necessary for its assumption of the obligations and liabilities as principal debtor under these Conditions, the Deed of Covenant and the Agency Agreement in place of the Issuer, the holders of the Notes, Coupons and Talons have rights against the New Issuer at least equivalent to the rights they have against the Issuer, such assumption is fully effective and such obligations and liabilities are legally valid and binding on, and enforceable against, the New Issuer (subject to customary assumptions, exceptions and reservations); (B) the Guarantor has obtained all governmental and regulatory approvals and consents necessary for the guarantee referred to in (i) above to be fully effective and such guarantee is legally valid and binding on, and enforceable against, the Guarantor (subject to customary assumptions, exceptions and reservations); (C) such approvals and consents are in full force and effect at the time of substitution; and (D) confirming, with respect to the New Issuer, compliance with Condition 24(a)(vii) (subject to customary assumptions, exceptions and reservations);

- (v) in the case of an Additional Guarantor, the Fiscal Agent shall have received legal opinions from independent legal advisors approved by it to the effect, *inter alia*, that (A) the Additional Guarantor has obtained all governmental and regulatory approvals and consents necessary for the guarantee referred to in Condition 24(a) (ii) (*Requirements for substitution*) above to be fully effective and such guarantee is legally valid and binding on, and enforceable against, the Additional Guarantor (subject to customary assumptions, exceptions and reservations); (B) such approvals and consents are in full force and effect at the time of substitution; and (C) confirming, with respect to the Additional Guarantor, compliance with Condition 24(a)(vii) (*Requirements for substitution*) (subject to customary assumptions, exceptions and reservations);
  - (vi) in the case of a New Guarantor, the Fiscal Agent shall have received legal opinions from independent legal advisors approved by it to the effect, *inter alia*, that (A) the New Guarantor has obtained all governmental and regulatory approvals and consents necessary for the guarantee referred to in Condition 24(a)(iii) (*Requirements for substitution*) above to be fully effective, the holders of the Notes, Coupons and Talons have rights against the New Guarantor under such guarantee at least equivalent to the rights they have against the Guarantor (or (as the case may be) the relevant Additional Guarantor) and such guarantee is legally valid and binding on, and enforceable against, the New Guarantor (subject to customary assumptions, exceptions and reservations); (B) such approvals and consents are in full force and effect at the time of substitution; and (C) confirming, with respect to the New Guarantor, compliance with Condition 24(a)(vii) (*Requirements for substitution*) (subject to customary assumptions, exceptions and reservations);
  - (vii) all payments of principal and interest in respect of the Notes and Coupons by or on behalf of the New Issuer or (as the case may be) the Additional Guarantor or (as the case may be) the New Guarantor shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the tax jurisdiction to which it is subject or any political subdivision or any authority thereof or therein having power to tax;
  - (viii) any stock exchange on which the Notes are listed shall have confirmed to the Issuer, the Guarantor and the Fiscal Agent that, after giving effect to the substitution or the appointment of the Additional Guarantor, the Notes will continue to be listed on such stock exchange(s);
  - (ix) two officers of the New Issuer, the Additional Guarantor or (as the case may be) the New Guarantor shall have certified to the Fiscal Agent that the New Issuer, the Additional Guarantor or (as the case may be) the New Guarantor is solvent at the time at which the substitution or appointment is proposed to be effected.
- (b) *Substitution effective:* Upon execution and delivery of the deed poll, guarantee or the other documents referred to in Conditions 24 (a)(i), (ii) or (iii) (*Requirements for substitution*) above and delivery of the legal opinions and other documents referred to in Conditions 24 (a)(iv) to (ix) (*Requirements for substitution*) above:
- (i) the New Issuer shall be deemed to be named in the Notes, the Deed of Covenant and the Agency Agreement as the principal debtor in place of the Issuer (or the previous substitute under this Condition 24 (*Substitution*)) and the Notes, the Deed of Covenant, the Agency Agreement and any other documents related to the Programme shall thereupon be deemed to be amended to give effect to the substitution, and the Issuer (or the previous substitute under this Condition 24 (*Substitution*)) shall be released from all of its obligations under or in respect of the Notes, the Deed of Covenant, the Agency Agreement and any other documents related to the Programme;
  - (ii) the Additional Guarantor shall be deemed to be named in the Notes and the Agency Agreement and any other documents related to the Programme as Guarantor;
  - (iii) the New Guarantor shall be deemed to be named in the Notes and the Agency Agreement as Guarantor in place of the Guarantor (or the relevant Additional Guarantor) and the Notes, the Agency Agreement and any other documents related to the Programme shall thereupon be deemed to be amended to give effect to the substitution, and the Guarantor shall be released from all of its obligations under or in respect of the Notes, the Agency Agreement and any other documents related to the Programme.

- (c) *Notice of substitution:* Not later than 20 days after the substitution of a New Issuer or a New Guarantor or the appointment of an Additional Guarantor, notice shall be given to the Noteholders in accordance with Condition 20 (*Notices*).

## **25. Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and all matters arising from or connected with the Notes are governed by, and shall be construed in accordance with, English law.
- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a “*Dispute*”) arising from or connected with the Notes.
- (c) *Appropriate forum:* Each of the Issuer and the Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England:* Condition 25(b) (English courts) is for the benefit of the Noteholders only. As a result, nothing in this Condition 25 (Governing law and jurisdiction) prevents any Noteholder from taking proceedings relating to a Dispute (“*Proceedings*”) in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Process agent:* Each of the Issuer and the Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Clifford Chance Secretaries Limited at 200 Aldersgate Street, London EC1A 4JJ or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such person is not or ceases to be effectively appointed to accept service of process on its behalf, it shall, on the written demand of any Noteholder addressed to it and delivered to it or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person (other than himself) by written notice addressed to it and delivered to it or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

## FORM OF PRICING SUPPLEMENT

Pricing Supplement dated ●

[Olivetti S.p.A.]  
[Olivetti Finance N.V.]  
[Olivetti International Finance N.V.]

**Issue of [Aggregate Principal Amount of Tranche] [Title of Notes]  
Guaranteed by Olivetti S.p.A. under the €15,000,000,000  
Euro Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 14 May 2002 [and the supplemental Offering Circular dated ●]. This Pricing Supplement must be read in conjunction with such Offering Circular [as so supplemented].

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

1. (i) Issuer: [Olivetti S.p.A.]  
[Olivetti Finance N.V.]  
[Olivetti International Finance N.V.]  
(ii) Guarantor: Olivetti S.p.A.]
2. [(i)] Series Number: [ ]  
[(ii)] Tranche Number: [ ]  
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
3. Specified Currency or Currencies: [ ]
4. Aggregate Principal Amount:  
[(i)] Series: [ ]  
[(ii)] Tranche: [ ]
5. [(i)] Issue Price: [ ] per cent. of the Aggregate Principal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]  
[(ii) Net proceeds: [ ] (Required only for listed issues)]
6. Specified Denominations: [ ]\*
7. [(i)] Issue Date: [ ]  
[(ii) Interest Commencement Date (if different from the Issue Date): [ ]
8. Maturity Date: [specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]

\* Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom (or whose issue otherwise constitutes a contravention of section 19 of the FSMA) and which must be redeemed before the first anniversary of the date of their issue must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

9. Interest Basis: [● per cent. Fixed Rate]  
 [[specify reference rate] +/- ● per cent. Floating Rate]  
 [Zero Coupon]  
 [Index Linked Interest]  
 [Other (specify)]  
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
 [Index Linked Redemption]  
 [Dual Currency]  
 [Partly Paid]  
 [Instalment]
11. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12. Put/Call Options: [Noteholder Put]  
 [Issuer Call]  
 [(further particulars specified below)]
13. Listing: [Luxembourg/other (specify)/None<sup>1</sup>]
14. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
 (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate[(s)] of Interest: [ ] per cent. per annum  
 [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year
- (iii) Fixed Coupon Amount[(s)]: [ ] per [ ] in Principal Amount
- (iv) Broken Amount(s): [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*]
- (v) Day Count Fraction: [[30/360]/[Actual/Actual (ISMA)]  
*If neither of these options applies, give details*]
- (vi) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]

<sup>1</sup> Special conditions may apply to unlisted Notes issued by Olivetti Finance.

<b>16. Floating Rate Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate)</i>
(i) Specified Period(s)/Interest Payment Dates:	[ ]
(ii) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/other (give details)]
(iii) Additional Business Centre(s):	[ ]
(iv) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ ISDA Determination/other (give details)]
(v) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s):	[ ]
(vi) Screen Rate Determination:	
– Reference Rate:	[ ]
– Interest Determination Date(s):	[ ]
– Relevant Screen Page:	[ ]
(vii) ISDA Determination:	
– Floating Rate Option:	[ ]
– Designated Maturity:	[ ]
– Reset Date:	[ ]
(viii) Margin(s):	[+/-][ ] per cent. per annum
(ix) Minimum Rate of Interest:	[ ] per cent. per annum
(x) Maximum Rate of Interest:	[ ] per cent. per annum
(xi) Day Count Fraction:	[ ]
(xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
<b>17. Zero Coupon Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Accrual Yield:	[ ] per cent. per annum
(ii) Reference Price:	[ ]
(iii) Any other formula/basis of determining amount payable:	[ ]
<b>18. Index-Linked Interest Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(i) Index/Formula:	[give or annex details]
(ii) Calculation Agent responsible for calculating the interest due:	[ ]
(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[ ]
(iv) Specified Period(s)/Specified Interest Payment Dates:	[ ]

(v) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/other ( <i>give details</i> )]
(vi) Additional Business Centre(s):	[ ]
(vii) Minimum Rate of Interest:	[ ] per cent. per annum
(viii) Maximum Rate of Interest:	[ ] per cent. per annum
(ix) Day Count Fraction:	[ ]
<b>19. Dual Currency Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Rate of Exchange/method of calculating Rate of Exchange:	[ <i>give details</i> ]
(ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[ ]
(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[ ]
(iv) Person at whose option Specified Currency(ies) is/are payable:	[ ]
<b>PROVISIONS RELATING TO REDEMPTION</b>	
<b>20. Call Option</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Optional Redemption Date(s) (Call):	[ ]
(ii) Optional Redemption Amount(s) (Call) and method, if any, of calculation of such amount(s):	[ ]
(iii) If redeemable in part:	
(a) Minimum Redemption Amount:	[ ]
(b) Maximum Redemption Amount:	[ ]
(iv) Notice period (if other than as set out in the Conditions):	[ ]
<b>21. Put Option</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Optional Redemption Date(s) (Put):	[ ]
(ii) Optional Redemption Amount(s) (Put) and method, if any, of calculation of such amount(s):	[ ]
(iii) Notice period (if other than as set out in the Conditions):	[ ]
<b>22. Final Redemption Amount</b>	[Par/other]
<b>23. Early Redemption Amount</b>	
Early Redemption Amount (Tax) payable on redemption for taxation reasons and/or Early Termination Amount payable on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[ ]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]  
[Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice.]  
[Permanent Global Note exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
25. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. Note that this item relates to the place of payment, and not interest period end dates, to which item 16(iii) relates]
26. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
28. Redenomination, Renominalisation and Reconventioning provisions: [Not Applicable/The provisions [in Condition 23 (Redenomination, Renominalisation and Reconventioning)] [annexed to this Pricing Supplement apply]
29. Consolidation provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
30. Other terms or special conditions: [Not Applicable/give details]
- DISTRIBUTION**
31. (i) If syndicated, names of Managers: (indicating the Lead Manager(s)) [Not Applicable/give names]  
(ii) Stabilising Manager (if any): [Not Applicable/give name]
32. If non-syndicated, name of Dealer: [Not Applicable/give name]
33. TEFRA: [Not Applicable/The [C/D] Rules are applicable]



34. Netherlands selling restrictions (i) Olivetti Finance Notes:  
 [Notes listed on Euronext Amsterdam: selling restriction I(i) applies]  
 [High denomination Notes: selling restriction I(iii) applies]  
 [Professionals Investors only: selling restriction I(iv) applies]  
 [Euro-securities exemption: selling restriction I(v) applies]  
 [Olivetti International Finance Notes offered outside Netherlands: selling restrictions I(vi) applies].  
 (ii) Olivetti S.p.A./Olivetti International Finance Notes:  
 [Selling restriction II applies]<sup>2</sup>
35. Additional selling restrictions: [Not Applicable/*give details*]

**OPERATIONAL INFORMATION**

36. ISIN Code: [ ]
37. Common Code: [ ]
38. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/Monte Titoli No./*give name(s) and number(s)*]
39. Delivery: Delivery [against/free of] payment
40. Additional Paying Agent(s) (if any): [ ]

**ISSUER DETAILS**

(only required for Notes issued by Olivetti S.p.A)

41. Registered office: [*give details*]
42. Share Capital: [*give details*]
43. Company number: [*give details*]
44. Corporate object: [*give details*]
45. Date of the corporate resolution authorising the issue: [*give details*]
46. Date of registration of such resolution with the Company Register: [*give details*]

**LISTING APPLICATION**

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the listing of the €15,000,000,000 Euro Medium Term Note Programme of Olivetti S.p.A., Olivetti Finance N.V. and Olivetti International Finance N.V. guaranteed by Olivetti S.p.A.

<sup>2</sup> Delete in each case as applicable or delete all of these alternatives if another Netherlands securities law exemption is chosen. In that case, specify such exemption.

**RESPONSIBILITY**

[The Issuer/Each of the Issuer and the Guarantor] accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of [Olivetti S.p.A./Olivetti Finance N.V./Olivetti International Finance N.V.]

By: .....  
*Duly authorised*

[Signed on behalf of Olivetti S.p.A.]

By: .....  
*Duly authorised*

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### Clearing System Accountholders

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to “*Noteholder*” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an “*Accountholder*”) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the relevant Issuer or (as case may be) the Guarantor to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear, Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the relevant Issuer or (as the case may be) the Guarantor in respect of payments due under the Notes and such obligations of the relevant Issuer and (as the case may be) the Guarantor will be discharged by payment to the bearer of the Global Note.

### Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent and, if applicable, receipt by the Fiscal Agent of certificate(s) of non-U.S. beneficial ownership, within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes which a Temporary Global Note represents has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global

Note on the due date for payment, then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 8 June 2001 (the “*Deed of Covenant*”) executed by the Issuers). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note on the date on which it became void will acquire directly against the relevant Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system at that time.

### **Exchange of Permanent Global Notes**

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer or (as the case may be) the relevant Issuer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note or (as the case may be) the relevant Issuer has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes which a Permanent Global Note represents has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note on the date on which it became void will acquire directly against the relevant Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system at that time.

### **Conditions applicable to Global Notes**

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the relevant Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the relevant Issuer shall procure that the same is noted in a schedule thereto.

*Exercise of put option:* In order to exercise the option contained in Condition 11(e) (*Redemption at the option of Noteholders*) the bearer of a Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and Put Option Notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

*Partial exercise of call option:* In connection with an exercise of the option contained in Condition 11(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, a Permanent Global Note may be redeemed in part in the principal amount specified by the relevant Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions.

*Notices:* Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. As provided in Condition 20 (*Notices*), if the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices to the Noteholders shall be valid if published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if such a publication is not practicable, in a leading English language daily newspaper having general circulation in Europe.

*Redenomination:* If the Notes are redenominated pursuant to Condition 23 (*Redenomination, Renominalisation and Reconventioning*), then following redenomination:

- (a) if Definitive Notes are required to be issued, they shall be issued at the expense of the Issuer in the denominations of EUR0.01, EUR1,000, EUR10,000, EUR100,000 and such other denominations as the Fiscal Agent shall determine and notify to the Noteholders; and
- (b) the amount of interest due in respect of Notes represented by a Permanent Global Note and/or a Temporary Global Note will be calculated by reference to the aggregate principal amount of such Notes and the amount of such payment shall be rounded down to the nearest EUR0.01.

## **MONTE TITOLI NOTES**

Notes which are specified in the relevant Pricing Supplement as having Monte Titoli as a clearing system will be held on behalf of the beneficial owners thereof, from their date of issue until their redemption, by Monte Titoli for the account of the relevant Monte Titoli account holders. The expression "*Monte Titoli account holder*" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli and includes any financial intermediary appointed by Euroclear and/or Clearstream, Luxembourg for the account of participants in Euroclear and/or Clearstream, Luxembourg.

### **USE OF PROCEEDS**

The net proceeds of the issue of each Tranche of Notes will be applied by the relevant Issuer and/or the Guarantor to the general financing requirements of the Olivetti Group and the Telecom Italia Group.

## OLIVETTI FINANCE N.V.

### Introduction

Tecnost International N.V. was incorporated under the laws of The Netherlands on 23 October 1989, initially as a private company with limited liability (*besloten vennootschap*). On 21 February 2001, it changed its name to Olivetti Finance N.V. Olivetti Finance is a wholly-owned subsidiary of Olivetti S.p.A. With effect from 31 December 2000, Olivetti S.p.A. merged with Tecnost S.p.A. and Tecnost S.p.A. ceased to exist. The principal activity of Olivetti Finance is to provide financing to the Olivetti Group companies. Olivetti Finance currently has one subsidiary (Olivetti International Finance).

The registered office of Olivetti Finance is located at Herengracht 548, 1017 CG Amsterdam, The Netherlands and its principal place of business is located at Strawinskylaan 1133, 1077 XX Amsterdam, The Netherlands. Olivetti Finance is registered at the Commercial Register of the Amsterdam Chamber of Commerce under number 33214471.

### Ownership and Capital Structure

The authorised share capital of Olivetti Finance consists of 200,000,000 ordinary shares having a par value of €1 each. As at 21 February 2001, the issued and outstanding share capital of Olivetti Finance consisted of 46,905,660 ordinary shares having a par value of €1 each, €46,905,660 in aggregate. There are no shares which have been subscribed for but remain unpaid.

The shares of Olivetti Finance may be in registered or bearer form at the request of the shareholder, provided the terms contemplated in the articles of association of Olivetti Finance are complied with. Each share entitles the owner thereof to one vote in all shareholder meetings of the company and all of the other financial and administrative rights in accordance with the applicable provisions of the laws of The Netherlands and the articles of association of Olivetti Finance.

The following table sets out the borrowings and net equity of Olivetti Finance as at 31 December 2001.

	As at 31 December 2001
	(in thousands of Euro)
Short-term Debt (including amounts due to banks) . . . . .	3,372
Long-term Debt . . . . .	14,641,538
Net Equity . . . . .	(89,809)
Total Capitalisation. . . . .	<u>14,555,101</u>

The net equity as of December 2001 included the negative result of the year 2001 which is mostly due to the market devaluation of securities (mainly Telecom Italia) held in Olivetti Finance's portfolio. There has been no material change in the capitalisation of Olivetti Finance N.V. since 31 December 2001 other than those changes described in Recent Events.

### Dividends

Since its date of incorporation, no dividends have been declared or paid by Olivetti Finance.

### Litigation

There are no litigation or arbitration proceedings against Olivetti Finance nor any of its assets or revenues, nor is Olivetti Finance aware of any pending or threatened proceedings of such kind.

### Management and Employees

#### *Board of Directors*

The articles of association of Olivetti Finance provide for a Board of Directors consisting of one or more directors. Directors are elected at a general meeting of shareholders and may be dismissed at a general meeting of shareholders at any time. The Board of Directors of Olivetti Finance is currently comprised of five members.

The table below sets forth the name, position and principal outside interests of each member of the Board of Directors of Olivetti Finance.

Name	Position within Olivetti Finance and Principal Outside Interests
Corrado Ariaudo . . . . .	General Director of Olivetti S.p.A; Chairman Webegg S.p.A., Tecnost Sistemi S.p.A., Director CIRSA Business Corp., Domustech S.p.A, Olivetti Finance N.V., Olivetti System Technology Corp. and Olivetti Multiservices S.p.A.
Pieter Oosthoek . . . . .	Director <sup>(1)</sup>
Vincent Mahieu . . . . .	Director
Vincenzo Montano . . . . .	Director; Director of OMS Holding B.V.
MeesPierson Trust B.V. <sup>(2), (3)</sup> . . . . .	Director; Director of Olivetti Holding B.V.; Director of Olivetti Tecnost International B.V.; Director of Olivetti Telemedia Investments B.V.

In connection with their role as directors, Vincenzo Montano and Vincent Mahieu are domiciled at the principal place of business and operating office of Olivetti Finance at Strawinskylaan 1133, 1077 XX Amsterdam, The Netherlands and the other directors of Olivetti Finance are domiciled at the registered office of Olivetti Finance.

*Employees*

Olivetti Finance currently has two employees.

*Independent Auditors*

The independent auditors of Olivetti Finance are Ernst & Young Accountants of Drentestraat 20 1083 HK Amsterdam since 1 January 2001.

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(1) One of his professional tasks is to assume a role as director of companies registered in The Netherlands

(2) In accordance with Dutch law, the Board of Directors may also be composed of legal entities.

(3) One of the institutional tasks of MeesPierson Trust B.V. is to assume the role of directors in companies incorporated under the Dutch law.



**OLIVETTI FINANCE N.V.**

**BALANCE SHEET AS AT 31 DECEMBER 2001 AND 2000**

(after appropriation of the net result for the year)

	31 December 2001	31 December 2000
	(all amounts in € thousands)	
<b>FIXED ASSETS</b>		
Intangible fixed assets . . . . .	34,489	17,837
Tangible fixed assets . . . . .	17	13
Financial fixed assets		
Participations . . . . .	3,000	3,000
Loans to group companies, non-current portion . . . . .	5,302,416	14,100,009
Deferred interest expenses . . . . .	209,758	325,051
Other investments . . . . .	2,483	3,881
Total financial fixed assets . . . . .	<u>5,517,657</u>	<u>14,431,941</u>
<b>Total fixed assets . . . . .</b>	<b><u>5,552,163</u></b>	<b><u>14,449,791</u></b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents . . . . .	116,284	227,780
Receivables and accruals . . . . .	175,317	123,748
Short-term loans to group companies . . . . .	6,321,211	274,545
Receivables and accruals from group companies . . . . .	2,031,870	1,440,018
Other current assets . . . . .	950,628	610,673
	<u><b>9,595,310</b></u>	<u><b>2,676,764</b></u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables . . . . .	177,673	185,449
Borrowings, current portion . . . . .	3,301	3,280
Payables and accruals to group companies . . . . .	190,396	157,209
Provisions for liabilities . . . . .	224,374	157,381
	<u><b>595,744</b></u>	<u><b>503,319</b></u>
<b>WORKING CAPITAL . . . . .</b>	<u><b>8,999,566</b></u>	<u><b>2,173,445</b></u>
<b>TOTAL CAPITAL EMPLOYED . . . . .</b>	<u><b>14,551,729</b></u>	<u><b>16,623,236</b></u>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings, non-current portion . . . . .	14,641,538	16,559,354
<b>SHAREHOLDERS' EQUITY</b>		
Share capital . . . . .	46,906	46,906
Accumulated result . . . . .	(136,715)	16,976
<b>TOTAL SHAREHOLDERS' EQUITY . . . . .</b>	<u><b>(89,809)</b></u>	<u><b>63,882</b></u>
<b>TOTAL FINANCING . . . . .</b>	<u><b>14,551,729</b></u>	<u><b>16,623,236</b></u>
<b>TOTAL ASSETS . . . . .</b>	<u><b>15,147,473</b></u>	<u><b>17,126,555</b></u>

**OLIVETTI FINANCE N.V.****PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000**

	31 December 2001	31 December 2000
	(all amounts in € thousands)	
<b>FINANCIAL INCOME AND EXPENSES</b>		
Interest income from third parties . . . . .	142,418	32,835
Interest income from related parties . . . . .	757,289	992,425
Interest paid to third parties . . . . .	(461,459)	(571,339)
Interest paid to related parties . . . . .	(408,383)	(370,910)
Finance charges . . . . .	(154)	(408)
<b>NET FINANCIAL INCOME/(EXPENSES)</b> . . . . .	<u>29,711</u>	<u>82,603</u>
<b>OTHER INCOME AND EXPENSES</b>		
Net other operating income – expenses . . . . .	(105,908)	58,857
Withholding taxes . . . . .	(72,242)	(97,521)
Amortisation expense . . . . .	(4,499)	(3,200)
General and administrative expenses . . . . .	(753)	(784)
<b>NET OTHER INCOME/(EXPENSES)</b> . . . . .	<u>(183,402)</u>	<u>(42,648)</u>
<b>RESULT FROM OPERATIONS BEFORE TAX</b> . . . . .	<u>(153,691)</u>	<u>39,955</u>
Taxation . . . . .	–	(22,747)
<b>NET PROFIT/(LOSS)</b> . . . . .	<u><u>(153,691)</u></u>	<u><u>17,208</u></u>

## OLIVETTI INTERNATIONAL FINANCE N.V.

### Introduction

Olivetti International Finance was incorporated as a limited liability company (*naamloze vennootschap*) under the name Tecnost International Finance N.V. under the laws of The Netherlands Antilles on 9 July 1999. On 15 May 2001 it changed its name to Olivetti International Finance N.V. With effect from 31 December 2000, Olivetti S.p.A. merged with Tecnost S.p.A. and Tecnost S.p.A. ceased to exist. The principal activity of Olivetti International Finance is to provide financing to the Olivetti Group companies.

