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**Olivetti S.p.A. - File No. 82-5181**

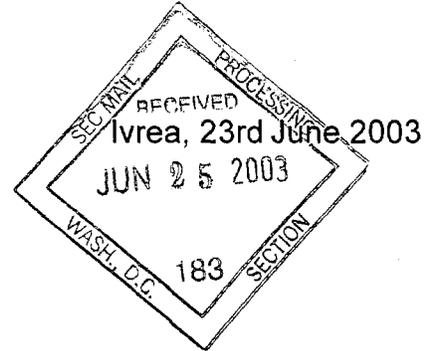


03024092

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549  
U.S.A.

**olivetti**

**SUPPL**



Re: **Olivetti S.p.A.--File No. 82-5181**

Dear Sirs:

Please find enclosed the following documents that are being furnished pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

- Press releases issued by the Company on:

- June 3, 2003
- June 5, 2003
- June 12, 2003
- June 16, 2003
- June 19, 2003



- Offer Document for the Voluntary Partial Tender Offer for shares of Telecom Italia S.p.A..

The file number is indicated in the upper right hand corner of the document.

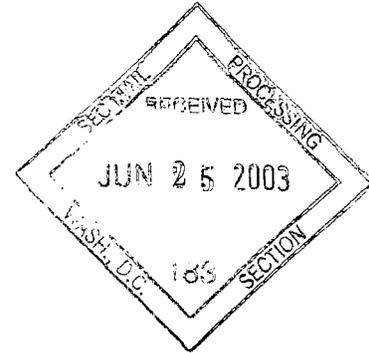
If you have any questions or comments or require further information, please contact Mrs. Paola Christillin (tel. number 125-523916) or myself (Loris Bisone, tel. number 125-523915).

Respectfully submitted

Loris Bisone

(Encls.)

# NOTIZIE PER LA STAMPA NEWS FOR THE PRESS



Ivrea, 3 June 2003

The Board of Statutory Auditors of Olivetti S.p.A., appointed by the Shareholders' Meeting at the ordinary session on 26 May 2003, voted unanimously to name Prof. Ferdinando Superti Furga as Chairman.

**olivetti**

Ufficio Stampa e Comunicazione – Press Office and Communications  
10015 Ivrea (To) - Via Jervis, 77 - Tel. +39-125-522639 - Fax +39-125-526220

# NOTIZIE PER LA STAMPA

## NEWS FOR THE PRESS

*The cash tender offer for a portion of the Telecom Italia ordinary shares described herein is intended to be made available in or into the United States pursuant to an exemption from the tender offer rules available pursuant to the Securities Exchange Act of 1934, as amended.*

*The cash tender offer for a portion of the Telecom Italia savings shares referred to herein is not being made and will not be made, directly or indirectly, in or into the United States and will not be capable of acceptance, directly or indirectly, in or from the United States or by the use of the mails of, or by any means or instrumentality (including, without limitation by mail, telephonically or electronically by way of internet or otherwise) of interstate or foreign commerce, or any facility of any securities exchange, of the United States of America. The cash tender offer for a portion of Telecom Italia savings shares referred to herein will not be capable of acceptance by any such use, means, instrumentality or facility or from within the United States.*

*The information contained herein does not constitute an offer of securities for sale in the United States or offer to acquire securities in the United States. The offer described herein will only be made pursuant to and in compliance with the terms of the offer documents and the accompanying documents.*

*The Olivetti securities to be issued in connection with the Merger referred to herein have not been, and are not intended to be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold, directly or indirectly, into the United States except pursuant to an applicable exemption. The Olivetti ordinary shares and Olivetti savings shares are intended to be made available within the United States in connection with the merger pursuant to an exemption from the registration requirements of the Securities Act.*

### OLIVETTI: DEPOSIT OF COMMUNICATION TO CONSOB IN RELATION TO THE INTENTION TO LAUNCH A VOLUNTARY PARTIAL TENDER OFFER FOR ORDINARY SHARES OF TELECOM ITALIA

**Communication to the market in compliance with article 37, paragraph 2 of CONSOB Regulation no. 11971/1999**

Milan, 5 June 2003

Olivetti announces that the communication required by article 102, paragraph 1 of Legislative Decree no. 58/1998 (the "Communication") regarding Olivetti's intention to launch a voluntary partial tender offer for ordinary shares and American Depositary Shares ("ADSs") representing underlying ordinary shares of its controlled company Telecom Italia (the "Ordinary Share Offer") has been filed with the Italian Commission for Companies and Stock Exchange ("CONSOB"). The Communication also makes reference to Olivetti's intention to launch a voluntary partial tender offer for Telecom Italia's savings shares (the "Savings Share Offer"), which Olivetti is announcing in a separate statement released simultaneously with this statement.

The operation is made in the context of the merger by incorporation of Telecom Italia with and into Olivetti (the "Merger"), as approved by the extraordinary shareholder meetings of the two companies on 24 and 26 May 2003 respectively.

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The operation, as well as having an investment rationale for Olivetti, is intended to provide a means for Telecom Italia shareholders who do not wish to keep their entire holding in the company resulting from the Merger, to liquidate at least a part of their holding in a way similar to Olivetti shareholders, who are entitled to exercise withdrawal rights in compliance with art. 2437 of the Italian Civil Code, as a consequence of the change in the corporate object of Olivetti as resolved on at the same time as the Merger itself.

Olivetti owns 2,891,656,682 Telecom Italia ordinary shares, representing approximately 54.944% of the ordinary share capital of Telecom Italia and approximately 39.525% of the overall share capital. Olivetti does not hold any Telecom Italia savings shares.

### Consideration

The consideration offered (the "Consideration") has been set at Euro 8.010 per Telecom Italia ordinary share. The Consideration has been calculated on the basis of the weighted average of the official prices of the ordinary shares recorded on the stock exchange between 12 March 2003 and 26 May 2003 (date of approval of the merger project by the Olivetti shareholders' meeting) plus a 20% premium.

### Loans and guarantees

A pool of Italian and foreign banks, with J.P. Morgan plc, a company indirectly controlled by JPMorgan Chase Bank, acting as Global Coordinator, has arranged for a bank facility for a maximum total amount of Euro 9,000,000,000 to be available to Olivetti to fund the liquidation of the Olivetti shareholders exercising their withdrawal rights and, for the remaining part, to fund the payment of the aggregate consideration due for the Ordinary Share Offer and the Savings Share Offer.

As a guarantee of fulfilment of the obligation to pay the aggregate consideration, the pool of banks, each for its respective loan amount, will receive from Olivetti irrevocable instructions, on the day of payment, to pay to the coordinator for the collection of the acceptances the amount necessary for payment of the aggregate consideration for the ordinary shares and the savings shares purchased by Olivetti. The coordinator for the collection of the acceptances undertakes, in turn, to solely utilise such amount to pay, in the name and on behalf of Olivetti, the aggregate consideration for the shares tendered in the Ordinary Share Offer and in the Savings Share Offer and purchased by Olivetti.

### Number of shares being acquired in the partial tender offer

The total amount of the funds to be allocated for the Ordinary Share Offer and the Savings Share Offer (the "Maximum Total Amount") will be established by deducting the amount set aside for the payment of the Olivetti shareholders exercising their withdrawal rights from the overall amount of the loan of Euro 9,000,000,000 which Olivetti will receive in relation to the operation. It will, therefore, only be possible to disclose the Maximum Total Amount once the exercise of the withdrawal rights by the shareholders who did not attend the Olivetti shareholders' meeting of 26 May 2003 – such rights expiring on 12 June 2003 – has terminated and, in any case, prior to the date of publication of the Offer Document for the Ordinary Share Offer.

The number of ordinary shares being acquired in the Ordinary Share Offer will be announced, once the Maximum Total Amount has been established, prior to the date of publication of the Offer Document for the Ordinary Share Offer. The Ordinary Share Offer and the Savings Share Offer will

be made for the same percentage of ordinary shares and savings shares (calculated in relation to the total number of shares in each class). In any case, if the number of acceptances of the Ordinary Share Offer does not reach the maximum amount for the respective class of shares, funds not utilized to purchase ordinary shares will be allocated to the purchase of savings shares in the Savings Share Offer, and vice versa, until the Maximum Total Amount is reached. Through this device of "communicating channels", Olivetti intends to ensure that the highest possible number of Telecom Italia shareholders who wish to tender their shares are able to do so.

Therefore, after the application of the "communicating channels" device, the number of shares of a class acquired by Olivetti may exceed the maximum number of shares of such class subject to the offer as initially determined.

If, even after application of the above-mentioned device, the total number of acceptances received are in excess of the Maximum Total Amount, Olivetti will proceed by pro ration.

### Terms and Conditions

The transfer of ownership of the ordinary shares tendered in the Ordinary Share Offer and purchased by Olivetti, even in the case of a possible allotment, will become ineffective if the Merger does not become effective by 31 December 2003. Olivetti will have the right to waive such condition subsequent upon agreement by the banks financing the operation. In any case, Olivetti and Telecom Italia intend to complete the Merger as soon as possible and within the first half of August 2003.

The Ordinary Share Offer does not provide for any minimum number of acceptances.

### Acceptance Period

The Acceptance Period is expected to start in the last ten days of June 2003 and to terminate between 10 July 2003 and 20 July 2003. A detailed time schedule will be negotiated with Borsa Italiana S.p.A. in compliance with current regulations.

### Markets Outside of Italy

The Ordinary Share Offer will be made in or into the United States pursuant to an exemption from the tender offer rules available pursuant to the U.S. Securities Exchange Act of 1934.

The Savings Share Offer is not being, and will not be, made, directly or indirectly, in or into or by use of the mails of or by any means or instrumentality (including, without limitation, the post, facsimile transmission, telex, telephone or e-mail) of interstate or foreign commerce of, or of any facility of, a national securities exchange of the United States, and will not be capable of acceptance by any such use, means, instrumentality or facility or from within the United States.

The concurrent Savings Share Offer is not being made to U.S. Persons (as defined in Regulation S under the U.S. Securities Act of 1933). No offer is being made to acquire ADSs which represent savings shares of Telecom Italia.

The information contained herein does not constitute an offer to purchase or sell Telecom Italia savings shares or Olivetti shares in the United States of America.

The Ordinary Share Offer will be made to all Telecom Italia ordinary shareholders, on the same terms and conditions, but is not launched in any other country outside of Italy or the United States of America in which such launch requires the approval of the local competent authorities or is in violation of any local procedures and regulations.

\* \* \* \* \*

JPMorgan Chase Bank is acting as Financial Advisor to Olivetti for the operation. Other advisors in connection with the public tender offer in Italy are Banca Intesa S.p.A. and UniCredit Banca Mobiliare S.p.A.

The coordinator for the collection of the acceptances is Società per Amministrazioni Fiduciarie "SPAFID" S.p.A.

# NOTIZIE PER LA STAMPA

## NEWS FOR THE PRESS

*The proposed cash tender offer for a portion of the Telecom Italia ordinary shares referred to herein is intended to be made available in or into the United States pursuant to an exemption from the tender offer rules available pursuant to the Securities Exchange Act of 1934, as amended.*

*The proposed cash tender offer for a portion of the Telecom Italia savings shares referred to herein is not being made and will not be made, directly or indirectly, in or into the United States and will not be capable of acceptance, directly or indirectly, in or from the United States or by the use of the mails of, or by any means or instrumentality (including, without limitation by mail, telephonically or electronically by way of internet or otherwise) of interstate or foreign commerce, or any facility of any securities exchange, of the United States of America.*

*The information contained herein does not constitute an offer of securities for sale in the United States or offer to acquire securities in the United States. The offer referred to herein is being made exclusively by means of an offer document and any accompanying and related document.*

*The Olivetti securities referred to herein have not been, and are not intended to be, registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold, directly or indirectly, into the United States except pursuant to an applicable exemption. The Olivetti ordinary shares and Olivetti savings shares are intended to be made available within the United States in connection with the merger pursuant to an exemption from the registration requirements of the Securities Act.*

### OLIVETTI

- **PROVISIONAL FIGURES FOR WITHDRAWALS ARE EQUAL TO APPROXIMATELY 0.12% OF SHARE CAPITAL**
- **CONSEQUENTLY THE TOTAL AMOUNT OF FUNDS FOR THE PUBLIC TENDER OFFER EQUAL APPROXIMATELY EURO 8,989 MILLION**

Ivrea, 12 June 2003

Olivetti said that exercise of withdrawal rights by Olivetti shareholders who did not attend the extraordinary shareholders' meeting of last 26 May expires tonight at 2400 hours. At the meeting, shareholders approved the project for the merger by incorporation of Telecom Italia with and into Olivetti and consequently a company purpose corresponding to that of the merged company, to be adopted upon completion of the merger.

**Based on the declarations received up until 1900 hours today, withdrawal rights have been exercised on Olivetti ordinary shares representing approximately 0.12% of share capital, for a reimbursement amount totalling approximately Euro 11 million.**

Assuming that the final number of shares on which withdrawal rights are exercised confirms the above preliminary figure, **a maximum amount of approximately Euro 8,989 million will be allocated for the public tender offer for Telecom Italia ordinary shares (including those represented by American Depositary Shares) and the public tender offer for Telecom Italia**

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**savings shares**, which were announced in statements released on 5 June. This amount has been determined by deducting the sum set aside for payment of Olivetti shareholders exercising their withdrawal rights from the overall loan of Euro 9,000,000,000 made available to Olivetti in connection with the operation.

The final figures will be announced once the necessary checks have been completed.

# NOTIZIE PER LA STAMPA

## NEWS FOR THE PRESS

*The proposed cash tender offer for a portion of the Telecom Italia ordinary shares referred to herein is intended to be made available in or into the United States pursuant to an exemption from the tender offer rules available pursuant to the Securities Exchange Act of 1934, as amended.*

*The proposed cash tender offer for a portion of the Telecom Italia savings shares referred to herein is not being made and will not be made, directly or indirectly, in or into the United States and will not be capable of acceptance, directly or indirectly, in or from the United States or by the use of the mails of, or by any means or instrumentality (including, without limitation by mail, telephonically or electronically by way of internet or otherwise) of interstate or foreign commerce, or any facility of any securities exchange, of the United States of America.*

*The information contained herein does not constitute an offer of securities for sale in the United States or offer to acquire securities in the United States. The offer referred to herein is being made exclusively by means of an offer document and any accompanying and related document.*

*The Olivetti securities referred to herein have not been, and are not intended to be, registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold, directly or indirectly, into the United States except pursuant to an applicable exemption. The Olivetti ordinary shares and Olivetti savings shares are intended to be made available within the United States in connection with the merger pursuant to an exemption from the registration requirements of the Securities Act.*

### OLIVETTI

- **FINAL FIGURES FOR WITHDRAWALS ARE EQUAL TO 0.12% OF SHARE CAPITAL**
- **CONSEQUENTLY THE TOTAL AMOUNT OF FUNDS FOR THE PUBLIC TENDER OFFER EQUAL EURO 8,989 MILLION**
- **THE PUBLIC TENDER OFFER WILL BE MADE FOR 17.3% OF TELECOM ITALIA ORDINARY SHARE CAPITAL AND 17.3% OF SAVINGS SHARE CAPITAL**

Ivrea, 16 June 2003

Olivetti said that after closure on 12 June 2003 of the period for exercise of withdrawal rights by Olivetti shareholders who did not attend the extraordinary shareholders' meeting of last 26 May (which approved the project for the merger by incorporation of Telecom Italia with and into Olivetti and consequently a company purpose corresponding to that of the merged company, to be adopted upon completion of the merger) and completion of checks on the declarations received from shareholders, **withdrawal rights had been exercised in respect of 10,958,057 Olivetti ordinary shares, representing 0.12% of share capital. The total amount due for reimbursement of withdrawing Olivetti shareholders is therefore Euro 10,940,525.** Withdrawing Olivetti shareholders will be able to receive reimbursement once the merger becomes effective.

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Consequently, a maximum total amount of Euro 8,989,059,475 will be allocated for the public tender offer for Telecom Italia ordinary shares (including those represented by American Depositary Shares) (the "Ordinary Share Offer") and for the public tender offer for Telecom Italia savings shares (the "Savings Share Offer"), which were announced in statements released on 5 June. The amount has been determined by deducting the sum set aside for reimbursement of Olivetti shareholders exercising their withdrawal rights from the overall loan of Euro 9,000,000,000 made available to Olivetti in connection with the operation.

Given this amount and the per-share consideration to be offered (Euro 8.010 per Telecom Italia ordinary share and Euro 4.820 per Telecom Italia savings share), the Ordinary Share Offer will therefore be made for 908,873,776 ordinary shares (including those represented by American Depositary Shares) and the Savings Share Offer will be made for 354,560,274 savings shares. These quantities represent approximately 17.3% of the shares in the respective classes.

In any case, if the number of acceptances of the offer for the shares of a class does not reach the maximum amount, funds not utilised to purchase shares of that class will be allocated to the purchase of shares in the other class, until the maximum total amount is reached. Through this device of "communicating channels" – which could modify the percentage of shares in each class to which the offer applies – Olivetti intends to ensure that the highest possible number of Telecom Italia shareholders who wish to tender their shares are able to do so.

If, even after application of the "communicating channels" device, the total number of acceptances received exceeds the maximum total amount, Olivetti will proceed by pro ration.

CITIZEN S.P.A. - File No. 82-010

# NOTIZIE PER LA STAMPA NEWS FOR THE PRESS

*The proposed cash tender offer for a portion of the Telecom Italia ordinary shares referred to herein is intended to be made available in or into the United States pursuant to an exemption from the tender offer rules available pursuant to the Securities Exchange Act of 1934, as amended.*

*The proposed cash tender offer for a portion of the Telecom Italia savings shares referred to herein is not being made and will not be made, directly or indirectly, in or into the United States and will not be capable of acceptance, directly or indirectly, in or from the United States or by the use of the mails of, or by any means or instrumentality (including, without limitation by mail, telephonically or electronically by way of internet or otherwise) of interstate or foreign commerce, or any facility of any securities exchange, of the United States of America.*

*The information contained herein does not constitute an offer of securities for sale in the United States or offer to acquire securities in the United States. The offer referred to herein is being made exclusively by means of an offer document and any accompanying and related document.*

*The Olivetti securities referred to herein have not been, and are not intended to be, registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold, directly or indirectly, into the United States except pursuant to an applicable exemption. The Olivetti ordinary shares and Olivetti savings shares are intended to be made available within the United States in connection with the merger pursuant to an exemption from the registration requirements of the Securities Act.*

## OLIVETTI PARTIAL VOLUNTARY PUBLIC TENDER OFFER FOR TELECOM ITALIA TO BEGIN ON 23 JUNE

- offer period agreed with Borsa Italiana will close on 18 July
- CONSOB authorises publication of offer document

*Statement released pursuant to article 41 of CONSOB regulation no. 11971/1999*

Ivrea, 19 June 2003

Olivetti said that on 18 June 2003 it had received authorisation from CONSOB, the Italian Stock Exchange Commission, to publish the Offer Document concerning the voluntary Public Tender Offer (the "Offer") that the company intends to launch, as previously announced, for a portion of Telecom Italia shares, specifically 908,873,776 ordinary shares (also represented by American Depositary Shares) and 354,560,274 savings shares, at a consideration of Euro 8.010 per ordinary share and Euro 4.820 per savings share, for a total maximum amount of Euro 8,989,059,475.

The Offer **take-up period** has been agreed with Borsa Italiana as required by law, and will run **from 08.30 (Italian time) on 23 June 2003 to 17.40 (Italian time) on 18 July 2003** inclusive, subject to extension.

The Offer is related to the merger by incorporation of Telecom Italia with and into Olivetti, which was approved by the extraordinary shareholders' meetings of the two companies held on 24 and 26 May 2003 respectively.

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Ufficio Stampa e Comunicazione – Press Office and Communications  
10015 Ivrea (To) - Via Jervis, 77 - Tel. +39-125-522639 - Fax +39-125-526220

**OFFER DOCUMENT**

**VOLUNTARY PARTIAL TENDER OFFER**  
pursuant to Article 102 et seq. of Legislative Decree 58/1998

for ordinary shares  
(including ordinary shares represented by American Depositary Receipts - ADSs)  
and savings shares of

**TELECOM ITALIA S.p.A.**

Offeror

**OLIVETTI S.p.A.**



**Shares subject to the Offer**

The offer is for 908,873,776 ordinary shares (including ordinary shares represented by ADSs)  
and 354,560,274 savings shares of Telecom Italia S.p.A.