The registered office and principal place of business of Olivetti International Finance is located at Berg Ararat 1, Curaçao, Netherlands Antilles. Olivetti International Finance is registered in the Commercial Register (*Handelsregister*) of the Chamber of Commerce and Industry (*Kamer van Koophandel en Nijverheid*) of Curaçao, Netherlands Antilles under number 82023.

The articles of association of Olivetti International Finance provide that Olivetti International Finance was incorporated for an indefinite period and that its objects are:

- (a) The participating in, the financing of, collaborating with the management of, providing advice and other services to legal persons or to other enterprises;
- (b) The raising of money or loans and/or public or private issues, (whether or not convertible) bonds, acknowledgements of debt or other securities from the public and the onlending of them to other companies with which the company is affiliated in a group and the participation in all kinds of financial transactions in general;
- (c) The purchase and sale of claims, the acquisition, the possession, the disposal of or the trade in any other way with respect to all kinds of participation and interests in other legal persons, companies and enterprises;
- (d) The entering into additional financial and other agreements (including swaps and other derivative transactions) in connection with the activities mentioned under (a) to (c) inclusive above;
- (e) Providing collateral and to give an undertaking (whether or not by means of guarantees of suretyships) for the debts of legal persons or other companies with which the company is affiliated in a group;
- (f) Undertaking all that is connected with the above or which could be conducive thereto.

All this is in the widest sense of the words.

### Ownership and Capital Structure

The authorised share capital of Olivetti International Finance consists of 30,000 ordinary shares having a par value of €100 each. As at the date of this Offering Circular, the issued and outstanding share capital of Olivetti International Finance consisted of 30,000 ordinary shares having a par value of €100 each, €3,000,000 in aggregate. There are no shares which have been subscribed for but remain unpaid.

The shares of Olivetti International Finance may be in registered or bearer form at the request of the shareholder, provided the terms contemplated in the articles of association of Olivetti International Finance are complied with. Each share entitles the owner thereof to one vote in all shareholder meetings of the company and all of the other financial and administrative rights in accordance with the applicable provisions of the laws of The Netherlands Antilles and the articles of association of Olivetti International Finance.

The following table sets out the borrowings and net equity of Olivetti International Finance as at 31 December 2001.

	As at 31 December 2001
	(in thousands of Euro)
Short-term Debt . . . . .	65
Long-term Debt . . . . .	7,223,415
Net Equity . . . . .	3,076
Total Capitalisation. . . . .	<u>7,226,556</u>

There has been no material change in the capitalisation of Olivetti International Finance since 31 December 2001 other than those changes described in Recent Events.

Olivetti International Finance is a wholly-owned subsidiary of Olivetti Finance N.V., which is a direct wholly-owned subsidiary of Olivetti S.p.A.

**Litigation**

There are no litigation or arbitration proceedings against Olivetti International Finance nor any of its assets or revenues, nor is Olivetti International Finance aware of any pending or threatened proceedings of such kind.

**Management and Employees**

*Board of Directors*

The articles of association of Olivetti International Finance provide for a Board of Directors consisting of one or more directors. Directors are elected at a general meeting of shareholders and may be dismissed at a general meeting of shareholders at any time. The Board of Directors of Olivetti International Finance is currently comprised of one member. Its term in office is to expire upon the appointment or election of its successor.

The table below sets forth the name, position and principal outside interests of each member of the Board of Directors of Olivetti International Finance.

Name	Position within Olivetti International Finance and Principal Outside Interests
Caribbean Management Company N.V. . . . . .	Managing Director: One of the institutional tasks of Caribbean Management Company N.V. is to assume the role of director in companies incorporated under Netherlands Antilles law, including Olivetti International N.V.

For the purposes of their office, the directors of Olivetti International Finance are domiciled at the registered office of Olivetti International Finance.

*Independent Auditors*

As of 1 January 2001, the independent auditors of Olivetti International Finance are Ernst & Young of Zeelandia Office Park, P.O. Box 3626, Curaçao, Netherlands Antilles.

*Employees*

Olivetti International Finance currently has no employees.

**Principal Subsidiaries**

Olivetti International Finance currently has no subsidiaries.

**OLIVETTI INTERNATIONAL FINANCE N.V.**

**BALANCE SHEET AS AT 31 DECEMBER 2001 AND 2000**

	31 December 2001	31 December 2000
	(all amounts in € thousands)	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents . . . . .	7	7
Loan receivable from parent company . . . . .	2,900	2,900
Receivables from Affiliates . . . . .	363	213
Accrued interest receivable . . . . .	183,056	156,926
<b>Total current assets . . . . .</b>	<b>186,326</b>	<b>160,046</b>
Long term receivables from parent company . . . . .	7,223,415	6,437,056
<b>TOTAL ASSETS . . . . .</b>	<b>7,409,741</b>	<b>6,597,102</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>Current liabilities</b>		
Loan payable to parent company . . . . .	65	23
Accrued interest payable . . . . .	183,056	156,926
Other current liabilities . . . . .	129	33
<b>Total current liabilities . . . . .</b>	<b>183,250</b>	<b>156,982</b>
Long term bond loans . . . . .	7,050,000	6,437,056
Long term loans . . . . .	173,415	0
<b>TOTAL LIABILITIES . . . . .</b>	<b>7,406,665</b>	<b>6,594,038</b>
<b>SHAREHOLDER'S EQUITY</b>		
Share capital . . . . .	3,000	3,000
Retained earnings . . . . .	76	64
<b>Total Shareholder's equity . . . . .</b>	<b>3,076</b>	<b>3,064</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY . . . . .</b>	<b>7,409,741</b>	<b>6,597,102</b>

**STATEMENT OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000**

	31 December 2001	31 December 2000
	(all amounts in € thousands)	
Financial income/(charges), net . . . . .	-	1
Other financial income (charges) . . . . .	150	150
General and administrative expenses . . . . .	(138)	(69)
<b>NET RESULT . . . . .</b>	<b>12</b>	<b>82</b>

## OLIVETTI S.P.A.

### Overview

Through its operating companies in Italy and worldwide, Olivetti and its consolidated subsidiaries (the “*Olivetti Group*”) offer a broad range of products and services mainly in fixed and mobile telecommunications; it also has operations in office products, information technology, specialised automation systems and real estate and facility management and maintenance. The parent of the Olivetti Group is Olivetti S.p.A. (“*Olivetti*”), which acts as the industrial holding company for all of the Olivetti Group’s operating subsidiaries. The ordinary shares of Olivetti are listed on the Mercato Telematico Azionario (“*Telematico*”), the automated screen-based trading system of the Borsa Italiana S.p.A. (the “*Borsa Italiana*”).

In May 1999, Olivetti, jointly with its subsidiary Tecnost S.p.A. (“*Tecnost*”), successfully made a tender offer for Telecom Italia S.p.A. (“*Telecom Italia*”), giving Olivetti an indirect 52.12 per cent. controlling interest in Telecom Italia’s ordinary shares.

On 4 July 2000 the respective boards of directors of Tecnost and Olivetti approved a merger plan and related documents prescribed by the laws of Italy relating to the planned merger of Tecnost with and into Olivetti. The merger was approved by the Olivetti and Tecnost shareholders’ meeting held on 4 October 2000. The merger became effective as of 31 December 2000 by a deed of merger registered with the Companies Register in Turin on 27 December 2000. Following the merger, Tecnost ceased to exist and Olivetti now directly holds approximately 54.9 per cent. of the ordinary share capital of Telecom Italia. See “*Telecom Italia*”.

The current registered share capital of Olivetti S.p.A. is €8,793,813,730, composed of 8,793,813,730 ordinary shares with a nominal value of €1 each. There are no other classes of shares other than ordinary shares. The share capital is fully paid.

The authorised capital (fully paid capital plus capital that can be issued on the basis of resolutions already approved by the company’s Board of Directors concerning stock option plan, warrants or convertible bonds) is equal to €12,102,710,607.

Meetings of the shareholders of Olivetti held on 7 April 1999 and 13 October 2001 passed certain resolutions concerning the delegation of powers to the Board of Directors in accordance with articles 2443 and 2420 ter of the Italian Civil Code but the meeting of the shareholders of Olivetti held on 8 May 2002 revoked such delegation to the extent that it had not already been utilised. Consequently, any future operations which may have an effect on the share capital of Olivetti will require the approval of a meeting of the shareholders of Olivetti.

The meeting of the shareholders of Olivetti held on 8 May 2002 also resolved to vest the board of directors of Olivetti, for a period of five years from the date of the resolution, with the power to issue bonds not convertible into shares of Olivetti (the convertibility into shares of other companies however not being prejudiced) in any currency up to a maximum amount of €9 billion, within the limits each time permitted by law.

### Summary Financial Information of Olivetti

The summary financial data below should be read in conjunction with the consolidated financial statements of Olivetti and notes thereto incorporated by reference in this Offering Circular. The summary financial data for the two years ended 31 December 2000 and 2001 are extracted or derived from the consolidated financial statements of Olivetti, which have been audited by PricewaterhouseCoopers for the year ended 31 December 2000 and Reconta Ernst & Young S.p.A. for the year ended 31 December 2001 independent auditors. The operating results for the year ended 31 December 2001 and the balance sheet values as at 31 December 2001 were strongly influenced by changes in the consolidation area. With regard to Telecom Italia and its operating subsidiaries (the “*Telecom Italia Group*”), the consolidation does not include the operating results and balance sheet values of Nortel Inversora S.A. and its consolidated subsidiaries (the “*Nortel Inversora Group*”) which was consolidated on a proportional basis as at and for the year ended 31 December 2000. In order to permit comparisons between data for the two years, comments herein on the operating results and balance sheet values as at and for the year ended 31 December 2001 refer to corresponding figures as at and for the year ended 31 December 2000 restated to exclude the Nortel Inversora Group. Furthermore, the consolidated financial statements of Olivetti for the year ended 31 December 2001 include Seat Pagine Gialle S.p.A. and its consolidated subsidiaries (the “*Seat Group*”) but, as the Seat Group was only

acquired at the end of 2000, in the consolidated financial statements of Olivetti for the year ended 31 December 2000 only the balance sheet of the Seat Group was consolidated on a line-by-line basis.

### Consolidated Balance Sheet of the Olivetti Group

	Year ended 31 December						
	2001		2000		Change	2000	
	(a)		restated (*)	(b)		(a-b)	original
	(in millions of Euro)	%	(in millions of Euro)	%	(in millions of Euro)	(in millions of Euro)	%
<b>Short-term assets</b>							
Cash, banks and marketable securities . . . . .	8,641	9.2	7,065	7.6	1,576	7,234	7.6
Operating assets . . . . .	15,250	16.2	13,860	15.2	1,390	14,426	15.1
<b>Total short-term assets . . . . .</b>	<b>23,891</b>	<b>25.4</b>	<b>20,925</b>	<b>22.8</b>	<b>2,966</b>	<b>21,660</b>	<b>22.7</b>
<b>Medium/long-term assets</b>							
Financial receivables and securities	705	0.7	328	0.3	377	328	0.3
Intangible fixed assets . . . . .	39,220	41.6	39,174	42.7	46	39,640	41.6
Tangible fixed assets . . . . .	22,097	23.5	21,072	22.9	1,025	23,776	25.0
Other . . . . .	8,314	8.8	10,333	11.3	(2,019)	9,956	10.4
<b>Total medium/long-term assets . . .</b>	<b>70,336</b>	<b>74.6</b>	<b>70,907</b>	<b>77.2</b>	<b>(571)</b>	<b>73,700</b>	<b>77.3</b>
<b>Total assets . . . . .</b>	<b>94,227</b>	<b>100.0</b>	<b>91,832</b>	<b>100.0</b>	<b>2,395</b>	<b>95,360</b>	<b>100.0</b>
<b>Short-term liabilities</b>							
Short-term debt . . . . .	9,961	10.6	17,171	18.7	(7,210)	17,601	18.5
Operating liabilities . . . . .	17,010	18.0	14,381	15.7	2,629	14,957	15.6
<b>Total short-term liabilities . . . . .</b>	<b>26,971</b>	<b>28.6</b>	<b>31,552</b>	<b>34.4</b>	<b>(4,581)</b>	<b>32,558</b>	<b>34.1</b>
<b>Medium/long-term liabilities . . . . .</b>							
Medium-long term debt . . . . .	37,747	40.1	25,950	28.3	11,797	27,485	28.8
Other medium-long term liabilities	3,156	3.3	3,801	4.1	(645)	3,951	4.2
<b>Total medium/long-term liabilities .</b>	<b>40,903</b>	<b>43.4</b>	<b>29,751</b>	<b>32.4</b>	<b>11,152</b>	<b>31,436</b>	<b>33.0</b>
<b>Total liabilities . . . . .</b>	<b>67,874</b>	<b>72.0</b>	<b>61,303</b>	<b>66.8</b>	<b>6,571</b>	<b>63,994</b>	<b>67.1</b>
<b>Total shareholders' equity . . . . .</b>	<b>26,353</b>	<b>28.0</b>	<b>30,529</b>	<b>33.2</b>	<b>(4,176)</b>	<b>31,366</b>	<b>32.9</b>
<b>Total liabilities and shareholders' equity . . . . .</b>	<b>94,227</b>	<b>100.0</b>	<b>91,832</b>	<b>100.0</b>	<b>2,395</b>	<b>95,360</b>	<b>100.0</b>

(\*) restated by consolidating the Nortel Inversora Group with the equity method instead of proportional method.

## Consolidated Income Statement of the Olivetti Group

As at and for the year ended 31 December

	2001		2000 restated(*)		2000 original	
	(in millions of Euro)	%	(in millions of Euro)	%	(in millions of Euro)	%
Net Revenues . . . . .	32,016	100.0	28,374	100.0	30,116	100.0
Operating cost, net:						
Labour . . . . .	(4,877)	(15.2)	(4,937)	(17.4)	(5,219)	(17.3)
Materials and services . . . . .	(13,458)	(42.1)	(11,186)	(39.4)	(11,745)	(39.0)
Research and development grants . . .	26	0.1	21	0.1	21	0.1
Depreciation of tangible assets . . . . .	(4,080)	(12.7)	(4,179)	(14.7)	(4,561)	(15.1)
Amortisation of intangible assets:						
Consolidation goodwill . . . . .	(2,278)	(7.1)	(1,370)	(4.9)	(1,413)	(4.7)
Others . . . . .	(1,283)	(4.0)	(970)	(3.4)	(982)	(3.3)
Provisions for writedowns and risks. .	(758)	(2.4)	(654)	(2.3)	(749)	(2.5)
Other income, net	30	0.1	13	-	9	-
<b>Result before interest and taxes (EBIT) and non recurring income and charges . . . . .</b>	<b>5,338</b>	<b>16.7</b>	<b>5,112</b>	<b>18.0</b>	<b>5,477</b>	<b>18.2</b>
<b>Non recurring income (costs)</b>						
Gains on disposals and other non – recurring income . . . . .	999	3.1	1,705	6.0	1,705	5.7
Losses on disposals and other non – recurring charges . . . . .	(4,354)	(13.6)	(1,583)	(5.6)	(1,613)	(5.4)
<b>EBIT . . . . .</b>	<b>1,983</b>	<b>6.2</b>	<b>5,234</b>	<b>18.4</b>	<b>5,569</b>	<b>18.5</b>
Income from equity investments . . . . .	221	0.7	391	1.4	392	1.3
Other financial charges, net. . . . .	(3,105)	(9.7)	(1,673)	(5.9)	(1,831)	(6.1)
Value adjustments to financial assets.	(2,196)	(6.9)	(1,194)	(4.2)	(1,206)	(4.0)
<b>Earnings (losses) before taxes and minority interest . . . . .</b>	<b>(3,097)</b>	<b>(9.7)</b>	<b>2,758</b>	<b>9.7</b>	<b>2,924</b>	<b>9.7</b>
Taxes . . . . .	(579)	(1.8)	(1,813)	(6.4)	(1,923)	(6.4)
Minority interests . . . . .	586	1.8	(1,885)	(6.6)	(1,941)	(6.4)
<b>Net result for the year . . . . .</b>	<b>(3,090)</b>	<b>(9.7)</b>	<b>(940)</b>	<b>(3.3)</b>	<b>(940)</b>	<b>(3.1)</b>

(\*) restated by consolidating the Nortel Inversora Group with the equity method instead of proportional method.

### Predecessor Activities

Olivetti, founded on 29 October 1908 under the laws of Italy, has transformed from a diversified conglomerate to an industrial holding company focused on specific sectors with a high technology content.

From the late 1980s to the mid 1990s, several industries in which Olivetti's principal companies operate, particularly personal computers and certain operations in information technology systems, experienced a significant market downturn in Europe due in part to a considerable decrease in demand as a result of the overpricing of certain products. During this period, the Olivetti Group experienced significant financial difficulties due mainly to declining earnings and margin erosion and accumulated substantial debt. As a result, Olivetti decided to reorganise the Olivetti Group's business activities.

Between 1995 and 1998, Olivetti implemented a number of restructuring measures aimed at reducing indebtedness, improving earnings and strengthening the Olivetti Group's competitiveness, profitability and financial position. As part of these restructuring efforts, the Olivetti Group reduced its workforce, streamlined production, distribution, management and administration functions and improved cost and other controls. Olivetti also sold a number of the Olivetti Group's under-performing assets, including its personal computer manufacturing operations in 1997 and certain information technology services operations in 1998.



As part of its restructuring initiatives in the mid 1990s, the Olivetti Group also expanded into the growing Italian fixed and mobile telecommunications market as a result of the award of mobile and fixed telecommunications licences to two start-up companies in which Olivetti held an equity interest, Omnitel Pronto Italia S.p.A. (“*Omnitel*”) and Infostrada S.p.A. (“*Infostrada*”). Omnitel and Infostrada were awarded such licences in 1994 and 1998, respectively. Prior to 15 June 1999, Olivetti’s interests in Omnitel, Italy’s second largest mobile telecommunications operator after Telecom Italia Mobile S.p.A. (“*TIM*”), and Infostrada, Italy’s second largest fixed wireline telecommunications operator after Telecom Italia, were held through OliMan Holding B.V. (“*OliMan*”), a joint holding company of Olivetti and Mannesmann AG (“*Mannesmann*”) in which Olivetti and Mannesmann had a 50.1 per cent. interest and 49.9 per cent. interest, respectively.

### **Tender Offer for Telecom Italia**

In early 1999, Olivetti made a strategic decision to focus primarily on and expand the Olivetti Group’s business activities in the telecommunications services sector while continuing to take advantage of the Olivetti Group’s market position in its traditional office products and information technology segments and pursuing and developing new technologies and opportunities for expansion in these segments. This strategy was adopted largely as a result of new opportunities in the fixed and mobile telephone products and services market created following worldwide market deregulation in the telecommunications industry and advances in new digital and multimedia telephone technologies.

Accordingly, in May 1999, Olivetti jointly with its subsidiary Tecnost S.p.A., made a tender offer for Telecom Italia, giving Olivetti an indirect 52.12 per cent. controlling interest in Telecom Italia’s ordinary shares. Following the success of this tender offer, the Olivetti Group was expanded to include all of the operating companies of Telecom Italia (the “*Telecom Italia Group*”). The Telecom Italia Group operates in a wide range of fixed and mobile telecommunications sectors (including information technology, manufacturing and systems facilities) which complement its telecommunications operations, as well as in satellite communications, multimedia services and the Internet, in Italy and worldwide.

The tender offer was financed through a combination of a cash, bonds and shares for a total amount equal to €31.501 billion. The cash component, accounting for a total amount equal to €18.955 billion, has been financed mainly through the disposal by Olivetti to Mannesman of OliMan (controlling Omnitel and Infostrada), an Olivetti share capital increase and the opening of a bank facility, subsequently (end July 1999) reimbursed with the issuing of two new tranches of Notes under the Euro Medium Term Note programme. The bonds component – €7.944 billion – was represented by the issue of the Floating Rates Note offered in exchange to shareholders tendering the Telecom Italia shares. The shares component, valued at €4.602 billion, was represented by new Tecnost S.p.A. shares issued in order to be offered in exchange to tendering shareholders.

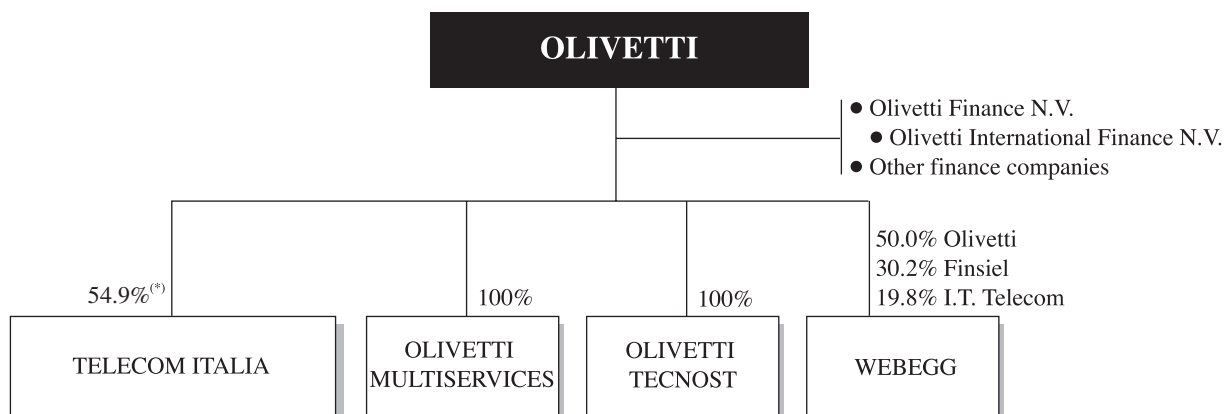
### **The Olivetti Group and its Companies**

Olivetti operates in the telecommunications sector through the companies of the Telecom Italia Group, which accounts for approximately 96 per cent. of revenues of the Olivetti Group.

The Telecom Italia Group is one of the major international companies in the information and communication technology industry. Its companies are leaders in wireline, mobile and satellite communications, internet and media, information technology and research, providing integrated and innovative services in Italy and abroad. In the domestic market, Telecom Italia is both the technology and the market leader in the highest growth sectors (mobile, broadband, data transmission). Its international presence is geographically focused on Latin America and Europe.

Through directly owned companies, Olivetti is also active in office products, IT services and Internet appliances (Olivetti Tecnost S.p.A., formerly Olivetti Lexikon S.p.A.), Internet services (Webegg S.p.A.), real-estate and facilities management services (Olivetti Multiservices S.p.A.).

The chart below summarises the current organisation of the Olivetti Group.



(\*) % of ordinary share capital, 39.6% of total capital

### The Olivetti Group evolution in 2001

During 2001, the Olivetti Group pursued its plans to consolidate the activities begun in 2000 regarding the restructuring and development of the business and to further accelerate the process of strengthening the financial structure of the companies.

In the first half of the year, an important extraordinary transaction involving Olivetti S.p.A.'s capital structure was completed, aimed at improving the ratio between financial debt and net equity. The transaction involved the issue of 348,249,405 ordinary shares (as well as an equal number of warrants of the "warrants on Olivetti ordinary shares 2001-2002" series, attached without cost to the shares and exercisable in the proportion of two warrants for each newly-issued share) and 487,549,167 bonds of the "Olivetti 1.5 per cent. 2001-2004 convertible with repayment premium" series each with a nominal value of €2.6, with total amount of the issue of €1.267 billion. It was approved by Olivetti's board of directors on 18 December 2000, pursuant to the proxies granted by the meeting of the shareholders of Olivetti held on 7 April 1999 and generated a cash inflow of around 0.9 billion euros for the portion relating to shares (which may increase to €1.25 billion in the event of the full exercise of the warrants attached to the shares) and of €1.27 billion for the portion relating to the convertible bonds. The transaction achieved immediate positive effects for the income statement and the cash-flow of Olivetti particularly as the bonds were issued on terms better than those of already existing loans.

In July, a fundamental change took place in the shareholding structure of Olivetti S.p.A., further to the agreement between Pirelli S.p.A. ("Pirelli"), along with Edizione Holding S.p.A. ("Edizione Holding") (the holding company of Benetton S.p.A. and its consolidated subsidiaries (the "Benetton Group")), and Bell S.A., relating to the purchase of around 23 per cent. of Olivetti's capital held by Bell S.A. The purchase was completed in the second half of the year through a holding company called Olimpia S.p.A. (initially 80 per cent. owned by Pirelli and 20 per cent. owned by Edizione Holding), into which the Olivetti shares already owned by the two groups were placed. On 24 October 2001, Unicredito Italiano S.p.A. and IntesaBci S.p.A. finalised their entry into the share capital of Olimpia S.p.A. with a 10 per cent. holding each. Following this transaction, Pirelli's holding became 60 per cent., while the holding of Edizione Holding remained at 20 per cent.

Also in July, further to the above mentioned transaction, Roberto Colaninno resigned as Chairman and Chief Executive Officer of Telecom Italia and as Chief Executive Officer of Olivetti.

In the meetings of 31 July 2001, the boards of directors of Olivetti and Telecom Italia accepted Roberto Colaninno's resignation and substituted him with Enrico Bondi, who was named Chief Executive Officer. Subsequently, in September 2001, following further resignations, Marco Tronchetti Provera (named Deputy Chairman of Olivetti and Chairman of Telecom Italia) and Gilberto Benetton (named Deputy Chairman of both Olivetti and Telecom Italia) and Carlo Buora (named Chief Executive Officer of Olivetti) were elected to the boards of Olivetti and Telecom Italia. Further resignations meant that the entire boards were deemed to be vacant and therefore the shareholders' meeting of Olivetti on 13 October 2001 and that of Telecom Italia on 7 November 2001 elected new boards for the three-year term from 2001-2003.

Considering the difficult conditions on the international marketplace, the new management firmly accelerated the financial restructuring within the framework of a comprehensive review of the Olivetti Group's long-term industrial plans, submitting the new strategic guidelines for the approval of the boards of directors of Olivetti and Telecom Italia.

The plan was based on the principle of creating value, both by developing the activities deriving from new business opportunities and advances in technology as well as from continuously seeking an optimal financial structure based on increased cash flows. Specifically, it was estimated that by focusing on the core businesses and reviewing the equity investment portfolio, it would be possible, taking into account the international economic situation, to obtain cash flows from disposals of around 5 billion euros for Telecom Italia and around 1 billion euros for Olivetti over a two-year period. This programme will be linked to carefully managed costs and investments.

The management team, significantly strengthened during the year with the addition of managers with wide experience in the various sectors of operations and of staff, in line with the general principles laid out in the plan, will place a strictly industrial emphasis on the management of the Olivetti Group, ensuring prompt and effective control of operations, costs, purchases and investments.

All the activities of the Olivetti Group have been resolutely focused on the core businesses. The plan foresees further consolidation in domestic fixed and mobile telephony as well as in international mobile telephony in part through acquisitions and/or agreements, while no further acquisitions are envisaged in international fixed telephony. The directories and the internet activities connected to the two types of telephony fall within the core businesses. The above will involve a global review of the business portfolio. The Telecom Italia Group will operate as a provider of a variety of services, especially in some business segments.

Regarding the main areas of business:

- the objective in fixed telephony is to offer "business" customers a broader range of services via optical fibre broadband access; for "mass market" customers, DSL technology will be preferred by using already existing connections;
- the objective in mobile telephony is to increase revenues per customer by offering added value services (AVS); to consolidate the position of market leader in Latin America by offering pan-Latin American GSM services; to develop infrastructures and activities in Europe;
- the objective in directories and the internet is to increase market share and traffic in the internet access sector; to develop synergy with mobile and fixed telephony; to build a selective presence in the B2B and B2C portal business.

Referring specifically to Olivetti, the board of directors deemed it necessary to reinforce the financial restructuring plan, both by disposing of non-core equity investments as well as through the extraordinary share capital transaction approved on 13 October 2001.

The transaction was successfully completed in November 2001. Overall, 1,491,373,698 shares were issued (for the equivalent of €1,491.37 million) and 2,412,962,875 convertible bonds were issued (for the equivalent of €2,412.96 million), the bonds having an effective yield on redemption of 3.5 per cent. per annum (gross). These shares and bonds were offered by way of rights to existing shareholders at €1 each, on an either/or basis, at the choice of the shareholders.

In accordance with its prior undertaking, Olimpia S.p.A. subscribed the rights to which it was entitled (50 per cent. in shares and 50 per cent. in bonds). As a result of the transaction, Olimpia S.p.A. owned 28.736 per cent. of Olivetti's issued shares.

In the event of full conversion of the above bonds, the new share capital transaction will involve a significant reduction in indebtedness to €13.5 billion.

As well as the success achieved by the extraordinary share capital transactions, the prompt execution, starting towards the end of last year, of a part of the plan to dispose of non-strategic businesses should be underlined.

Specifically, in December, Olivetti, Olivetti International SA and Finsiel S.p.A. accepted the public tender offer made by Tyche S.p.A. (controlled by De Agostini S.p.A.) regarding Lottomatica S.p.A. shares.

Moreover, the Telecom Italia Group agreed with Endesa S.A., Union Fenosa S.A. and Santander Central Hispano S.A. to sell its Telecom Italia Group's 26.89 per cent. equity investment in AUNA

(Auna Operadores de Telecomunicaciones, S.A.), the Spanish telecommunications operator. The sale of this equity investment will be effective after the approval by the related authority and it is expected to generate a net cash inflow of approximately €1.85 billion. Finally, also in December, Telecom Italia completed the disposal of equity investments in Eutelsat, Intelsat, Inmarsat and New Skies Satellites, all ex-satellite consortia, to the recently incorporated company, Mirror International Holding Sarl, owned by the Lehman Brothers Merchant Banking Partners II L.P. closed-end fund with minority stakes held by IntesaBci S.p.A. and Interbanca S.p.A. The portfolio which Telecom Italia sold to Mirror International Holding Sarl, in which it maintained a 30 per cent. stake, was valued at €550 million, producing a cash inflow of €450 million (net of the investment in the new company) and an accounting capital gain, net of taxation, of more than €100 million.

On the operations front, the marketplace in which the Telecom Italia Group operates has witnessed a rise in demand for telecommunications services of approximately 10 per cent. per annum, driven by the widespread use of mobile telephony and the development in data and internet services. The sector is expected to continue to grow over the next few years and the shift in part of family and business expenditure towards digital products and services is also expected to continue, thereby increasing the possibilities of integrating transmission services and online application content. In 2001, the telecommunications market was characterised by a phase of restructuring and consolidation after the substantial growth caused by the internet phenomenon and the boom in stock prices. The financial markets have in part re-directed investments and lending from “alternative” carriers, typically characterised by large investment flows linked to the accomplishment of business plans based on the expectation of substantial growth of the internet and telecommunications market, to those which can leverage assets, distinctive skills and a solid financial structure.

Compared to the major European countries, the Italian market is also characterised by a high penetration of mobile phones, which is in contrast with a relatively modest penetration of internet and broadband services, whether residential or business. At the end of 2001, internet penetration in Italy was 23 per cent. for families and 44 per cent. for small-to-medium sized businesses. Family access is still primarily based on dial-up technology (98 per cent.), only a small part (2 per cent.) via broadband ADSL. However, a progressive improvement on these figures is expected, in part based upon the experience of the German market, which indicated that widespread use of ADSL accesses may occur fairly rapidly. There is also ample room for growth in the areas of data transmission, services connected with the internet and new-generation mobile services (GPRS, UMTS). The sector will continue growing over the next few years and the shift in part of family and business expenditure towards digital products and services will continue, thereby increasing the possibilities of integrating transmission services and online application content.

In 2001, the Telecom Italia Group conducted a major restructuring of its Business Units organisation, the details of which will be specified later. Operations through these units were as follows:

- the *Domestic Wireline* business unit operated in an intensely competitive market, based upon price reductions in the “voice traffic” business area and in the internet access (ISP) market. In this context, Domestic Wireline’s business was characterised by a consolidation in its market leadership in the core areas, a consistent increase in the traffic transported on behalf of other operators and price reductions, partly set off by the increase in the standing charge.
- the *Mobile Services* business unit, through TIM, confirmed its leadership in the domestic market, which was highly competitive due to the increase in and further diversification of the products and services and also the significant expansion of the international networks. The results in the international markets were generally better than in 2000, even if still affected by start-up costs in some cases.
- the *Internet and Media* business unit was reviewed within the framework of the new strategic guidelines, making its mission to be the creation of a multi-platform group which, by using paper, telephone, internet and television, satisfies the information and entertainment needs of the public and the communication and services requirements of businesses. During the year, the area of consolidation was extended to many recently acquired companies.
- during the year, the development and management of the foreign portfolio, represented by the *International Operations* Business Unit, aimed at maintaining the Telecom Italia Group’s presence in the strategic markets of Latin America and Europe and in the business segments with substantial growth potential.

- also during the year, a further boost was given to the industrial rationalisation plans and corporate re-organisation of the *Information Technology Services* business unit, in charge of the IT activities of the Telecom Italia Group, by re-positioning on higher added value products. In particular, consistent with the new strategic guidelines, the business unit was divided into two new business units focusing on the external market and on managing the Telecom Italia Group’s internal IT processes, respectively.
- the operating results of the *Satellite Services* business unit are however contrasting: the positive trend in the “Media and Communication” and “Space System” areas are offset by the negative effects of the premature closure of the Astrolink contract.
- finally, the *TI Lab* business unit, born out of the integration of the technological know-how of a company previously known as CSELT and the venture capital management skills of Telecom Italia, continued its research activities in the various technology sectors of telecommunications and network technology, carrying out numerous transactions, described later on, aiming to strengthen its corporate national and international structure.

With regard to the other industrial activities directly controlled by Olivetti, an important role is played by Olivetti Tecnost Group., which operates in the office products sector where the market was characterised by fierce competition, particularly with reference to the ink-jet products segment and to IT systems specialising in services for banking, retail and gaming automation and public administrations, which achieved good results for the year and which represent an important sector in the company’s growth strategy.

Industrial and marketing activities were aimed at offering innovative services based on internet technology, with solutions tailored for small-to-medium sized companies and in the home automation sector, with solutions for private residential use.

## TELECOMMUNICATIONS SERVICES AND OTHER BUSINESSES CARRIED OUT BY THE TELECOM ITALIA GROUP

As mentioned above, during 2001 the Telecom Italia Group operated through a structure of Business Units, which was comprehensively reorganised during the year.

### Domestic Wireline

The Domestic Wireline Business Unit operates nationwide and is the established market leader in wireline voice and data services and call centres, both for end-users and other operators. Internationally, Domestic Wireline develops optical fibre networks for wholesale customers, mainly in Europe and South America.

At the end of the year, a new organisational structure became operational (Marketing, Customer Operations, Residential Customers, Business Customers, Executive Customers, Domestic Wholesale, International Wholesale, Network, Public Telephony), the main objective of which is to shift the emphasis from the product to the customer and to improve time-to-market.

The table below compares the main financial results, almost entirely attributable to Telecom Italia's Domestic Wireline business, as well as investments made and the staff employed, with those of 2000:

Euro million	2001	2000
Revenue from sale and services. . . . .	17,291	17,514
Gross operating margin. . . . .	7,788	7,421
Operating result . . . . .	4,379	3,915
Investments: . . . . .		
Industrial . . . . .	2,835	2,746
Goodwill . . . . .	-	-
Personnel at year-end . . . . .	58,406	62,782

2001 was highly competitive, based upon price reductions in the "voice traffic" business area and in the internet access (ISP) market. In this context, the activity of Domestic Wireline was principally characterised by a consolidation in market leadership in the business areas of access, data services, web services and wholesale, by a substantial increase in traffic "carried" on behalf of other operators and in on-line traffic and by the price reductions in domestic traffic and outgoing international traffic, which was partially offset by an increase in the standing charge.

During 2001, many commercial offers were launched in the voice sector; in particular, in the Residential voice sector, 3,240,000 customers subscribed to the "Teleconomy voce" offer and "Sirio 187", the first telephone in the world capable of managing short messages (SMSs), was also launched.

In the Business voice sector, more than 840,000 customers subscribed to the "Teleconomy 24 aziende" offer by the year-end.

As regards the installations of Public Telephony, there were 70,000 ISDN terminals at the end of the year (up 54 per cent. compared to 2000).

In data transmission, the year was characterised by a broader range of data products on offer, such as:

"Hyperway", nationwide virtual private network using IP protocol and a metropolitan virtual LAN;

"NetVantage", offering e-business solutions provided by Internet Data Centres (IDC) to manage on-line virtual community processes;

"Full Business Government/Banking", offering e-business solutions provided by IDCs for local public administrations and for the financial sector.

During the year, Telecom Italia consolidated its Domestic Wholesale activities, increasing interconnection traffic by 126.4 per cent. compared to 2000.

The year was characterised by a wider range of products on offer, such as "Canale virtuale permanente" (Permanent Virtual Channel), which enables Internet Service Providers and Other Licensed Operators to offer end-users services and data via broadband access technology using a copper pair or optical fibre, and, to meet the increasing market demand for broadband, "dark optical fibre" provided

without power supplies and equipment to use Telecom Italia's network, ensuring potentially unlimited transport capacity.

At the International Wholesale level, the year saw a growth in demand, particularly for internet and data with an 18.7 per cent. increase in traffic volume compared to 2000.

The Domestic Network's year was characterised by infrastructure and management system upgrades, in part as a consequence of the increased activity of other operators in the Italian market. Of particular interest are the activation of dialling mobile phones numbers without the "0", the activation of the call return service (which advises the customer of the last call, giving number, data and time, with the possibility of automatically dialling the recorded number) and the completion of the digitalisation of national switching, with the closing down of the last analogue exchange.

Regarding the International Network, infrastructures and management systems were developed in geographical areas characterised by a strong increase in the demand for capacity and of strategic importance due to the presence of subsidiary and associated companies. Of particular note is the activation of the Pan European Backbone, which connects nine countries (Austria, Belgium, France, Germany, Italy, Holland, Spain, Switzerland and Great Britain) by high speed optical fibre and a ring structure, so as to ensure protection of traffic in the event of a fault in one link. To this end, fully-owned subsidiary companies have been incorporated in each of the nine countries mentioned above.

The initial configuration of the LAN (which connects eight nodes in South America, including Rio de Janeiro, Sao Paulo, Buenos Aires and Santiago, via a ring structure with the Miami node) has been activated and progress was made in laying the submarine optical ring (Mediterranean Nautilus) which will connect Italy, Greece, Turkey, Israel and Egypt, with the help of the subsidiaries MED1 and MED Nautilus.

Approximately 3 per cent. of the total revenues of the Domestic Wireline Business Unit is attributable to subsidiary companies in Italy (Saritel, Atesia and Path.Net) and abroad (Pan American Backbone, Latin American Nautilus, Mediterranean Nautilus – incorporated between the end of 2000 and the beginning of 2001 to follow specific projects – and the TMI and MED1 groups).

### Mobile Services

The Mobile Services Business Unit (within the group of companies consisting of TIM and its consolidated subsidiaries (the "TIM Group")) operates in the sector of domestic and international mobile telecommunications. Its international presence focuses on the Mediterranean Basin and South America.

During 2001, the Business Unit operated with the following structure:

Domestic Subsidiaries	International Subsidiaries
TIM	TIM International Stet Hellas Group (Greece) Tele Nordeste Celular Participações Group (Brazil) Tele Celular Sul Participações Group (Brazil) Maxitel Group (Brazil) Digitel (Venezuela) TIM Perù TIM Brasil

2001 saw the incorporation of Tim Brasil, a sub-holding company for the equity investments in TIM Celular Centro Sul, TIM Sao Paulo, TIM Rio Norte, incorporated during the first months of the year, the transfer to TIM Brasil by TIM International N.V. of the equity investment in Bitel (parent company of Tele Nordeste Celular and Tele Celular Sul) and the merger by incorporation of TIM International B.V. into SMH N.V., which was simultaneously re-named TIM International N.V.

The income statements of Digitel and the Maxitel Group, which were acquired at the end of 2000, were consolidated.

The main results achieved in 2001 compared with 2000 are stated in the table below:

Euro million	2001	2000
Revenue from sale and services . . . . .	10,250	9,418
Gross operating margin . . . . .	4,760	4,447
Operating result . . . . .	3,136	2,988
Investments:		
Industrial . . . . .	3,151	4,206
Goodwill . . . . .	31	899
Personnel at year-end . . . . .	16,721	15,257

Revenues from sales and services, gross of the amounts due to third-party telecommunications operators, increased by 8.8 per cent. compared to 2000, mainly as a result of increased revenues from TIM. The percentage increase in the gross operating margin is lower than the increase in revenues as a consequence of international start-ups.

TIM had total revenues of €8,357 million in the year ended 31 December 2001 (an increase of 5.4 per cent. compared to the previous year), this increase being due to the further expansion in traffic (an increase of 7.6 per cent. in terms of revenues, an increase of 13.6 per cent. in terms of minutes). The revenues deriving from added value services increased by 56.5 per cent. compared to 2000, mainly due to the increase in internet services (more than 140 per cent.) and SMSs (approximately 35 per cent.). The gross operating margin (an increase of 9.9 per cent.) benefited from containing external costs. TIM's net earnings (equal to €1,907 million) also reflect international value adjustments, which led to a €532 million extraordinary pre-tax writedown of the subsidiary company TIM International N.V.

Significant investments have also been made to improve the GSM network, to complete the infrastructures for the launch of the data services (WAP, GPRS) and to continue developing UMTS.

During the year, TIM confirmed its leadership in the highly competitive domestic market, mainly with a broadening of its range with innovative products, a further diversification of the rates offered, significant growth of the international networks (an increase of 7.4 million lines) and a greater focus on customers, by improving the CRM structures.

Below are the main operational figures for 2001, compared with the year 2000:

	31 December 2001	31 December 2000
Lines in Italy (000) . . . . .	23,946	21,601
per cent. annual increase in minutes of mobile traffic . . . . .	13.6	24.6
GSM coverage (per cent. pop.) . . . . .	99.7	99.6
E-TACS Coverage (per cent. pop.) . . . . .	98	98

TIM's year was characterised by the development of SMS traffic, the creation of innovative services and the extension of the offered product profiles with initiatives such as "LoSai di TIM", the free service which advises GSM customers of calls received while unreachable or when the telephone was switched off, "FreeSMS" which proposes a self-recharging mechanism based on SMS traffic, and marketing proposals with special seasonal rates (CartAmici/CartAuguri) or which offer products and services which can be used for a limited period and at very low unit costs (Last Minute di TIM).

Moreover, all TIM lines are GPRS ready, fundamental for the business market, which acknowledges TIM as the only operator capable of ensuring this service.

As concerns abroad:

- the Stet Hellas Group, which manages the GSM service in Greece and which last July acquired a UMTS licence for 50 billion Drachma and a DCS 1800 licence for 9 billion Drachma, managed to improve its operating profit, in spite of a slight decrease in revenues;
- the activities of the Tele Nordeste Celular Participações Group (operating in mobile network services in the north-eastern regions of Brazil and maintaining the same market share as the year before) focused on a strategic re-positioning aimed at more profitable customer segments, launching the TIM business brand onto the market and making international roaming available to business customers;



- the activities of the Tele Celular Sul Participações Group (operating in mobile network services in southern Brazil) focused on rationalising costs and optimising investments, the launch of new offers for the pre-paid segment, retention and loyalty programmes aimed at high-use customers and the launch of the TIM business brand;
- the Maxitel Group (operating in mobile telephony in the Bahia and Sergipe areas of Brazil) also rationalised costs and optimised investments, developed new proposals for the pre-paid segment, pursued a strategy of acquiring high-profile customers and improving its loyalty and retention programmes;
- Mobilkom Austria A& Co. KG (an associated company) reported a 38.3 per cent. increase in its operating earnings against a 6.7 per cent. increase in sales.
- in the first months of 2002, the Telecom Italia Group reached an agreement for the sale of the 19.61 per cent. of BDT (Bouygues Decaux Telecom) equity investment (held by TIM International). The total value of the transaction will be €750 million.

### **Internet & Media**

The Internet and Media Business Unit covers the entire value chain in the media sector, extending its activities to telephone publishing and to television and is the leader domestically in marketing products and services for the office. Seat Pagine Gialle S.p.A. (“*Seat*”) also develops all elements of internet services for residential customers and small-to-medium businesses: access, portals and web services.

Within the framework of the new strategic guidelines, a new mission has been set for the Business Unit, aimed at creating a multiplatform media group which, by using paper, telephone, internet and TV, satisfies the information and entertainment needs of the public and the communication and services requirements of companies.

The Business Unit comprises the Seat Pagine Gialle Group, which includes Seat (Directories Div.) and the subsidiaries Tdl Infomedia Ltd. Group (Directories), Telegate AG Group (Directories Assistance), Seat Internet and Matrix (Internet), Buffetti Group (Products and Services for the Office), Consodata S.A. Group (Business Information), Holding Media e Comunicazione Group (TV and others) and other minor companies.

In 2001, the consolidation included many recently acquired companies, amongst which the French group Consodata (Business Information), the British telephone publishing company TDL Infomedia (Directories), the German company Telegate (Directory Assistance) and the television group Holding Media e Comunicazione (ex-Cecchi Gori Communications).

The main transactions during the year were the following:

- acquisition of a direct and indirect equity investment in Telegate A.G. (64.5 per cent.);
- Giallo Voice (100 per cent. owned by Seat) gaining control of four Italian call centres;
- the exchange by Huit II (controlled by Telecom Italia) of 186 million Seat shares for 100 per cent. of ISM. ISM owns, through its subsidiary N.V.Vertico, 33.3 per cent. of Matrix;
- acquisition of 54.5 per cent. of the French company Consodata, which operates in the information marketing sector and is listed on the *Nouveau Marché* in Paris;
- in May, the conclusion of the residual public tender offer of Seat for the outstanding shares of the Buffetti Group;
- in June, the acquisition of 100 per cent. of the share capital of Cecchi Gori Communications (now Holding Media e Comunicazione), following a capital increase in April.

The table below sets out results for 2001, compared to results for 2000 restated on the basis of the same area of consolidation:

Euro million	2001	2000 <sup>(1)</sup>	2000 at the same basis of consolidation <sup>(2)</sup>
Revenue from sale and services. . . . .	1,957	263	1,908
Gross operating margin. . . . .	444	(35)	361
Operating result . . . . .	31	(73)	(1)
Investments:			
Industrial . . . . .	175	34	251
Goodwill . . . . .	203	–	–
Personnel at year-end . . . . .	9,264	7,515	8,932

(1) Data refers to Tin.it only, except for personnel that includes the Seat Group

(2) Data include the Seat Group, the Tin.it activities from 1 January 2000 and the acquisition of the Seat Group.

During the year, Seat strengthened its position as leader or co-leader in almost all the areas it operates in, thanks to its widely recognised brand portfolio. The Seat Group's activities were characterised by:

- interaction between platforms and products, so as to take advantage of any possible synergy and overlaps between directories, telephone and internet, as well as between internet and TV;
- management of a commercial network which is unmatched in terms of diffusion, number and type of customers, platform coverage (paper, telephone, Web, TV) and the availability of a physical network for the distribution of products and services;
- major cooperation with Telecom Italia Domestic Wireline for the sale of ADSL internet connections (132,800 units by the end of the year compared to approximately 6,500 the year before).