In the event that the number of acceptances exceeds the maximum quantity for one class of shares  
but not for the other, the maximum quantity for the first class of shares will be increased,  
as specified in subsection c.1 of this Offer Document.

**Unit consideration offered**

The unit consideration offered is equal to EUR 8.010 for each Telecom Italia S.p.A. ordinary share (EUR 80.10  
for each ADS representing ten ordinary shares) and EUR 4.820 for each Telecom Italia S.p.A. savings share

**Acceptance Period**

The acceptance period, agreed with Borsa Italiana S.p.A., is from 08.30 (Italian time) on 23 June 2003 to  
17.40 (Italian time) on 18 July 2003, inclusive, without prejudice to the right to an extension.

**Financial Advisor to the Offeror**

**JPMorgan Chase Bank**

**Other advisors to the Offeror in relation to the Offer**

**BANCA INTESA S.p.A. UniCredit Banca Mobiliare S.p.A.**

**Intermediary engaged to coordinate the collection of acceptances**

**Società per Amministrazioni Fiduciarie "SPAFID" S.p.A.**

20 June 2003

The filing of the offer document does not imply any judgement on the part of CONSOB with regard to the advisability  
of accepting the offer or to the merit of the data and information contained therein

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## Premise

The transaction described in this offer document (the "**Offer Document**") is a voluntary partial tender offer (the "**Offer**") made in accordance with Article 102 et seq. of Legislative Decree No. 58 of 24 February 1998 (the "**Consolidated Law**") by Olivetti S.p.A. (the "**Offeror**", "**Olivetti**" or the "**Absorbing Company**") for ordinary shares and savings shares issued by its subsidiary Telecom Italia S.p.A. (the "**Issuer**" or "**Telecom Italia**").

The Offer is related to the merger of Telecom Italia into Olivetti (the "**Merger**") approved by the extraordinary shareholders' meetings of the two companies on respectively 24 and 26 May 2003. Subsequently, on 9 June 2003 the special meeting of Telecom Italia's savings shareholders concluded, after taking note of the approval of the merger plan by the extraordinary meeting of the company's shareholders, that the resolution in question did not prejudice the interests of the savings shareholders. Once completed, the Merger will result in: (i) the dissolution of Telecom Italia and the Absorbing Company being the universal successor to all the assets and liabilities and rights and obligations of Telecom Italia; and (ii) the cancellation of Olivetti's interest in Telecom Italia at the date the merger becomes effective and the assignment to the holders of Telecom Italia ordinary and savings shares of respectively ordinary and savings shares newly issued by the Absorbing Company on the basis of assignment ratios corresponding to the exchange ratio fixed at 7 Olivetti ordinary (savings) shares with a par value of EUR 1 each for every Telecom Italia ordinary (savings) share with a par value of EUR 0.55 each, without a cash consideration.

The merger exchange ratio will be implemented primarily through the redistribution of the share capital of the Absorbing Company, accompanied, if necessary, by the issue of as many new shares as may be needed to maintain the share capital of the Absorbing Company at the level of Olivetti's share capital as attested on 15 April 2003, the date on which the merger plan was approved by the boards of directors of Olivetti and Telecom Italia (EUR 8,845,537,520). The redistribution will entail the assignment to both Olivetti and Telecom Italia shareholders of new shares of the Absorbing Company, with a par value of EUR 0.55 each, according to assignment ratios that will be specified in the merger instrument. At the end of the operation, therefore, the shareholders of the companies participating in the Merger will receive shares of the company resulting from the Merger different in number from the number of shares held immediately before the Merger and, as far as Olivetti shareholders are concerned, with a different par value. For more detailed information, reference should be made to the Information Document on the Merger, which is available to the public at the places specified in Section O of this Offer Document.

The effectiveness of the Merger is subject to the admission to trading on the electronic share market ("**MTA**") organized and operated by Borsa Italiana S.p.A. ("**Borsa Italiana**") of the savings shares of the Absorbing Company that will be issued and assigned to the holders of Telecom Italia savings shares for the purpose of the exchange. Application will be made to the New York Stock Exchange for the listing of the ordinary and savings shares of the Absorbing Company in the form of American Depositary Receipts ("**ADSs**") from the date the merger becomes effective, thus maintaining the existing situation with regard to Telecom Italia's ordinary and savings shares. The Merger will not affect the listing of the ordinary shares of the Absorbing Company on the Frankfurt Stock Exchange; application will not be made, instead, for the listing of the savings shares of the Absorbing Company on that exchange.

Contemporaneously with the approval of the Merger, the extraordinary meeting of Olivetti's shareholders agreed, with effect from the date the Merger becomes effective, to the change in the company's corpo-

rate purpose and the adoption of new bylaws that are almost the same as the bylaws of Telecom Italia. As a consequence of the change in Olivetti's corporate purpose, the shareholders of Olivetti who were absent from the meeting or voted against the resolution approving the change have the right to withdraw from the company in accordance with Article 2437 of the Civil Code. In the event this right was exercised for 10,958,057 shares, corresponding to 0.12% of the ordinary share capital.

In addition to having an investment rationale, the Offer is also intended to provide a way for Telecom Italia shareholders who do not wish to keep their holding in the Absorbing Company to liquidate at least part of it, in a similar way to the possibility Olivetti shareholders now have to exercise their *de jure* right of withdrawal.

The Offer, or more exactly the transfer of ownership of the shares tendered and purchased by Olivetti at the end of the proration procedure, if any, will terminate if the Merger does not become effective by 31 December 2003, without prejudice to Olivetti's right to waive this condition (subject to the consent of the Agent Bank, as defined in subsection g.2 and as indicated in subsection c.7). At all events it is the intention of Olivetti and Telecom Italia to complete the Merger as soon as possible and, specifically, in the first half of August 2003.

The total amount allocated to the Offer, equal to EUR 8,989,059,475, was determined by subtracting the amount allocated for the reimbursement of the Olivetti shareholders who exercised their right of withdrawal from the total financing of EUR 9,000,000,000 granted to Olivetti in relation to the operation and described in subsection g.2.

Olivetti intends to rely upon an exemption from the registration requirements under the Securities Act of 1933 with respect to the ordinary shares of the Absorbing Company that will be assigned in exchange to the former ordinary shareholders of Telecom Italia as part of the Merger. The availability of this exemption is subject to a series of conditions, including the requirement that ordinary shareholders in the United States of America (the "**United States**") receive equal treatment with respect to ordinary shareholders in Italy. In compliance with this equal treatment requirement, the Offer for Telecom Italia ordinary shares and for ADSs representing Telecom Italia ordinary shares (the "**Ordinary Offer**") is being made in the United States. The *Ordinary Offer* in the United States will benefit from a specific exemption from the tender offer rules available under the Securities Exchange Act of 1934 and will be made on the same terms and conditions as the Offer for ordinary shares in Italy. The *Ordinary Offer* in the United States will not be subject to prior authorization by the U.S. Securities and Exchange Commission.

The *Ordinary Offer* in the United States is being made on the basis of an English language translation of the Offer Document and letters of transmittal, all relating exclusively to the *Ordinary Offer* (the "**U.S. Ordinary Offer Documents**").

*In contrast with the provisions applicable to the ordinary shares, the exemption from the registration requirements under the Securities Act of 1933 for the savings shares to be assigned in exchange to the savings shareholders of Telecom Italia as part of the Merger does not necessarily imply that a public ten-*

der offer has to be made for savings shares in the United States. The offer for the savings shares of Telecom Italia (the "**Savings Offer**") is not being and will not be made, directly or indirectly, in or into the United States and may not be accepted directly or indirectly, in or from the United States through the facility of a national securities exchange of the United States or by use of the mails of, or by any other means or instrumentality of interstate or foreign communication or commerce of the United States (including, but not limited to, facsimile transmission, telex, e-mail, telephone, the Internet or any other electronic mechanism or medium).

With the exception of the U.S. Ordinary Offer Documents (as defined in subsection c.6), neither this Offer Document, nor the accompanying letter of transmittal (the "**Letter of Transmittal**") nor any other document related to the Offer is being mailed or may be mailed or otherwise forwarded, distributed or sent in, into or from the United States, including to holders of ordinary shares or savings shares (including ordinary shares or savings shares represented by ADSs) with registered addresses in the United States or to persons whom Olivetti or its agent knows to be trustees, nominees or custodians holding Ordinary Shares or Savings Shares (including ordinary shares or savings shares represented by ADSs) for such persons. Persons receiving such documents (including, but not limited to, custodians, nominees and trustees) must not distribute, send or transmit any of them in, into or from the United States through the facility of a national securities exchange of the United States or by use of the mails of, or by any other means or instrumentality of interstate or foreign communication or commerce of the United States (including, but not limited to, facsimile transmission, telex, e-mail, telephone, the Internet or any other electronic mechanism or medium). Doing so may render invalid any purported acceptance of the Offer pursuant to such documents.

The Olivetti securities referred to herein have not been, and are not intended to be, registered under the Securities Act of 1933 and may not be offered or sold, directly or indirectly, in the United States except pursuant to an exemption from the registration requirements applicable under the Securities Act of 1933. Olivetti will be considered a successor registrant with respect to the registration of Telecom Italia's ordinary and savings shares under the Securities Exchange Act of 1934 and will consequently be subject to the requirements applicable to a reporting foreign private issuer under such Act.

## A. Cautions

### a.1 Conditions of effectiveness

The Offer, or more exactly the transfer of the ownership of the shares tendered and purchased by Olivetti at the end of the proration procedure, if any, will cease to be effective if the Date of Effectiveness of the Merger does not fall within the period ending 31 December 2003 (the "**Termination Condition**"), where the "**Date of Effectiveness**" is taken to mean: (i) the day of the last of the registrations of the merger instrument referred to in Article 2504 of the Civil Code or (ii) the later date, if any, on which the effects of the Merger are to come into force, as established in the merger instrument. The foregoing is without prejudice to Olivetti's right to waive the Termination Condition (subject to the consent of the Agent Bank, as defined in subsection g.2 and as indicated in subsection c.7).

Accordingly, without prejudice to the intention of Olivetti and Telecom Italia to complete the Merger as soon as possible and, specifically, in the first half of August 2003, in the event that the Date of Effectiveness does not fall within the period ending 31 December 2003, the shares tendered under the Offer and purchased by Olivetti will be returned to the respective acceptors by 2 January 2004, without the recognition of any consideration and without such acceptors being entitled to any sum in compensation or on any other grounds. The shares will be returned via the Custodians (as defined in subsection c.4).

The effectiveness of the Merger is subject to the adoption by Borsa Italiana of the decision to admit the savings shares Olivetti will issue for the purpose of the exchange to trading on MTA.

The effectiveness of the Offer is not subject, to any minimum number of acceptances. Accordingly, as specified in subsection c.1, valid acceptances complying with the terms of the Offer will be accepted up to the maximum amount specified therein.

### a.2 Transfer of ownership and payment of the consideration

The ownership of the shares tendered under the Offer and purchased by Olivetti will be transferred to the latter on the day of publication of the notice of the results of the Offer referred to in subsection c.5 (the "**Purchase Day**"), which will be within five business days of the close of the Acceptance Period, following the completion of the proration procedure, if any.

*Except where the Termination Condition is fulfilled (and Olivetti has not waived same), the consideration for the shares acquired by Olivetti by means of the Offer will be paid to the acceptors within five business days of the Date of Effectiveness (the "**Payment Day**").*

Between the Purchase Day and the Payment Day or, where the Termination Condition is fulfilled and Olivetti has not waived same (subject to the consent of the Agent Bank, as indicated in subsection c.7), the day on which the shares are returned to the acceptors, the shares tendered under the Offer and acquired by Olivetti will be held in an escrow account in the name of Olivetti with Società per

Amministrazioni Fiduciarie "SPAFID" S.p.A. ("SPAFID") and the Offeror will not be authorized to dispose of them. During such period the property and administrative rights attaching to the shares will pertain to the Offeror.

### **a.3 Statement by Telecom Italia**

The statement prepared by Telecom Italia under Article 103.3 of the Consolidated Law and Article 39 of Consob Regulation 11971/1999, as amended (the "**Consob Regulation**") with the information necessary for an informed assessment of the Offer and the judgement on the same of Telecom Italia's board of directors is reported in Section N.

### **a.4 Residual-acquisition tender offer**

Even if no savings shares were tendered and the entire amount allocated to the Offer were used for the purchase of Telecom Italia ordinary shares in accordance with the Offer, at the end thereof Olivetti would come to hold an interest in Telecom Italia of not more than approximately 76.3% of the share capital. Accordingly, the conditions will not exist for the 90% threshold to be exceeded with the consequent triggering of the obligation to make a residual-acquisition tender offer under Article 108 of the Consolidated Law or for the exercise of the squeeze-out right referred to in Article 111 of the same law.

### **a.5 Rights of savings shareholders in the event of delisting**

Under Article 7 of Telecom Italia's bylaws, "If the Company's ordinary or savings shares are delisted, holders of savings shares may apply to the Company for their conversion into ordinary shares, in the manner approved by an Extraordinary Shareholders' Meeting called for the purpose within two months of the delisting." In view of the maximum number of shares that can be the subject of the Offer, Olivetti considers that the free float remaining at the end of the Offer will be sufficient to permit trading and, therefore, that even if the Offer is taken up in full, the above-mentioned bylaw will not apply.

### **a.6 Detachment of dividend coupon**

The shareholders' meeting of Telecom Italia on 24 May 2003 approved the payment of a dividend equal to EUR 0.1768 per ordinary share and 0.1878 per savings share. The dividend will be paid on 26 June 2003, with detachment of the coupon on 23 June 2003; accordingly, the shares tendered under the Offer will be ex dividend.

## B. Companies participating in the offer

### b.1 The Offeror

#### Corporate name, legal form, registered office and markets on which its shares are listed

The company's full name is "Ing. C. Olivetti & C. Società per Azioni". The company may use its full name or one of the following abbreviated versions: "Ing. C. Olivetti & C., S.p.A." and "Olivetti S.p.A.". Olivetti is a company limited by shares with its registered office at 77 Via Jervis, Ivrea (Turin). Olivetti has financial instruments (ordinary shares, convertible bonds and warrants) listed on MTA. The ordinary shares are also listed on the Frankfurt Stock Exchange.

From the Date of Effectiveness, Olivetti will change its corporate name into "Telecom Italia S.p.A." and its registered office will be transferred to 2 Piazza degli Affari, Milan. The effectiveness of the Merger is subject to the listing on MTA of the savings shares of the Absorbing Company that will be issued and assigned to the holders of Telecom Italia savings shares for the purpose of the exchange. At the end of the Merger the ordinary shares of the Absorbing Company will continue to be listed on MTA. Application will be made to the New York Stock Exchange for the listing of the ordinary and savings shares of the Absorbing Company in the form of ADSs from the Date of Effectiveness, thus maintaining the existing situation with regard to Telecom Italia's ordinary and savings shares. The Merger will not affect the listing of Olivetti's ordinary shares on the Frankfurt Stock Exchange; application will not be made to list the savings shares of the Absorbing Company on that exchange.

The bylaws of the Absorbing Company in force from the Date of Effectiveness is attached to the Merger Information Document, which is available to the public at the places specified in Section O.

#### Governing bodies

The members of Olivetti's board of directors, which was appointed by the ordinary shareholders' meeting of 13 October 2001 (apart from Gian Carlo Rocco di Torrepadula and Paola Pierri, who were appointed by the ordinary shareholders' meeting of 26 May 2003), are as follows:

Name	Place and date of birth	Position
Antonio Tesone*	Ancona – 20 July 1923	Chairman
Marco Tronchetti Provera	Milan – 18 January 1948	Deputy Chairman and CEO
Gilberto Benetton	Treviso – 19 June 1941	Deputy Chairman
Carlo Buora	Milan – 26 May 1946	Managing Director
Lorenzo Caprio*	Milan – 19 November 1957	Director
Giorgio Ciria*	Lanzo d'Intelvi (Como) – 29 February 1940	Director
Pier Luigi Fabrizio*	Siena – 23 April 1948	Director
Cesare Geronzi*	Marino (Rome) – 15 February 1935	Director
Gianni Mion	Vò (Padua) – 6 September 1943	Director
Giampietro Nattino	Rome – 9 June 1935	Director
Paola Pierri	Turin – 25 March 1960	Director
Alberto Pirelli	Milan – 1 July 1954	Director
Gian Carlo Rocco di Torrepadula	Rome – 17 January 1943	Director
Carlo Alessandro Puri Negri	Genoa – 11 July 1952	Director
Alberto Varisco	Nova Milanese (Milan) – 20 October 1940	Director

\* Independent director

All the members of Olivetti's board of directors are domiciled for the purposes of the position at the company's registered office at 77 via Jervis, Ivrea.

Olivetti does not have a General Manager or an Executive Committee. On 13 October 2001 Olivetti's Board set up a remuneration committee and an internal control committee and approved the rules for their functioning.

Olivetti's directors, recognizing that the post-Merger corporate reality will be inherently different from that of Olivetti as it is now, considered it appropriate that the direction of the Company Resulting from the Merger should remain entrusted essentially to the directors of Telecom Italia. Accordingly, deeming that their mandate had come to an end, they resigned with effect from the Date of Effectiveness. On 26 May 2003 Olivetti's shareholders' meeting approved the appointment of a board of directors, to take office on the Date of Effectiveness and to remain in office until the approval of the annual accounts for 2003, exactly reproducing that of Telecom Italia with the sole exception of the exclusion of the representative of the Ministry for the Economy and Finance (since the Minister for the Economy and Finance had declared that Telecom Italia, and in its place the Absorbing Company, which, as a consequence of the Merger, will succeed to all Telecom Italia's legal relationships and assets and liabilities, should amend the clause of the bylaws assigning special powers under Law 474/1994 and, among other things, eliminate the power to appoint a director currently provided for in Telecom Italia's bylaws). The members of the new board are as follows:

Name	Place and date of birth	Position
Marco Tronchetti Provera	Milan - 18 January 1948	Director
Gilberto Benetton	Treviso - 19 June 1941	Director
Carlo Buora	Milan - 26 May 1946	Director
Riccardo Ruggiero	Naples - 26 August 1960	Director
Umberto Colombo*	Livorno - 20 December 1927	Director
Francesco Denozza*	Turin - 5 October 1946	Director
Giovanni Consorte	Chieti - 16 April 1948	Director
Luigi Fausti*	Ancona - 9 March 1929	Director
Guido Ferrarini*	Genoa - 8 August 1950	Director
Natalino Irti*	Avezzano (AQ) - 5 April 1936	Director
Gianni Mion	Vò (Padua) - 6 September 1943	Director
Pietro Modiano	Milan - 3 November 1951	Director
Massimo Moratti	Boscochiesanuova (VR) - 16 May 1945	Director
Carlo Alessandro Puri Negri	Genoa - 11 July 1952	Director
Pier Francesco Saviotti	Alessandria - 16 June 1942	Director

\* Independent director

Olivetti's board of auditors, appointed by the shareholders' meeting of 26 May 2003, is as follows:

Name	Place and date of birth	Position
Ferdinando Superti Furga	Milan - 20 January 1932	Chairman
Gianfranco Zanda	Udine - 4 April 1941	Auditor
Salvatore Spiniello	Siracusa - 26 April 1951	Auditor
Paolo Golia	Verona - 29 July 1944	Auditor
Rosalba Casiraghi	Milan - 17 June 1950	Auditor

The shareholders' meeting of 26 May 2003 also appointed the following alternates: Enrico Laghi, born in Rome on 23 February 1969, and Enrico Maria Bignami, born in Milan on 7 May 1957. All the members of the board of auditors are domiciled for the purposes of the position at Olivetti's registered office at 77 via Jervis, Ivrea.

### Recent performance

On 5 May 2003 Olivetti's board of directors approved the figures for the profits and losses, assets and liabilities and financial position of the company for the first quarter of 2003. The quarterly report is available to the public at the places specified in Section O.

The table below shows the main Olivetti Group figures for the first quarters of 2003 and 2002 and the year ended 31 December 2002.