### International Operations

The International Operations Business Unit operates in the wireline and integrated fixed-mobile sector and its presence is largely focused in Europe and South America.

The Business Unit is structured in subsidiaries (9Télécom Reseau Group, Entel Chile Group, Entel Bolivia Group, BBNed and Intelcom S. Marino) and associated companies (AUNA Spain Group, Telekom Austria Group, Telecom Srbija, Telecom Argentina Group, Brasil Telecom Participações Group and Globo.com).

2001 saw the following transactions:

- in France, Jet Multimedia, in which 9Télécom Reseau holds an equity investment, acquired 100 per cent. of Victoire Multimedia from the LVMH group;
- in Spain, the shareholder structure of AUNA (a holding company established in December 2000) was perfected, following which Telecom Italia Group's stake is 26.89 per cent. of the share capital;
- in Chile, new equity investments in the Entel Chile Group were acquired in March, taking the overall holding to 54.76 per cent.;
- 30 per cent. of Mediterranean Nautilus S.A. (which also included Elettra) was sold in the first quarter to FTT Investment, a company of the Israeli Fishman Group.

The table illustrates the 2001 results, compared with 2000:

Euro million	2001	2000 Adjusted
Revenue from sale and services. . . . .	1,879	505
Gross operating margin. . . . .	347	(3)
Operating result . . . . .	(268)	(135)
Investments:		
Industrial . . . . .	517	204
Goodwill . . . . .	773	780
Personnel at year-end . . . . .	7,307	2,572

The figures for 2000 have been restated by de-consolidating the activities of Nortel Inversora/Telecom Argentina. In 2001, revenues and the gross operating margin of the Business Unit increased, in part as a consequence of the Entel Chile and Jet Multimedia groups being consolidated.

Adjusted allocations relating to the Entel Chile and 9Télécom groups and higher provisions for goodwill, however, contributed to the worsening of operating earnings.

In 2001, the development and management of the international portfolio were aimed at maintaining Telecom Italia Group's presence in strategic markets (Latin America and Europe) and in business sectors with high growth potential.

As regards the consolidated subsidiaries, 9Télécom Réseau Group operates in the sectors of wireline telephony and voice, data and internet services. It also operates in traditional hosting in France.

A considerable increase in turnover of 9Télécom Réseau Group (188.5 per cent.) was reported in 2001.

In Latin America, the Entel Chile Group operates in the sectors of wireline and mobile telephony, data transmission and internet access services and, in 2001, recorded increases (in local currency) of 35.8 per cent. in revenues and 12.5 per cent. in operating earnings. During the year, it consolidated its position of provider of telecommunications services and became market leader in mobile telephony through the associated company Entel PCS (owner of the first GSM network in South America); moreover, three WLL licences to provide fast access internet services and wireline telephony in Chile and abroad were acquired.

The Entel Bolivia Group operates in the sectors of wireline and mobile telephony, internet, data transmission, telex e telegraphy. In 2001, GSM technology was introduced in Bolivia and market leadership was confirmed in the segment of services for business and corporate customers.

As regards associated companies, an agreement was reached in December with the other shareholders of AUNA Holding (Spain) for the sale of the 26.89 per cent. stake held by the Telecom Italia Group for an expected net cash inflow of approximately €1,850 million. The AUNA Group operates in the sectors of wireline and mobile telephony, data transmission, internet access.

### **Information Technology Services**

The "Information Technology Services" (IT Services) Business Unit is in charge of the Group's IT activities and covers the whole value chain of IT services.

The Business Unit, established as part of the project to integrate such diverse entities as Finsiel, Netsiel, Telesoft, Sodalia and the ex-IT division of Telecom Italia, comprises the subsidiaries IT Telecom, Finsiel Group, Telesoft Group, Netsiel and Sodalia.

During the year, the first phase of industrial rationalisation and corporate restructuring by homogeneous areas of the Business Unit was fully carried out through the following transactions:

- the sale, to Telesoft, of Telecom Italia's "Servizi di Sviluppo dei Sistemi Informativi" (IT Systems Development Services) business
- the sale, to Telesoft, of Finsiel's "Servizi di Sviluppo Software per Applicativi" (Application Software Development Services) business
- the sale, to Netsiel, of Eis's "Servizi" (Services) business
- the sale, to Finsiel, of Consiel's "Sanità" (Health) business
- transfer, to Finsiel, of the equity investment in Lottomatica, by the non-proportional partial split of Sogei. This transaction was carried out in anticipation of the subsequent listing in 2001 on the Italian Exchange
- the sale of Consiel's "Formazione" (Training) business to the Scuola Superiore G. Reiss Romoli.

The main results for 2001, compared against 2000, are stated in the table below:

Euro million	2001	2000
Revenue from sale and services. . . . .	2,033	2,138
Gross operating margin	332	329
Operating result . . . . .	162	134
Investments:		
Industrial . . . . .	129	125
Goodwill . . . . .	1	1
Personnel at year-end . . . . .	11,288	12,005

The trend of revenues from sales and services is affected by the new outsourcing contracts signed in 2001 by Telesoft and Netsiel with the Wireline Services Business Unit of Telecom Italia, thereby completing the corporate spin-offs of the ex-IT division of Telecom Italia; these contracts, aiming to achieve maximum efficiency through competitive fees compared to the market conditions, have led to a substantial reduction in revenues in the areas dedicated to those activities. Profitability progressively improved during the year, in terms of both gross operating margin and operating earnings.

During the year, operations were characterised by a series of ventures to ensure the innovation, development and optimal management of IT within the Telecom Italia Group, develop proposals in the professional IT market for traditional and new market segments and start acting on the organisation, the governance processes, the technology and the skills necessary to implement the new IT industrial plan.

This Business Unit's structure, compatible with the new strategic guidelines, was altered at the beginning of 2002 and divided into two new Business Units: Group Information Technology (ITG), aimed at increasing quality and efficiency within the framework of the service activities directed at all the Business Units of the Telecom Italia Group operating in the market, and Market Information Technology (ITM), which, though the Finsiel Group companies, will pursue those activities aimed directly at the outside market.

### Satellite Services

The "Satellite Services" Business Unit (Telespazio group and the "Satellite Telecommunications" business of Telecom Italia) is in charge of developing systems for voice and data satellite communications, radio-television transmissions and observation of the earth.

It comprises the subsidiaries Telespazio S.p.A., Telespazio Brasil, Eurimage, MCS Group, e-Geos, Telespazio North America, Telespazio Lussemburgo and CTM.

Among the main corporate events of mention is the exit from the Astrolink venture and the sale at the end of 2001 of the equity investments in the satellite consortia Intelsat, New Skies Satellite, Inmarsat and Eutelsat; these transactions did not change the area of consolidation.

The main results for 2001, compared against 2000, are stated in the table below:

Euro million	2001	2000
Revenue from sale and services. . . . .	648	340
Gross operating margin. . . . .	159	50
Operating result . . . . .	60	(52)
Investments:		
Industrial . . . . .	29	31
Goodwill . . . . .	-	-
Personnel at year-end	1,196	1,206

The 2001 operating results were affected positively by the industrial development and the success of the "Media & Communication" and "Space System" areas and negatively by the premature closure of the Astrolink contract, the effects of which were partially absorbed by capital gains from the sale of shares held in portfolio.

The main activities for the year may be summarised as follows:

- marketing launch of the multimedia services on the Evolv-e platform;

- continuation of the outsourcing activities for the United States Navy, the Ministry of Defence and for the management of a new broadband service for INMARSAT which will become operational in 2002;
- winning of a contract with Unicredito (Xelion) for the connection of online trading positions in vehicles which travelled throughout Italy in 2001;
- consolidation of the FIAT network which currently links the Turin head office with more than 1,700 dealers in 17 European countries;
- acquisition of the satellite services for the Sole24Ore;
- intensification of the activities related to the major current “Space System” projects: Galileo (positioning, navigation and mobile communications), Cosmo Skymed (high resolution observation of the earth with both radar and optical systems), SICRAL (national military telecommunications system via satellite) and ARTEMIS (satellite for advanced telecommunications belonging to ESA – European Space Agency).

## **TILAB**

The TILAB Business Unit (which generated €134 million of revenues in 2001, an 8.9 per cent. increase compared to the previous year) was formed through the integration of CSELT’s technology with Telecom Italia’s venture capital management skills. It is responsible for identifying and managing innovative ventures by creating new business opportunities for both Group companies and the outside market.

The main transactions involving TILAB were:

- sale to Olivetti Multiservices (OMS) of the business dedicated to general services and property management;
- establishment of the Luxembourg-registered companies TILAB S.A. and TILAB General Partner S.A. and Dutch-registered TILAB B.V. as corporate vehicles for a more efficient and effective management of Venture Capital’s investments;
- establishment, with the US Group Ramius Capital, of the USA Saturn Venture Partners Fund for investments in the ICT technology;
- acquisition from SAIAT of 100 per cent. of Telsy, a manufacturing company operating in the field of products and services for IT security systems for TLC;
- execution of the equity investment portfolio reorganisation, carried out by concentrating the Venture Capital equity investments in the aforementioned foreign corporate vehicles, while maintaining direct management of the industrial equity investments.

The Business Unit’s activities, focused in the field of research and development and which has also witnessed the first collaboration with Pirelli Labs and strategic suppliers, involved:

- research into enabling techniques in the mobile and wireline sectors;
- the definition of tools for network design, planning and management;
- the definition and experimentation of local access techniques;
- the development of solutions, products and architectures which can be integrated in silicon;
- the development of modular products, created as software and transformable into firmware for specific solutions or for hardware components;
- the creation of the first prototypes of intelligent aerials and of passive filtering systems for UMTS.
- multilingual refinement and extension of voice recognition and synthesis techniques.

## **Other activities**

The “Other activities” of the Telecom Italia Group mainly comprise the “Real Estate and General Services” function, the company Stream and the financial companies Softe and Sogerim.

The “Real Estate and General Services” function manages and maximises the value of the Telecom Italia Group’s property portfolio (asset and property management), plans and executes property projects and provides facility and property services (project and facility management).

The total turnover generated in 2001 was €953 million, a 2.8 per cent. decrease compared to the previous year, due to the alignment of prices to the best market conditions.

In 2001, Softe and Sogerim provided financial support to the companies of the Telecom Italia Group on the international markets.

In particular, as regards Sogerim, in the first half of 2001, as part of the Telecom Italia Group’s debt restructuring plan, bonds were issued for a total of €8.5 billion.

Stream S.p.A. is an associated company operating in the Pay-TV sector.

In February 2002, Telecom Italia reached an agreement with News Corporation and Vivendi Universal / Canal + for the sale of its 50 per cent. of Stream. The agreement, which is conditional upon the approval of the relevant Italian authorities, envisages the simultaneous sale of Telecom Italia’s 50 per cent. to News Corporation and the purchase of 100 per cent. of Stream’s capital by the French group Vivendi Universal.

The sale price of Telecom Italia’s 50 per cent. of Stream will be US\$ 42 million.

## **ACTIVITIES DIRECTLY CONTROLLED BY OLIVETTI S.p.A.**

### **Products, specialised systems and IT services**

Olivetti operates in this sector through Olivetti Tecnost (formerly Olivetti Lexikon S.p.A.). The Olivetti Tecnost Group is active in office products (Home Office Division) and in specialised IT systems for service automation for banking, retail, gaming and Public Administrations (Vertical Markets Division).

During 2001, Olivetti Tecnost integrated its industrial and marketing activities by investing substantially in proposals for internet services with solutions tailored to small-to-medium sized businesses through GoToWeb S.p.A. and in the home automation sector with automated solutions intended for private residential users through DomusTech S.p.A.

The Olivetti Tecnost Group operates in the main international geographical markets (where 69 per cent. of total turnover is achieved) and, while being predominantly focused in Europe (29 per cent.) and Latin America (16 per cent.), it is also present in the United States with its subsidiary Royal Consumer Information Product Inc. in the consumer sector.

The Home Office Division specialises in office products and communication and image processing devices directed at the business, small office, home office (SoHo) and consumer markets. The product catalogue – alongside original supplies and professional services which ensure qualified assistance and support – is marketed in over 70 countries through diversified channels which mainly include networks of dealers, distributors and mass merchandising chains.

In 2001, Olivetti Tecnost further improved its leadership position in Europe in the plain-paper fax and ink-jet technology sector, arriving at a market share of 25 per cent.. The slowdown in the world market, however, created substantial competitive tension which led to a squeeze in prices and, consequently, in margins.

In the sector of ink-jet printers, Olivetti Tecnost has introduced a compact multifunctional “Flat Bed” system, CopyLab 200 which offers, in a single product and at a contained price, the entire range of peripherals needed to carry out activities at home or in a small office.

Moreover, significant growth was achieved in niche markets such as “mobile printing” (which has led to contracts being signed with important international customers) and “printing for foodstuffs” (which has raised substantial interest among operators in the sector).

As regards the range of laser products, the printer market did not show any great changes during the year, while fax machines based on the same technology continued to be very popular, especially in Italy.

2001 was the year in which the copying sector went digital.

The introduction of a complete range of multifunctional photocopiers led to an increase in digital product deliveries of 114 per cent. in revenues and 64 per cent. in quantity.

The introduction of the euro had a positive effect on the calculator market as well, with both revenues and margins increasing during the year.

2001 marked the real entry of Olivetti Tecnost into the (growing) market of Personal Digital Assistants (P.D.A.), tools which offer and will offer the core functions of a personal computer, e-mail, internet access, communication over the GSM networks and GPS location tools.

The year was not positive for the range of original supplies for ink-jet products. Weaker demand for fax machines in Europe inevitably affected demand for printheads and ink cartridges, which the increase in hardware sales did not manage to offset.

In 2001, the Specialised Products and Services for Vertical Applications division recorded third-party revenues of approximately €295 million, a 29 per cent. increase in value compared to the year before.

As regards banking, the PR2 printer was once again the reference for the market and for competition worldwide (255,000 units sold in 2001, a 61 per cent. increase). The new PR2 Enhanced model was also launched (approximately 21,000 units in 2001), which is the natural technological evolution of the PR2 (faster, greater flexibility to interface with other equipment), and the project for the development of a new line of ink-jet validating printers commenced, mainly aimed at geographical regions such as North and South America.

Special mention must be made of the PR6 printer supplied to the Italian Post Office. This device automates payment of services with special post office forms, and approximately 30,000 units have already been installed in post offices throughout Italy.

The Retail sector is basically divided into two broad product areas with decidedly different requirements: the Linea PR4 and Shop Automation. The Linea PR4 (printers for organised large-scale retailing) confirmed the revenues achieved in 2000 with a total of 23,000 units sold throughout the world, of which 8,000 were in Latin America. As regards Shop Automation, 2001 was positively affected by the introduction of the euro, which led to a substantial increase in sales linked to products in the cash-register line; overall, approximately 97,000 units were sold (of which 95,000 were in Italy), revenues increased by 35 per cent. compared to 2000 with a gross margin of approximately 47 per cent.

In this context, Olivetti reinforced its leadership in the Italian market with approximately 300,000 units installed and a 30 per cent. market share (an increase of 2 per cent. compared to 2000).

A new company, called Net Shop, was also established, involving Confcommercio, Confesercenti, MWCR and Olivetti Tecnost. Net Shop's brief is to implement a project which can re-define the role "of the shop business" and of the retail distribution system, which in Italy comprises as many as 950,000 outlets between family-run shops, associations and franchising.

The Special Projects sector, which mainly creates customised products designed specifically to meet the needs of a customer's request, recorded total revenues of more than €10 million in 2001.

Part of this sector is a new product, TP-Label, with which Tecnost Sistemi was awarded an Italian Post Office tender in February 2001 for the supply of 18,000 automatic weighing and franking machines worth approximately €12.5 million. 11,000 systems were delivered in 2001, the remaining 7,000 will be supplied in 2002.

Tecnost Sistemi has been operating for over twenty years in the Gaming sector, where it has won major contracts such as those with CONI – the Italian Olympic Committee – (supply of terminals to manage the Totocalcio – soccer forecasts) and Lottomatica (supply of terminals to manage the lottery).

In the past few years, 77,000 units have been installed or are being installed in Italy and can count on a widespread after sales service managed directly by Tecnost Sistemi.

During 2001, Tecnost Sistemi was awarded an international tender by Lottomatica for the supply, and related maintenance until 2012, of 13,000 terminals for the lottery and 13,000 specialised printers to be installed at the sales outlets; the printers will enable customers to be offered additional services such as accounting of the volume of bets handled by the outlet, printing tickets for sports events, printing telephone contracts, issuing certificates, etc.

The Industrial Partnerships business model, based on long-term relationships, was positive for 2001 as well, further consolidating its leadership in banking terminals in China: the PR2, in its various models, occupies the overwhelming majority of front office workstations in the five major banks and is the printer of reference. In 2001, other ventures were started in China, such as the adoption of the fiscal cash-register CRF 4050, suitably adapted, by the city and province of Shanghai as a tool for the pilot project to extend the tax obligation in China and, in the gaming field, contacts have been made to introduce our products (again adapted to local needs) for the Chinese lottery and soccer football pools.

The industrial partnerships business model has been implemented in the Maghreb countries and in the CSI, in particular, where there is an agreement with the railways to use the PR2 printer for ticketing.

In 2001, the financial results of the Industrial Partnerships increased significantly in Korea, Iran and India.

In India, a solid base has been established to cope with the expected growth over the next years in the automation of banking, post offices (PR2, PR4) and telecommunications (fax).

In 2001, the Olivetti Tecnost Group vigorously pursued the development of the new business areas in which it had concentrated its energies and skills the year before: home automation, through DomusTech S.p.A., and the internet, through GoToWeb S.p.A..

DomusTech, a company specialising in the new sector of Home Automation, is a joint venture with Vemer-Siber, a company specialising in the electro-technical sector.

During 2001, the company continued the substantial programme directed at research, planning, development and implementation of an intelligent management system for residential environments, with technological solutions capable of managing a variety of subsystems present in a so-called "smart home" through intelligent electronic devices and sensors controlled by fixed units (DomusLink and DomusWeb), integrated in a wireline or mobile telephone system.

GoToWeb, the Olivetti Tecnost Group company dedicated to creating and distributing internet services, specifically directed at small-to-medium sized companies (PMI), started business in the last quarter of 2001.

The services are primarily provided as an ASP (Application Service Provider) and distributed over the Olivetti Tecnost dealer network. In this manner, traditional strengths have been joined in an innovative way with new marketing proposals made possible by internet technology. During the year, the hardware and software platform to provide the service was implemented, the technical and marketing structure of Olivetti was set up and the sales structure was selected and trained. To date, there are more than 150 GoToWeb partners.

In 2001, the Olivetti Tecnost Group achieved total revenues to third parties of €1,097 million (of which €1,076 million was with third-party customers), EBIT before non-recurring income and charges of approximately €4 million (compared to a loss of approximately €10 million in 2000) and a €55 million net loss to be consolidated for the Olivetti Group. This reflected €70 million of non-recurring charges, of which €20 million are extraordinary writedowns relating to the I-Jet company (for the drastic downsizing of production in response to the substantial downturn in market forecasts for ink-jet products and supplies) and €23 million for lay-off charges (gross of €3 million of utilised provisions already set aside the previous year).

#### **IT solutions and services for the web: Webegg**

Olivetti operates in this sector through Webegg S.p.A. ("*Webegg*") (50 per cent. Olivetti S.p.A., 30.2 per cent. Finsiel and 19.8 per cent. I.T. Telecom), which had 718 employees at 31 December 2001 and Italian offices in Milan, Turin, Bologna and Rome and a US office in San Francisco (opened in February 2001).

An office in Geneva is being considered, which would be directed at online solutions for the private banking market.

Webegg and its subsidiaries (the "*Webegg Group*") operates as a strategic consultant for the online positioning of companies (Web consulting), integrating solutions of its own with those deriving from a network of partnerships with world leaders in web solutions (Web integration) with technology partners such as Broadbase, Plutree, Neon, Applix, Midas Kapiti International, Documentum, Cisco, Siebel, Genesys and Digital Think.



In 2001, Webegg offered consultancy and services for the organisation and positioning of companies on the web using a multidiscipline approach and it broadened its specific skills in the sector of Interactive Design.

In 2001, Webegg participated in the European Foundation for Quality Management (EFQM) quality award, obtaining the best placing among Italian companies and receiving an official mention; it also maintained its ISO 9000, TICK IT and environmental certifications.

TeleAp S.p.A. (100 per cent. owned) is a company offering advanced applications and services to improve and increase the efficiency of a company's contacts with its customers via the traditional media and internet (customer services).

Constant attention to the quality of the processes has enabled the company to obtain the ISO 9001 – 2000 (VISION 2000) certification, one of the first Italian companies to do so.

Software Factory (100 per cent. owned) was acquired in 2001 and offers organisational and IT services. The company designs, develops and markets software programmes and systems, for itself and for third parties, for electronic data processing, providing consultancy to satisfy organisational, IT and telematics requirements: It also designs and implements integrated systems for data monitoring and management.

Domus Academy S.p.A. (51 per cent. owned, acquired in 2001) is a post-graduate school of training activities in the field of industrial, graphic and fashion design and develops projects linked to the world of internet and specific studies on Interactive Design themes.

Domus Academy organises periodic courses in Interactive Design and, as of 2002, will offer a master's course in Interactive Design.

The areas covered regards digital information and the Web and their constant evolution linked to new technology (WAP, UMTS, GPRS).

In 2001, the Webegg Group had a consolidated turnover of €91.7 million, of which €54.2 million was with customers outside the Olivetti Group (an increase of 18.9 per cent. compared to the pro-forma 2000 figures) and a net profit of €1.2 million.

#### **Facility and Property Management: Olivetti Multiservices**

Olivetti Multiservices S.p.A. and its subsidiaries (the “*Olivetti Multiservices Group*”) is a group operating in property and the provision of global services and Facility Management; as well as managing the property portfolio of the Olivetti Group. In 2001 Olivetti Multiservices achieved a noteworthy position in the outside market by being one of the top ten companies in the sector. Particular attention has been paid to the services market, where the growth rate of the past two years was confirmed, especially in Facility Management, where Olivetti Multiservices has been awarded major contracts throughout Italy.

Overall 2001 turnover of the Olivetti Multiservices Group was €97.6 million (€72.7 million in 2000 in comparable terms), of which 30.1 per cent. deriving from the captive market and 69.9 per cent. from third parties (the latter posting a 23 per cent. increase compared to 2000). Property Management, mainly comprising rentals, purchases, restructuring and sales, represents 38.9 per cent. of turnover; the provision of global services (Facility Management), in which, as well as general services, are high added value activities such as energy management and the planning and running of technology facilities, accounted for 61.1 per cent.

The net profit to be consolidated was 1.7 million euros, worthy of note when considering that Olivetti Multiservices has only been fully operational since 1 January 1999 following the spin-off of the business from Olivetti.

## HUMAN RESOURCES

At 31 December 2001, the Olivetti Group companies included in the consolidation had a total of 116,020 employees (120,973 at 31 December 2000).

## RECENT EVENTS

### Telecom Italia Group

- **2002 – 2022 bond loan reserved at subscription to staff of the Telecom Italia Group**

On 1 January 2002, following the resolution of the board of directors on 27 July 2001, the offer opened for the “Telecom Italia 2002 – 2022 floating rate, special open series, reserved at subscription to current and past staff of the Telecom Italia Group” bond loan, maturing 1 January 2022, for a maximum amount of €1 billion. On the same date, early redemption was made of the “SIP 1992 – 2010” bond loan, which was similar to the new bond loan.

The new bonds, which pay a semi-annual gross coupon (payable in arrear on 1 January and 1 July each year) may be subscribed during the term of the loan, until the maximum amount offered is drawn. They also incorporate a put option for the borrower vis-à-vis Telecom Italia which may be exercised at any time at par value; there is also the option for Olivetti to make early redemption at par, exercisable at any interest payment date with at least three months’ notice.

On 31 March 2002, bonds worth €161 million had been subscribed and there were 10,100 bondholders.

- **Bond Issue**

In February 2002, a €2.5 billion bond issue was completed, divided into two fixed rate tranches of €1.25 billion each, maturing on 1 February 2007 and 1 February 2012, respectively. This issue falls under the “global note programme” for the restructuring of Telecom Italia Group debt; the overall amount of the programme was raised from 10 to 12 billion U.S. dollars following a resolution of the board of directors.

- **Closure of the revised agreements for the put/call options on Seat Pagine Gialle S.p.A. shares**

On 25 February 2002, Telecom Italia and the JPMorgan Chase group signed the final agreements relating to the re-negotiation of the put and call options on Seat shares.

- **Planned disposals**

- Lottomatica: in January 2002, Finsiel S.p.A. accepted the public tender offer made by Tyche S.p.A. (controlled by De Agostini S.p.A.) for 100 per cent. of the Lottomatica shares and tendered its equity investment in Lottomatica S.p.A. amounting to 18.3 per cent. of the subscribed share capital of the company;
- BDT: in February 2002, the Telecom Italia Group reached an agreement for the sale of the 19.61 per cent. equity investment held by TIM International in BDT (Bouygues Decaux Telecom), which controls 55 per cent. of Bouygues Telecom. The value of the transaction was approximately €750 million and the sale was completed on 28 March 2002.
- Stream: an agreement has been reached with News Corporation and Vivendi Universal/Canal+ for the disposal of Telecom Italia’s 50 per cent. in Stream at a price of US\$ 42 million. The agreement, which is conditional upon the approval of the relevant Italian authorities, envisages the simultaneous sale of Telecom Italia’s 50 per cent. to News Corporation and the purchase of 100 per cent. of Stream’s capital by the French group Vivendi Universal. As part of the sale, Telecom Italia is committed to waive approximately US\$ 80 million of trade receivables due from Stream. The financial effects of the transaction have already been taken into account in extraordinary provisions.

- **Purchase of Telecom Italia own shares**

Pursuant to the authorisation of the meeting of Telecom Italia shareholders held on 7 November 2001, in March Telecom Italia began to purchase its own shares on the market in accordance with the terms and conditions envisaged in the regulations of such authorisation. As at 31 March 2002, 3,350,000 Telecom Italia savings shares had been bought overall at an average price of around €6.14 per share, for a total investment of some €20.6 million.

### **Other companies of the Olivetti Group**

- In January 2002, Olivetti took up the public tender offer for Lottomatica made by Tyche S.p.A. (De Agostini Group) on 23 November 2001 regarding 100 per cent. of the shares at a price of €6.55 per share, after an improved bid.

Olivetti tendered its equity investment in Lottomatica, equal to 27,451,550 shares overall, corresponding to 15.6 per cent. of the subscribed capital of the company (of which 14.04 per cent. was directly owned by Olivetti S.p.A. and 1.56 per cent. was owned by the subsidiary Olivetti International S.A.).

When also considering Finsiel S.p.A.'s 18.3 per cent. equity investment, the overall cash inflow for the Olivetti Group was €391 million, with an aggregate capital gain stated in the individual companies statutory accounts of €367 million.

- In January 2002, Olivetti sold to Antex Group, which provides corporate administration, consultancy and staff training services, full ownership in Olivetti Servizi Amministrativi s.r.l. (75 employees), which is responsible for the administration and management of the securities service for Olivetti.
- On 29 January 2002, Olivetti International Finance N.V. re-opened the bond maturing July 2009 for €250 million via a private placement with a limited number of institutional investors, bringing the total of such bonds in issue to €2.35 billion. The proceeds have been lent to Olivetti Finance N.V.
- On 14 March 2002, Olivetti Finance N.V. issued a €500 million floating rate bond, guaranteed by Olivetti. The bond pays a quarterly coupon indexed to 3-month Euribor plus 130 basis points. The term is three years, which may be extended at the bondholders' option for subsequent 21-month periods up to a maximum overall term of 10 years.
- On 22 April 2002, under the EMTN Programme, Olivetti Finance N.V. issued, via a private placement, a Yen 20 billion bond maturing in May 2032.
- On 24 April 2002 Olivetti Finance N.V. issued a multi-tranche benchmark bond. The transaction proceeds totalled €1.5 billion, divided into 5- and 10-year tranches. The characteristics of the bond issue are: (a) 5-year tranche for an amount of €1,000 million, coupon 6.50 per cent. (b) 10-year tranche for an amount of €500 million, coupon 7.25 per cent. The issue, underwritten by Barclays Capital, Lehman Brothers, Schroders Salomon Smith Barney and Unicredit Banca Mobiliare, is documented under Olivetti's Euro Medium Term Note (EMTN) Programme, listed on the Luxembourg Stock Exchange.
- Following the Shareholder resolution approved on 14 April 2002, on 22 April 2002 TIM paid to third parties (outside the Olivetti Group) dividends relating to the year 2001 for an amount of €0.9 billion.
- On 7 May 2002 the Telecom Italia shareholder meeting resolved to distribute the dividend relating to the year 2001. The payment to third parties (outside of the Olivetti Group) amounts to €1.4 billion and will be made on 20 May 2002.

### **LEGAL PROCEEDINGS**

The companies in the Olivetti Group are involved in legal proceedings relating to the normal course of business. Although the list is not complete the main areas of litigation concern collection of unpaid bills, recovery of damages to company equipment and complaints lodged by customers regarding services provided. In addition, a number of legal proceedings relating to alleged abuses of Telecom Italia's former monopoly position and antitrust proceedings opened by the Italian and European market and competition authorities are under way. Should the outcome of these proceedings be unfavourable to the companies in the Olivetti Group, they would not have significant negative effects on the Olivetti Group's financial position and results. However in the interest of complete information, the main legal proceedings concerning companies in the Olivetti Group are described in Olivetti's annual report for the year ended 31 December 2001 and this description is reproduced in full below.

#### **Olivetti**

Currently under preliminary examination by magistrates in Rome are the criminal charges brought by the Rome public prosecutors against ex-managers of Olivetti and of the Poste Italiane S.p.A. (Italian Post Office) regarding products and services provided by Olivetti to the Post Office in the early 1990s.

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, decisions passed to date are in favour of Olivetti and have been appealed by Poste Italiane S.p.A..

In relation to the disposal of the personal computers business in April 1997, there are suits against Olivetti and its subsidiary Olivetti Finanziaria Industriale S.p.A. (which had incorporated Sy.F.A. S.p.A., which had in turn incorporated Olivetti Personal Computers S.p.A.) brought before the Ivrea courts by:

Centenary Corporation and Centenary International, for damages (250 billion Italian lire claimed but lacking evidence) which the plaintiffs allege they suffered as a consequence of Olivetti Group's acquisition of the personal computers business (through the acquisition of the specific company division, which was demerged into OP Computers S.p.A., incorporated for that purpose);

ex-employees of OP Computers S.p.A., to ascertain that the contracts relating to the aforementioned disposal of the personal computers business are null and void, to obtain reinstatement as employees of Olivetti, with payment of the salary differences and damages (calculated at 170 billion Italian lire and lacking evidence);

the receiver of OP Computers S.p.A., to ascertain that the contract of sale of the personal computers business by Olivetti Personal Computers to OP Computers is either null and void, or to be annulled or revoked, claiming damages (again, lacking evidence and calculated at 158 billion Italian lire).

Olivetti and its subsidiary Olivetti Finanziaria Industriale S.p.A., on their part, have taken legal action before the Milan courts against Piedmont International S.A. (a Centenary Group company) for the recovery of 100 billion Italian lire payable by Piedmont International S.A. or for a greater amount to be proven in court.

Following the disposal of the personal computers business in 1998, a group of OP Computers S.p.A. ex-employees filed a complaint against former legal representatives of the company. The Public Prosecutor of Ivrea had opened an investigation on the basis of some alleged crimes and originally requested the charges to be dismissed. However, the investigating magistrate, decided to further investigate one charge. The investigations regarding this transaction are still ongoing.

Olivetti and its external advisors believe that the transactions carried out regarding the disposal of the personal computers business were legal and proper, and therefore consider the above legal actions to be essentially groundless in fact and in law.

## **Telecom Italia Group**

### *Disputes regarding shareholder resolutions*

Still pending in first instance are the proceedings arising from the resolution whereby the shareholders' meeting of 14 January 2000 authorised the buy-back of savings shares by public tender and subsequent purchases in the market until 10 January 2001.

In particular, some shareholders are claiming €18.9 million of damages from Olivetti, Telecom Italia, as well as the Chairman and Deputy Chairman *pro tem*. The case is based upon the alleged non-fulfilment of the undertakings in the "Offer documents" relating to the public tender or exchange offer made by Olivetti and Tecnost for Telecom Italia in 1999, as well as the resolutions of the shareholders' meeting of 14 January 2000, with specific reference to the mandate to purchase own savings shares on the screen-based market and in compliance with the applicable regulations after the end of the public tender period.

Another shareholder has challenged the same resolution, claiming that a modified proposal compared to that which had been deposited before the meeting was submitted to the shareholders.

Concerning the expiry of the time limit for the offer to voluntarily convert savings shares into ordinary shares (hence the foreseen buy-back of the ordinary shares will not take place), the proceedings relating to the challenge to the resolutions of the shareholders' meeting on 3 May 2001, regarding the authorisation to establish a subsidiary company for the purpose of buying Telecom Italia's ordinary shares by public tender, as well as offering to convert the savings shares for consideration, were abandoned.

### *Seat/De Agostini arbitration*

For alleged breaches of the frame agreement dated 20 September 2000, regarding the obligation of Seat to purchase the shares of Finanziaria Web S.p.A. still held by the De Agostini Group (40 per cent. of the capital, while the remaining 60 per cent. is already owned by Seat), De Agostini has deferred the dispute against Seat, Matrix, Buffetti Group and Finanziaria Web to a panel of arbitrators.

The plaintiff essentially claims that all the contractual conditions precedent had occurred in order to implement the agreement, while Seat argues that this is not true and that, in any case, the changed market conditions had made the consideration excessively onerous.

The De Agostini Group claims actual performance of the frame agreement and therefore that the Finanziaria Web shares be transferred to Seat for the originally agreed consideration of €700 million, with payment beginning from 30 June 2003, as well as damages, yet to be quantified.

### *Seat Pagine Gialle/Cecchi Gori Communications*

Following the acquisition of Cecchi Gori Communications by Seat in accordance with the 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*”), a complex dispute is ongoing.

In particular, in May 2001, the Cecchi Gori Group served a writ of summons on Cecchi Gori Communications and Seat, claiming that the resolutions passed at the Cecchi Gori Communications shareholders’ meeting of 27 April 2001 be ascertained and declared non-valid, and meanwhile suspended (rejected).

In August 2001, the Cecchi Gori Group also filed a suit before the Milan Courts for the annulment of the contract governing the pledge of the shares of Cecchi Gori Communications (now Holding Media e Comunicazione) owned by Cecchi Gori Group, guaranteeing the proper fulfilment of all the undertakings of the selling parties envisaged in the purchase agreement dated 7 August 2000.

On the basis of the arbitration clause in the same agreement, an arbitration procedure is also pending, started by the Cecchi Gori Group in order to ascertain the non-validity, ineffectiveness or the termination of the purchase agreement (essentially for the non-fulfilment of the condition precedent relating to the necessary authorisations of the competent authorities within the agreed time limit) or to claim the fulfilment thereof and, in any case, to obtain damages.

The Arbitration Panel met in October 2001 and fixed 31 December 2002 as the time limit for the proceedings.

### *Dispute regarding Law n°. 1369/1960*

Two proceedings are pending in which INPS (Istituto Nazionale Della Previdenza Sociale) – on the basis of the joint and several liabilities envisaged in Law n°. 1369/1960 – claims that Telecom Italia pay approximately €31 million overall for non-payment of contributions by the network sub-contractors Comitel and Telefon, which have in the meantime gone bankrupt.

In particular, the Comitel case is being appealed, while the Telefon verdict was successfully appealed by Telecom Italia, subject to INPS not taking the case to the Supreme Court.

A third proceeding, arising from Telecom Italia opposing an injunction brought by INPS for approximately 15 million euros, recently cancelled that injunction.

There are numerous disputes with former employees of sub-contractors either to be hired by Telecom Italia, or to have the telephony sector labour contract, for an overall amount of more than €35 million.

Moreover, given the current trend in legal interpretation, Telecom Italia’s chances of losing the cases are fairly remote.

### *Universal service*

Omnitel and Infostrada appealed to the Regional Administrative Court of Lazio to obtain the annulment of the decision of the Telecommunications Authority regarding the division of the net costs of the universal service for 1999. On the basis of said decision, part of the universal service’s net costs, recognised as an “unfair cost” for Telecom Italia (which must by law provide such service), was divided between the plaintiffs and TIM.

Pending judgement, the plaintiffs have not paid their portions (fixed at approximately €9 million overall) to the specific fund set up at the Ministry of Communications, thereby preventing the latter from transferring the amount globally assessed in favour of Telecom Italia for the 1999 costs (€27 million).

The Regional Administrative Court, in a sentence filed in January this year, accepted Omnitel's appeal only regarding its challenge concerning its rights of defence. The Regional Administrative Court also rejected both Omnitel's challenges upon the merit and Telecom Italia's counter-appeal, concentrating on the exclusion of the "12 Service" from the universal service.

In February 2002, the appeals were served by Omnitel Pronto Italia and Wind Telecomunicazioni before the Regional Administrative Court of Lazio for the annulment, and in the meantime, the suspension, of the decision of the Telecommunications Authority regarding the division of the net costs of the universal service for 2000. Both appellants essentially challenged the unlawfulness of the decision on the basis of faults in the preliminary stage and for not having had access to the documentation of the technical survey ordered by the Authority to analyse the net costs.

Omnitel also requested a referral to the European Court of Justice for an interpretation on the EU directives as well as, on a secondary level, misapplication of the Italian laws on the matter.

#### *Data transmission services and internet access using x-DSL technology*

Following the opening of an investigation into Telecom Italia's practices regarding the supply of direct baseband circuits, the offer to its business customers of internet access and broadband data transmission services based on x-DSL technology without a corresponding wholesale offer to competitors, the specifications of the terms offered to competitors for wholesale services with ADSL access, on 27 April 2001 the Antitrust Authority fined Telecom Italia €59 million. In November, the Regional Administrative Court of Lazio reduced the amount of the fine to €29 million, which was paid in January. There is still time to lodge an appeal with the Administrative Supreme Court.

Meanwhile, claims for damages totalling €351 million by Albacom, Infostrada, AIPP, Unidata, Data Service and other operators, for Telecom Italia's alleged abuse of a dominant position in offering internet access and broadband data transmission services based on x-DSL technology without a corresponding wholesale offer to competitors, have been filed before the competent civil courts.

#### *Galactica dispute*

At the end of May 2001, a dispute arose between Telecom Italia and the Internet Service Provider Galactica S.p.A. (currently in liquidation) for the non-renewal of an agreement regarding an experimental internet access service, the "flat" rate. In this respect, the urgent appeals lodged with the Civil Court and the Court of Appeal in Milan in accordance with Law n°. 287/1990, were rejected. Galactica sued Telecom Italia to ascertain the alleged unlawfulness of the withdrawal, claiming damages and an injunction against Telecom Italia interrupting the service.

In February 2002, Galactica served another writ of summons for damages relating to alleged anti-competitive practices of Telecom Italia.

It should also be pointed out that the conciliation proceedings before the Telecommunications Authority was unsuccessful.

#### *12 Service*

At the end of March 2001, Telecom Italia appealed to the Regional Administrative Court of Lazio (with an attached claim for damages) for the annulment of the decision of the Telecommunications Authority, which, in a letter dated 23 March 2001, had ordered that the service be restored at the original technical and financial terms, after having authorised the new "12 Service".

At the hearing held on 11 July 2001, a new decision of the Authority dated 4 July 2001 was deposited, which modified the conditions of the service offered as requested by Telecom Italia. The hearing has been postponed to a future date.

#### *Alleged anti-competitive strategies of Telecom Italia detrimental to market development*

Following the complaint of 27 competing operators regarding alleged strategies of Telecom Italia detrimental to market development, with decision n°. 179/01/CONS, the Telecommunications Authority charged Telecom Italia with a series of breaches and, in July 2001, started the announced proceedings with specific resolutions.

Telecom Italia has challenged both the above decision and said resolutions.

#### *Contribution as per Article 20, paragraph 2 of Law n. 448 of 23 December 1998*

Before the Regional Administrative Court of Lazio, Telecom Italia, TIM, Wind and Omnitel challenged the Ministerial Decree of DM 21 March 2000, implementing Law n°. 448 dated 23 December 1998, which, from 1 January 1999, introduced a new contribution to replace the concession fee, which progressively decreases to 2003.

The Regional Administrative Court requested the Treasury and Communications Administrations to deposit a detailed report clarifying the correspondence with the European Commission concerning the approval of the aforementioned decree.

Moreover, regarding the extraordinary appeals to the Head of State presented by Infostrada and Albacom for the repeal of the aforementioned decree, the Administrative Supreme Court raised the preliminary issue before the EU Court of Justice of whether the contribution was compatible with EU directives regarding telecommunications.

Following this dispute, Telecom Italia and TIM did not pay the amount due for the year 2000 (equal to €307 million and €179 million, respectively).

#### *Investigations of the Public Prosecutor in Turin*

In February 2001, the Public Prosecutor in Turin began investigating the transaction whereby Telecom Italia purchased 29 per cent. of the share capital of Telekom Srbija. Telecom Italia promptly provided the judges with all available documents and data relating to the aforementioned transaction.

Regarding the verifications made, with the full co-operation of the relevant company offices, in carrying out its task relating to the 2000 financial statements, the auditors, PriceWaterhouseCoopers, and the board of Auditors stated that, to date, no facts have emerged which may prejudice the correctness of the annual consolidated financial statements of Telecom Italia at 31 December 1997, 1998, 1999 or 2000.

In early July, Telecom Italia was served with a request to hand over documentation essentially relating to the acquisition of Seat and the Tin.it-Seat merger.

Telecom Italia co-operated fully with the investigating authorities and made a wide range of documents available.

#### *Sogei concession*

In 1992, the Ministry of Finance (now Ministry for the Economy) granted Sogei (a subsidiary of Finsiel) the concession for managing the financial IT systems until May 2001. In relation to the provisions of Article 14 of Decree n°. 333/1992 converted into Law n°. 359/1992, Sogei maintains that the concession must now be deemed extended until May 2012.

However, according to the Ministry for the Economy, the concession has expired. Therefore, the Ministry has named an Advisor for the tender regarding the management of its IT services.

Sogei has challenged the tender and has also initiated arbitration procedures so as to ascertain its right to the extension of the concession. The Ministry contested the powers of the arbitration panel by not nominating the member it is entitled to, which member was subsequently nominated by the President of the Court. A first meeting of the Arbitration Panel and the nomination of its Chairman are still pending.

Meanwhile in May 2001, the Ministry and Sogei, without prejudice to their rights, agreed a “technical extension” of the original concession until May 2003.

An arbitration procedure is also underway to ascertain that Sogei’s right (established in the agreement) to avail itself of Finsiel Group companies, without the latter being considered third parties, is not precluded by EU regulations and by the Italian laws acknowledging said regulations.

#### *Finsiel concession*

On 24 July 1991, the Ministry of Health awarded Italsiel (which was incorporated into Finsiel as of 1 July 1994) the concession for the implementation and running of the health sector IT system until 31 July 2000.

In relation to the provisions of Article 14 of Decree n°. 333/1992 converted into Law n°. 359/1992, Finsiel maintains that the concession must now be deemed extended by law. However, according to the Ministry of Health, the concession has expired.

Moreover, on 28 July 2000, at the request of the Ministry – without prejudice to the rights and positions of the parties – Finsiel and the Ministry of Health signed a private negotiation for the completion of the development and running of the health system until 31 July 2001. Therefore, on 1 August 2001, a further contract, valid until 31 July 2002, was signed.

Meanwhile, the Ministry has made public two tenders relating, on the one hand, to the design and development of the “New Health IT System” (N.S.I.S.) and of the national health IT assets’ security system and on the other, to the “awarding of the services of Nationwide Functional and Technical Management of the National Health IT System”, which Finsiel has challenged before the Regional Administrative Court of Lazio, while participating in the tenders.

Finsiel has also initiated arbitration procedures so as to ascertain that the concession be considered extended by law. The Ministry of Health has however denied that the arbitration panel has the necessary powers, as per the general conditions for supplies and services rendered by the Provveditorato Generale dello Stato, approved by Ministerial Decree n°. 16 dated 28 October 1985.

#### *Nortel Inversora disputes*

In April 2001, Nortel was served with a notice to appear before the commercial court of Buenos Aires for a compulsory conciliation attempt relating to the challenge of some resolutions adopted by the shareholders’ meeting on 19 January 2001, regarding, among other things, approval of the financial statements at 30 September 2000. The conciliation meeting was unsuccessful. Therefore, the plaintiff served a writ of summons, thus starting the merit phase of the dispute.

In August, a further writ of summons was served, similar to the previous one, for a compulsory conciliation attempt relating to the challenge of some resolutions adopted by the Nortel shareholders’ meeting on 26 April 2001, regarding, among other things, approval of the financial statements at 31 December 2000. No agreement was reached at the conciliation meeting. The adverse party has not yet started a proceeding concerning the merit phase of the dispute.

Meanwhile, the effectiveness of the challenged decisions of the shareholders’ meetings was suspended and an appeal, filed by Nortel, is pending against this precautionary measure.

#### *Brasil Telecom dispute*

In April 2001, Brasil Telecom filed a law suit against Telecom Italia and Stet International Netherlands (SIN), also including the two directors of Brasil Telecom appointed by Telecom Italia.

The action aims to obtain damages which Brasil Telecom allegedly suffered following the purchase of shares in CRT (Companhia Riograndense de Telefonia) and the non-participation in the SMP (Serviço Móvel Pessoal) tender; the judge has been requested to quantify the damages.

To date, the preliminary claims of the parties are being considered.

#### *Entel Chile dispute*

Americatel Corporation (in which Entel Chile directly holds an 80 per cent. equity investment) appears to be owed receivables of approximately US\$30 million by OAN, the concessionaire of the invoicing and collection services for Americatel customers. OAN has filed for protection from creditors, within the framework of which it has been authorised to assign to third parties receivables pertaining to Americatel. The latter has therefore initiated litigation in order to avoid confusing its receivables with the assets of OAN, challenging in particular the lawfulness of the aforementioned assignment of receivables.

#### *WTC dispute*

In March 1999, Telecom Italia claimed before the Miami courts payment by the local operator Wholesale Telecom Corporation (“WTC”) of unpaid invoices amounting to approximately US\$13 million for the supply of international traffic capacity.

WTC appeared before the court and filed a counterclaim, also involving in the dispute Telemidia International USA Inc., claiming from both TMI USA as well as its parent company Telecom Italia damages of US\$60 million. To date, the pre-trial procedures are almost complete.

In 2001, Telecom Italia has allocated €6 million euros to a specific provision for these risks.



### *Chase Manhattan Bank dispute*

In June 2000, Chase Manhattan initiated civil action in the USA against the shareholders of Iridium LLC, following the non-repayment of an US\$800 million loan granted by Chase in favour of Iridium Operating LLC (controlled by Iridium LLC). In particular, Chase claimed specific performance of an alleged undertaking of the shareholders to guarantee the repayment of the loan by means of increasing the share capital of Iridium LLC; in this regard, the claim against Telecom Italia amounts to approximately US\$7.5 million, which has already been provided for in the financial statements of the subsidiary company Iridium Italia at 31 December 2000. Moreover, Chase was authorised to change the heading of its claim into “fraud” and consequently claimed acknowledgement of the joint and several responsibility of all the shareholders of Iridium LLC for the entire amount of the loan.

Telecom Italia appeared before the court in February 2001, objecting to being named in the suit (having sold its equity investment in Iridium LLC to Iridium Italia S.p.A. in October 1996, in which Telecom Italia owns 30 per cent., TIM 35 per cent. and Telespazio 35 per cent.). To date, the pre-trial proceedings, in which Telecom Italia filed a motion to be excluded from the law suit, are under completion.