(in millions of euros)	1st quarter 2003	1st quarter 2002	Year 2002
<b>INCOME STATEMENT DATA</b>			
Sales and service revenues	7,291	7,533	31,408
Gross operating profit	3,308	3,292	14,023
Operating income	1,515	1,391	6,016
Income before taxes	868	1,313	(2,516)
Loss for the period after minority interest	(397)	(187)	(773)
Profit (loss) for the period after minority interest, before depreciation and amortization in respect of Telecom Italia	(70)	136	520
<b>BALANCE SHEET AND FINANCIAL DATA</b>			
	<b>at 31.3.2003</b>		<b>at 31.12.2002</b>
Net financial debt	31,891		33,399
Shareholders' equity	20,659		20,624
Shareholders' equity: Olivetti interest	11,233		11,640
	<b>at 31.3.2003</b>		<b>at 31.12.2002</b>
<b>PERSONNEL</b>	<b>104,379</b>		<b>106,620</b>

With reference to the data shown above, the following should be noted.

The consolidated Group result in the first quarter of 2003 was a loss of EUR 397, an increase of EUR 210 million on that of EUR 187 million recorded in the first quarter of 2002, which saw the inclusion in the accounts of EUR 728 million of capital gains on disposals (Bouygues Decaux Telecom and Lottomatica), with a net effect on the Group result of EUR 243 million. Excluding these amounts, the result for the first quarter of 2003 would have been EUR 33 million better than that of the first quarter of 2002.

The consolidated net financial debt at 31 March 2003 amounted to EUR 31,891 million (of which EUR 16,097 million was in respect of the Telecom Italia Group). This was an improvement of EUR on the end

of 2002 (EUR 33,399 million), to which the Telecom Italia Group contributed EUR 2,039 million, since its cash flows from operations more than covered its investments in the period (EUR 806 million).

Group personnel declined by 2,241 (from 106,620 at 31 December 2002 to 104,379 at 31 March 2003), primarily in connection with the disposal of the industrial assets of Olivetti Tecnost in Mexico (-1,266) and the change in the scope of the consolidation of the Telecom Italia Group (-819).

For further details on the results of the first quarter of 2003, reference should be made to Olivetti's quarterly report.

General indications regarding Olivetti's activity subsequent to the close of the 2002 financial year and events that occurred prior to 5 May 2003 that could materially affect the profits and losses, assets and liabilities and financial position of the company can be derived from the above-mentioned quarterly report, the Merger Information Document and the other documents made available to the public at the places specified in Section O.

On 26 May 2003 the meeting of Olivetti's shareholders approved – *inter alia* – the merger of Telecom Italia into Olivetti and the change in Olivetti's corporate purpose. Following such change, Olivetti shareholders who were absent from the meeting or voted against the resolution approving the change have exercised their right to withdraw from the company in accordance with Article 2437 of the Civil Code for a total of 10,958,057 ordinary shares, corresponding to 0.12% of Olivetti's ordinary share capital.

In addition to what has already been set out in Olivetti's report for the quarter ending on 31 March 2003, it should be noted that following the disposal of the interest in OMS Facility to Pirelli & C. Real Estate a capital gain of around EUR 3 million was booked in April 2003.

Olivetti's net financial debt has increased since 31 March 2003 basically as a consequence of the financial expense that accrued in the period, which includes the commissions for the arrangement of the lines of credit to pay for withdrawals and acceptances of the tender offers and for the refinancing and rescheduling of the debt itself.

#### **Pro forma balance sheet and income statement figures for the company resulting from the Merger**

Annex 2 of this Offer Document contains the reclassified post-merger pro forma figures for the balance sheet and income statement of the company resulting from the Merger for the year ended 31 December 2002, together with the explanatory notes thereto.

The statements in question were drawn up for inclusion in the Information Document for the Merger of Telecom Italia into Olivetti and assumed the withdrawal of 5% of Olivetti's shareholders at a price per share of EUR 0.9996 and a total disbursement of EUR 305 million.

It was also assumed that the maximum total amount for the voluntary partial tender offer (the part of the line of credit of EUR 9 billion remaining after paying for withdrawals, equal to EUR 8,695 million) would all be used to purchase Telecom Italia ordinary and savings shares at a price per share of respectively EUR 7.958 and EUR 4.812.

The determination of the withdrawal price (EUR 0.9984 per Olivetti ordinary share) and the offer price (EUR 8.010 per Telecom Italia ordinary share and EUR 4.820 per Telecom Italia savings share) and the establishment of the number of Olivetti ordinary shares for which the right of withdrawal had been exercised pursuant to Article 2437 of the Civil Code (10,958,057 ordinary shares, corresponding to about 0.12% of the capital) lead to the following changes.

Olivetti Group (in millions of euros)	Original pro-forma (a)	Revised pro-forma (b)	Changes (b-a)
Telecom Italia goodwill	29,119	29,380	+261
Shareholders' equity after minority interest	14,236	14,497	+261
Result for the year after minority interest	(2,511)	(2,524)	+(13)

The changes in the result are due to the amortization of the goodwill arising on consolidation as a consequence of the change in the size of the Offer for Telecom Italia shares in line with the larger volume of credit available and the change in the Offer price with respect to the original assumptions.

The goodwill arising on consolidation and analogously the net financial debt of the Olivetti Group (equal to EUR 43,576 million, unchanged with respect to the original assumptions) will be smaller if the tender offer is not fully taken up by Telecom Italia shareholders, as originally assumed.

## **b.2 The Issuer**

### **Corporate name, legal form, registered office and markets on which its shares are listed**

The corporate name of the Issuer is Telecom Italia S.p.A. Telecom Italia is a company limited by shares with registered office at 2 Piazza degli Affari, Milan, and headquarters at 41 Corso d'Italia 41, Rome.

The ordinary and savings shares of Telecom Italia are listed on MTA and, in the form of ADSs, each of which represents 10 shares, on the New York Stock Exchange.

## **Share capital**

At the date of this Offer Document the share capital of Telecom Italia was fully paid up and amounted to EUR 4,023,833,058.30, divided into 7,316,060,106 shares with a par value of EUR 0.55 each, comprising 5,262,938,081 ordinary shares and 2,053,122,025 savings shares.

In resolutions adopted by the Telecom Italia extraordinary shareholder's meeting on 15 December 1998 (subsequently amended on 10 August 2000 and 3 May 2001) and 12 June 2001, the board of directors was authorized under Article 2443 of the Civil Code to make one or more cash increases in the share capital by issuing ordinary shares for the purposes of incentive plans for strategic human resources that the board of directors itself was to identify from time to time.

In relation to the remaining amount of the increases in capital approved under such authorizations, Telecom Italia's share capital can reach a maximum of EUR 4,099,839,510.80, divided into 7,454,253,656 shares with a par value of EUR 0.55 each, comprising 5,401,131,631 ordinary shares and 2,053,122,025 savings shares.

## **Recent performance and prospects**

On 5 May 2003 Telecom Italia's board of directors approved the figures for the profits and losses, assets and liabilities and financial position of the company for the first quarter of 2003. The quarterly report is available to the public at the places specified in Section O.

The financial statements of the Telecom Italia Group prepared using the layouts of the reclassified balance sheet, income statement and statement of cash flows in the report on operations included in the Annual Report for the year ended 31 December 2002 are set out below, with accompanying notes:

- reclassified consolidated income statements of the Telecom Italia Group for the first quarters of 2003 and 2002 and for the year ended 31 December 2002;
- reclassified consolidated balance sheets of the Telecom Italia Group at 31 March 2003 and 31 December 2002;
- statements of consolidated cash flows and changes in consolidated net financial debt of the Telecom Italia Group for the first quarter of 2003 and 2002 and the year 2002.

Reclassified consolidated income statements of the Telecom Italia Group for the first quarters of 2003 and 2002 and for the year ended 31 December 2002

(millions of euros)	1st quarter 2003	1st quarter 2002	Year 2002
<b>A. SALES AND SERVICE REVENUES</b>	<b>7,125</b>	<b>7,265</b>	<b>30,400</b>
Changes in inventories of work in progress, semi-finished and finished goods	1	-	2
Changes in inventory of contract work in progress	11	26	(42)
Increases in capitalized internal construction costs	145	73	675
Operating grants	3	2	19
<b>B. STANDARD PRODUCTION VALUE</b>	<b>7,285</b>	<b>7,366</b>	<b>31,054</b>
Raw materials and outside services (*)	(2,903)	(2,922)	(12,558)
<b>C. VALUE ADDED</b>	<b>4,382</b>	<b>4,444</b>	<b>18,496</b>
Labour costs (*)	(1,079)	(1,170)	(4,532)
<b>D. GROSS OPERATING PROFIT</b>	<b>3,303</b>	<b>3,274</b>	<b>13,964</b>
Depreciation and amortization	(1,319)	(1,421)	(5,877)
<i>Of which: goodwill</i>	<i>(167)</i>	<i>(216)</i>	<i>(844)</i>
Other valuation adjustments	(75)	(89)	(599)
Provisions to reserves for risks and charges	(33)	(30)	(153)
Net other income (expense)	(10)	(3)	46
<b>E. OPERATING INCOME</b>	<b>1,866</b>	<b>1,731</b>	<b>7,381</b>
Net investment and financial income	(416)	(510)	(2,163)
<i>Of which: value adjustments</i>	<i>(120)</i>	<i>(60)</i>	<i>(682)</i>
<b>F. INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES</b>	<b>1,450</b>	<b>1,221</b>	<b>5,218</b>
Net extraordinary income (expense)	(2)	543	(5,637)
<b>G. INCOME BEFORE TAXES</b>	<b>1,448</b>	<b>1,764</b>	<b>(419)</b>
Income taxes	(703)	(624)	716
<b>H. NET INCOME (LOSS) BEFORE MINORITY INTEREST</b>	<b>745</b>	<b>1,140</b>	<b>297</b>
Minority interest	(242)	(419)	(619)
<b>I. NET INCOME (LOSS): TELECOM ITALIA</b>	<b>503</b>	<b>721</b>	<b>(322)</b>

(\*) Reduced by related cost recoveries.

### Notes to the reclassified consolidated income statements

**Consolidated net income** in the first quarter of 2003 amounted to EUR 503 million (EUR 745 million before minority interest). In the first quarter of 2002 consolidated net income had amounted to EUR 721 million (EUR 1,140 million before minority interest) and had included net capital gains of EUR 339 million in relation to the disposal of investments in Bouygues Decaux Telecom and Lottomatica. Excluding these effects, consolidated net income in the first quarter of 2003 was up by EUR 121 million on that recorded in the first quarter of 2002.

**Sales and service revenues** in the first quarter of 2003 amounted to EUR 7,125 million, down by EUR 140 million (1.9%) on the year-before period. Excluding the negative effects of exchange rate movements (EUR 348 million) and of changes in the scope of the consolidation (EUR 218 million), there was organic growth of EUR 426 million (6.4%). The most important changes in the scope of the consolidation were the exit of the 9Telecom group and of Sogei S.p.A. (included for the first six months of 2002) and that of the Telespazio group (included until 30 September 2002), together with the entry of the Webegg group.

The organic growth in revenues benefited from:

- the significant contribution of the Mobile business unit, revenues of which were boosted by the rise in voice traffic (5%), the expansion in value added services (39%) and the growth in sales of terminals in connection with the increase in MMS services (55%);
- the increase in revenues generated by the South American companies providing wireline and integrated services and in those produced by the Domestic Wireline business unit (up by 1.4% with respect to the first quarter of 2002). Significant in this field was the growth in receipts in the form of basic charges and sales, which more than offset the small overall decrease in traffic (–EUR 7.2 million with respect to the first quarter of 2002), stemming from a reduction in retail traffic and an increase in wholesale traffic;
- the positive contribution of the Internet & Media business unit.

**Gross operating profit** in the first quarter of 2003 amounted to EUR 3,303 million, an increase of EUR 29 million (0.9%) on the first quarter of 2002. Excluding the effects of exchange rate movements and of changes in the scope of the consolidation (totaling EUR 96 million), there was organic growth of EUR 125 million (3.9%).

As a ratio to revenues, gross operating profit rose from 45.1% to 46.4%.

In more detail, the gross operating profit in the first quarter of 2003 was affected by:

- **raw materials and outside services**, which decreased with respect to the year-before period by 0.7% to EUR 2,903 million;
- **labour costs**, which decreased by EUR 91 million (7.8%) with respect to the first quarter of 2002 as a consequence of the change in the scope of the consolidation and the reduction in the number of employees. At 31 March 2003 the personnel of the Group numbered 100,765, compared with 101,765 at 31 December 2002.

**Operating income** amounted to EUR 1,866 million, an increase of EUR 135 million (7.8%) with respect to the first quarter of 2002. In relation to revenues it improved from 23.8% to 26.2%. Excluding the effects of exchange rate movements and of changes in the scope of the consolidation, the increase was 6.4%.

The increase in absolute terms benefited both from the rise in gross operating income and from the movements in the following items:

- **Depreciation and amortization** fell by EUR 102 million, from EUR 1,421 million to EUR 1,319 million, as detailed below:

(millions of euros)	1st quarter 2003 (a)	1st quarter 2002 (b)	Change (a – b)
Fixed assets	875	957	(82)
Intangibles	444	464	(20)
<i>of which: goodwill</i>	<i>167</i>	<i>216</i>	<i>(49)</i>

- **other valuation adjustments** decreased by EUR 14 million, from EUR 89 million to EUR 75 million. They were mainly in respect of receivables from customers and served to bring these into line with their estimated realizable value.

**Net investment and financial income** was negative by EUR 416 million, an improvement of EUR 94 million compared with the first quarter of 2002 that was mainly due to the opposite effects of:

- a reduction in financial expense as a consequence of the fall in the average debt of the Group and favourable exchange rate movements in South America (notably Brazil and Venezuela);
- an increase in net investment costs from 34 EUR in the first quarter of 2002 to EUR 118 million.

**Net extraordinary income (expense)** was negative by EUR 2 million, compared with a positive balance of EUR 543 million in the year-earlier period. The deterioration of EUR 545 million in this item was due to the capital gains recorded on disposals in 2002: Bouygues Decaux Telecom (EUR 484 million) and Lottomatica (EUR 133 million)

**Income taxes** amounted to EUR 703 million, an increase of 79 million compared with the first quarter of 2002, partly owing to the fact that the capital gain on the disposal of the investment in Bouygues Decaux Telecom had no tax effects.

#### Reclassified consolidated balance sheets of the Telecom Italia Group at 31 March 2003 and 31 December 2002

(millions of euros)	At 31.3.2003	At 31.12.2002
<b>A. INTANGIBLES, FIXED ASSETS AND LONG-TERM INVESTMENTS</b>		
Intangible assets	12,792	13,052
Fixed assets	18,748	19,291
Long-term investments:		
equity investments and advances on future capital contributions	1,497	2,286
other	1,006	957
	<b>34,043</b>	<b>35,586</b>
<b>B. WORKING CAPITAL</b>		
Inventories	447	411
Trade accounts receivable	8,047	8,201
Other assets	6,024	6,154
Trade accounts payable	(5,550)	(5,966)
Reserves for risks and charges	(5,127)	(5,214)
Other liabilities	(6,997)	(6,926)
	<b>(3,156)</b>	<b>(3,340)</b>
<b>C. INVESTED CAPITAL, net of operating liabilities (A+B)</b>	<b>30,887</b>	<b>32,246</b>
<b>D. RESERVE FOR EMPLOYEE TERMINATION INDEMNITIES</b>	<b>(1,321)</b>	<b>(1,305)</b>
<b>E. INVESTED CAPITAL, net of operating liabilities and the reserve for employee termination indemnities (C+D)</b>	<b>29,566</b>	<b>30,941</b>
Financed by:		
<b>F. SHAREHOLDERS' EQUITY (*)</b>		
Parent company interest	9,518	9,049
Minority interest	3,969	3,774
	<b>13,487</b>	<b>12,823</b>
<b>G. MEDIUM/LONG-TERM DEBT</b>	<b>14,889</b>	<b>15,018</b>
<b>H. NET SHORT-TERM BORROWINGS</b>		
Short-term borrowings	3,599	5,089
Liquid assets and short-term financial assets	(2,694)	(2,271)
Financial accrued expense (income) and deferred expense (income), net	285	282
	<b>1,190</b>	<b>3,100</b>
<b>(G+H)</b>	<b>16,079</b>	<b>18,118</b>
<b>I. Total (F+G+H)</b>	<b>29,566</b>	<b>30,941</b>

(\*) Net of "Receivables from shareholders for capital contribution".

## Notes to the reclassified balance sheets

**Intangible assets, fixed assets and long-term investments** amounted to EUR 34,043 million, a decrease of EUR 1,543 million compared with the end of 2002.

The reduction in intangible and fixed assets was due to the excess of the charge for depreciation and amortization over investments; that in long-term investments was mainly due to the reclassification among working capital investments (under "Other assets") of the remaining interest in Telekom Austria, since it is to be sold within twelve months.

**Investments** totaled EUR 860 million (EUR 1,227 million in the first quarter of 2002) and were divided as follows:

(millions of euros)	1st quarter 2003 (a)	1st quarter 2002 (b)	Change (a - b)
Industrial investments	697	812	(115)
Goodwill	21	10	11
Financial investments	142	405	(263)

The reduction of EUR 115 million in industrial investments was mainly due to the fall in those of the Mobile business unit (EUR 93 million) and of the South American companies providing wireline and integrated services (EUR 40 million), partly offset by the net rise in those of the other companies (EUR 18 million).

The financial investments of the first quarter of 2003 included the acquisition of the equity interest in Lisit Informatica (EUR 54 million), purchases of treasury stock and other long-term securities (EUR 48 million) and the disbursement of financing to investee companies (EUR 40 million). In the first quarter of 2002 they included the investments in Auna (EUR 192 million, reimbursed on 1 August 2002) and Stream (EUR 113 million), together with purchases of treasury stock and other financial investments (EUR 100 million).

**Working capital** showed a negative balance that decreased by EUR 184 million, from EUR 3,340 million at 31 December 2002 to EUR 3,156 million.

**Shareholders' equity** amounted to EUR 13,487 million, compared with EUR 12,823 million at 31 December 2002. Telecom Italia's interest was EUR 9,518 million (EUR 9,049 million at 31 December 2002) and the minority interest was EUR 3,969 million (EUR 3,774 million at 31 December 2002). The increase of EUR 664 million over the period was due to the result for the quarter (EUR 745 million) net of the dividends accruing to minority interests approved in the quarter (EUR 18 million) and exchange and other differences (EUR 63 million). The exchange differences were mainly due to unfavourable exchange rate movements in some Latin American countries (notably Chile and Bolivia).

**Net financial debt** amounted to EUR 16,079 million, a decrease of EUR 2,039 million compared with the end of 2002.

**Consolidated statements of cash flows and change in net financial debt of the Telecom Italia Group in the first quarter of 2003 and 2002 and in the year ended 31 December 2002**

(millions of euros)	1st quarter 2003	1st quarter 2002	Year 2002
<b>A. NET DEBT AT BEGINNING OF PERIOD</b>	<b>(18,118)</b>	<b>(21,942)</b>	<b>(21,942)</b>
<b>B. CASH FLOWS – OPERATING ACTIVITIES</b>			
Net Income (loss)	745	1,140	297
Depreciation and amortization	1,319	1,421	5,877
(Gains) losses on sales of intangibles, fixed assets and long-term investments	(33)	(620)	(2,210)
Writedowns of intangibles, fixed assets and long-term investments	36	13	4,384
Change in working capital (*)	523	(752)	896
Net change in reserve for employee termination indemnities	11	15	(45)
Foreign exchange gains (losses) and other changes	224	241	691
	<b>2,825</b>	<b>1,458</b>	<b>9,890</b>
<b>C. CASH FLOWS – INVESTING ACTIVITIES</b>			
Long-term investments:	(860)	(1,227)	(6,919)
intangible assets:			
<i>goodwill</i>	(21)	(10)	(369)
<i>other investments</i>	(239)	(212)	(1,584)
fixed assets	(458)	(600)	(3,258)
long-term investments	(142)	(405)	(1,708)
Proceeds from the sale, or redemption value, of intangibles, fixed assets and long-term investments	92	1,076	5,698
	<b>(768)</b>	<b>(151)</b>	<b>(1,221)</b>
<b>D. CASH FLOWS – FINANCING ACTIVITIES</b>			
Capital contributions	-	31	58
Capital grants	-	3	42
	<b>-</b>	<b>34</b>	<b>100</b>
<b>E. DISTRIBUTION OF PROFITS/RESERVES</b>	<b>(18)</b>	<b>(17)</b>	<b>(4,945)</b>
<b>F. CHANGE IN NET FINANCIAL DEBT (B+C+D+E)</b>	<b>2,039</b>	<b>1,324</b>	<b>3,824</b>
<b>G. NET DEBT AT END OF PERIOD (A+F)</b>	<b>(16,079)</b>	<b>(20,618)</b>	<b>(18,118)</b>

(\*) The difference with respect to the reclassified balance sheets is due to the movements in capital grants and the use of the reserves for risks and charges.