### *Stet Hellas dispute*

In December 1996, Mobitel, a company belonging to the Greek Interamerican Group (now Demco Reinsurance), a minority shareholder of Stet Hellas and, at the time, its exclusive agent, initiated arbitration procedures, principally claiming its right to receive fees not only on outgoing traffic generated by the subscribers it introduced, but also on incoming traffic and on that of late-paying customers. Overall damages claimed amount to approximately US\$38 million.

Mobitel and Interamerican have also claimed damages of US\$172 million following the termination of the exclusive agreement, which was served by Stet Hellas.

The latter and Telecom Italia, which replaced Stet International (already guarantor of the first and, as such, party to the agreements signed at the time), filed a counterclaim for approximately US\$210 million, essentially as damages for the non-acquisition of market share, attributable to Mobitel’s breach of contract.

In October 2000, an in principle award was made in favour of Mobitel regarding payment of a fee also on the revenues deriving from incoming traffic. In November 2001, the Arbitration Panel rejected the objection regarding lack of jurisdiction raised by Telecom Italia/Stet Hellas, who maintained that only the Greek courts had the necessary powers regarding the amount, since the Arbitration Panel only has the necessary powers regarding the existence of the debt, which it had already acknowledged.

### *Dispute with INPS*

In compliance with Law n°. 58/1992, Telecom Italia is required to provide full insurance coverage for all persons employed as at 20 February 1992 by STET S.p.A., SIP S.p.A., Italcable S.p.A. and Telespazio S.p.A., as well as persons transferred from the Public Administration to IRITEL, including periods previously worked in other companies, through the “Fondo Previdenza Telefonici” (Telephone Sector Pension Fund), which merged into the “Assicurazione generale obbligatoria” (Compulsory General Insurance) on 1 January 2000. The contributions due are calculated by INPS and must be paid in 15 annual instalments.

The amount of the liability regarding the payments due is uncertain in that Telecom Italia and INPS disagree on the method of calculating such amounts.

However, €65 million of outstanding amounts due to INPS relating to ex-IRITEL employees are included in the Telecom Italia Group financial statements at 31 December 2001.

Concerning the application and interpretation of the regulation, there is an ongoing dispute with INPS regarding both the starting date for the calculation of interest due, as per the aforementioned Law n°. 58/1992, for the deferred payment of the amount, as well as the exclusion from the provisions of Law 58/1992 of all those employees (except for ex-IRITEL personnel) who had already requested full insurance coverage prior to 20 February 1992.

The positions are currently the subject of discussions before the courts between the parties and Telecom Italia has undertaken to pay under reserve the amounts claimed by INPS under its calculations, subject to adjustment in the event that the courts should finally agree with Telecom Italia’s position.

Given this, the capital amount payable (excluding, as stated above, the portion relating to ex-employees of IRITEL) estimated by Telecom Italia could vary, depending on the opposing interpretations and on evaluations which take account of all the employees involved, between €960 million and €1.284 billion approximately, of which €334 million has already been paid.

In compliance with the accounting policies of reference, a provision for an amount in line with the minimum estimated liability has been stated in the consolidated financial statements of the Olivetti Group at 31 December 2001, as a component of the goodwill calculated following the acquisition of Telecom Italia.

Following an agreement between INPS and Telecom Italia, backdated interest (including that relating to ex-IRITEL employees) has been paid – under reserve – by the latter in 15 equal annual deferred instalments, inclusive of interest at 5 per cent. per annum, up to the end of 1999, for a total amount of €112 million. Following sentence n°. 4242 of 5 April 2000 of the Supreme Court in favour of Telecom Italia, payment of backdated interest and the deferred interest relating thereto has been suspended from June 2000 (for an outstanding amount of €407 million).

## MANAGEMENT OF OLIVETTI

### Directors

Olivetti's board of directors is responsible for the ordinary and extraordinary management of Olivetti. It has the power to take all actions consistent with the corporate purpose described in Olivetti's by-laws except for actions that by law or under Olivetti's by-laws may only be taken by Olivetti's shareholders at the general meeting. Under Article 13 of Olivetti's by-laws, the board of directors is selected by Olivetti's shareholders for a term of three years and may be re-elected. Olivetti's board currently has 16 members, as established by Olivetti's shareholders' vote at the shareholders' meeting, whose term will expire with the approval of the Financial Statements as at 31 December 2002. The board may consist of not less than seven members and not more than 23 members.

The chairman, the chief executive officer and, with the limitations set forth below, the deputy chairman are Olivetti's legal representatives. The chief executive officers generally have the power to represent Olivetti within the scope of the functions delegated to them. For specific actions or categories of actions, the power to represent Olivetti can be delegated by the holder of such power to one of Olivetti's employees or to third parties. The quorum for board meetings is a majority of the board members, and resolutions may be adopted by a majority of votes of those present. A meeting of the board directors may be called by the chairman or the acting chairman, at least on a quarterly basis, and must be called upon a request by three board members or two statutory auditors.

If, during the term of the board of directors, one or more directors ceases, for any reason, to serve as a director, the vacancies will be filled following the procedure set forth in Article 2386 of the Italian Civil Code. The article provides that, in the course of the fiscal year, if a vacancy of one or more directors occurs, the other directors will provide for their replacement by resolution approved by the board of statutory auditors. The directors so appointed remain in office until the next shareholders' meeting.

Under Article 13 of Olivetti's by-laws, if the number of directors decreases by one half due to resignation or other causes, the entire board will be deemed to have resigned, and a shareholders' meeting will be called for new elections for members of the board of directors.

In addition, Olivetti's board elects a chairman from among its members and may elect one or more vice chairmen, determining their respective powers. It may also appoint one or more chief executive officers (managing directors) and an executive committee and/or one more consulting committees, defining the assignment, limits and emoluments thereof. At the ordinary shareholders' meeting held on 13 October 2001 the following individuals were appointed to the board of directors for a three year term ending with the approval of the financial statements on 31 December 2003.

The board of directors was appointed by the shareholders' meeting on 13 October 2001 and will hold office for a three-year term. The members are listed below:

Name	Position	Year Appointed
Antonio Tesone . . . . .	Chairman	2001
Marco Tronchetti Provera . . . . .	Deputy Chairman and Chief Executive Officer	2001
Gilberto Benetton . . . . .	Deputy Chairman	2001
Enrico Bondi . . . . .	Chief Executive Officer	2001
Carlo Buora . . . . .	Chief Executive Officer	2001
Giorgio Caprio . . . . .	Director	2001
Giorgio Cirila . . . . .	Director	2001
Pier Luigi Fabrizi . . . . .	Director	2001
Cesare Geronzi . . . . .	Director	2001
Gianni Mion . . . . .	Director	2001
Piero Modiano . . . . .	Director	2001
Giampietro Nattino . . . . .	Director	2001
Alberto Pirelli . . . . .	Director	2001
Carlo Alessandro Puri Negri . . . . .	Director	2001
Dario Trevisan . . . . .	Director	2001
Alberto Varisco . . . . .	Director	2001

Secretary to the Board: Piera Rosiello

For the purpose of their offices as described above, all 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 officers of Olivetti are as follows: chairman: legal representation and signature on Olivetti's behalf; deputy chairman: 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.

No executive committee exists at present. The board of directors appointed on October 13 2001 a remuneration committee and internal control committee also approving the respective rulings.

Corrado Ariaudo, Olivetti's general director, is not a member of Olivetti's board of directors, but he is customarily invited to join board meetings.

The name and the positions and the principal outside offices held by the current directors are set forth below:

Board of Directors	First name, surname	Main positions other than in Olivetti
Chairman	Antonio Tesone	Chairman Olivetti International Holding S.A., Vice Chairman Banca di Legnano, Director Sogefi S.p.A. and 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 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. Autopistas C.E.S.A. and Seat Pagine Gialle S.p.A.

Board of Directors Chief Executive Officer	First name, surname Enrico Bondi	Main positions other than in Olivetti 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	Deputy Chairman of TIM S.p.A.; Chief Executive Officer of Telecom Italia S.p.A.; Chief Executive Officer and Chief Operating Officer of Pirelli S.p.A., Board Member of Pirelli S.p.A., of Pirelli & C S.a.p.A., Board Member of Olimpia S.p.A., of HdP Holding di Partecipazioni S.p.A. and of F.C. Internazionale 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 Cirila	Chairman of Interbanca International Holding S.A., Chief Executive Officer Interbanca S.p.A., Board Member of Interbanca Gestione Investimenti s.g.r. S.p.A., SNIA S.p.A., Sirti S.p.A., Antonveneta ABN Amro S.G.R. S.p.A., HOPA S.p.A. and Banca Antonveneta S.c.p.A
Director	Pier Luigi Fabrizi	Chairman Board of Directors Banca Monte dei Paschi di Siena 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 Directive Committee of ASSONIME, of the Directive Committee of Associazione “Guido Carli”;

Board of Directors	First name, surname	Main positions other than in Olivetti
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.; Acegas S.p.A., Olimpia S.p.A., Telecom Italia S.p.A., Telecom Italia Mobile S.p.A., Seat Pagine Gialle S.p.A.
Director	Pietro Modiano	Chairman Pioneer Alternative Investments Ltd, Pioneer Global Asset Management S.p.A., Tradinglad Banca S.p.A., Pioneer Investment Management Ltd, Pioneer Investment Management SGR, Pioneer Global Opportunities P.L.C., and Pioneer Alternative Investments Managements SGR p.A; Deputy Chairman UniCredit Fondi S.G.S.p.A., Pioneer Investment Management U.S.A. Inc., MTS S.p.A. and Monte Totoli S.p.A., Deputy Chief Operating Officer Unicredito S.p.A., Director Borsa Italiana S.p.A., Euro Capital Structures Ltd, E-Mid S.p.A., Equinox Investments Company S.c.p.A. and TLX S.p.A.
Director	Giampietro Nattino	Chairman., Pirelli Cavi e Sistemi S.p.A., Pirelli Cavi e Sistemi Telecom S.p.A Pirelli Cavi e Sistemi Energia S.p.A, Deputy Chairman Generali SGR, Borsa Italiana S.p.A., 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., Finnat Investments S.p.A, Finnat Fiduciaria S.p.A, Fedra S.r.l., Caltagirone Editore S.p.A., S.C.I.A. S.p.A., Pirelli Real Estate S.p.A., Previra Invest SIM S.p.A., Financiere Fideuram- Banque Privee Fideuram Wargny, Fideuram Wargny Gestion, Fideuram Wargny Active Brokers, Sogesmar, Finance Gestion, W.D.W, Primegest S.G.R. S.p.A. Prime Funds S.G.R. S.p.A., 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., Senior Vice Presidente of Central and Northern Europe Cables and Systems Sector, Board Member of CAMFIN S.p.A., Automobile Club di Milano, Smi and Olimpia S.p.A.;

Board of Directors	First name, surname	Main positions other than in Olivetti
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 Non Convertible shareholders Marzotto & figli 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 Intesa BCI SIM S.p.A., Manager of the Corporate Finance and Treasury Divisions of Banca Intesa BCI 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;
Chief Operating Officer	Corrado Ariaudo	Chairman Webeegg S.p.A., Tecnost Sistemi S.p.A., Director CIRSA Business Corp., Domustech S.p.A, Olivetti Finance N.V., Olivetti System Technology Corp. and Olivetti Multiservices S.p.A.

### **Independent Auditors**

The independent auditors of Olivetti S.p.A. are Reconta Ernst & Young S.p.A. of Corso Vittorio Emanuele II, 83 10128 Turin since the 2001 financial year.

### **Board of Statutory Auditors**

Under Italian law and Article 20 of Olivetti's by-laws, Olivetti's shareholders also elect a board of statutory auditors. The board of statutory auditors consists of three members and two alternate auditors. If an auditor resigns or is otherwise unable to serve as an auditor, the alternate auditor belonging to the same voting list of the resigning auditor will automatically replace him. In addition, under the Italian Civil Code, if, as is the case here, the board of statutory auditors is made up of three members, at least one of the members must be elected by the minority shareholders. Olivetti's by-laws establish a specific voting procedure to ensure that the minority shareholders are able to elect a regular and an alternate auditor.

The board of statutory auditors is responsible for reviewing Olivetti's management and financial reporting and financial condition. In conducting this review, the board of statutory auditors has a duty to the shareholders, to whom it reports, and to Olivetti. The role of the board of statutory auditors includes reviewing Olivetti's management. The statutory auditors also are responsible for working with Olivetti's external auditors to help facilitate the exchange of data and information. Furthermore, the board of statutory auditors must ensure that Olivetti maintains adequate organisational structure, internal controls, administrative and accounting systems. The members of the board of statutory auditors must be present at meetings of the board of directors and shareholders' meetings. In addition, the board of

statutory auditors is required to meet at least once each quarter. Moreover, a minimum of two statutory auditors may call, after notifying the chairman of the board of directors, shareholders' meetings and board of directors' meetings.

The names of the members of Olivetti's board of statutory auditors, their current positions and the year during which each was initially appointed are set forth in the following table. Statutory auditors remain in office for a three-year term and may be re-elected for consecutive terms. They may be removed only for cause and with the approval of an Italian court. The term of appointment of the current board of statutory auditors, which started in 2000, will expire in 2002. At that time, new members will be elected by the shareholders.

Name	Position	Year Appointed
Angelo Fornasari . . . . .	Chairman	2000
Vittorio Bennani . . . . .	Auditor	2000
Franco Caramanti . . . . .	Auditor	2000
Sergio Lodi . . . . .	Alternate Auditor	2000
Massimo Nuti . . . . .	Alternate Auditor	2000

### CAPITALISATION

The following table sets forth the short-term debt and capitalisation of the Olivetti Group as at 31 December 2001, in accordance with Accounting Principles Generally Accepted in Italy ("Italian GAAP").

	As at 31 December 2001
	(in millions of euro)
<b>Olivetti Group</b>	
Short term Debt <sup>(1)</sup> . . . . .	9,072
Long-term Debt . . . . .	37,747
Net Equity Group . . . . .	12,729
Minority Interest . . . . .	13,624
Total Shareholders' Equity . . . . .	26,353
Total Capitalisation . . . . .	73,172

Notes:

(1) Short term debt excludes Euro 889 million of accrued interest payable classified in the "Consolidated Balance Sheet of the Olivetti Group" within the caption "short term debt".

Except as described below, there has not been any material change to the consolidated capitalisation of the Olivetti Group since 31 December 2001.

Between 31 December 2001 and 31 March 2002 the net financial position of the Olivetti Group, reflected in the quarterly financial statement approved by the Olivetti Board of Directors on 8 May 2002, shows a decrease of €1,202 million, from €38,362 million reported as at 31 December 2001 to €37,160 million reported at the end of March 2002.

Since 31 March 2002 there has been no significant change affecting the net financial position apart from the dividend payment made by TIM to the minority shareholders for an amount of €0.9 billion.

The consolidated shareholders equity (net of the minority interest) of the Olivetti Group as at 31 March 2002 was €12,656 million compared to €12,729 million as at 31 December 2001. This is mainly due to the result of the period, which includes the amortisation of the goodwill on the investment in Telecom Italia, and it is partially counterbalanced by positive exchange differences. Since 31 March 2002 there has been no material change in net equity as the net result of the period has not been affected by any extraordinary changes.

The current registered share capital of Olivetti is €8,793,813,730 composed of 8,793,813,730 ordinary shares each with a nominal value of €1. There are no other classes of shares other than ordinary shares and the share capital is fully paid.

The authorised capital (fully paid capital plus capital that can be issued on the basis of the resolution already approved by the Olivetti's Board of Directors concerning stock option plans, warrants or convertible bonds) is equal to €12,102,710,607.



## TAXATION

*The following is a general description of certain Netherlands Antilles, Netherlands and Italian tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective investors in the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of The Netherlands Antilles, The Netherlands and the Republic of Italy of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.*

### **Netherlands Antilles Taxation**

In December 2001, the so-called “New Fiscal Framework” became effective retroactively as per 1 January 2001, which includes, amongst others, a substantial amendment of the Netherlands Antilles Profit Tax Ordinance 1940. However, based on the grandfathering provisions, in principle, Olivetti International Finance N.V. qualifies as a company as meant in the articles 8A, 8B, 14 and 14A of the Profit Tax Ordinance 1940 (the so-called “offshore regime”) as it read before the entry into force of the New Fiscal Framework, in which respect also a ruling has been obtained from the Netherlands Antilles’ Tax Inspector. As a consequence, in case and as long as the requirements of the grandfathering provisions are met and the company does not opt for taxation under the New Fiscal Framework, the text of the Profit Tax Ordinance 1940 as it read on 31 December 1999, remains applicable to Olivetti International Finance N.V. until and including the book year starting before 1 July 2019. The following is based on the fact that Olivetti International Finance is taxed under the grandfathering provisions of the offshore regime and does not opt for taxation under the New Fiscal Framework.

The comments below are of a general nature and are based on the tax laws in The Netherlands Antilles in force and in effect as at the date hereof and do not include the taxation of Netherlands Antilles’ entities that may become holder of the notes. They may not apply to certain classes of persons such as dealers. Persons who are in doubt as to their personal tax position or who may be subject to tax in any other jurisdiction should consult their professional advisers.

All payments under the Notes may be made free of withholding or deduction of, for or on account of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands Antilles or any political subdivision or taxing authority thereof or therein.

An individual holder of Notes will not be subject to any Netherlands Antilles taxes on income or capital gains in respect of any payment under the Notes or in respect of any gain realised on the sale, redemption, exchange or conversion of the Notes, provided that: (i) such holder is neither resident nor deemed to be resident in The Netherlands Antilles; and (ii) such holder does not have an enterprise or a profession or an interest in any enterprise or profession that is, in whole or in part, carried on in The Netherlands Antilles by or for the account of such holder, and to which enterprise or profession or part of an enterprise or profession, as the case may be, the Notes are attributable; and (iii) the Notes will not bear interest nor any payments contingent on the profits or turnover of any enterprise or profession exercised within the Netherlands Antilles or on the amounts or proceeds of any product mined or processed in the Netherlands Antilles; and (iv) the Notes are not secured by a mortgage on real property located within the Netherlands Antilles.

A holder of Notes which has not been organised under the laws of The Netherlands Antilles, will not be subject to any Netherlands Antilles taxes on income or capital gains in respect of any payment under the Notes or in respect of any gain realised on the sale, redemption, exchange or conversion of the Notes, provided that: (i) such holder is neither resident nor deemed to be resident in The Netherlands Antilles; (ii) such holder is not engaged in trade or business in The Netherlands Antilles through a permanent establishment or representative; and (iii) the Notes are not secured by a mortgage on real estate within the Netherlands Antilles.

No gift, estate or inheritance taxes will arise in The Netherlands Antilles with respect to an acquisition of Notes by way of gift by, or on the death of, a holder of Notes who is neither resident nor deemed to be resident in The Netherlands Antilles. A holder of Notes will not be deemed to be resident in The Netherlands Antilles by reason only of the holding Notes.

No Netherlands Antilles sales tax (*Omzetbelasting*), expenditure tax (*Algemene Bestedingsbelasting*), turnover tax (*Belasting op Bedrijfsomzetten*) or similar tax will be levied from the

Issuer on the invoicing or payments by the Issuer of principal, premium and interest of the Notes provided that: (i) the Issuer is neither resident nor deemed to be resident of one or more of the Netherlands Antilles Island Territories of Saba, Sint Eustatius or Sint Maarten; (ii) the Issuer does not have a permanent establishment or a permanent representative in one or more of the Netherlands Antilles Island Territories of Saba, Sint Eustatius or Sint Maarten; (iii) the Issuer is in possession of a Foreign Exchange License issued by the Bank of the Netherlands Antilles, granting release of the conditions, regulations and provisions of the articles 9 through 15 of the Ordinance on Foreign Exchange (P.B. 1981 67); and (iv) the Notes are not, nor will they be, offered or sold directly or indirectly to (a) an individual person who is resident or deemed to be a resident in the Netherlands Antilles; (b) an entity which is resident or deemed to be resident in the Netherlands Antilles if and to the extent that such entity does qualify as an entrepreneur (*ondernemer*) for purposes of the Landsverordering Omzetbelasting 1999 (P.B. 1999, No. 3, Qualifying “offshore companies” and “offshore banks” are not considered to be entrepreneurs for purposes of the Landsverordering Omzetbelasting 1999 to the extent they engage in offshore activities and are in possession of a Foreign Exchange License as mentioned hereinabove under (iii); or (c) an individual person or an entity who or which is neither resident nor deemed to be resident in the Netherlands Antilles and who or which is engaged in trade or business in the Netherlands Antilles through a permanent establishment or representative.

No Netherlands Antilles registration tax, custom duty, transfer tax, stamp duty or any similar documentary tax or duty, other than court fees, will be payable in The Netherlands Antilles in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings of the issue documents or the Notes or the performance by the Issuer of its obligations thereunder, provided these actions take place outside The Netherlands Antilles, with the exception of stamp tax amounting to not more than ANG 10 (USD 5.60) per page of document and registration tax of ANG 5 (USD 2.80) per document which are payable in case of registration in The Netherlands Antilles of the Notes and/or the issue documents or if such documents are brought into the courts of The Netherlands Antilles. A holder of Notes will not incur or become liable for any registration tax, custom duty, transfer tax, stamp duty or any other similar documentary tax or duty by reason only of the acquisition, ownership or disposal of the Notes.

### **Netherlands Taxation**

This taxation summary solely addresses the principal Dutch tax consequences of the acquisition, the ownership and disposition of Notes. It does not discuss every aspect of taxation that may be relevant to a particular holder of Notes under special circumstances or who is subject to special treatment under applicable law.

The laws upon which this summary is based are subject to change, perhaps with retroactive effect. A change to such laws may invalidate the contents of this summary, which will not be updated to reflect changes in laws. This summary is based on the tax laws of The Netherlands as they are in force and in effect on the date of this Offering Circular. It assumes that each transaction with respect to Notes is at arm's length.

*This is a general summary and the tax consequences as described here may not apply to a holder of Notes. A holder of Notes should consult his own tax adviser for more information about the tax consequences of acquiring, owning and disposing of Notes in his particular circumstances.*

### **Withholding tax**

All payments of principal and interest under the Notes may be made free of any Dutch withholding tax provided that Notes will not be issued under such terms and conditions that the Notes actually function as equity of the Issuer.

### **Taxes on income and capital gains**

This section “Taxes on income and capital gains” applies to a holder of Notes who is neither resident nor deemed to be resident in The Netherlands for Dutch tax purposes and, in the case of an individual, has not elected to be treated as a resident of The Netherlands for Dutch tax purposes (a “Non-Resident holder of Notes”).

#### *Individuals*

A Non-Resident holder of Notes who is an individual will not be subject to any Dutch taxes on income or capital gains in respect of any benefit derived or deemed to be derived from Notes, including

any payment under the Notes and any gain realised on the disposal of Notes, provided that both of the following conditions are satisfied.

1. If he derives profits from an enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise, other than as an entrepreneur or a shareholder, which enterprise is either managed in the Netherlands or, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands as the case may be, his Notes are not attributable to such enterprise.
2. He does not derive benefits from Notes that are taxable as benefits from miscellaneous activities in The Netherlands (*resultaat uit overige werkzaamheden in Nederland*).

Benefits derived from Notes by a Non-Resident holder of Notes who is an individual and who meets condition 1 above will be taxable as benefits from miscellaneous activities in The Netherlands if he has a substantial interest (*aanmerkelijk belang*) in the Issuer. An individual has a substantial interest in the Issuer if either he – alone or together with his partner (*partner*), if any, – has, directly or indirectly, the ownership of, or certain rights (for instance a right of usufruct) over shares representing 5 per cent. or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer, or rights to acquire, directly or indirectly, shares, whether or not already issued, that represent 5 per cent. or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer or the ownership of, or certain rights (for instance a right of usufruct) over profit participating certificates (*winstbewijzen*) that relate to 5 per cent. or more of the annual profit of the Issuer or to 5 per cent. or more of the liquidation proceeds of the Issuer.

Furthermore, a Non-Resident holder of Notes who is an individual may, *inter alia*, derive benefits from Notes that are taxable as benefits from miscellaneous activities in the following circumstances, if such activities are performed or deemed to be performed in The Netherlands:

- a. if his investment activities go beyond the activities of an active portfolio investor, for instance in case of the use of insider knowledge (*voorkennis*) or comparable forms of special knowledge; or
- b. if he makes Notes available or is deemed to make Notes available, legally or in fact, directly or indirectly, to a related person as meant in articles 3.91 and 3.92 of the Dutch Income Tax Act 2001.

#### *Entities*

A Non-Resident holder of Notes other than an individual will not be subject to any Dutch taxes on income or capital gains in respect of any payment under the Notes or in respect of any gain realized on the disposal of Notes, provided that (a) if such Non-Resident holder of Notes derives profits from an enterprise that is either managed in The Netherlands or, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or as a holder of securities), the Notes are not attributable to such enterprise, and (b) such Non-Resident holder of Notes does not have a substantial interest in the Issuer. An individual has a Relevant Substantial Interest in a company if either he – alone or together with his partner (*partner*), if any, – or a person, if any, who is a Connected Person in relation to such individual, has, directly or indirectly, the ownership of, or certain rights (for instance a right of usufruct) over shares representing 5 per cent. or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of such company, or rights to acquire, directly or indirectly, shares, whether or not already issued, that represent 5 per cent. or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of such company or the ownership of, or certain rights (for instance a right of usufruct) over profit participating certificates (*winstbewijzen*) that relate to 5 per cent. or more of the annual profit of such company or to 5 per cent. or more of the liquidation proceeds of such company.

A person other than an individual has a substantial interest in the Issuer (x) if it has a substantial interest in the Issuer, as defined above or (y) if it has a deemed substantial interest in the Issuer. A deemed substantial interest is present if it has disposed of, or is deemed to have disposed of, all or part of a substantial interest in the Issuer on a non-recognition basis.

#### **Gift and inheritance taxes**

A person who acquires Notes as a gift, in form or in substance, or who acquires or is deemed to acquire Notes on the death of an individual, will not be subject to Dutch gift tax or to Dutch inheritance tax, as the case may be, unless:

- (i) the donor or the deceased is resident or deemed to be resident in The Netherlands for purposes of gift or inheritance tax, as the case may be; or
- (ii) the Notes are or were attributable to an enterprise or part of an enterprise that the donor or the deceased carried on through a permanent establishment or a permanent representative in The Netherlands at the time of the gift or of the death of the deceased; or
- (iii) the donor makes a gift of Notes, then becomes a resident or deemed resident of The Netherlands, and dies as a resident or deemed resident of The Netherlands within 180 days after the date of the gift.

If the donor or the deceased is an individual who holds Dutch nationality, he will be deemed to be resident in The Netherlands for purposes of Dutch gift and inheritance taxes if he has been resident in The Netherlands at any time during the ten years preceding the date of the gift or his death. If the donor is an individual who does not hold Dutch nationality or an entity, he or it will be deemed to be resident in The Netherlands for purposes of Dutch gift tax if he or it has been resident in The Netherlands at any time during the 12 months preceding the date of the gift. Furthermore, in exceptional circumstances, the donor or the deceased will be deemed to be resident in The Netherlands for purposes of Dutch gift and inheritance taxes if the beneficiary of the gift or all beneficiaries under the estate jointly, as the case may be, make an election to that effect.

### **Other taxes and duties**

No Dutch registration tax, custom duty, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable by a holder of Notes in The Netherlands in respect of or in connection with the execution (*ondertekening*), delivery (*overhandiging*) and/or enforcement by legal proceedings (including the enforcement of any foreign judgement in the courts of The Netherlands) of the documents relating to the issue of Notes or the performance by the Issuers or Olivetti of its obligations thereunder or under the Notes.

### **Proposed EU Council Directive on taxation of savings income**

On 13 December 2001 the Commission of the European Communities published a proposal for a directive with respect to taxation of income from savings in the form of cross-border interest payments within the European Union (the “proposed directive”). The proposed directive would require each member state of the European Union to adopt either a “withholding tax system” or an “information reporting system” in relation to such payments of interest.

Under the proposed directive, all member states except Belgium, Luxembourg and Austria would introduce an information reporting system. This system would require these member states to provide to the tax authorities of other member states of the European Union certain information concerning interest paid to private individuals who are resident in such other member states. The proposed directive provides for a seven-year transitional period during which Belgium, Luxembourg and Austria would be able to levy a withholding tax. Upon expiry of that period, all member states of the European Union would be under the obligation to apply the information reporting system. The paying agent would be required either to provide the information or, during the transitional period, to apply and pay over the withholding tax to its member state of establishment.

If the proposed directive is adopted, which may or may not happen, whether or not in an amended form, it may apply to payments under the Notes.

## **Italian Taxation**

### *Income Tax*

#### **1. Tax treatment of Notes - General**

Legislative Decree No. 239 of 1 April 1996, as amended and supplemented (“Decree 239”) regulates the tax treatment of interest, premiums and other income (including the difference between the redemption amount and the issue price hereinafter collectively referred to as “Interest”) from notes issued, *inter alia*, by Italian resident banks, Italian resident joint stock companies listed on an Italian stock exchange, or, by foreign issuers. The provisions of Decree 239 only apply to those Notes issued by Olivetti S.p.A. (“Olivetti”), Olivetti International Finance N.V. (“Olivetti International Finance”) or Olivetti Finance N.V. (“Olivetti Finance”) which qualify as *obbligazioni or titoli similari alle obbligazioni* pursuant to Article 41, paragraph 2(c) of Presidential Decree No. 917 of 22 December 1986, as amended

(“Decree 917”). With reference to Notes issued by Olivetti, Decree 239 applies upon condition that the Notes have a maturity not less than 18 months.

## 2. Income tax on the Notes issued by Olivetti with a maturity not less than 18 months

Under the current legislation, payments of Interest in respect of the Notes with a maturity not less than 18 months:

- (a) will be subject to final “*imposta sostitutiva*” at the rate of 12.5 per cent. in the Republic of Italy if made to beneficial owners who are: (i) individuals resident in the Republic of Italy for tax purposes, holding the Notes not in connection with entrepreneurial activities (unless they have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called *risparmio gestito* regime according to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997 – the “*Asset Management Option*”); (ii) Italian resident partnerships (other than “*società in nome collettivo*”, “*società in accomandita semplice*” or similar partnerships), *de facto* partnerships not carrying out commercial activities and professional associations; (iii) Italian resident public and private entities, other than companies, not carrying out commercial activities; (iv) Italian resident real estate investment funds established before 26 September 2001, pursuant to Italian Law No. 86 of 25 January 1994, unless the managing company of the funds has opted for the application of the new regime provided for by Law Decree No. 351 of 25 September 2001, converted into law with amendments by Law No. 410 of 23 November 2001 (“**Decree No. 351**”); (v) Italian resident entities exempt from corporate income tax and (vi) non-Italian resident entities or individuals without a permanent establishment in Italy to which the Notes are effectively connected, which are not eligible for the exemption from the “*imposta sostitutiva*” and/or do not timely comply with the requirements set forth in Decree No. 239 and the relevant application rules in order to benefit from the exemption from “*imposta sostitutiva*”. As to non-Italian resident beneficial owners, *imposta sostitutiva* may apply at lower or nil rate under double taxation treaties entered into by Italy, where applicable.

The 12.5 per cent. (or, in certain cases, for treaty covered non-Italian resident beneficial owners, the lower rate provided for by the relevant applicable double tax treaty) final *imposta sostitutiva* will be applied by the Italian resident qualified financial intermediaries that will intervene, in any way, in the collection of Interest on the Notes or in the transfer of the Notes;

- (b) will not be subject to the *imposta sostitutiva* at the rate of 12.5 per cent. if made to beneficial owners who are: (i) Italian resident corporations or permanent establishments in Italy of non resident corporations to which the Notes are effectively connected; (ii) Italian resident collective investment funds, Italian resident pension funds referred to in Legislative Decree No. 124 of 21 April 1993 and certain Italian resident real estate investment funds which benefit from the new regime provided for by Decree No. 351; (iii) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an Italian authorised financial intermediary and have opted for the Asset Management Option; and (iv) non-Italian residents with no permanent establishment in Italy to which the Notes are effectively connected, provided that:
- such beneficial owners (i) are resident, for tax purposes, in a country which recognises the Italian fiscal authorities’ right to an adequate exchange of information and (ii) are not resident, for tax purposes, in certain tax haven countries included in the black list referred to in Article 76, paragraph 7-bis, of Presidential Decree 22 December 1986, No. 917, identified by Ministerial Decree of 23 January 2002, and
  - all the requirements and procedures set forth in Decree No. 239 and in the relevant application rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are timely met or complied with.

To ensure payment of Interest in respect of the Notes without the application of the *imposta sostitutiva* investors indicated above sub-paragraph (b) must (i) be the beneficial owners of payments of Interest on the Notes; (ii) timely deposit the Notes together with the coupons relating to such Notes directly or indirectly with an Italian authorised financial intermediary; and (iii) in the event of non-Italian resident beneficial owners being holders of the Notes, according to Decree No. 350, as to Interest in respect of the Notes payable starting from January 1st, 2002, promptly file with the relevant depository a self-declaration (no longer Model 116-IMP) stating, *inter alia*, to be resident, for tax purposes, in a country which recognises the Italian fiscal authorities’ right to an

adequate exchange of information and not to be resident, for tax purposes, in tax haven countries included in the black list referred to in Article 76, paragraph 7-bis, of Presidential Decree 22 December 1986, No. 917, identified by Ministerial Decree of 23 January 2002. Such self-declaration is valid until withdrawn or revoked and must not be submitted in case that a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository.

Decree No. 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of Interest in respect of the Notes made to (i) international bodies and organisations established in accordance with international agreements ratified in Italy; (ii) foreign institutional investors not subject to income tax or to other similar taxes, which are resident in countries which (a) allow an adequate exchange of information and (b) are not tax haven countries included in the black list identified by Ministerial Decree of 23 January 2002 and (iii) Central Banks, even if investing State reserves, of countries not included in the black list identified by Ministerial Decree of 23 January 2002.

In case of beneficial owners who are Italian resident individuals holding Notes in connection with entrepreneurial activity, Interest accrued on the Notes are included in the taxable income subject to tax in Italy in accordance with ordinary tax rules. In this case, 12.5 per cent. *imposta sostitutiva* is applied on account of tax by the Italian resident qualified financial intermediaries that intervene, in any way, in the collection of Interest on the Notes or in the transfer of the Notes and may be deducted from the income tax due by the Italian resident individuals.

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 12.5 per cent. annual substitute tax (the “**Asset Management Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Interest accrued on the Notes would be included in the corporate taxable income (and in certain circumstances, depending on the “status” of the Noteholders, also in the net value of production) of beneficial owners who are Italian resident corporations and permanent establishments in Italy of foreign corporation to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident collective investment funds are subject to a 12.5 per cent. annual substitute tax (the “**Collective Investment Fund Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

Starting from 1 January 2001, Italian resident pension funds subject to the regime provided by Artt. 14, 14-ter and 14-quater, paragraph 1, of Italian Legislative Decree No. 124 of 21 April 1993 are subject to a 11 per cent. annual substitute tax (the “**Pension Fund Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes as of 1 January 2001).

Pursuant to Decree No. 351, the 12.5 per cent. *imposta sostitutiva* indicated above sub. paragraph (a) no longer applies to payments of Interest in respect of the Notes to beneficial owners of Notes who are certain Italian resident real estate investment funds established, starting from 26 September 2001, pursuant to Art. 37 of Legislative Decree 24 February 1998, No. 58, and Art. 14-bis of Law 25 January 1994, No. 86. In particular, such Italian resident real estate investment funds are subject to an annual 1 per cent. substitute tax (the “**Real Estate Investment Fund Tax**”) on the accounting net value of the fund.

However, according to Law Decree No. 351, Italian resident real estate investment funds already existing at the date of 26 September 2001 continue to be subject to 12.5 per cent. *imposta sostitutiva* on payments of Interest on the Notes, unless the managing company of the funds has opted for the application of the new regime, including the new tax regime, provided for by Law Decree No. 351.

Any positive difference between the nominal amount of the Notes and their issue price is deemed to be interest for tax purposes.

### 3. Income tax on the Notes issued by Olivetti Finance and/or Olivetti International Finance with a maturity not less than 18 months

Under the provisions of Decree No. 239, payments of Interest in respect of the Notes with a maturity not less than 18 months:

- (a) will be subject to final *imposta sostitutiva* at the rate of 12.5 per cent. in the Republic of Italy if made to Italian resident beneficial owners who are: (i) individuals resident in the Republic of Italy for tax purposes, holding the Notes not in connection with entrepreneurial activities (unless they have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the *risparmio gestito* regime according to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997 – the “**Asset Management Option**”); (ii) Italian resident partnerships (other than *società in nome collettivo*, *società in accomandita semplice* or similar partnerships), *de facto* partnerships not carrying out commercial activities and professional associations; (iii) Italian resident public and private entities, other than companies, not carrying out commercial activities; (iv) Italian resident real estate investment funds established before 26 September 2001 pursuant to Italian Law No. 86 of 25 January 1994, unless the managing company of the funds has opted for the application of the new regime provided for by Decree No. 351 or (v) Italian resident entities exempt from corporate income tax, and
- (b) will not be subject to *imposta sostitutiva* at the rate of 12.5 per cent. if made to beneficial owners who are: (i) Italian resident corporations or permanent establishments in Italy of non-resident corporations to which the Notes are effectively connected; (ii) Italian resident collective investment funds, Italian pension funds referred to in Legislative Decree No. 124 of 21 April 1993 and certain Italian resident real estate investment funds which benefit from the new regime provided for by Decree No. 351; (iii) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an Italian authorised financial intermediary and have opted for the Asset Management Option and (iv) non-Italian residents with no permanent establishment in the Republic of Italy to which the Notes are effectively connected.

To ensure payment of Interest in respect of the Notes without the application of the *imposta sostitutiva*, Italian investors indicated above sub-paragraph (b) must timely deposit the Notes together with the coupons relating to such Notes, directly or indirectly, with an authorised Italian financial intermediary.

The 12.5 per cent. final *imposta sostitutiva*, where applicable, will be applied by the Italian resident qualified financial intermediaries that will intervene, in any way, in the collection of Interest on the Notes or in the transfer of the Notes. Where Interest on the Notes are not collected through the intervention of an Italian resident qualified financial intermediary and, as such, no *imposta sostitutiva* is applied, the Italian resident beneficial owners listed above under (a), points (i) to (v), will be required to declare Interest in their yearly income tax return and subject them to final substitute tax at the rate of 12.5 per cent. The individual beneficial owners indicated above under (a) (i) may instead elect to pay ordinary personal income tax at the progressive rates applicable to them in respect of Interest on the Notes: if so, the beneficial owners should generally benefit from a tax credit for withholding taxes applied outside Italy, if any.

In case of beneficial owners who are Italian resident individuals holding Notes in connection with entrepreneurial activity, Interest accrued on the Notes would be included in the corporate taxable income (and in certain circumstances, depending on the status of the Noteholders, also in the net value of production) of beneficial owners who are Italian resident corporations and permanent establishments in Italy of foreign corporation to which the Notes are effectively connected subject to tax in Italy in accordance with ordinary tax rules.

Italian resident collective investment funds are subject to a 12.5 per cent. annual substitutive tax (the “**Collective Investment Fund Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

Starting from 1 January 2001, Italian resident pension funds subject to the regime provided by Articles 14, 14-ter and 14-*quater*, paragraph 1, of Italian Legislative Decree No. 124 of 21 April 1993 are subject to an 11 per cent. annual substitutive tax (the “**Pension Fund Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes as of 1 January 2001).

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 12.5 per cent. annual substitutive tax (the “**Asset Management Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Pursuant to Decree No. 351, the 12.5 per cent. *imposta sostitutiva* indicated above at paragraph (a) no longer applies to payments of interest and other proceeds in respect of the Notes made to beneficial owners of Notes who are certain Italian resident real estate investment funds established starting from 26 September 2001, pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 and Article 14-*bis* of Law No. 86 of 25 January 1994 or, in any case, subject to the tax treatment provided for by Decree No. 351, in consequence of option for the application of such tax treatment by the managing company where allowed. Such Italian resident real estate investment funds are subject to an annual 1 per cent. substitute tax on the accounting net value of the fund.

According to Decree No. 351, however, Italian resident real estate investment funds already existing at the date of 26 September 2001 continue to be subject to the previously applicable tax regime (that is, to be subject to 12.5 per cent. *imposta sostitutiva* on payments of Interest on the Notes), unless the managing company of the funds has opted for the application of the new regime, including the new tax regime, provided for by Decree No. 351.

Any positive difference between the nominal amount of the Notes and their issue price is deemed to be interest for tax purposes.

#### **4. Early Redemption of the Notes**

Without prejudice to the above provisions, in the event that the Notes issued by Olivetti are redeemed in full or in part prior to 18 months from the Issue Date, Olivetti will be required to pay an additional amount equal to 20 per cent. of Interest accrued on the Notes up to the time of the early redemption. In accordance with one interpretation of Italian fiscal law, also in the event of purchase of Notes by Olivetti with subsequent cancellation thereof prior to 18 months from the Issue Date, Olivetti may be required to pay the above 20 per cent. additional amount. In the event that the Notes issued by Olivetti Finance and/or Olivetti International Finance are redeemed in full or in part prior to 18 months from the Issue Date, Italian resident investors will be required to pay such additional amount equal to 20 per cent. of Interest accrued on the Notes up to the time of the early redemption. In accordance with one interpretation of Italian fiscal law, Italian resident investors may be required to pay such 20 per cent. additional amount also in the event of purchase of Notes by the Issuer with subsequent cancellation thereof prior to 18 months from the Issue Date.

#### **5. Notes with a maturity of less than 18 months**

Interest on Notes with a maturity of less than 18 months issued by Olivetti may be subject to a withholding tax at a rate of 27 per cent., pursuant to Art. 26 of Presidential Decree 29 September 1973, No. 600, or such lower rate pursuant to any applicable double tax treaty.

Pursuant to Decree No. 239, Interest on Notes with a maturity of less than 18 months issued by Olivetti Finance and Olivetti International Finance are subject to a final *imposta sostitutiva* at the rate of 27 per cent. if paid to beneficial owners who are: (i) individuals resident in the Republic of Italy for tax purposes, holding the Notes not in connection with entrepreneurial activities; (ii) Italian resident partnerships (other than *società in nome collettivo*, *società in accomandita semplice* or similar partnerships), *de facto* partnerships not carrying out commercial activities and professional associations; (iii) Italian collective investment funds, Italian pension funds referred to in Legislative Decree No. 124 of 21 April 1993 and certain Italian real estate investment funds; (iv) Italian resident public and private entities, other than companies, not carrying out commercial activities; and (v) Italian resident entities exempt from corporate income tax.

The 27 per cent. final *imposta sostitutiva* will be applied by the Italian resident qualified financial intermediaries that will intervene, in any way, in the collection of Interest on the Notes or in the transfer of the Notes. Where Interest on the Notes issued by Olivetti Finance and/or Olivetti International Finance are not collected through the intervention of an Italian resident qualified financial intermediary and, as such, no *imposta sostitutiva* is applied, the Italian resident beneficial owners listed above under (i) to (v), will be required to declare Interest in their yearly income tax return and subject them to final substitute tax at the rate of 27 per cent. The individual beneficial owners indicated above under (i) may instead elect to pay ordinary personal income tax at the progressive rates applicable to them in respect of



Interest on the Notes: if so, the beneficial owners should generally benefit from a tax credit for withholding taxes applied outside Italy, if any.

## **6. Payments by the Guarantor**

There is no authority directly on point regarding the Italian tax regime of payments made by the Guarantor under the Guarantee. Accordingly, there can be no assurance that the Italian Revenue Authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian court would not sustain such an alternative treatment.

In accordance with one interpretation of Italian Fiscal Law, payments by the Guarantor to beneficial owners of Notes under the Guarantee should be treated as payments by the Issuer and subject to the same tax treatment as payments by the Issuer described above in paragraphs 3, 4 and 5. In particular, payments to non-resident holders without permanent establishment in the Republic of Italy to which the Notes are effectively connected made by the Guarantor under the Guarantee, which payments represent interest payable on the debt securities, should not be subjected to any withholding or substitute tax in Italy and payments to resident holders made by the Guarantor under the Guarantee, which payments represent interest payable on the debt securities, would be subjected to the Italian tax regime described above in paragraphs 3, 4 and 5.

In accordance with another interpretation of Italian fiscal law, payments by the Guarantor to beneficial owners of Notes under the Guarantee may be subject in certain circumstances to Italian withholding tax at a rate of 12.5 per cent., final or on account, depending on the *status* of the beneficial owners, pursuant to Art. 26, paragraph 5, of Presidential Decree No. 600 of 29 September 1973. In case of beneficial owners which are non resident of Italy for tax purposes, the withholding tax should be final and should be applied at the rate of 27 per cent. if payments are made by the Guarantor under the Guarantee to non-Italian resident beneficial owners which are resident for tax purposes in tax haven countries listed by Ministerial Decree of 23 January 2002. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding.

## **7. Capital Gains**

### *Italian resident Noteholder*

Any capital gain realised upon the sale for consideration or redemption of the Notes would be treated as part of the taxable business income (and, in certain cases, depending on the “status” of the Noteholders, may also be included in the taxable net value of production), subject to tax in Italy according to the relevant tax provisions, if realised by Noteholders who are:

- (a) Italian resident corporations;
- (b) permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; or
- (c) Italian resident individuals carrying out a commercial activity, as to any capital gains realised within the scope of the commercial activity carried out.

Pursuant to Italian Legislative Decree No. 461 of 21 November 1997, any capital gain realised by Italian resident individuals holding Notes not in connection with entrepreneurial activity and certain other persons upon sale for consideration or redemption of the Notes would be subject to an *imposta sostitutiva* at the current rate of 12.5 per cent. Under the tax declaration regime (the “*Regime della dichiarazione*”), which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activity, *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any relevant incurred capital loss, realised by Italian resident individual noteholders holding Notes not in connection with entrepreneurial activity pursuant to all disposals on Notes carried out during any given fiscal year. Italian resident individuals holding Notes not in connection with entrepreneurial activity must report overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax declaration to be filed with the Italian tax authorities for such year and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual noteholders holding the Notes not in connection with entrepreneurial activity may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the “*Risparmio Amministrato*” regime).

Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, *società di intermediazione mobiliare* (SIM) or certain authorised financial intermediaries and (ii) an express election for the “*Risparmio Amministrato*” regime being timely made in writing by the relevant Noteholder. The financial intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised at revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian fiscal authorities on behalf of the taxpayer, deducting a corresponding amount from proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the “*Risparmio Amministrato*” regime, where a sale or redemption of the Notes results in capital loss, such loss may be deducted from capital gains subsequently realised within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the “*Risparmio Amministrato*” regime, the Noteholder is not required to declare capital gains in its annual tax declaration and remains anonymous.

Any capital gains realised by Italian resident individuals holding Notes not in connection with entrepreneurial activity who have elected for the Asset Management Option will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to the Asset Management Tax to be applied on behalf of the taxpayer by the managing authorised intermediary. Under the Asset Management Option, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the Asset Management Option, the Noteholder is not required to report capital gains realised in its annual tax declaration and remains anonymous.

Any capital gains realised by Noteholders who are Italian resident collective investment funds will be included in the computation of the taxable basis of the Collective Investment Fund Tax.

Any capital gains realised as of 1 January 2001 by Noteholders who are Italian resident pension funds subject to the regime provided by Artt. 14, 14-ter and 14-*quater*, paragraph 1, of Legislative Decree No. 124 of 21 April 1993, will be included in the computation of the taxable basis of Pension Fund Tax.

#### *Non-Italian resident Noteholder*

The 12.5 per cent. final *imposta sostitutiva* may in certain circumstances be payable on capital gains realised by non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected upon sale for consideration or redemption of the Notes, if the Notes are held in Italy.

However, pursuant to Legislative Decree No. 259 of 21 July 1999, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad (including the Luxembourg Stock Exchange) and in certain cases subject to filing of required documentation, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty. In relation to non-Italian residents who hold Notes in Italy with an Italian authorised financial intermediary and elect for the Asset Management Option or are subject to the *Risparmio Amministrato* regime, this exemption from Italian capital gains tax applies upon condition that they promptly file with the Italian authorised financial intermediary a self-declaration stating not to be resident in Italy for tax purposes.