## Financial management

**Financial net debt** amounted to EUR 16,079 million at the end of the first quarter of 2003, a decrease of EUR 2,039 million compared with the end of 2002. The change in net debt can be broken down as follows:

(millions of euros)	1st quarter 2003	1st quarter 2002	Year 2002
Increases (decreases) in medium/long-term debt	(129)	2,751	(1,065)
Increases (decreases) in short-term borrowings	(1,910)	(4,075)	(2,759)
<b>Total</b>	<b>(2,039)</b>	<b>(1,324)</b>	<b>(3,824)</b>

The reduction in net financial debt in the first quarter of 2003 benefited not only from the free cash flow from operations of EUR 2,413 million but also from the receipt of the first two instalments of the consideration for the sale of Telekom Srbija (EUR 60 million).

It should also be noted that securitizations brought an improvement of EUR 839 million in net financial debt at 31 March 2003, compared with EUR 826 million at 31 December 2002.

The portion of gross debt due beyond one year rose from 75% at 31 December 2002 to 81% at 31 March 2003. If the current portion due next year (EUR 2,273 million) is also considered as medium/long-term, the percentage rises to 93% (88% at the end of 2002).

The table below shows the composition of the gross financial debt.

(millions of euros)	At 31.03.2003					At 31.12.2002			
	euro	%	Non-euro	%	Total	%	Total	%	
Medium/long-term debt	13,607	83	1,282	63	14,889	81	15,018	75	
Short-term borrowings	2,852	17	747	37	3,599	19	5,089	25	
<b>Total</b>	<b>16,459</b>	<b>100</b>	<b>2,029</b>	<b>100</b>	<b>18,488</b>	<b>100</b>	<b>20,107</b>	<b>100</b>	

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General indications regarding Telecom Italia's activity subsequent to the close of the 2002 financial year and events that occurred prior to 5 May 2003 that could materially affect the profits and losses, assets and liabilities and financial position of the company can be derived from the above-mentioned quarterly report, the Merger Information Document and the other documents made available to the public at the places specified in Section O.

On 24 May 2003 the meeting of Telecom Italia's shareholders approved – inter alia – the merger of Telecom Italia into Olivetti.

On 11 June 2003 the Telecom Italia Group concluded a contract with the consortium comprising BC Partners, CVC Capital Partners, Permira and Investitori Associati for the sale of about 61.5% of the capi-

tal of New SEAT (put/call options with JPMorgan, concluded on the occasion of the Seat/Tin.it merger and subsequently renegotiated as explained in Telecom Italia's annual reports from 2000 onward, exercised by Telecom Italia for a notional amount of 710,777,200 shares, corresponding to about 6.2% of the capital, with an estimated outlay of about EUR 2.3 billion), the company that will run the Directories, Directory Assistance and Business Information businesses once the spin-off from Seat Pagine Gialle is completed. The price agreed is EUR 0.598 per share, based on a valuation of the overall enterprise value of New SEAT equal to about EUR 5.65 billion. The value of the equity interest in question is thus about EUR 3,032,923,166. Taking into account New SEAT's debt upon completion of the spin-off, estimated at about EUR 708 million, the transaction will enable the Telecom Italia Group to reduce the consolidated net debt by about EUR 3.74 billion, in line with the objective set. The completion of the sale is subject to the effectiveness of the Seat Pagine Gialle spin-off, the listing of the shares of New SEAT, scheduled for early August 2003, and the granting of all the required authorizations by the competent antitrust authorities.

In 2003 the operational profitability of the Telecom Italia Group is expected to hold up and its net financial debt to fall further.

Assuming the Merger takes place, it is expected that:

(i) consolidated net financial debt will consist of the debt of the Olivetti Group, which already includes that of Telecom Italia. At the end of 2003, on the basis of current forecasts, there will be an increase in this debt related to the transactions linked to the Merger (withdrawals by Olivetti shareholders and this Offer), which will be partly offset by the cash flows generated both by operations and by disposals of non-core businesses (since the loan of EUR 9 billion was taken out to pay for withdrawals and the Offer consideration and, given the number of actual withdrawals, the forecast increase in consolidated net financial debt at the end of 2003 will depend on the results of the Offer).

(ii) the operating profit of the Group before amortization of the difference arising on consolidation will hold up in 2003.

It is also expected that the net result for 2003 of the company resulting from the Merger will be positive. This will permit a dividend policy whereby Telecom Italia's present shareholders will receive a total dividend at least in line with what they receive today.

#### **Forecasts of the composition of major shareholders and of the control structure of the company resulting from the Merger**

The shareholder composition of the company resulting from the Merger when this is completed will depend on a series of variables and, in particular, by the number of "Olivetti 1.5% 2001-2004 convertible bonds with repayment premium" and "Olivetti 1.5% 2001-2010 convertible bonds with repayment premium" convertible bonds that are converted, the number of "Warrants Olivetti ex Tecnost 1999-2004 ordinary shares" warrants that are exercised, the number of Olivetti stock options that are exercised, and the number of acceptances of the Offer.

The following table summarizes the foreseeable shareholder composition of the company resulting from the Merger for holdings in excess of 2% of the ordinary share capital assuming different take-ups of the Offer, with no conversions of the above-mentioned bonds or exercise of the warrants (apart from those deriving from requests received by 15 June 2003) and no exercise of stock options. The table is based exclusively on information in the Olivetti shareholders' register or disclosed by shareholders pursuant to Article 120 of the Consolidated Law.

Shareholders	% of the ordinary share capital held in the case of no acceptances of the Offer for ordinary shares	% of the ordinary share capital held in the case of maximum acceptances of the Offer for ordinary shares
Olimpia S.p.A.	9.94%	13.27%
Caisse des Depots et Consignations (interest held through CDC Ixis Capital Market)	1.89%	2.53%

At all events, it is foreseeable that no single shareholder will have control of the Company Resulting from the Merger, which will be fully contestable.

**Effects of the merger on shareholders' agreements falling within the scope of Article 122 of the Consolidated Law involving the shares of the companies participating in the merger**

On 22 September 2001 notices were published in the Italian press with extracts from the following share-holders' agreements:

- between Pirelli S.p.A. and Edizione Holding S.p.A. - Edizione Finance International S.A., concluded on 7 August 2001 and subsequently amended;
- between Pirelli S.p.A., Unicredito Italiano S.p.A. and IntesaBCI S.p.A., concluded on 14 September 2001 and subsequently amended.

On 1 March 2003 the content of the preliminary agreement concluded on 21 February 2003 between Pirelli S.p.A., Edizioni Finance International S.A. / Edizioni Holding S.p.A., Banca Intesa S.p.A., Unicredito Italiano S.p.A., Olimpia S.p.A. and Hopa S.p.A. was also published. One of the purposes of the agreement was to allow Hopa S.p.A. to become a shareholder of Olimpia S.p.A.

Extracts of the above-mentioned shareholders' agreements are attached to this Offer Document (Annex I).

The parties to the shareholders' agreements falling within the scope of Article 122 of the Consolidated Law that concern the companies participating in the Merger have not sent any notification concerning the possible effects of the operation on such agreements.

### **b.3 Intermediaries**

SPAFID is the broker appointed to coordinate the collection of the acceptances of the Offer (the "**Collection Coordinator**").

BANCA AKROS S.p.A.; BANCA ALETTI & C. S.p.A. – Gruppo Banco Popolare di Verona e Novara; BANCA INTESA S.p.A.; BANCA LEONARDO S.p.A.; BANCA NAZIONALE DEL LAVORO S.p.A.; BNP Paribas Securities Services – Milan branch; CITIBANK N.A.; EUROMOBILIARE S.I.M. S.p.A.; MCC S.p.A. – Capitalia Gruppo Bancario; MEDIOBANCA – Banca di Credito Finanziario S.p.A.; Mps Finance Banca Mobiliare S.p.A.; RASFIN SIM S.p.A.; SANPAOLO IMI S.p.A. and UniCredit Banca Mobiliare S.p.A. are the intermediaries appointed to collect the acceptances of the Offer (the "**Appointed Intermediaries**").

Copies of this Offer Document and the related Letter of Transmittal are available at the registered offices of the Collection Coordinator and the Appointed Intermediaries. Copies of the documents specified in Section O may also be examined at the registered office of the Collection Coordinator.

The Exchange Agent for the collection of acceptances of the offer for ADSs representing ordinary shares is JPMorgan Chase Bank (the "**Exchange Agent**"), which will perform the tasks specified in subsection c.4.

The U.S. Information Agent is Georgeson Shareholder Communication Inc., 17 State Street, New York, NY 10004 (the "**Information Agent**"), which has been charged with providing the American public with information on the Offer in the United States.

## C. Classes and quantities of subject financial instruments and acceptance procedure

### c.1 Classes and quantities of subject shares

The subject of the Offer is 908,873,776 Telecom Italia ordinary shares (including such represented by ADSs) and 354,560,274 Telecom Italia savings shares.

The number of subject shares has been established on the basis of the total amount allocated to the Offer, equal to EUR 8,989,059,475 (the "Maximum Total Amount"), obtained by subtracting the sum used to reimburse the Olivetti shareholders who exercised their right of withdrawal under Article 2437 of the Civil Code, equal to EUR 10,940,525, from the total financing of EUR 9,000,000,000 described in subsection f.3.

Of the Maximum Total Amount EUR 7,280,078,945.76 is for the purchase of Telecom Italia ordinary shares and EUR 1,708,980,520.68 for the purchase of Telecom Italia savings shares, so that the subject ordinary and savings shares are the same percentage, equal to about 17.3%, of the total number of shares of their respective classes.

Nevertheless, if the acceptances of the Offer fall short of the maximum quantity for one class of shares but exceed it for the other class, the amount not used to buy shares of the first class will be used to buy shares of the second class, and the maximum quantity of shares of the latter class will increase until all the Maximum Total Amount has been used, so as to ensure, by means of this "communicating vessels" mechanism, that the largest number of shareholders wishing to accept the Offer can be satisfied.

Where, even after the application of the above-mentioned communicating-vessels mechanism, the total number of acceptances received exceeds the Maximum Total Amount, the Offeror will prorate them in the way described in Section L.

The table below shows some examples of the number of shares Olivetti will purchase for different levels of acceptances of the Offer.

	Number of tendered shares	Number of tendered shares multiplied by the unit price offered (euros)	Maximum amount for purchases recalculated using the "communicating vessels mechanism" (euros)	Proration percentage	Number of shares purchased by Olivetti under the Offer	Percentage of the total number of shares of each class purchased by Olivetti
Ordinary shares <sup>(1)</sup>	2,365,085,899	18,944,338,050.99	7,280,078,945.76	38.4%	908,873,776	17.3%
Savings shares	1,998,812,525	9,634,276,370.50	1,708,980,520.68	17.7%	354,560,274	17.3%
Ordinary shares <sup>(1)</sup>	2,365,085,899	18,944,338,050.99	8,989,059,472.47	47.4%	1,122,229,647	21.3%
Savings shares	-	-	-	-	-	-
Ordinary shares <sup>(1)</sup>	-	-	-	-	-	-
Savings shares	1,998,812,525	9,634,276,370.50	8,989,059,472.36	93.3%	1,864,950,098	90.8%

(1) The Offer extends to the ADSs representing ordinary shares; accordingly, the acceptances for ordinary shares represented by ADSs will be counted in determining the level of acceptances and the proration percentage.

## **c.2 Percentage of the share capital**

The subject securities represent respectively about 17.3% of the Telecom Italia ordinary shares and 17.3% of the Telecom Italia savings shares. Taken together, the ordinary and savings shares that are the subject of the Offer represent about 17.3% of the Issuer's share capital.

As shown in the example given in subsection c.1, if the mechanism of "communicating vessels" between the two classes of shares is applied, the above percentages will change. The percentages of ordinary and savings shares actually purchased will be announced to the market in a press release and in a notice published in accordance with Article 41.3 of the Consob Regulation, as explained in more detail in subsection c.5.

## **c.3 Authorizations**

The Offer is not subject to prior authorization on the part of any administrative or judicial authority. On 22 May 2003 Telecom Italia informed the Minister for Communications of the proposed Merger. Following the transaction, the company resulting from the Merger will be entered in the Register of Communications Operators and all the notifications provided for by current legislation in order to update the data on the ownership structure of the company and its subsidiaries in licences and authorizations and the records of the above-mentioned Register.

Following the meeting of its board of directors on 11 March 2003, Telecom Italia requested the Minister for the Economy and Finance to decide whether he intended to exercise the special powers provided for in the company's bylaws, including the right to veto the adoption of merger resolutions and amendments to the bylaws that would suppress or alter the clauses providing for the special powers. The Minister for the Economy and Finance informed Telecom Italia that he was of the view that the conditions did not exist for the exercise of the power of veto with respect to the adoption by Telecom Italia's shareholders' meeting of the merger resolution, but indicated that he considered it necessary to maintain some of the special powers currently provided for in Telecom Italia's bylaws in the bylaws of the company resulting from the Merger and established the content of such powers in an ad hoc measure issued, in agreement with the Minister for Productive Activities, on 22 May 2003. The powers in question will be provided for in Article 22 of the bylaws of the Absorbing Company, which will enter into force on the Date of Effectiveness of the Merger. The text of Article 22 is attached to the minutes of the Olivetti shareholders' meeting of 26 May 2003, which are available on the company's website.

## **c.4 Procedure and time limits for accepting the Offer**

The Offer may be accepted on all the business days from 08.30 (Italian time) on 23 June 2003 to 17.40 (Italian time) on 18 July 2003, inclusive, without prejudice to the right to an extension (the "**Acceptance Period**").

Acceptance of the Offer is irrevocable, except as provided for in Article 44.8 of the Consob Regulation, which establishes that acceptances are revocable following the publication of a competing or an increased offer.

Tendered shares must be free from liens and encumbrances of any kind or nature, whether real, mandatory or personal, freely transferable to the Offeror, and must enjoy regular entitlement to dividends. The shares must be dematerialized in accordance with Legislative Decree 213/1998 and regularly entered in a securities account with a custodian (the "**Custodian**").

The Offer can be accepted for ordinary shares in the form of ADSs (from the United States or third countries) only through the Exchange Agent, which can accept exclusively the ADS Letter of Transmittal (as defined in subsection c.6).

Acceptance of the Offer by the owners of shares (or a duly authorized representative thereof) must be through: a) delivery of the Letter of Transmittal, duly filled in and signed, to an Appointed Intermediary and b) the contemporaneous deposit of the tendered shares with such Appointed Intermediary.

If the Custodian is not one of the Appointed Intermediaries, the delivery of the Letter of Transmittal to the Appointed Intermediary and the deposit of the corresponding securities therewith may be carried out by the acceptor through a Custodian, provided the delivery and the deposit are made in time for the latter to carry out the acceptance formalities on behalf of the acceptor within the time limit set for the Offer. The Custodian must sign the Letter of Transmittal in its capacity as the acceptor's agent. In such case the shareholder is exclusively responsible for the risk of the Custodian failing to deliver the Letter of Transmittal to the Appointed Intermediary or deposit the shares therewith within the time limit set for the Offer.

Acceptances by minors or persons entrusted to guardians signed, in accordance with the applicable provisions of law, by the person with parental responsibility or the guardian that are not accompanied by the authorization of the competent judge will be accepted conditionally and counted for the purpose of determining the percentage of acceptances of the Offer only if such authorization is received by the Appointed Intermediary before the end of the Acceptance Period. In such cases the shareholder is exclusively responsible for the risk of the Custodian failing to deliver the Letter of Transmittal to the Appointed Intermediary or deposit the shares therewith within the time limit set for the Offer.

A shareholder intending to accept the Offer for shares purchased on the stock exchange before the end of the Acceptance Period must, if at the date of the acceptance such shares have not yet been recorded in his or her securities account with a Custodian, attach the notice from the broker that made the purchase to the Letter of Transmittal and instruct the same, at the time of settlement, to deposit the shares in question with the Appointed Intermediary. A person who becomes a shareholder through the early exercise of an option with deferred settlement and who is thus unable to deposit the tendered shares together with the Letter of Transmittal, may accept the Offer by attaching to the Letter of Transmittal the notice from the broker that carried out the transaction, as proof of ownership of the shares. In such

cases the shareholder is exclusively responsible for the risk of omissions or delays on the part of the broker that carried out the transaction.

When shareholders accept the Offer and deposit the shares, they must give the Appointed Intermediary and the Custodian a mandate to perform all the formalities necessary for the transfer of the shares to Olivetti, which will bear the related costs.

In view of the dematerialization of shares under Article 81 of Legislative Decree 58/1998, Article 36 of Legislative Decree 213/1998 and the regulation adopted in Consob Resolution 11768/1998, for the purposes of this section, "deposit" shall also mean appropriate instructions given by each acceptor to the broker holding the shares owned in custody (in a securities account) to transfer the same to one or more escrow accounts opened by the Appointed Intermediary for the purposes of the Offer.

The intermediary appointed to collect acceptances for ADSs representing ordinary shares is JPMorgan Chase Bank, in its capacity as Exchange Agent. To accept the Offer for ADSs, holders thereof must deliver to the Exchange Agent the ADS Letter of Transmittal (as defined in subsection c.6) included with the U.S. Ordinary Offer Documents (as defined in subsection c.6), which is available from the Exchange Agent, and contemporaneously deposit the ADSs with the same.

### **c.5 Disclosures concerning the Offer**

Every day during the Acceptance Period the Collection Coordinator will inform Borsa Italiana pursuant to Article 41.2c) of the Consob Regulation of (i) the quantity of shares tendered through the Appointed Intermediaries and (ii) the figures for the ordinary shares represented by ADSs tendered through the Exchange Agent (with reference to the previous day). Not later than the following day Borsa Italiana will announce the figures in a stock exchange notice.

The final results of the Offer will be announced by Olivetti pursuant to Article 41.4 of the Consob Regulation in a notice published in the newspapers specified in Section M not later than the fifth business day following the close of the Acceptance Period. On the day the notice is published Olivetti will acquire ownership of the shares purchased through the Offer. The final results will also be communicated to the market as soon as they become available by means of a press release that will be sent to Consob, Borsa Italiana and two press agencies.

The Payment Day, which will be not later than the fifth business day following the Date of Effectiveness, will also be announced by Olivetti in a notice published in the newspapers specified in Section M not later than the business day following the Date of Effectiveness.

In addition, if the Date of Effectiveness does not fall within the period ending 31 December 2003, not later than 3 January 2004, Olivetti will publish a notice in the newspapers specified in Section M

announcing the fulfilment of the Termination Condition or its waiver of same (subject to the consent of the Agent Bank, as indicated in subsection c.7). The same information will also be communicated to the market as soon as it becomes available by means of a press release that will be sent to Consob, Borsa Italiana and two press agencies.

If Olivetti exercises its right to alter the terms of the Offer under Article 43 of the Consob Regulation, it will inform Consob and the market in the manner provided for in Article 37 of the Consob Regulation and announce the changes in the same way as it announced the Offer.

#### **c.6 The U.S. market and other foreign markets**

This Offer is directed without any distinction and on the same terms to all of Telecom Italia's shareholders, but is not being made in any country outside Italy in which the making of the Offer requires the authorization of the relevant local authorities or violates local rules and regulations. Equally, acceptances coming from countries in which such acceptances violate local rules and regulations will not be considered valid and effective.

Olivetti intends to rely upon an exemption from the registration requirements under the Securities Act of 1933 with respect to ordinary shares of the Absorbing Company that will be assigned in exchange to the former ordinary shareholders of Telecom Italia as part of the Merger. The availability of this exemption is subject to a series of conditions, including the requirement that ordinary shareholders in the United States receive equal treatment with respect to ordinary shareholders in Italy. In compliance with this equal treatment requirement, the Ordinary Offer is being made in the United States. The Ordinary Offer in the United States will benefit from a specific exemption from the tender offer rules available under the Securities Exchange Act of 1934 and will be made on the same terms and conditions as the Offer for ordinary shares in Italy. The Ordinary Offer in the United States will not be subject to prior authorization by the U.S. Securities and Exchange Commission.

The Ordinary Offer is being made through the U.S. Ordinary Offer Documents. The letters of transmittal which are part of the U.S. Ordinary Offer Documents, one for ordinary shares (the "**U.S. Ordinary Letter of Transmittal**") and one for ADSs representing ordinary shares (the "**ADS Letter of Transmittal**"), are referred to herein as the "**U.S. Letters of Transmittal**").

U.S. Persons, as such term is defined in Regulation S under the Securities Act of 1933 and reproduced in the Letter of Transmittal ("**U.S. Persons**") to whom the Ordinary Offer is being made may not use the Letter of Transmittal but must use the U.S. Ordinary Letter of Transmittal or the ADS Letter of Transmittal, as applicable.

Holders of ADSs representing ordinary shares (whether or not they are U.S. Persons) must tender their ADSs in accordance with the ADS procedures set forth in the relevant section of the U.S. Ordinary Offer Documents and use the ADS Letter of Transmittal.

Holders of ADSs representing ordinary shares who have any questions or requests for assistance in completing the forms included in the ADS Letter of Transmittal, or requests for additional copies of the U.S. Ordinary Offer Documents, may direct their questions or requests to the Information Agent or the Exchange Agent.

With the exception of the U.S. Ordinary Offer Documents, neither this Offer Document, nor the accompanying letter of transmittal nor any other document related to the Offer is being mailed or may be mailed or otherwise forwarded, distributed or sent in, into or from the United States, including to holders of ordinary shares or savings shares (including ordinary shares or savings shares represented by ADSs) with registered addresses in the United States or to persons whom Olivetti or its agent knows to be trustees, nominees or custodians holding ordinary shares or savings shares (including ordinary shares or savings shares represented by ADSs) for such persons. Persons receiving such documents (including, but not limited to, custodians, nominees and trustees) must not distribute, send or transmit any of them in, into or from the United States through the facility of a national securities exchange of the United States or by use of the mails of, or by any other means or instrumentality of interstate or foreign communication or commerce of the United States (including, but not limited to, facsimile transmission, telex, e-mail, telephone, the Internet or any other electronic mechanism or medium). Doing so may render invalid any purported acceptance of the Offer pursuant to such documents.

Envelopes containing the Letter of Transmittal should not be postmarked in the United States or otherwise dispatched from the United States and all holders using such Letter of Transmittal must provide addresses outside the United States for the remittance of cash, or the return of certificates for ordinary shares or savings shares and any other document(s).

In contrast with the provisions applicable to the ordinary shares, the exemption from the registration requirements under the Securities Act of 1933 for the savings shares to be assigned in exchange to the savings shareholders of Telecom Italia as part of the Merger does not necessarily imply that a public tender offer has to be made for savings shares in the United States. The Savings Offer is not being and will not be made, directly or indirectly, in or into the United States and may not be accepted directly or indirectly, in or from the United States through the facility of a national securities exchange of the United States or by use of the mails of, or by any other means or instrumentality of interstate or foreign communication or commerce of the United States (including, but not limited to, facsimile transmission, telex, e-mail, telephone, the Internet or any other electronic mechanism or medium).

The Savings Offer is not being made to U.S. Persons. No offer is being made to acquire ADSs which represent Savings Shares.

A holder of savings shares will be deemed not to have accepted the Savings Offer if:

- he does not give the representation and warranty set out in the Letter of Transmittal to the effect, *inter alia*, that (i) he is not a U.S. Person; (ii) he has not received or sent copies or originals of this document, the Letter of Transmittal or any related documents in, into or from the United States and has not otherwise utilized in connection with the Savings Offer, directly or indirectly, the mails of, or any means

or instrumentality (including, without limitation, facsimile transmission, telex, telephone or e-mail) of interstate or foreign commerce or any facility of a national securities exchange of, the United States; (iii) he was outside the United States when the Letter of Transmittal was delivered or signed; (iv) in respect of the Savings Shares to which such Letter of Transmittal relates, he is not an agent or a fiduciary acting on a non-discretionary basis for a principal, unless such agent or fiduciary is an authorized employee of such principal or such principal has given any instructions with respect to the Savings Offer from outside the United States and such principal is not a U.S. Person;

- he has a registered address in the United States;
- he inserts in the Letter of Transmittal the name and address of a person or agent in the United States to whom he wishes the consideration to which he is entitled under the Savings Offer to be sent;
- or in any case, the Letter of Transmittal received from him is received in an envelope postmarked in, or which otherwise appears to Olivetti or its agents to have been sent from or otherwise evidences use of any means or instrumentality of interstate or foreign commerce of the United States.

Olivetti reserves the right, in its sole discretion, to investigate, in relation to any acceptance, whether the Letter of Transmittal could have been sent from outside the United States and whether any representation and warranty set out in the Letter of Transmittal could have been truthfully given and, if any investigation is made, as a result, Olivetti cannot satisfy itself that such representation and warranty was true and correct, such acceptance shall not be valid.

References in the preceding subsection of the document to a holder of savings shares shall include the person or persons executing a Letter of Transmittal with respect to savings shares and, in the event of more than one person executing such a Letter of Transmittal, the provisions of this subsection shall apply to them jointly and to each of them.

The Ordinary Offer extends to the ADSs representing ordinary shares; accordingly, the acceptances for ordinary shares represented by ADSs will be counted in determining the level of acceptances and the proration percentage.

### **c.7 Conditions for the effectiveness of the Offer**

*The effectiveness of the Offer, or more exactly the transfer of the ownership of the shares tendered and purchased by Olivetti at the end of the proration procedure, if any, will terminate if the Date of Effectiveness of the Merger does not fall within the period ending 31 December 2003, without prejudice to Olivetti's right to waive such Termination Condition, subject to the consent of the Agent Bank in accordance with the instructions of the Financing Banks.*

If the Date of Effectiveness does not fall within the period ending 31 December 2003, not later than 3 January 2004 Olivetti will publish a notice in the newspapers specified in Section M announcing the fulfilment of the Termination Condition or its waiver of same (subject to the consent of the Agent Bank, as indicated in the previous paragraph). The same information will also be communicated to the market as

soon as it becomes available by means of a press release that will be sent to Consob, Borsa Italiana and two press agencies.

Accordingly, without prejudice to the intention of Olivetti and Telecom Italia to complete the Merger as soon as possible and, specifically, in the first half of August 2003, in the event that the Termination Condition is fulfilled (and Olivetti does not waive the same with the consent of the Agent Bank, as indicated above), the shares tendered under the Offer and purchased by Olivetti will be returned to the respective acceptors through the Custodians by 2 January 2004.

The effectiveness of the Merger is subject to the adoption by Borsa Italiana of the decision to admit the savings shares that the Absorbing Company will issue for the purpose of the exchange of the Telecom Italia savings shares to trading on MTA.

The effectiveness of the Offer is not subject, to any minimum number of acceptances. Accordingly, as specified in subsection c.1, valid acceptances complying with the terms of the Offer will be accepted up to the maximum amount specified therein.

#### **c.8 Transfer of the shares purchased by means of the Offer**

The ownership of the shares tendered under the Offer and purchased by Olivetti will be transferred to the latter on the Purchase Day, which will coincide with the day the results of the Offer are published and be within five business days of the close of the Acceptance Period.

As specified in subsection f.1, except in the case in which the Termination Condition is fulfilled (and provided always that Olivetti has not waived same, subject to the consent of the Agent Bank, as specified in subsection c.7), the consideration for the shares purchased by Olivetti under the Offer will be paid to acceptors on the Payment Day, which will be within five business days of the Date of Effectiveness and will be announced in a notice published in the newspapers specified in Section M not later than the business day following the Date of Effectiveness.

Between the Purchase Day and the Payment Day (or, where the Termination Condition is fulfilled and Olivetti has not waived same, as indicated in subsection c.7), the day on which the shares are returned to the acceptors) the shares purchased by Olivetti under the Offer will be held in an escrow account in the name of Olivetti with SPAFID and the Offeror will not be authorized to dispose of them. During such period the property and administrative rights attaching to the shares will pertain to the Offeror.

## **D. Number of Telecom Italia financial instruments held by Olivetti, including those held by trustees, nominees and subsidiaries**

### **d.1 Number and classes of Telecom Italia shares held direct or indirectly by Olivetti**

Olivetti owns 2,891,656,682 Telecom Italia ordinary shares, corresponding to 54.944% of Telecom Italia's ordinary share capital and to 39.525% of its total share capital. Olivetti does not hold and may not exercise the voting rights of any Telecom Italia ordinary shares other than those specified above.

In addition, Telecom Italia holds 6,195,500 treasury shares. The interest held directly by Olivetti accordingly amounts to 55.009% of Telecom Italia's ordinary share capital net of treasury shares. Lastly, Telecom Italia holds 54,309,500 treasury savings shares, corresponding to 2.645% of the savings share capital.

Olivetti does not hold any other financial instruments issued by Telecom Italia.

### **d.2 Repo, usufruct and pledge transactions involving Telecom Italia shares concluded directly or indirectly by Olivetti**

Olivetti has not concluded any repo, usufruct or pledge contracts or entered into any other commitments involving Telecom Italia shares.

## E. Price per share and the justification thereof

### e.1 Indication of the price per share and its justification

The price per share offered by Olivetti (the "Unit Price") – calculated by adding a premium of 20% to the weighted average of the official stock exchange prices in the period from 12 March 2003 to 26 May 2003 (date on which Olivetti's extraordinary shareholders' meeting approved the merger plan) inclusive – is equal to EUR 8.010 for each Telecom Italia ordinary share and to EUR 4.820 for each Telecom Italia savings share. The price per ADS, representing 10 Telecom Italia ordinary shares, will be the dollar equivalent of EUR 80.10.

### e.2 Comparison between the Unit Price and Telecom Italia indicators for the last two years

The following table shows some income statement and balance sheet indicators of the Telecom Italia Group for the years ended 31 December 2001 and 31 December 2002.

Amounts in euros	2002	2001
Total dividend approved by Telecom Italia:		
per ordinary share	0.3125	0.3125
per savings share	0.3235	0.3237
Consolidated net income (loss) on ordinary operations after minority interest <sup>(1)</sup> :		
per ordinary share	0.1709	0.0602
per savings share	0.1819	0.0712
Consolidated net income (loss) after minority interest:		
per ordinary share	(0.0474)	(0.2858)
per savings share	(0.0364)	(0.2748)
Consolidated cash flow per share <sup>(2)</sup>	0.8498	0.6312
Consolidated shareholders' equity after minority interest, per share <sup>(3)</sup>	1.2455	1.8486
Number of shares considered:		
Ordinary	5,257,628,131	5,261,533,481
<i>net of treasury shares</i>	<i>5,280,500</i>	<i>-</i>
Savings	2,007,475,025	2,053,122,025
<i>net of treasury shares</i>	<i>45,647,000</i>	<i>-</i>

(1) Consolidated net income (loss) on ordinary operations after minority interest, per share, calculated on the basis of the result for operations after minority interest net of the related taxes (determined using the tax rate applicable in each year) and the number of ordinary and savings shares outstanding at the end of the year. In making the calculation, account was taken of the bylaw requiring the dividend per share for savings shares to be higher than that for ordinary shares by 2% of the share's par value (EUR 0.0110).

(2) Consolidated net income (loss) before minority interest plus depreciation and amortization.

(3) Net of "Receivables from shareholders for capital contributions", equal to EUR 4 million in 2002 and EUR 1 million in 2001.

The consideration offered by Olivetti corresponds to a valuation of Telecom Italia at multiples which are in line with or higher than the average multiples for comparable European companies, as can be seen from the table below.

	Firm value / EBITDA		Equity value / Cash earnings <sup>(1)</sup>	
	2001	2002	2001	2002
Telecom Italia (at the Offer prices)	6.4 x	6.3 x	5.3 x	5.0 x
BT Group	4.6 x	4.6 x	4.3 x	2.6 x
France Télécom	8.4 x	6.9 x	4.0 x	5.2 x
Deutsche Telekom	7.7 x	7.1 x	4.6 x	5.1 x
Telefónica	5.9 x	6.4 x	5.0 x	3.4 x
European operators <sup>(2)</sup>	6.6 x	6.3 x	4.4 x	4.1 x

(1) Net income after minority interest plus depreciation and amortization, plus/minus extraordinary items (in the case of Telecom Italia, includes value adjustments of financial assets and deferred taxes).

(2) Average calculated with reference to the following sample: BT Group, France Télécom, Deutsche Telekom and Telefónica.

Source: Datastream prices; annual and interim accounts.

The multiples considered in the table (Firm value / EBITDA and Equity value / Cash earnings) are commonly used in the telecommunications sector. They have been preferred to others, such as Price / Earnings, Price / Cash flow and Price / Book value. Applying the latter would have led to results of little significance, since for some of the companies in the sample the values would have been negative and they would in any case have been distributed over an excessively broad range.

### e.3 Weighted averages of stock exchange prices

The following table shows, for each of the twelve months preceding the Offer, the monthly volume-weighted averages of the official prices on MTA of the Telecom Italia ordinary and savings shares.

Month	Ordinary shares	Savings shares
June 2002	7.836	5.175
July 2002	7.808	5.118
August 2002	7.984	5.296
September 2002	7.565	5.039
October 2002	7.496	5.021
November 2002	8.009	5.272
December 2002	7.543	5.062
January 2003	7.189	4.636
February 2003	6.719	4.515
March 2003	6.010	3.746
April 2003	7.034	4.208
May 2003	7.488	4.489

Source: Bloomberg.

The weighted averages of the official prices on MTA of the Telecom Italia shares in the first 15 days of June were EUR 7.753 per ordinary share and EUR 4.700 per savings share (source: Bloomberg).

#### **e.4 Values assigned to the Telecom Italia shares on the occasion of financial transactions carried out in the last two financial years**

The criteria adopted to value the Telecom Italia shares to establish the exchange ratio for the Merger are set out in detail in the Merger Information Document, which is available to the public at the places specified in Section O.

In order to determine the exchange ratio, the boards of directors of Olivetti and Telecom Italia proceeded in accordance with the best valuation methods and practices, taking into special account the nature of the two companies and the sector to which most of their activities refer.

Since the sole purpose of merger valuations is to determine values that permit significant comparison, the methods used in the context of such valuations and the results obtained may differ from those of valuations having a different purpose.

In the valuation procedure followed, Olivetti's board of directors was in agreement with both the methods adopted and the conclusions reached by its financial advisor, JPMorgan Chase Bank. Analogously, Telecom Italia's board of directors was in agreement with both the methods adopted and the conclusions reached by its financial advisors, Goldman Sachs SIM S.p.A. and Lazard & Co. S.r.l.

More specifically, the board of directors of Olivetti chose the sum-of-the-parts method as the fundamental method for valuing Telecom Italia and net asset value method (broadly equivalent to the sum-of-the-parts method) as the fundamental method for valuing Olivetti.

As regards Telecom Italia's individual activities, in view of the complexity and extensiveness of the structure of the Telecom Italia Group and the many areas in which it operates, Olivetti's board of directors considered it advisable to value the main assets using principally the discounted cash flow method, while the remaining assets, which are of limited importance for the overall valuation, were valued on the basis of stock market prices, for companies listed on regulated markets, and/or market multiples, with reference made for testing and control purposes to balance sheet values and the values published in analysts' research reports on such assets, where available.

The table below summarizes the range of the estimated values of the shares of the companies participating in the Merger identified by Olivetti's board of directors for the purpose of determining the exchange ratio.

<b>(in euros)</b>	<b>Minimum</b>	<b>Mean</b>	<b>Maximum</b>
Telecom Italia ordinary share	8.1	8.6	9.1
Telecom Italia savings share	5.4	5.8	6.1
Olivetti ordinary share	1.13	1.26	1.39
Olivetti savings share	0.76	0.84	0.93

The table below summarizes the range of the estimates of the exchange ratio calculated, with the methods and application criteria described, as the ratio of the estimated value of the Telecom Italia ordinary and shares to the estimated value of the corresponding Olivetti shares.

	Minimum	Mean	Maximum
Olivetti ordinary share per Telecom Italia ordinary share	6.6	6.9	7.2
Olivetti savings share per Telecom Italia savings share	6.6	6.9	7.2

In order to verify the accuracy of the exchange ratio obtained in the manner described above, Olivetti's board of directors carried out a further check using the stock market prices method. The following table shows the minimum, mean and maximum values of the average exchange ratio (number of Olivetti ordinary shares per Telecom Italia ordinary share) expressed by the stock market in different periods preceding 7 March 2003 (inclusive).

	Minimum	Mean	Maximum
Olivetti ordinary share per Telecom Italia ordinary share	6.7	6.9	7.1

To value Olivetti and Telecom Italia, the board of directors of Telecom Italia chose, with an equal level of significance for the purposes of the valuation procedure, to use relative stock market prices as its principal method and the sum of parts method for control purposes.

In applying the sum of parts method, in view of the complexity of the corporate structure of the Telecom Italia Group and the many areas in which it operates, the main assets were valued using the discounted cash flow method. The remaining assets and liabilities were valued on a case-by-case basis mainly with reference to their book or market value, in view of their limited importance in the overall valuation of Telecom Italia.

The table below shows the values per ordinary share obtained by the board of directors of Telecom Italia using the sum of parts method.

	Value
Telecom Italia ordinary share (euros)	8.8
Olivetti ordinary share (euros)	1.27

The table below shows the exchange ratios deriving from the application of the valuation methods used by the board of directors of Telecom Italia.

Method	Exchange ratio
Stock market prices	
7 March 2003	6.7
Weighted averages:	
1 month	7.0
3 months	6.9
6 months	7.1
12 months	6.9
<b>Sum of parts (average value)</b>	<b>6.9</b>

Under the plan to buy back the company's shares approved by Telecom Italia's ordinary shareholders' meeting on 7 November 2001, by 7 May 2003, the expiration date of the authorization, Telecom Italia had bought back 54,309,500 savings shares at an average price of EUR 5.24 per share (for a total consideration of about EUR 285 million) and 6,195,500 ordinary shares at an average price of EUR 8.00 per share (for a total consideration of about EUR 50 million).

Publicly available information reveals that on 9 December 2002 the Italian Ministry for the Economy and Finance sold 182,085,456 Telecom Italia ordinary shares (corresponding to about 3.5% of the ordinary share capital) at a price of EUR 7.50 per share and 13,477,353 savings shares (corresponding to about 0.7% of the savings share capital) at a price of EUR 5.08 per share. The transaction settled on 12 December 2002.

#### **e.5 Values assigned to the Telecom Italia shares in sales and purchases made by Olivetti in the last two financial years**

In neither 2002 nor 2003 did Olivetti buy or sell any Telecom Italia ordinary or savings shares, except for a block trade on 16 May 2002 in which Olivetti Finance NV, a wholly-owned subsidiary, sold 41,401,250 Telecom Italia ordinary shares to its parent company, Olivetti, at a price per share of EUR 8.904 for a total consideration of EUR 368,636,730.

Exclusively in 2002 Olivetti, through its subsidiaries *Olivetti International SA* and *Olivetti Finance NV*, concluded put and call options on Telecom Italia ordinary shares on the OTC market involving a total of about 60 million Telecom Italia ordinary shares. With the exception of a call-and-spread option with strike prices EUR 9.20-10.20 serving to hedge the bond issue described below, the average maturity of the options was less than one month.

On 29 July 2002 Olivetti Finance NV issued guaranteed by Olivetti. The bonds mature on 19 March 2004 and are convertible into Telecom Italia ordinary shares at a price of EUR 9.30 per share, with a conversion premium of about 17% with respect to the market value of Telecom Italia ordinary shares on the day the issue was made. The issue closed with a total value of about EUR 350 million, but Olivetti subsequently exercised its right to re-open it, taking the total amount to about EUR 385 million and the number of conversion shares to 41,400,000.

## **F. Date and manner of payment of the consideration and performance guarantees**

### **f.1 Payment Date**

Except in the case in which the Termination Condition is fulfilled (and provided always that Olivetti does not waive same, subject to the consent of the Agent Bank in accordance with the instructions of the Financing Banks), payment for the shares acquired by Olivetti under the Offer will be made within five business days of the Date of Effectiveness.