In case the Notes are not listed on a regulated market in Italy or abroad:

- (i) pursuant to the provisions of Legislative Decree 21 November 1997, No 461, as modified by Law Decree 25 September 2001, No. 350, converted with amendments into Law 23 November 2001, No. 409, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from the *imposta sostitutiva* in the Republic of Italy on any capital gains realised starting from 1 January 2002, upon sale for consideration or redemption of the Notes if they (i) are resident, for tax purposes, in a country which recognises the Italian fiscal authorities’ right to an adequate exchange of information and (ii) are not resident, for tax purposes, in certain tax haven countries included in the black list referred to in Article 76, paragraph 7-*bis*, of Presidential Decree 22 December 1986, No. 917, identified by Ministerial Decree of 23 January 2002 .

In such case, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the *Risparmio Amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply upon condition that they file in time with

the authorised financial intermediary an appropriate self-declaration stating to meet the requirements indicated under (i) and (ii) above.

Exemption from Italian *imposta sostitutiva* on capital gains also applies to (i) international bodies and organisations established in accordance with international agreements ratified in Italy; (ii) foreign institutional investors not subject to income tax or to other similar taxes, which are resident in countries which (a) allow an adequate exchange of information and (b) are not tax haven countries included in the black list identified by Ministerial Decree of 23 January 2002 and (iii) Central Banks, even if investing State reserves, of countries not included in the black list identified by Ministerial Decree of 23 January 2002.

- (ii) in any event, non-Italian resident persons or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with the Republic of Italy, providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of Notes.

In such case, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the *Risparmio Amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary appropriate documents which include, *inter alia*, a statement from the competent tax authorities of the country of residence of the non-Italian residents.

The *Risparmio Amministrato* is the ordinary regime automatically applicable to non-residents relating to Notes deposited for safekeeping or administration at Italian banks, SIMs or other eligible persons or entities, but non-residents retain the right to waive this regime.

## 8. Inheritance and gift tax

According to Law No. 383 of 18 October 2001 (“**Law No. 383**”), starting from 25 October 2001, Italian inheritance and gift tax, previously payable on the transfer of the Notes as a result of death or donation, has been abolished.

However, according to the current literal interpretation of Law No. 383, for donees other from spouses, direct descendants or ancestors and other relatives within the fourth degree, if and to the extent that the value of gift attributable to each such donee exceeds Euro 180,759,91 the gift of Notes may be subject to the ordinary transfer taxes provided for the transfer thereof for consideration. Future official ministerial decrees or guidelines should clarify this point.

Moreover, an anti-avoidance rule is provided by Law No. 383 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains subject to the *imposta sostitutiva* provided for by Italian Legislative Decree No. 461 of 21 November 1997. In particular, if the donee sells the Notes for consideration within 5 year from the receipt thereof as gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift has never taken place.

## 9. Transfer tax

### General

Pursuant to Italian Legislative Decree No. 435 of 21 November 1997, which amended the regime set forth by Royal Decree No. 3278 of 30 December 1923, the transfer of the Notes may be subject to Italian transfer tax (*tassa sui contratti di borsa*) in the following cases and at the following rates:

- (i) contracts entered into directly between private parties or between the parties through entities other than authorised intermediaries (banks, SIMs or other professional intermediaries authorised to perform investment services, pursuant to the Legislative Decree No. 415 of 23 July 1996, as superseded by Legislative Decree No. 58 of 24 February 1998, or stockbrokers) are subject to a transfer tax of Euro 0.0083 for every Euro 51.65 or part of Euro 51.65, of the price of the Notes;
- (ii) contracts between private parties through banks, SIMs or other authorised professional intermediaries or stockbrokers, or between private parties and banks, SIMs or other authorised intermediaries or stockbrokers, are subject to a transfer tax of Euro 0.00465 for every Euro 51.65 or part of Euro 51.65 of the price of the Notes;

- (iii) contracts between banks, SIMs or other authorised professional intermediaries or stockbrokers are subject to a transfer tax of Euro 0.00465 for every Euro 51.65 or part of Euro 51.65 of the price of the Notes.

In the cases listed above under (ii) and (iii), however, the amount of transfer tax cannot exceed Euro 929.62 for each transaction.

#### *Exemptions*

In general, transfer tax is not levied, *inter alia*, in the following cases:

- (iv) contracts relating to listed securities entered into on regulated markets (e.g. the Luxembourg Stock Exchange);
- (v) contracts relating to securities which are admitted to listing on regulated markets and finalised outside such markets and entered into:
- (a) between banks or SIMs or other professional intermediaries authorised to perform investment services, pursuant to the Legislative Decree No. 415 of 23 July 1996, as superseded by Legislative Decree No. 58 of 24 February 1998, or stockbrokers among themselves;
  - (b) between authorised intermediaries as referred to in paragraph (a) above and non-Italian residents;
  - (c) between authorised intermediaries as referred to in paragraph (a) above, also non-Italian resident, and undertakings for collective investment in transferable securities;
- (vi) contracts relating to public sale offers for the admission to listing on regulated markets or relating to financial instruments already admitted to listing on said markets;
- (vii) contracts for a consideration of less than Euro 206.58;
- (viii) contracts regarding securities not listed on a regulated market entered into between authorised intermediaries as referred to in (ii)(a) above, on the one hand, and non-Italian residents, on the other hand.

#### **10. Tax Monitoring Obligations**

Italian resident individuals holding Notes not in connection with entrepreneurial activity will be required to report in their yearly income tax return, for tax monitoring purposes:

- the amount of Notes held at the end of each tax year, if exceeding in the aggregate €10,329,14;
- the amount of any transfers from abroad, towards abroad and occurred abroad, related to the Notes, occurred during each tax year, if exceeding in the aggregate €10,329,14. This also in the case that the end of the tax year the Notes are no longer held by Italian individuals.

Italian individuals will however not be required to comply with the above reporting requirements in respect of Notes deposited for management with qualified Italian financial intermediaries and in respect of contracts entered into through their intervention, upon condition that the items of income derived from the Notes are collected through the intervention of the same intermediaries.

#### **11. Proposed European Withholding Tax Directive**

On 18 July 2001 the European Commission published a Proposal for a Directive to ensure effective taxation of savings income in the form of interest payments within the European Union. Subject to a number of important conditions being met, it is proposed that member states of the European Union (each a “**Member State**” and together, “**Member States**”) will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments. The proposed Directive is not yet final and may be subject to further amendment and/or clarification.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by any Issuer to any one or more of Barclays Bank PLC, Credit Suisse First Boston (Europe) Limited, Deutsche Bank AG London, J.P. Morgan Securities Ltd., Lehman Brothers International (Europe), MEDIOBANCA-Banca di Credito Finanziario S.p.A., Merrill Lynch International and Morgan Stanley & Co. International Limited (the “Dealers”). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated Dealer Agreement dated 9 May 2002 (the “Dealer Agreement”) and made between the Issuer, the Guarantor and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the relevant Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

### United States of America

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

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

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any distributor, dealer or person receiving a selling concession, fee or other remuneration (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### United Kingdom

Each Dealer has represented and agreed that:

- (a) *No offer to public*: in relation to Notes which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of a period of six months from the Issue Date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (b) *No deposit-taking*: in relation to any Notes which must be redeemed before the first anniversary of the date of their issue:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

- (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
- (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;

- (c) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or (in the case of Notes to be issued by Olivetti Finance N.V. or Olivetti International Finance N.V.) the Guarantor; and
- (d) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **The Netherlands Antilles**

Each Dealer has further represented and agreed that the Notes may not be offered, whether directly or indirectly, to the public of The Netherlands Antilles, or from The Netherlands Antilles, unless by virtue of general or special exemption by the Bank of The Netherlands Antilles.

### **The Republic of Italy**

The offering of the Notes has not been registered pursuant to the Italian securities legislation and, accordingly, each of the Dealers has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in a solicitation to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations.

Each Dealer represents and agrees that it has not offered, sold or delivered and will not offer, sell or deliver any Notes and that it has not distributed and will not distribute copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy except:

- (1) to “Professional Investors”, as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1 July 1998 (“**Regulation No. 11522**”), as recently amended, pursuant to Article 30.2 and 100 of Legislative Decree No. 58 of 24 February 1998 (“**Decree No. 58**”), or in any other circumstances where an express exemption from compliance with the solicitation restrictions provided by Decree No. 58 or CONSOB Regulation No. 11971 of 14 May 1999 applies, provided however, that any such offer, sale or delivery of Notes or distribution copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy must be:
  - (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (“**Decree No. 385**”), Decree No. 58, Regulation No. 11522 and any other applicable laws and regulations;
  - (b) in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of securities in Italy is subject to prior notification to the Bank of Italy, unless an exemption, depending, *inter alia*, on the amount of the issue and the characteristics of the securities, applies; and
  - (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy; or
- (2) to Italian residents who submit unsolicited offers to any of the Dealers to purchase the Notes.

### **France**

Each of the Dealers, the Issuers and the Guarantor has represented and agreed that it has not offered or sold and will not offer or sell Notes in France, and has not distributed and will not distribute or cause to be distributed in France this Offering Circular or any other offering material relating to the

Notes except to (i) qualified investors (*investisseurs qualifiés*) and/or (ii) a restricted group of investors (*cercle restreint d'investisseurs*), all as defined in and in accordance with Article 6 of *ordonnance* no. 67-833 dated 28 September 1967 (as amended) and *décret* no. 98-880 dated 1 October 1998.

## Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan the “*Securities and Exchange Law*” and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws and regulations of Japan. For the purposes of this paragraph, “*Japanese Person*” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## The Netherlands/Global

### I *Notes Issued by Olivetti Finance*

Any Notes (including rights representing an interest in a Note in global form) issued under the Programme by Olivetti Finance that are offered *anywhere in the world* shall, in order to comply with the Netherlands Securities Market Supervision Act 1995 (*Wet toezicht effectenverkeer 1995*), only be offered:

- (i) in the event that such Notes have been or are likely to be admitted to listing on the Official Segment of the stock market of Euronext Amsterdam N.V., provided that contractually binding offers (or any solicitation of such offers) are only made in respect of the Notes after Euronext Amsterdam N.V. has published the advertisement mentioned in article 47.7 of its Listing Rules or such earlier moment as the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten, hereinafter the “**AFM**”) may accept; or
- (ii) subject to the proviso stated below, in the event that (a) such Notes have been admitted to the official listing on a stock exchange or have otherwise been publicly offered in another state which is a party to the Treaty on the European Economic Area (hereinafter the “**EEA**”) and (b) this Information Memorandum has been approved by, and the applicable Pricing Supplement has been submitted to or approved by, the competent authority as referred to in Article 20 or Article 21 of EC Directive 89/298/EEC (hereinafter, the “**Competent Authority**”) and (c) the AFM has confirmed, where necessary, the availability of recognition in respect of such documents; or
- (iii) if they are part of an issue comprising only Notes with a denomination of at least €50,000 or the equivalent in any other currency provided that if any such Notes are issued:
  - (1) at a discount, they may only be offered if their issue price is no less than €50,000 (or its equivalent in any other currency);
  - (2) on a partly-paid basis, they may only be offered if paid-up by their initial holders to at least €50,000 (or its equivalent in any other currency);
  - (3) with a denomination of precisely €50,000 (or its equivalent in any other currency), they may only be offered on a fully-paid basis and at par or at a premium; or
- (iv) to individuals or legal entities situated *anywhere in the world* who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities firms, insurance companies, pension funds, investment institutions, central governments, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which are regularly active in the financial markets in a professional manner), in which case:
  - (1) it must be made clear both upon making the offer and in any documents or advertisements in which a forthcoming offering of such Notes is publicly announced (whether electronically or otherwise) that such offer is exclusively made to the said individuals or legal entities; and
  - (2) a copy of this Information Memorandum and the applicable Pricing Supplement must be submitted to the AFM before the issue date; or

- (v) (for a syndicated issue of Notes) if the following criteria are met:
- (1) the Notes are subscribed for and placed by a syndicate of which at least two members are established in different states that are a party to the Treaty on the EEA; and
  - (2) 60 per cent. or more of the relevant issue amount of Notes issued is placed by syndicate members which are established in one or more states other than The Netherlands; and
  - (3) investors may only acquire the Notes being offered through the intermediary of a credit institution (registered with the Dutch Central Bank) or another financial institution which in the conduct of a business or profession provides one or more of the services described in paragraphs 7 and 8 of the Annex to the Banking Coordination Directive (2000/12/EC);

provided that Olivetti Finance and each relevant Dealer has further represented and agreed that it has not publicly promoted and shall not publicly promote (whether electronically or otherwise) the offer or sale of such Notes by conducting a generalised advertising or cold-calling campaign *anywhere in the world*; or

- (vi) if all Notes pertaining to any particular Series are purchased by one or more Dealers acting as principals, and such Dealers:
- (1) are not incorporated in or acting through a branch office in The Netherlands; and
  - (2) qualify as professional market parties (as described under (iv) above); and
  - (3) offer all such Notes exclusively outside The Netherlands;
- (vii) if any other exemption from the prohibition contained in article 3 paragraph 1 of the Netherlands Securities Act applies or if the AFM has granted an (individual) dispensation from the above prohibition and the conditions attached to such exemption or dispensation are fully complied with.

Provided that in the case of (ii) above:

- (a) Olivetti Finance, the Guarantor and the relevant Dealer or Dealers procure that any advertisement or document in which a forthcoming offering of Notes is publicly announced (whether electronically or otherwise) will be submitted to the AFM prior to publication thereof and will mention the respective dates on which the Information Memorandum and the applicable Pricing Supplement were published and were made available or (as the case may be) will be published and will be made available for inspection at the registered office of the relevant Issuer and at the office of the Fiscal Agent; and
- (b) each relevant Dealer severally represents and agrees that prior to the submission of this Information Memorandum (with the approval of the Competent Authority) and the applicable Pricing Supplement to the AFM and the publication thereof in accordance with (a) above:
  - (i) it has not offered, transferred or sold any Notes and will not, directly or indirectly, offer, transfer or sell any Notes except to individuals or legal entities as referred to in (iv) above; and
  - (ii) either it has not distributed and will not distribute any offering or promotional materials in respect of the Notes (whether electronically or otherwise) or it has complied and will comply with the conditions under (iv)(a) and (b) above;

and each invitation telex and Pricing Supplement in respect of such Notes will set forth the restrictions under (i) and (ii) above; and

- (c) if after the date of this Information Memorandum new relevant facts occur or become known, Section 6 of the Decree on the Securities Market Supervision Act 1995 (*Besluit toezicht effectenverkeer 1995*) will be complied with.



## II Notes issued by Olivetti or Olivetti International Finance

Each Dealer has represented and agreed that it has not, directly or indirectly, offered and it will not, directly or indirectly, offer any Notes (including rights representing an interest in a global Note) issued under the Programme by Olivetti S.p.A. or Olivetti International Finance N.V. in The Netherlands as part of their initial distribution or at any time thereafter, except for Notes with a denomination of at least €50,000 (or its equivalent in any other currency) provided that if any such Notes are issued:

- (a) at a discount, they may only be offered in The Netherlands if their issue price is no less than €50,000 (or its equivalent in any other currency);
- (b) on a partly-paid basis, they may only be offered in The Netherlands if paid-up to at least €50,000 (or its equivalent in any other currency); and
- (c) with a denomination of precisely €50,000 (or its equivalent in any other currency), they may only be offered in The Netherlands on a fully-paid basis and at par or at a premium.

## III Notes issued by any Issuer

In addition and without prejudice to the relevant restrictions set out under I and II above, Zero Coupon Notes (as defined below) in definitive form of any Issuer may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the relevant Issuer or an admitted institution of Euronext Amsterdam N.V., admitted in a function on one or more markets or systems held or operated by Euronext Amsterdam N.V. (*toegelaten instelling*), in accordance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended). No such mediation is required (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (b) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. In the event that the Savings Certificates Act applies, certain identification requirements in relation to the issue and transfer of, and payments on, Zero Coupon Notes have to be complied with and, in addition thereto, if such Zero Coupon Notes in definitive form do not qualify as commercial paper traded between professional borrowers and lenders within the meaning of the agreement of 2 February 1987 attached to the Royal Decree of 11 March 1987 (*Staatscourant 129*) (as amended), each transfer and acceptance should be recorded in a transaction note, including the name and address of each party to the transaction, the nature of the transaction and the details and serial numbers of such Notes. As used herein “**Zero Coupon Notes**” are Notes that are in bearer form and that constitute a claim for a fixed sum against the relevant Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

### Switzerland

Each Dealer has agreed that any issue of Notes denominated in Swiss Francs will be in compliance with the guidelines of the Swiss National Bank regarding issues of Swiss Franc denominated debt securities.

### General

Other than with respect to the listing of the Notes on such stock exchange as may be specified in the Pricing Supplement, no action has been or will be taken in any country or jurisdiction by any of the Issuers, the Guarantor or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Offering Circular or any Pricing Supplement comes are required by the Issuers, the Guarantor and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealer Agreement provides that the obligations of the Dealers in respect of any of the restrictions relating to any specific jurisdiction (set out above) shall be modified to the extent that such restrictions shall, as a result of change(s) in or change(s) in official interpretation of, after the date hereof,

applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph immediately above.

Selling restrictions may be supplemented or modified with the agreement of the relevant Issuer, the Guarantor (if appropriate) and the relevant Dealer(s) (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) of the Issuers, the Guarantor and the Dealers. Any such supplement or modification will be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this Offering Circular.

## GENERAL INFORMATION

### Listing

Application has been made to list Notes issued under the Programme during the period of twelve months from the date hereof on the Luxembourg Stock Exchange and, in connection therewith, the Luxembourg Stock Exchange has allocated the number 12247 to the Programme for listing purposes. In connection with the listing of any Notes, the constitutional documents of the Issuer and the Guarantor and the legal notice relating to the issue will be registered with the Registrar of the District Court in Luxembourg (*Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg*), where copies of these documents may be obtained upon request.

However, Notes may be issued pursuant to the Programme which will not be listed on the Luxembourg Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the Issuer, the Guarantor and the relevant Dealer(s) may agree.

Unlisted bearer Notes may not be issued by Olivetti Finance N.V. without prior dispensation from the Dutch Central Bank.

### Authorisations

The establishment and subsequent updates of the Programme (and the issue of Notes under the Programme) was authorised (in the case of Olivetti International Finance) by a resolution of the Board of Managing Directors of Olivetti International Finance dated 22 July 1999, 4 June 2001 and 10 May 2002 (in the case of Olivetti Finance) by resolutions of the Board of Managing Directors of Olivetti Finance dated 4 June 2001 and 10 May 2002 and (in the case of Olivetti) by a resolution of the Board of Directors of Olivetti dated 30 May 2001 and 26 March 2002. The giving of the guarantee contained in the Deed of Guarantee was authorised by a resolution of the Board of Directors of the Guarantor passed on 30 May 2001 and 26 March 2002. Each of the Issuers and the Guarantor has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the giving of the guarantee relating to them.

### Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Pricing Supplement relating thereto. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

### Litigation

Save as disclosed in this Offering Circular, there are no litigation or arbitration proceedings against or affecting any of the Issuers, the Guarantor, any of their respective Subsidiaries or any of their respective assets or revenues, nor is any Issuer or the Guarantor aware of any pending or threatened proceedings of such kind, which are or might be material in the context of the Programme or the issue of the Notes thereunder.

### No significant change

Save as disclosed in this Offering Circular and since the last day of the financial period in respect of which the most recent audited consolidated financial statements of the Guarantor have been prepared, there has been no adverse change, or any development which will involve an adverse change, in the condition (financial or otherwise) or general affairs of the Guarantor or any of its Subsidiaries that is material in the context of the Programme or the issue of the Notes thereunder. Save as disclosed in this Offering Circular and since the last day of the financial period in respect of which its most recent audited financial statements have been prepared, there has been no adverse change, or any development which will involve an adverse change, in the condition (financial or otherwise) or general affairs of either Olivetti, Olivetti Finance or Olivetti International Finance that is material in the context of the Programme or the issue of the Notes thereunder.

**Documents available for inspection**

For so long as the Programme remains in effect or any Notes shall be outstanding, copies of the following documents may be inspected free of charge during normal business hours at the Specified Offices of the Fiscal Agent and of the Paying Agent in Luxembourg, namely:

- (a) the Agency Agreement;
- (b) the Deed of Guarantee;
- (c) the Deed of Covenant;
- (d) the Dealer Agreement;
- (e) the Programme Manual (which contains the forms of the Notes in global and definitive form); and
- (f) the Pricing Supplement, the Offering Circular and any relevant supplements relating to Notes which are listed on the Luxembourg Stock Exchange are obtainable. In the case of any Notes which are not listed on any stock exchange, copies of the relevant Pricing Supplement and the Offering Circular and any relevant supplements will be obtainable.

**Financial statements available**

For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be obtained during normal business hours at the specified office of the Fiscal Agent and of the Paying Agent in Luxembourg, namely:

- (a) the most recent publicly available audited consolidated and unconsolidated financial statements of each of the Issuers and Guarantor beginning with such financial statements for the year ended 31 December 2001; and
- (b) the most recent publicly available unaudited consolidated and unconsolidated interim financial statements (if any) of each of the Issuers and the Guarantor.

Neither Olivetti Finance nor Olivetti International Finance publishes any interim financial statements. Olivetti publishes quarterly interim financial statements.

**REGISTERED OFFICE OF  
OLIVETTI S.p.A.**  
Via G. Jervis 77  
10015 Ivrea  
(Turin), Italy

**REGISTERED OFFICE OF OLIVETTI  
FINANCE N.V.**  
Strawinskylaan, 1133  
1017 CG Amsterdam  
The Netherlands

**REGISTERED OFFICE OF  
OLIVETTI INTERNATIONAL FINANCE N.V.**  
14 Berg Ararat 1  
PO Box 3889 Curaçao  
Netherlands Antilles

**DEALERS**

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB

**Credit Suisse First Boston (Europe) Limited**  
1 Cabot Square  
London E14 4QJ

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

**J.P. Morgan Securities Ltd.**  
60 Victoria Embankment  
London EC4Y 0JP

**Lehman Brothers International (Europe)**  
One Broadgate  
London EC2M 7HA

**MEDIOBANCA – Banca di Credito  
Finanziario S.p.A.**  
Via Filodrammatici, 10  
20121 Milan

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

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

**FISCAL AGENT**

**JPMorgan Chase Bank**  
Trinity Tower  
9 Thomas More Street  
London E1W 1YT

**PAYING AGENTS**

**J.P. Morgan Bank Luxembourg S.A.**  
5 rue Plaetis  
L-2338 Luxembourg

**JPMorgan Chase Bank**  
Via Catena 4  
20121 Milan

**LEGAL ADVISERS**

To the Issuer as to Netherlands Antilles law:

**Promes Van Doorne**  
PO Box 504, Julianaplein 22  
Willemstad-Curaçao  
Netherlands Antilles

To the Dealers as to English law:

**Clifford Chance  
Limited Liability Partnership**  
200 Aldersgate Street  
London EC1A 4JJ

To the Dealers as to Italian law:

**Grimaldi Clifford Chance**  
Via Saverio Mercadante, 32  
00198 Roma

To the Dealers as to Netherlands law:

**Clifford Chance  
Limited Liability Partnership**  
Droogbak 1a  
1013 GE Amsterdam

**AUDITORS TO OLIVETTI S.p.A.**

**Reconta Ernst & Young S.p.A.**  
Corso Vittorio Emanuele II, 83  
10128 Turin

**AUDITORS TO OLIVETTI FINANCE N.V.**

**Ernst & Young Accountants**  
Drentestraat 20  
1083 HK Amsterdam

**AUDITORS TO OLIVETTI  
INTERNATIONAL FINANCE N.V.**

**Ernst & Young**  
Zeelandia Office Park P.O. Box 3626  
Curaçao  
Netherlands Antilles

**LISTING AGENT**

**Banque Générale du Luxembourg S.A.**  
50 Avenue J. F. Kennedy  
L-2951 Luxembourg



# olivetti