The Payment Date will be announced by Olivetti in a notice published in the newspapers specified in Section M not later than the business day following the Date of Effectiveness.

### **f.2 Manner of payment**

Payment for the shares will be made via the Collection Coordinator to the Appointed Intermediaries, which will transfer the cash to the Custodians for it to be credited on the accounts of those of their customers who accepted the Offer, in accordance with the instructions they gave when they imparted the order to sell.

### **f.3 Performance guarantees**

As described in more detail in subsection g.2, a pool of Italian and foreign banks, with the role of Global Coordinator played by J.P. Morgan plc, a company indirectly controlled by JPMorgan Chase Bank (Olivetti's financial advisor for the Operation) has made an EUR 9,000,000,000 line of credit available to Olivetti. Of the total amount, EUR 10,940,525 will be used to pay the Olivetti shareholders who exercised their right of withdrawal under Article 2437 of the Civil Code and the remaining EUR 8,989,059,475 is earmarked to guarantee the payment of the consideration due to the acceptors of the Offer.

In order to guarantee performance of the obligation to pay the consideration in the manner and within the time limits established in this Offer Document, the Financing Banks (as specified in subsection g.2), each for its share of the loan, have received and accepted irrevocable instructions from Olivetti to disburse to SPAFID on the Payment Day the amount needed to pay the consideration for the shares tendered under the Offer and purchased by the Offeror, up to the amount available of EUR 8,989,059,475. In turn, SPAFID has undertaken to use the such amount exclusively for the purpose of paying, in the name and on behalf of Olivetti, the consideration for the shares tendered under the Offer and purchased by the Offeror.

The effectiveness of the irrevocable instructions accepted by the Financing Banks is subject to the non-fulfilment or waiver (subject to the consent of the Agent Bank, as indicated in subsection c.7) of the Termination Condition.

## **G. Reasons for the Offer and future plans of the purchaser**

### **g.1 Legal basis of the Offer**

The operation described in this Offer Document is a voluntary partial tender offer for ordinary shares and savings shares of Telecom Italia being made by Olivetti pursuant to the applicable provisions of Chapter II, Title II, Part IV of the Consolidated Law and Chapter I, Title II, Part II of the Consob Regulation.

### **g.2 Reasons for the Offer and manner of financing it**

The Offer is related to the merger of Telecom Italia into Olivetti approved by the extraordinary shareholders' meetings of the two companies on respectively 24 and 26 May 2003.

The Offer, in addition to having an investment rationale for the Offeror, is also intended to provide a way for Telecom Italia shareholders who do not wish to keep their holding in the Absorbing Company to liquidate at least part of it, in a similar way to the possibility for Olivetti shareholders to exercise their de jure right of withdrawal in accordance with Article 2437 of the Civil Code.

On 24 April 2003 Olivetti concluded a contract, governed by English law, for a loan of up to a maximum of EUR 9,000,000,000 with a pool of Italian and foreign banks (the "**Financing Banks**"), with the role of Global Coordinator being played by J.P. Morgan plc and that of agent bank by J.P. Morgan Europe Limited (the "**Agent Bank**"). The loan will be disbursed in three tranches with maturities of respectively 12, 18 and 24 months (the maturities of the first two tranches can be extended by 6 months and that of the third tranche by 12 months). The loan will be used by Olivetti to pay the Olivetti shareholders who exercised their right of withdrawal under Article 2437 of the Civil Code and, for the part remaining, equal to EUR 8,989,059,475, to finance the Offer. The loan is not backed by a pledge or any other form of real security.

### **g.3 The Offeror's plans for the Issuer**

The Offer is related to the merger of Telecom Italia into Olivetti approved by the extraordinary shareholders' meetings of the two companies on respectively 24 and 26 May 2003. Once completed, the Merger will result in the assignment to the holders of Telecom Italia ordinary and savings shares of respectively ordinary and savings shares newly issued by the Absorbing Company on the basis of assignment ratios corresponding to the exchange ratio fixed at 7 Olivetti ordinary (savings) shares with a par value of EUR 1 each for every Telecom Italia ordinary (savings) share with a par value of EUR 0.55 each, without a cash consideration.

The effectiveness of the Merger is subject to the admission to trading on MTA of the savings shares of the Absorbing Company that will be issued and assigned to the holders of Telecom Italia savings shares for the purpose of the exchange. At the end of the Merger the ordinary shares of the Absorbing Company will continue to be listed on MTA. Application will be made to the New York Stock Exchange for the

listing of the ordinary and savings shares of the Absorbing Company in the form of ADSs from the date the merger becomes effective, thus maintaining the existing situation with regard to Telecom Italia's ordinary and savings shares. The Merger will not affect the listing of Olivetti's ordinary shares on the Frankfurt Stock Exchange; application will not be made to list of the savings shares of the Absorbing Company on that exchange.

As regards operations, the objectives of the Absorbing Company basically coincide with those of Telecom Italia approved by its board of directors on 13 February 2003. In turn, these confirm the guidelines and objectives of Telecom Italia's business plan for 2002-2004. Following the Merger the company resulting from the Merger will continue to implement the strategies pursued to date by Olivetti and Telecom Italia, above all with the aim of creating value by putting to good use the Group's assets and distinctive skills and by strengthening the financial structure in order to sustain growth. More details on the operating objectives of the Absorbing Company can be found in the Merger Information Document and the other documents made available to the public at the places specified in Section O.

## **H. Agreements between the Offeror and shareholders or directors of the Issuer of the subject securities**

### **h.1 Agreements between the Offeror and the Issuer or shareholders and/or directors of the Issuer**

Olivetti has majority control of Telecom Italia. Apart from the procedure for the Merger, of which the Offer is a part, there are no agreements between the Offeror and the Issuer or shareholders and/or directors of the Issuer that are material in relation to the Offer.

### **h.2 Financial and/or commercial transactions in the twelve months preceding the publication of the Offer between the Offeror and the Issuer having material effects on the Issuer's activity**

There were no financial or commercial transactions in the twelve months preceding the publication of the Offer between Olivetti and Telecom Italia capable of producing material effects on the latter's activity.

### **h.3 Agreements between the Offeror and shareholders of the Issuer concerning the exercise of voting rights or the transfer of shares**

There are no agreements between Olivetti and shareholders of Telecom Italia concerning the exercise of voting rights or the transfer of subject shares.

### **h.4 Shareholders' agreements falling within the scope of Article 122 of the Consolidated Law involving shares of the companies participating in the Merger**

The shareholders' agreements falling within the scope of Article 122 of the Consolidated Law are indicated in subsection b.2). Extracts of these agreements are attached to this Offer Document (Annex 1).

## **I. Compensation of the intermediaries**

Olivetti will recognize and pay the Appointed Intermediaries, as fees, inclusive of all other compensation of any kind for their services:

- a) a fee equal to 0.15% of the value of the shares tendered under the Offer and acquired by Olivetti (and not returned to the acceptors), directly through them or indirectly via the Custodians which delivered such shares to them, with a maximum of EUR 10,000.00 per acceptor;
- b) a fixed fee equal to EUR 5.00 for each acceptor of the Offer, to be paid even if the Offer is withdrawn.

The Appointed Intermediaries will pay the Custodians 50% of the fee based on the quantity of shares tendered through them, as specified in subparagraph a), and the entire amount of the fixed fee for the letters of transmittal delivered through them.

As regards the coordination of the collection of the letters of transmittal, Olivetti will pay SPAFID an amount equal to 0.02% of the value of the shares tendered under the Offer and acquired by Olivetti (and not returned to the acceptors), with a minimum of EUR 200,000 and a maximum of EUR 1,800,000.

## L. Proration

As specified in subsection c.1), the Offer is for up to 908,873,776 Telecom Italia ordinary shares (including such represented by ADSs) and up to 354,560,274 Telecom Italia savings shares. Nevertheless, if the acceptances of the Offer fall short of the maximum quantity for one class of shares but exceed it for the other class, the amount not used to buy shares of the first class will be used to buy shares of the second class, and the maximum quantity of shares of the latter class will be increased until the entire Maximum Total Amount has been used, so as to ensure, by means of this "communicating vessels" mechanism, that the largest number of shareholders wishing to accept the Offer can be satisfied.

If the number of shares tendered of one or both classes exceeds the maximum amount of the Offer, even after the application of the "communicating vessels" mechanism referred to above, Olivetti will prorate the acceptances. The proration percentage will be determined based on the ratio of the maximum quantity of shares sought in the Offer (adjusted, where appropriate, to take account of the application of the "communicating vessels" mechanism) to the total number of shares tendered.

Any shares not acquired by Olivetti following proration will be returned to acceptors at no cost to them not later than the fourth business day following the close of the Acceptance Period, in time for the settlement of the stock market transactions to be settled on that day.

The Offer also applies to ADSs representing Telecom Italia ordinary shares; accordingly, the ordinary shares tendered *represented by ADSs will included in the calculation of the total number of shares tendered and the proration percentage(s).*

*Only whole shares will be acquired under the Offer. In the event that proration results in fractional shares to be acquired from a shareholder, the number of such shares that will be acquired will be rounded down to the nearest whole number.*

## **M. Manner of making the offer document available to the public**

This Offer Document is being made available to the public at (i) the registered office of Olivetti (77 via Jervis, Ivrea – Turin); (ii) the registered office of Telecom Italia (2 piazza degli Affari, Milan); (iii) the headquarters of Telecom Italia (41 Corso d'Italia, Rome); (iv) the registered office of Borsa Italiana (6 piazza degli Affari, Milan); (v) the registered office of the Collection Coordinator (6 piazza Paolo Ferrari, Milan); (vi) the registered offices of the Appointed Intermediaries; (vii) Olivetti's website ([www.olivetti.com](http://www.olivetti.com)); and (viii) Telecom Italia's website ([www.telecomitalia.it](http://www.telecomitalia.it)).

A notice announcing Consob's filing of the Offer Document and of the delivery of same to the above-mentioned persons will be published, together with the basic elements of the Offer, in *// Sole 24 Ore*.

## **N. Statement by Telecom Italia under article 103.3 of the Consolidated Law and article 39 of the Consob regulation**

Statement of the Board of Directors of Telecom Italia S.p.A. pursuant to and for the purposes of Article 103.3 of Legislative Decree No. 58 of 24 February 1998 (the "Consolidated Law") and Article 39 of the regulation approved by Consob in Resolution No. 11971 of 14 May 1999, as amended (the "Regulation") regarding the voluntary partial tender offer by Olivetti S.p.A. ("Olivetti" or the "Offeror") under Article 102 et seq. of the Consolidated Law for ordinary shares and savings shares issued by its subsidiary Telecom Italia S.p.A. (the "Offer").

The Board of Directors of Telecom Italia S.p.A. (hereinafter "Telecom Italia" or the "Issuer" met in Milan at the Issuer's registered office on 16 June 2003. The following were present at the meeting: Marco Tronchetti Provera, Chairman; Gilberto Benetton, Deputy Chairman; Carlo Orazio Buora and Riccardo Ruggiero, Managing Directors; and Umberto Colombo, Francesco Denozza, Luigi Fausti, Guido Ferrarini, Natalino Irti, Pietro Modiano, Massimo Moratti, Carlo Alessandro Puri Negri and Pierfrancesco Saviotti, Directors. The following were absent with a justification: Gianni Mion and Roberto Ulissi, Directors. The meeting was also attended by Ferdinando Superti Furga, Chairman of the Board of Auditors, and Rosalba Casiraghi, Paolo Golia, Salvatore Spiniello and Gianfranco Zanda, members of the Board of Auditors.

The Board of Directors of Telecom Italia – after taking note of: (a) the document sent to Telecom Italia on 5 June 2003 and supplemented on 16 June 2003, in which Olivetti, pursuant to Article 102 of the Consolidated Law and Article 37 of the Regulation, announced that it had filed the offer document for the voluntary partial tender offer (the "Offer Document") with Consob and summarized the terms and conditions of the Offer; and (b) a copy of the draft version of the Offer Document sent to Consob provided by Olivetti – examined the terms and conditions and the aims of the Offer.

In order to provide Telecom Italia shareholders and the market with useful information for the purpose of assessing the Offer and a reasoned evaluation of the conditions and aims thereof, Telecom Italia's Board of Directors then approved this statement pursuant to Article 103.3 of the Consolidated Law and Article 39 of the Regulation. Since they are members of the Offeror's Board of Directors, the following took no part in the discussion and subsequent vote: Marco Tronchetti Provera, Chairman, Gilberto Benetton, Deputy Chairman, Carlo Orazio Buora, Managing Director, and Carlo Alessandro Puri Negri, Director. The statement was approved with the favourable vote of all nine directors who voted.

### **I. USEFUL INFORMATION FOR ASSESSING THE OFFER**

#### **A. Key terms and conditions of the offer**

##### **1. Legal basis of the Offer, subject shares and proration**

1.1. The Offer is voluntary, partial and irrevocable and is being made pursuant to Article 102 et seq. of the Consolidated Law and the provisions of Chapter I, Title II, Part II of the Regulation. The Offer for Telecom Italia ordinary shares and for ADSs representing Telecom Italia ordinary shares is also being

made in the United States under an exemption from the rules governing tender offers established by the U.S. Securities Exchange Act of 1934, as amended (the "**Securities Exchange Act of 1934**"). The Offer for Telecom Italia savings shares is not being, and will not be, made, directly or indirectly, in or into the United States and may not be accepted, directly or indirectly, in or from the United States through the facility of a national securities exchange of the United States or by use of the mails or any other means or instrumentality of interstate or foreign communication or commerce of the United States (see subsection c.6 of the Offer Document).

- 1.2. The Offer is set in the context of the merger of Telecom Italia into Olivetti, announced on 12 March 2002 and approved by the extraordinary shareholders' meetings of the two companies on respectively 24 and 26 May 2003 (the "**Merger**"). The subject of the offer is 908,873,776 Telecom Italia ordinary shares (including such represented by ADSs) and 354,560,274 Telecom Italia savings shares. The number of subject shares has been established on the basis of the total amount allocated to the Offer, equal to EUR 8,989,059,475 (the "**Maximum Total Amount**"), obtained by subtracting the sum used to reimburse the Olivetti shareholders who have exercised their right of withdrawal under Article 2437 of the Civil Code, equal to EUR 10,940,525, from the line of credit of EUR 9,000,000,000 that a pool of Italian and foreign banks, with the role of Global Coordinator being played by J.P. Morgan plc, a company indirectly controlled by JPMorgan Chase Bank (Olivetti's financial advisor for the Merger) has made available to Olivetti (the "**Financing**"). The subject shares correspond to respectively 17.3% of the Telecom Italia ordinary shares and 17.3% of the Telecom Italia savings shares (see Section C of the Offer Document).
- 1.3. If the acceptances of the Offer fall short of the maximum quantity for one class of shares (either *ordinary or savings*) but exceed it for the other class, the amount not used to buy shares of the first class will be used to buy shares of the second class, and the maximum quantity of shares of the latter class will increase until all the Maximum Total Amount has been used, so as to ensure, by means of this "communicating vessels" mechanism, that the largest number of shareholders wishing to accept the Offer can be satisfied. Where, even after the application of the above-mentioned communicating-vessels mechanism, the total number of acceptances received exceeds the Maximum Total Amount, the Offeror will prorate them for one or both classes (see Section L of the Offer Document).

## 2. Offer price and payment date

- 2.1. The price offered by Olivetti (the "Unit Price") is equal to EUR 8.010 for each Telecom Italia ordinary share and to EUR 4.820 for each Telecom Italia savings share. The price per ADS, representing 10 Telecom Italia ordinary shares, is therefore equal to EUR 80.10.  
The Unit Price has been calculated by adding a premium of 20% to the weighted average of the official stock exchange prices in the period from 12 March 2003 (the first trading day following the meetings of the Boards of Directors that approved the Merger) to 26 May 2003 (the date on which Olivetti's extraordinary shareholders' meeting approved the merger plan) inclusive (see subsection e.1 of the Offer Document).

2.2. Except in the case in which the Termination Condition (as defined hereinafter) is fulfilled (and provided always that the Offeror has not waived same, subject to the consent of the Agent Bank, as defined in subsection g.2 of the Offer Document and as referred to in subsection c.7, in accordance with the instructions of the Financing Banks, as defined in subsection g.2 of the Offer Document), the consideration for the shares purchased by the Offeror by means of the Offer will be paid to acceptors within the fifth working day following the Date of Effectiveness (as defined hereinafter) (the "**Payment Day**"). The Payment Day will be announced in a notice published in the newspapers specified in Section M of the Offer Document not later than the business day following the Date of Effectiveness (as defined in subsection 3.1).

### 3. Conditions for the effectiveness of the Offer, transfer of ownership of the shares tendered and payment of the consideration

3.1. The effectiveness of the Offer, or more exactly the transfer of the ownership of the shares tendered under the Offer and purchased by Olivetti at the end of the Offer and the proration procedure, if any, will terminate if the Date of Effectiveness of the Merger does not fall within the period ending 31 December 2003 (the "**Termination Condition**"), where the "**Date of Effectiveness**" is taken to mean: (i) the day of the last of the registrations of the merger instrument referred to in Article 2504 of the Civil Code or (ii) the later date, if any, on which the effects of the Merger are to come into force, as established in the merger instrument. The foregoing is without prejudice to the right of the Offeror to waive the Termination Condition (subject to the consent of the Agent Bank) (see subsection c.7 of the Offer Document).

Accordingly, without prejudice to the intention of the Offeror and the Issuer to complete the Merger as soon as possible and, specifically, in the first half of August 2003, in the event that the Date of Effectiveness does not fall within the period ending 31 December 2003, the shares tendered under the Offer and purchased by Olivetti will be returned to the respective acceptors by 2 January 2004, without the recognition of any consideration and without such acceptors being entitled to any sum in compensation or on any other grounds. The shares will be returned via the Depositary Intermediaries (as defined in subsection c.4 of the Offer Document).

The effectiveness of the Offer is not subject, instead, to the achievement of a minimum quantity of acceptances. Accordingly, as specified in subsection c.1 of the Offer Document, valid acceptances complying with the terms of the Offer will be accepted up to the maximum amount specified therein. On the other hand the effectiveness of the Merger is subject to the adoption by Borsa Italiana of the decision to admit the savings shares that the Absorbing Company will issue for the purpose of the exchange to trading on MTA.

3.2. The ownership of the shares tendered under the Offer and purchased by Olivetti will be transferred to Olivetti on the day of publication of the notice announcing the results of the Offer (the "**Purchase Day**"), which will be within five business days of the close of the Acceptance Period, following the completion of the proration procedure, if any (see subsection a.2 of the Offer Document).

#### 4. Duration of the Offer and acceptance conditions

The scheduled duration of the Offer is from 23 June to 18 July 2003 (from 08.30 to 17.40), inclusive, without prejudice to the right to an extension. Acceptance of the Offer is irrevocable, except as provided for in Article 44.8 of the Regulation (see subsection c.4 of the Offer Document).

### B. Update of the information available to the public and communication of significant matters pursuant to article 39 of the regulation

#### 1. Ownership of Telecom Italia shares

At the present date Olivetti holds 2,891,656,682 Telecom Italia ordinary shares, equal to 54.944% of Telecom Italia's ordinary share capital and 39.525% of its total share capital. Olivetti does not own other financial instruments issued by Telecom Italia. Telecom Italia holds 6,195,500 treasury ordinary shares 54,309,500 treasury ordinary shares.

#### 2. Ownership of shares and stock options by Directors and members of the Board of Auditors of Telecom Italia

The following table shows the shares owned, directly or indirectly, and the stock options owned by members of the Board of Directors of Telecom Italia in the Issuer, in Olivetti and in other subsidiaries of Telecom Italia at the date of this statement.

	Telecom Italia shares	Telecom Italia stock options	Shares of subsidiaries	Shares of the parent company
Riccardo Ruggiero	-	1,250,000 Telecom Italia ord.	-	-
Umberto Colombo	7,061 ord.	-	24,189 Seat ord. 12,396 Tim ord.	14,062 Olivetti
Luigi Fausti	-	-	50,000 Tim ord.	-
Pierfrancesco Saviotti	2,500 ord	-	10,000 Tim ord.	-

The following table shows the shares owned, directly or indirectly, by members of the Board of Auditors of Telecom Italia in the Issuer, in Olivetti and in other subsidiaries of Telecom Italia at the date of this statement.

	Telecom Italia shares	Shares of subsidiaries	Shares of the parent company
Ferdinando Superti Furga	-	6,260 Tim ordinary	-
Salvatore Spiniello	18,000 ordinary 68,000 savings	10,000 Tim ordinary 10,000 Tim savings	50,000 Olivetti

### **3. Shareholder agreements involving Telecom Italia shares**

Telecom Italia is aware of the following agreements containing significant stipulations regarding Telecom Italia under Article 122 of Legislative Decree 58/1998:

- an agreement concluded on 30 July 2001 between Pirelli S.p.A., Edizione Holding S.p.A. and Bell S.A. (notice published in *Il Sole 24 Ore* of 9 August 2001 and *Milano Finanza* of 10 August 2001), supplemented by the subsequent agreement between the majority shareholders of Bell S.A., Pirelli S.p.A., Edizione Holding S.p.A. and Olimpia S.p.A. concluded on 19 September 2001 (notice published in *Milano Finanza* of 29 September 2001);
- an agreement concluded on 7 August 2001 between Pirelli S.p.A. and Edizione Holding S.p.A./Edizione Finance International S.A. (notice published in *Il Sole 24 Ore* of 9 August 2001 and *Milano Finanza* of 10 August 2001), amended by the subsequent agreements concluded on 14 September 2001 (notice published in *Il Sole 24 Ore* and *Milano Finanza* of 22 September 2001) and 13 February 2002 (notice published in *Il Sole 24 Ore* and *Milano Finanza* of 21 February 2002);
- an agreement concluded on 14 September 2001 between Pirelli S.p.A., Unicredito Italiano S.p.A. and IntesaBCI S.p.A. (notice published in *Il Sole 24 Ore* and *Milano Finanza* of 22 September 2001), amended by the subsequent agreements concluded on 24 October 2001 between Pirelli S.p.A., Unicredito Italiano S.p.A. and IntesaBCI S.p.A. (notice published in *Il Sole 24 Ore* and *Milano Finanza* of 3 November 2001);
- an agreement concluded on 19 December 2002 between Pirelli S.p.A., Edizione Finance International S.A./Edizione Holding S.p.A., Unicredito Italiano S.p.A., Banca Intesa S.p.A. (formerly IntesaBCI S.p.A.), Olimpia S.p.A. and Hopa S.p.A. (notice published in *Il Sole 24 Ore* and *Milano Finanza* of 24 December 2002), which was implemented with the subsequent agreement concluded by the same parties on 21 February 2003 (notice published in *Il Sole 24 Ore* and *Milano Finanza* of 1 March 2003).

### **4. Compensation of Directors**

There have been no changes in the compensation of Directors with respect to the situation described in the Report for the year ended 31 December 2002, which was approved by the meeting of Telecom Italia shareholders on 24 May 2003.

## **II. SIGNIFICANT MATTERS NOT INDICATED IN THE QUARTERLY REPORT AT 31 MARZO 2003**

On 5 May 2003 the Board of Directors of Telecom Italian approved the figures for the profits and losses, assets and liabilities and financial position of the company for the first quarter of 2003.

On 24 May and 26 May 2003 the extraordinary shareholders' meetings of respectively Telecom Italia and Olivetti approved, inter alia, the Merger.

On 11 June 2003 the Telecom Italia Group concluded a contract with the consortium composed of BC Partners, CVC Capital Partner, Permira and Investitori Associati for the sale of a holding equal to about 61.5% of the share capital (put/call options with JPMorgan, concluded on the occasion of the Seat/Tin.it merger and subsequently renegotiated as explained in Telecom Italia's annual reports from 2000 onwards, exercised by Telecom Italia for a notional amount of 710,777,200 shares, corresponding to about 6.2% of the capital, with an estimated outlay of about EUR 2.3 billion), the company that will operate the Directories, Directory Assistance and Business Information businesses once the demerger of Seat Pagine Gialle is completed (the "**Beneficiary Company**"). The agreed price is EUR 0.598 per share, on the basis of an overall valuation putting the enterprise value of the Beneficiary Company at around EUR 5.65 billion. The holding involved is therefore worth EUR 3,032,923,166. The sale's conclusion is conditional on the effectiveness of the SEAT Pagine Gialle demerger, the admission to listing of the shares of the Beneficiary Company, which is planned for the beginning of August, and the prescribed approvals by the competent antitrust authorities. Taking account of the Beneficiary Company's estimated debt, at its conclusion the disposal will enable the Telecom Italian Group to reduce its consolidated net debt by around EUR 3.74 billion, in line with the planned objective.

If events that are material for the purposes of Article 39 of the Regulation occur after the date of this statement, a special update will be published.

### **III. CALLING OF THE TELECOM ITALIA SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 104 OF THE CONSOLIDATED LAW**

The Board of Directors of Telecom Italia has not called and does not intend to call a meeting of the shareholders of Telecom Italia pursuant to Article 104 of the Consolidated Law.

### **IV. CONCLUSIONS OF THE BOARD OF DIRECTORS OF TELECOM ITALIA REGARDING THE OFFER**

The Offer is set in the context of the Merger and, in addition to having an investment rationale for the Offeror, is intended to provide a way for Telecom Italia shareholders who do not wish to keep their holding in the company resulting from the Merger to liquidate at least part of it, in a similar way to the possibility Olivetti shareholders have to exercise their de jure right of withdrawal in accordance with Article 2437 of the Civil Code.

The Board of Directors agrees with such purpose, considering that the Offer is set in the context of the Merger, as mentioned above.

In relation to the Merger, the Board of Directors feels it incumbent to remind shareholders that the valuations made for the purpose of establishing the exchange ratio are contained in the Information Document drawn up pursuant to Article 70 of the Regulation and published on 14 May 2003.

For the purposes of this statement, the Board of Directors deems – considering also the nature of the Offer – that its assessment of the Offer must be based on the prices expressed by the market.

The Offer prices and the number of subject shares under the Offer are consistent with the criteria for their determination announced on 12 March 2003 and fall within the range of the expected minimum and maximum Offer prices (minimum of EUR 7 per ordinary share and EUR 4.70 per savings share; maximum of EUR 8.4 per ordinary share and EUR 5.65 per savings share).

On 16 June 2003 the Board of Directors of Telecom Italia, considering the information acquired concerning the Offer with the assistance of its financial advisors Lazard and Goldman Sachs, deemed that, under the circumstances, the Offer constitutes a favourable opportunity for the Telecom Italia shareholders to whom it is addressed to cash in part of their investment. In fact, in terms of price, the Offer is characterized by:

- a premium of 20% with respect to the weighted average of the official stock exchange prices of the period from 12 March 2003 (the first trading day following the meetings of the Boards of Directors that approved the Merger) to 26 May 2003 (the date of the approval of the merger plan by Olivetti's extraordinary shareholders' meeting);
- with reference to 7 March 2003, the last trading day prior to the meetings of the Boards of Directors that approved the Merger:
  - a premium for the ordinary shares of 39.3% with respect to the official prices of Friday 7 March 2003 and premiums of 26.7% with respect to the weighted average of the official prices of the last month and 17.2% with respect to the weighted average of the official prices of the last three months, with account taken of the dividend to be paid on 23 June 2003;
  - a premium for the savings shares of 27.1% with respect to the official prices of Friday 7 March 2003 and premiums of 16.6% with respect to the weighted average of the official prices of the last month and 9.7% with respect to the weighted average of the official prices of the last three months, with account taken of the dividend to be paid on 23 June 2003;
- with reference to 13 June 2003, the last trading day prior to this meeting of the Board of Directors:
  - a premium for the ordinary shares of 3.7% with respect to the official prices of Friday 13 June 2003 and premiums of 7.2% with respect to the weighted average of the official prices of the last month and 16.9% with respect to the weighted average of the official prices of the last three months, with account taken of the dividend to be paid on 23 June 2003;
  - a premium for the savings shares of 3.2% with respect to the official prices of Friday 13 June 2003 and premiums of 8.2% with respect to the weighted average of the official prices of the last month and 17.9% with respect to the weighted average of the official prices of the last three months, with account taken of the dividend to be paid on 23 June 2003;

The Board of Directors of Telecom Italia points out that Telecom Italia shareholders will be able to evaluate the economic advantageousness of tendering in the light of the performance of the price of Telecom Italia shares up to the conclusion of the acceptance period.

**Milan, 16 June 2003**

## **O. Documents made available to the public and the places where they can be reviewed**

The documents specified below are available to the public at: the registered office of Olivetti at 77 via Jervis, Ivrea (Turin); (ii) the registered office of Telecom Italia at 2 piazza degli Affari, Milan; (iii) the headquarters of Telecom Italia at 41 Corso d'Italia, Rome; (iv) the registered office of Borsa Italiana at 6 piazza degli Affari, Milan; and (v) the registered office of the Collection Coordinator, at 6 piazza Paolo Ferrari, Milan.

- 1) the company and consolidated accounts of Olivetti for the year ended 31 December 2002, accompanied by the report on operations and the reports of the board of auditors and the external auditors;
- 2) the quarterly report of the Olivetti Group at 31 March 2003;
- 3) the company and consolidated accounts of Telecom Italia for the year ended 31 December 2002, accompanied by the report on operations and the reports of the board of auditors and the external auditors;
- 4) the quarterly report of the Telecom Italia Group at 31 March 2003; and
- 5) the Merger Information Document drawn up under Article 70.4 of the Consob Regulation and related attachments.

The documents referred to in points (1), (2) and (5) are available on the Offeror's website ([www.olivetti.com](http://www.olivetti.com)), while those referred to in points (3), (4) and (5) are available on the Issuer's website ([www.telecomitalia.it](http://www.telecomitalia.it)).

Also available at [www.olivetti.com](http://www.olivetti.com) are the minutes of the extraordinary shareholders' meeting of 26 May 2003 which approved, among other things, the by-laws of the Absorbing Company with effect from the Date of Effectiveness of the Merger.

## **Declaration of responsibility**

Olivetti S.p.A. is responsible for the completeness and accuracy of the data and information contained in this Offer Document.

The Offeror declares that, to the best of its knowledge, the data contained in the Offer Document correspond to reality and that there are not any omissions that could alter its significance.

**OLIVETTI S.p.A.**  
*The Chairman*

## ANNEXES

**ANNEX I**  
**EXTRACTS FROM SHAREHOLDERS' AGREEMENTS**

**AGREEMENT AMONG PIRELLI S.P.A. AND EDIZIONE HOLDING S.P.A.-EDIZIONE FINANCE INTERNATIONAL S.A.**

Whereas:

- on August 7, 2001, PIRELLI S.P.A., with headquarters in Milan, viale Sarca 222, registered with the Company Register of Milan, tax and VAT identification number 00886890151 (hereinafter "**Pirelli**") and EDIZIONE HOLDING S.p.A., with headquarters in Treviso, Calmaggione 23, registered with the Company Register of Treviso under No. 13945, tax and VAT identification number 00778430264 (hereinafter "**Edizione**") Pirelli and Edizione signed a Shareholders' Agreement concerning, among other things, the discipline of the mutual relationships as shareholders of a vehicle for the purpose of acquiring from BELL S.A. and from other persons 1,552,662,120 Olivetti ordinary shares (the "**Shares**") and 68,409,125 "Olivetti ordinary shares warrants 2001-2002" (the "**Warrants**" and, together with the Shares, the "**Stake**") of Olivetti S.p.A. ("**Olivetti**");
- on August 9, 2001 Edizione and Pirelli (each a "**Party**" and, together, the "**Parties**") have transferred to Olimpia S.p.A. (with headquarters in Milan, Viale Sarca No. 222, hereinafter "**Newco**" or "**Olimpia**") 134,322,250 and 130,980,000 Olivetti ordinary shares, respectively, corresponding to 1.84% and 1.80% of Olivetti's voting share capital;
- on August 9, 2001 Pirelli has transferred to Newco 147,337,880 Olivetti ordinary shares which Pirelli previously purchased, through a controlled company, from BELL S.A. and another party on July 30, 2001 (corresponding to 2.02% of Olivetti's voting share capital);
- with effect starting from August 7, 2001, Edizione Finance International S.A. (controlled by Edizione) has been subrogated in the rights and obligations of Edizione under the agreement, as defined below;
- on September 14, 2001 Pirelli, Edizione and Edizione Finance (the "**Party**" or "**Parties**") amended the agreement, as already made public through an announcement dated September 22, 2001 pursuant to applicable law,

**and whereas:**

- on February 13, 2002 the Parties have further amended the Agreement as evidenced in boldface under the paragraph "Further Commitments" below, in order to allow the Parties to purchase (and convert) Olivetti bonds convertible into Olivetti ordinary shares (the "**Bonds**"), the content of the agreement is hereby summarized. Currently, Olimpia holds 28.7% of Olivetti's share capital.

**1. Content of the Agreement**

*Purpose and content of the agreement*

Among the Parties there is the following agreement (the "**Agreement**") for the discipline of the mutual relationships as shareholders of a vehicle ("**Olimpia**") established for the purpose of acquiring the Stake from BELL S.A. and/or from other persons designated by Olimpia.

*Transfer of Olivetti shares to Newco*

The Stake will be transferred to Newco.

*Newco's share capital*

Pirelli will hold 80% of Newco's share capital while Edizione will hold 20%. Pirelli will have the right to sell to one or more persons up to 20% of Newco's share capital, with the previous consent of Edizione.

*Meetings of the Shareholders, Board of Directors and Board of Statutory Auditors of Newco*

The By-laws of Newco will provide that the Extraordinary Meeting of the Shareholders's voting quorum is set at 81% of the share capital, for both the first and the second call.

The Board of Directors of Newco is composed of 10 members appointed through the "voto di lista" system. Edizione will have the right to name two directors. Pirelli has agreed to do everything in its power, within the limits permitted by law, so that no decision should be made by the Board of Directors of Newco without the favorable vote of at least one of the board members named by Edizione (if present) on the following key points of business:

- an indication of the vote to be made by the Ordinary and Extraordinary Shareholders' Meetings of Olivetti;
- the purchase, sale, or arrangement in any manner of shares with a total value greater than 100,000,000 Euros per transaction.

The Parties agree to do everything in its power so that one Auditor and one Alternate Auditor of the Board of Statutory Auditors is appointed among those named by Edizione.

*Corporate bodies of Olivetti and of listed companies controlled by Olivetti, resolutions of the Board of Directors of Olivetti and of listed companies controlled by Olivetti*

The Parties have agreed to do everything in their power, within the limits established by Law, that in the Board of Directors of Olivetti S.p.A., Telecom Italia S.p.A., TIM – Telecom Italia Mobile S.p.A., and Seat – Pagine Gialle S.p.A. (the "**Listed Companies**"), Edizione can name one fifth of the components of the Board of Directors of the Olivetti Companies (net of the number of the Directors to be appointed by the minority shareholders and by the Italian Government) and that Edizione can name the Vice-Chairman of the Board of Directors of the Listed Companies, with the powers of vice-legal representative;

- the Parties have agreed, to do everything in its power, within the limits of law, so that no decision should be made by the Board of Directors of Olivetti and the Listed Companies without the favorable vote of at least one of the board members named by Edizione on the following points of business:
  - individual investments greater than 250 million Euros;
  - purchase, sale and deeds of disposition for any reason whatsoever of controlling and connecting shareholdings with a unit value of more than 250 million Euros;
  - deeds of disposition for any reason whatsoever of firms or branches thereof individually greater than 250 million Euros;
  - proposals to call the Extraordinary Meeting
  - Intra-group transactions between the Olivetti group and the Pirelli group for amounts individually greater than 50 million Euros;
  - Transactions with related parties.

#### *Penalties*

In the event of the non-performance of one or more of the commitments assumed pursuant to the provisions set forth in the agreement, the breaching Party, shall be required to pay an amount equal to 10% (ten per cent) of the principal amount invested by the non-breaching Party without prejudice to the right to higher damages.

#### *Term*

The agreement shall run for three years as of its effective date and shall be deemed to be automatically renewed on each expiration date unless notice of withdrawal has been given six months in advance by Edizione.

#### *Further Commitments*

The agreement provides that the Parties, including through their respective subsidiaries and/or parent companies, pursuant to Art. 2359, paragraph one of the Italian Civil Code, may not acquire or own common shares, bonds convertible to Olivetti shares and/or warrants, which give the right to purchase shares or bonds convertible to Olivetti shares issued, or to be issued, by Olivetti or by the Olivetti Companies (nor acquire voting rights in Olivetti common shares under any status).

**In derogation to the provisions set forth above, each of the Parties, with communication sent to the other Party at the same time, may acquire Bonds. The Party owning or otherwise receiving the Bonds may exercise the respective conversion right, after communication is issued to the other Party at least 60 (sixty) days in advance, only to the extent that the amount of the Olivetti shares obtained from the conversion itself (possibly increased by the number of Olivetti shares owned as of the same date, arising from prior conversions of Bonds), does not exceed, after the conversion, the percentage of the capital of Olivetti corresponding to the difference between 28.74% and the percentage of the holding of the Company in the voting capital in Olivetti at the time of the conversion. Said limit may be exceeded with the approval of the other Party--which may not be unreasonably withheld--without prejudice to complying with the applicable floors in matters of OPA [take-over bid]. In the event referred to above, the other Party will have the right to acquire, and the Party which exercised the conversion right will have the obligation to sell, shares of the same nature and type as those arising from the exercise of the conversion of the Bonds, to the extent that said shares are divided between the Parties, respecting the original proportions of the Parties' holdings in the capital of the Company (80% Pirelli – 20% Edizione).**

The Parties hereby agree that, in the event that third parties should make a public offer of purchase with the intention of acquiring the Olivetti shares, Edizione hereby agrees, from this time forward, when so requested by Pirelli not to oppose, and to do everything so that the members of the Board of Directors of the Company do not oppose the acceptance of the public offer of purchase of Newco.

In the event that the agreement term should lapse without the agreement being renewed due to Pirelli's actions or behaviour, Edizione will have the right to sell to Pirelli, and Pirelli will have the obligation to purchase, all the Newco's shares held by Edizione.

The agreement also disciplines deadlok situations in Newco or in the Board of Directors of the Listed Companies. In case of deadlock, Edizione will have the right to sell to Pirelli, and Pirelli will have the obligation to purchase, all the Newco's shares held by Edizione and Pirelli will have the right to sell to Edizione, and Edizione will have the obligation to purchase, all the Newco's shares held by Pirelli.

Newco's by-laws will provide for pre-emption rights in the event of sale, directly or indirectly, of Newco's shares and a right of co-sale, for the benefit of the minority shareholders where Newco's shares were offered to a third party by a majority shareholder (50.01%).

Whenever, during the term of the agreement, following one or several acts *inter vivos* carried out for any reason, a significant change of the structure of control of Edizione or Pirelli (including for this purpose Pirelli & C. Accomadita per Azioni) happens (meaning by significant change the exercise by persons other than the current parties to name the majority of the members of board of directors, with a potential change in the strategic objectives of the subject company), such change shall be deemed a "Key Event".

In the presence of the Key Event concerning one party, the other Party will have the right to transfer all of its Newco shares to the party which incurred the Key Event.

## **2. Deposit with the Company Register**

This agreement is deposited with the Company Register – Offices of Milan and Turin/Ivrea

February 21, 2002



## AGREEMENT AMONG PIRELLI S.P.A., UNICREDITO ITALIANO S.P.A. AND INTESABCI S.P.A.

Notice published pursuant to article 122 of Legislative Decree No. 58 dated February 24, 1998 and CONSOB Regulation 11971 dated May 14, 1999, as amended.

### Whereas:

on October 24, 2001 Pirelli S.p.A., IntesaBci S.p.A. and UniCredito Italiano S.p.A., entered into an amendment agreement to the agreement mentioned above such amendment being shown in bold-face below at paragraph 11, "Further Commitments", paragraphs 11.1 and 11.2, in order to allow the Parties to purchase bonds convertible in Olivetti shares and/or warrants that would give the right to purchase shares and/or bonds convertible into Olivetti shares, below is a summary of the entire content of the agreement including updated data relating to the stake in Olivetti held by Olimpia (paragraph 1, "Purpose and content of the agreement") and the stake in Olimpia held by the shareholders (paragraph 2, "Olimpia's share capital"):

### 1. Purpose and content of the agreement

The Parties entered in the following agreement (the "**Agreement**") relating to the participation by UniCredito Italiano S.p.A. ("**UCI**") and IntesaBCI S.p.A. ("**BCI**", and BCI together with UCI, the "**New Partners**", and each a "**New Partner**" and together with Pirelli, the "**Parties**") into the share capital of Olimpia S.p.A. ("**Olimpia**" or the "**Company**") and relating to the governance and relationships among the shareholders of Olimpia, a company that currently holds 2,019,302,250 ordinary shares of Olivetti S.p.A. ("**Olivetti**"), corresponding to approximately 27.7% of Olivetti's share capital and 68,409,125 2001-2002 warrants for Olivetti's ordinary shares.

### 2. Olimpia's Share Capital

Olimpia's share capital is held as follows: Pirelli (60%), Edizione Finance International S.A. (20%), UCI (10%) (the "**UCI Olimpia Stake**") and BCI (10%) (the "**BCI Olimpia Stake**").

### 3. Olimpia's Board of Directors

3.1 It is understood that, within the limits allowed by law and for the entire term of this Instrument:

- (i) the Board of Directors of the Company will be made up of 10 (ten) members;
- (ii) 1 (one) director out of 10 (ten) will be appointed at the request and indication of UCI;
- (iii) 1 (one) director out of 10 (ten) will be appointed at the request and indication of BCI;
- (iv) should an Executive Committee be created, UCI and BCI will have, respectively, the right to request at any time the inclusion of the directors designated by them in said committee.

3.2 It is understood that the power of UCI and BCI to designate, each, a member of the Board of Directors of the Company will remain valid even after the first expiration of this Instrument, if it is extended pursuant to Art. 8.1, provided UCI and BCI hold, jointly, a percentage of the company capital above 10%. However, if the joint holding of BCI and UCI in the company capital is 10% or less, then BCI and UCI may designate, jointly, only one director.

### 4. Management of Olivetti, Telecom Italia S.p.A. ("**Telecom**"), SEAT – Pagine Gialle S.p.A. ("**SEAT**") and Telecom Italia Mobile S.p.A. ("**TIM**")

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

4.2 It is understood that the power of UCI and BCI to designate, each, a member of the Board of Directors of Olivetti Companies will remain valid even after the first expiration of this Instrument, if it is extended

pursuant to Art. 8.1, provided that, UCI and BCI hold, jointly, a percentage of the company capital above 10%. However, if the joint holding of BCI and UCI in the company capital is 10% or less, then BCI and UCI may designate, jointly, only one director.

## **5. Key Issues**

Pursuant to Art. 6 below, the following will be deemed Key Issues:

- a) the decisions of the Extraordinary Shareholders' Meeting and those of the Board of Directors of the Company, the latter referring to the following:
  - indication as to how to vote in Olivetti's Ordinary Shareholders' Meeting on Key Issues, for the purposes of the application of Articles 104 or 107 T.U. No. 58 of February 24, 1998, and in matters of acquisition of own shares, as well as voting in Olivetti's Extraordinary Shareholders' Meeting;
  - acquisition, sale and acts of disposal under any status (i) of own shares in any amount and (ii) holdings (including shares and financial instruments of any type issued by Olivetti and/or the Olivetti Companies) at a value, by individual operation, above 100,000,000 Euros;
  - determination of the ratio between equity and debt of the Company and methods, terms and conditions for resorting to outside financing sources;
  - draft proposals to be submitted to the Company's Extraordinary Shareholders' Meeting;
- b) resolutions of the Board of Directors of Olivetti and Telecom, referring to:
  - individual investments above 300 million Euros;
  - acquisition, sale and acts of disposal under any status (i) of own shares in any amount and (ii) affiliate and subsidiary holdings (including shares and other financial instruments issued by the Company or the Olivetti Companies) at a value, by individual operation, above 300 million Euros;
  - acts of disposal under any status of companies or branches thereof, with an individual value above 300 million Euros;
  - proposals to call the Extraordinary Shareholders' Meeting for resolutions in matters of modification of the corporate purpose, capital operations of any nature, merger, spin-off, transformation and dissolution;
  - operations between Olivetti, Telecom and Gruppo Pirelli, with an individual value above 50 million Euros;
  - operations with related parties.

## **6. Provisions on Deadlock**

### *6.1 Obligation to Consult.*

Pirelli and the New Partners, the latter jointly between them, pledge to consult each other previously whenever a decision on one of the Key Issues (as identified under Article 5 above) must be discussed or decided upon.

### *6.2 Manifestation of will.*

Whenever the situation described in item 6.1 above occurs, the dissenting New Partners, separately or jointly, will have, or the single dissenting New Partner will have, the right to send to Pirelli, by telegram or

registered letter a “**Notice of Deadlock**” within 15 (fifteen) days of the end of the consultation referred to in paragraph 6.1.

### 6.3 *Rights of the New Partners.*

- (a) Whenever UCI and/or BCI send a Notice of Deadlock, the New Partner which sent the Notice of Deadlock will have the right to sell to Pirelli, which will have the corresponding obligation to buy from the respective New Partner, respectively, all but not part of the Olimpia UCI Holding and/or all but not part of the Olimpia BCI Holding at a price determined pursuant to the provisions in item (b) below.
- (b) For the purposes of item (a) above, the Parties agree, including in an aleatory manner, that the object of the decision must be: (x) the price of the Olimpia BCI Holding and/or Olimpia UCI Holding, corresponding proportionately to the value of the Company's economic capital (“**Price of the Olimpia UCI Holding**” and/or “**Price of the Olimpia BCI Holding**”), as well as (y) an increase expressing the proportion of the increase premium, as if the *Olimpia BCI Holding* and/or *Olimpia UCI Holding* were the expression of Olivetti's control, assuming that the latter controls Telecom and the companies controlled by the latter (“**Premium**”).
- (c) The price owed by Pirelli will not be lower than the amounts paid by the New Partner for the acquisition and underwriting of shares in the Company, less any dividends received (“**Floor**”), nor higher than an amount which implies, in connection to the same amounts, less any dividends received, an annual IRR, including taxes, equal to 15% (“**Cap**”).

## 7. **Penalty For Breach**

In the event of breach of one or several commitments made pursuant to the provisions of this Instrument, the breaching Party, will be obligated to pay, a single and total amount equal, for each breach, to 5% (five percent) of the amounts paid by the breaching Party for the acquisitions and subscriptions of shares made in the Company as of that date without prejudice to any other of its/their rights (including the right to higher damages).

## 8. **Term**

- 8.1 This Instrument will have a term of three years starting from October 5, 2001 (the “**Execution Date**”) and will be deemed automatically renewed from time to time on expiration for the following two years, in the absence of an opt-out notice from one of the Parties, without prejudice to the provisions of paragraph 9 below.
- 8.2 Except in the cases required by law, each of the Parties may opt out of this Instrument before every expiration, with notice sent 6 (six) months in advance.

## 9. **Absence of Renewal**

- (a) If, before the first expiration of this Instrument or successive ones, Pirelli should send to the New Partners, jointly or separately, in the terms set forth in paragraph 8.2, UCI and BCI will individually have the right to send to Pirelli which, upon simple request, will have the corresponding obligation to acquire, respectively, all but not part of the Olimpia UCI Holding and Olimpia BCI Holding held by the New Partner which exercised the option right set forth herein, under terms and conditions determined, *mutatis mutandis*, pursuant to paragraph 6.3(c) above (and the provisions mentioned therein), giving notice to Pirelli within 30 (thirty) Business Days.

The aforementioned price will be paid in cash.

- (b) If, on the first expiration date of this Instrument, both or one of the New Partners should, jointly or separately, send to Pirelli, the opt-out notice referred to in item 8.2 above, Pirelli will have the right to acquire from both New Partners opting out, or from the single New Partner opting out, which, upon

simple request, will have the corresponding obligation to sell, respectively, all but not part of the Olimpia UCI Holding and Olimpia BCI Holding held by the New Partner which exercised the opt out right set forth herein, under terms and conditions determined, mutatis mutandis, pursuant to paragraph 6.3(B) above (and the provisions mentioned therein), less the Premium, giving notice to the New Partner which sent the opt-out notice, within 30 (thirty) Business Days.

- (c) If both or one of the New Partners should send to Pirelli, on the expiration of the first renewal in the following two years, the opt-out notice referred to in paragraph 8.1 above, and therefore, on the expiration of the fifth year after the effective Date of this Instrument, or on the successive additional expiration dates, both New Partners opting out, jointly or separately, or the single New Partner opting out, will have the right to sell to Pirelli, which, upon simple request, will have the corresponding obligation to acquire, respectively, all but not part of the Olimpia UCI Holding and/or all but not part of the Olimpia BCI Holding held by the New Partner which exercised the opt out right set forth herein, under terms and conditions determined, mutatis mutandis, pursuant to paragraph 6.3(b) above (and the provisions mentioned therein), giving notice to the New Partner that sent the opt-out notice, within 30 (thirty) Business Days.

## 10. Changes in Stockholding

- 10.1 For the purposes of this paragraph, "Change of Control" means a substantial modification in the direct and indirect stockholding control of Pirelli, which means the stoppage of the control of Pirelli & C s.p.a. over Pirelli S.p.A., as exercised today.
- 10.2 If the Change of control occurs, each of the New Partners will have the right to transfer, respectively, all but not part of the Olimpia UCI Holding and/or all but not part of the Olimpia BCI Holding owned by Pirelli which, upon simple request, will have the obligation to acquire, under terms and conditions determined, mutatis mutandis, pursuant to paragraph 6.3 (b) above (and the provisions mentioned therein), giving notice to Pirelli within 30 (thirty) Business Days of the date the New Partners, separately or jointly, declared in writing that they have learned about the Change of Control, or received written communication about this circumstance. It is, however, agreed, including in an aleatory manner, that the price owed by Pirelli will not be lower than the amounts paid by the New Partner for the acquisitions and subscriptions of shares in the Company, less any dividends received ("FLOOR"), nor higher than an amount which implies, in connection to the same amounts, less any dividends received, an annual IRR, including taxes, equal to 15% ("Cap").
- 10.3 If Pirelli intends to divest, in any form, part of its holding in the Company, so that Pirelli would hold less than a majority of the capital thereof, Pirelli may not sign any agreement in this sense, being first obligated to give prior timely notice to both the New Partners about the planned transfer, fully indicating the terms and conditions of the transfer operation and any possible outside agreements (of blockage and vote) with the buyers.
- 10.4 Within 30 (thirty) Business Days of receipt of the aforementioned communication, UCI and/or BCI will, individually, have the right to sell to Pirelli, which, upon simple request, will have the corresponding obligation to acquire, respectively, all but not part of the Olimpia UCI Holding and/or all but not part of the Olimpia BCI Holding held by the New Partner that exercised the Option Right set forth herein, under terms and conditions determined, mutatis mutandis, pursuant to paragraph 7.05 (b) above, with the understanding, including in an aleatory manner, that the price owed by Pirelli will not be lower than the amounts paid by the New Partner for the acquisitions and subscriptions of shares in the Company, less any dividends received ("FLOOR").

## 11. Further Commitments

- 11.1 For the entire term of this Agreement the Parties, including the companies they control or they are controlled by pursuant to Article 2359, paragraph 1, of the Italian Civil Code, **agree not to purchase or hold Olivetti ordinary shares (including shares deriving from the conversion of convertible bonds and/or from the exercise of warrants)**. UCI and BCI will retain the power to purchase and hold the above mentioned securities within the maximum limit allowed for them (0.4% of Olivetti's share capital).

11.2 The Company, unless otherwise agreed in writing by the Parties, **agrees not to purchase or hold Olivetti ordinary shares (including the exercise conversion rights or purchase or subscription of Olivetti ordinary shares mentioned under paragraph 11.1 above) so to exceed** the current opa threshold, currently set at 30% (thirty percent), including within the calculation of this threshold the securities mentioned under paragraph 11.1 above held by BCI and UCI and the securities held, directly or indirectly, pursuant to applicable rules and regulations, including CONSOB regulations.

**12. Disputes**

Any dispute arising from this Instrument will be submitted to the judgment of an Arbitration Board.

**13. Company Register**

This agreement is deposited with the Company Register – Offices of Milan and Turin/Ivrea

November 3, 2001

**Pirelli S.p.A. Unicredito Italiano S.p.A. IntesaBCI S.p.A.**

**AGREEMENT AMONG PIRELLI S.P.A., EDIZIONE FINANCE INTERNATIONAL S.A./EDIZIONE HOLDING S.P.A., BANCA INTESA S.P.A., UNICREDITO ITALIANO S.P.A., OLIMPIA S.P.A. AND HOPA S.P.A.**

**Communication pursuant to Article 122 of Italian Legislative Decree 58/98 and to Articles 127 and 129 of CONSOB Regulation No. 11971/99**

Pursuant to Article 122 of Italian Legislative Decree 58/98 and to Article 127 of CONSOB Regulation No. 11971 of May 14, 1999 (as amended by No. 12475 of April 6, 2000, No 13086 of April 18, 2001, No. 13106 of May 3, 2001, No. 13130 of May 22, 2001, No. 13605 of June 5, 2002 and No. 13616 of June 12, 2002), Pirelli S.p.A. with company's headquarters in Milan, Viale Sarca 222, registered with the Milan Company Register under Nos. 00886890151, ("Pirelli") states that on February 21, 2003 it has entered into an agreement (the "Agreement") with Edizione Finance International S.A., with company's headquarters in Place d'Armes, 1, L-1136, Luxembourg, registered with the Luxembourg Chamber of Commerce No. B77504 ("Edizione Finance"); Banca Intesa S.p.A. (formerly known as Intesa BCI S.p.A.), with company's headquarters in Milan, Piazza Paolo Ferrari 10, Direzione Generale Via Monte di Pietà 8, registered with the Company Register of Milan No. and 00799960158, and VAT No. 108107000152 ("Intesa"); Unicredito Italiano S.p.A., with company's headquarters in Genua, via Dante 1, Direzione Centrale in Milan, Piazza Cordusio, registered with the Company register of Genua No. 00348170101 ("Unicredito"); Olimpia S.p.A., with company's headquarters in Milan, viale Sarca 222, registered with the Company Register of Milan, No. 03232190961 ("Olimpia"); Hopa S.p.A., with company's headquarters in Brescia, Corso Zanardelli 32, registered with the Company Register of Brescia, fiscal code and VAT No. 03051180176 ("Hopa"); e Edizione Holding S.p.A., with company's headquarters in Treviso, Calmaggione 23, registered with the Company Register of Treviso No. 13945, fiscal code and VAT No. 00778430264 (as guarantor of Edizione Finance, "Edizione") – including, inter alia, the following shareholders' agreements that – by will of the parties– are hereby published in their entirety:

[omitted]

## ARTICLE I

### DEFINITIONS

- 1.01 "Olivetti Stock": common shares in with voting rights in Olivetti (as defined in paragraph 1.23 below).
- 1.02 "Current Olimpia Partners": Pirelli, Edizione Finance, Unicredito and Intesa, collectively.
- 1.03 "Hopa Controlling Companies": Fingruppo Holding S.p.A., Banca Monte dei Paschi di Siena, S.p.A., Compagnia Assicuratrice Unipol S.p.A., Banca Popolare di Lodi S.c.a.r.l. and other private individuals signatory to the syndication pact with regard to Hopa.
- 1.04 "Standstill notice": shall have the meaning set forth in paragraph 8.04(d) below.
- 1.05 "Accelerated standstill notice": shall have the meaning set forth in paragraph 8.06(b)(i) below.
- 1.06 "Control", "to control", "Subsidiary," and "Controlling companies": other than cases that expressly differ from the context herein, shall have the meaning set forth in Article 2359, paragraph 1, no. 1 and no. 2 of the Civil Code.
- 1.07 "Relevant date": shall have the meaning set forth in paragraph 9.01 of the present Contract.
- 1.08 "Agreement Term": shall have the meaning set forth in paragraph 6.00 below.

[omitted]

- 1.12 “Business Day”: every calendar day other than Saturday, Sunday, and other days when as a general rule the banks of Milan are not open for performing their usual activities.
- 1.13 “Holinvest”: Holinvest S.p.A., with home offices in Brescia, at Corso Zanardelli 32, capital of (euro)700,000,000 and subscribed capital of (euro)514,000,000.00, registered in the Brescia Business Registry under registration no., tax code no. and VAT no. 03562710172.
- 1.14 “Holy”: Holy s.r.l., with home offices in Brescia, at Corso Zanardelli 32, capital of (euro)10,000.00, registered in the Brescia Business Registry under registration no., tax code no., and VAT no. 03517530170.
- [omitted]
- 1.16 “Net Financial Borrowing”: unless otherwise specified with regard to specific cases, shall be the algebraic consolidated sum (with the understanding that for each case net financial borrowing for Olimpia, borrowing for Olivetti and its subsidiaries will not be taken into account) of the following items entered in the statement of assets and liabilities prepared pursuant to Art. 2424 of the Civil Code: “bonds (D1) = convertible bonds (D2) + due to banks (D3) + due to other financial backers (D4) + financial debts owed to unconsolidated subsidiaries (D8) + financial debts owed to affiliates (D9) + financial debts owed to controlling companies (D10) - amounts due from unconsolidated subsidiaries ( C II 2) - amounts due from subsidiaries ( C II 3) - amounts due from controlling companies ( C II 4) - financial assets other than fixed assets ( C III) - liquid assets ( C IV).” Any existing updated value must be added to this amount, for financial leasing fees, if such are not included in the aforementioned items.
- [omitted]
- 1.18 “Relevant Subjects”: shall have the meaning set forth in paragraph 6.02 below.
- 1.19 “Net Asset Value”: shall mean the evaluation method used for calculating increase in value, according to market practice and at current values, of financial assets and liabilities.
- 1.20 “Olimpia bonds”: 1.5% Olimpia bonds, 2001-2002, each of which is an “Olimpia bond.”
- 1.21 “Olivetti Bonds”: 1.5% convertible bonds, 2001-2010, convertible to Olivetti Stock issued by Olivetti, each of which is an “Olivetti Bond”.
- [omitted]
- 1.24 “Extraordinary Operations”: every merger or split involving Olivetti, on the one hand, and one or more of its directly or indirectly controlled companies, on the other.
- 1.24bis “Capital Transactions”: such extraordinary transactions as may involve Olivetti capital and which change the number of shares or which result in, by way of example though not exclusively: stock split, reverse split, assignment of Olivetti stock to partners for capitalization of capital.
- 1.25 “Holy holding in Holinvest”: Holy holding of Holinvest capital, or 19.999% of this capital.
- 1.26 “Hopa holding in Holinvest”: Hopa holding of Holinvest capital, or 80.001% of this capital.
- 1.27 “Olivetti holding”: alternately:
- (i) when there are no Extraordinary Operations, holding with full voting rights equal to at least 25% of Olivetti capital on the date the present Contract is signed, or
  - (ii) when there are Extraordinary Operations, the entire package of Olivetti Stock and/or Financial Instruments (granting equal voting rights) arising from the exchange of shares with voting rights equal

to at least 25% of Olivetti capital that would be attained through Extraordinary Operations executed prior to the Relevant Date.

[omitted]

1.29 “Net Assets”: the difference - to be determined in accordance with Accounting Principles - between assets and liabilities on the “civil” balance sheets of a corporation where, upon drafting the resultant consolidated balance sheet, it is understood that for purposes of determining Olimpia’s Net Assets the assets of Olivetti and its subsidiaries are not taken into account.

1.30 “Pacts”: agreements of a paracorporate nature set forth in Articles VI and VII of the present Contract.

[omitted]

1.32 “Increase Premium”: shall have the meaning set forth in paragraph 10.00 below.

1.33 “Accounting Principles”: Accounting principles as provided by law, and when not specifically stated therein, those set forth by the National Council of Professional Accountants, or otherwise by the International Accounting Standards Committee.

1.34 “Debt/equity ratio”: the ratio between Net Assets (as defined in paragraph 1.29 above) and Net Financial Borrowing (as defined in paragraph 1.16 above). Possible derivative instruments (as defined in Decree Law 24.2.1998, no. 58 - Draghi Law, Article 1, paragraph 2), not for coverage (as defined by Banca d’Italia Measure of July 30, 2002) created as of 11-30-02, must be valued at cost or market price, whichever is less, and any necessary write-off must result in a reduction in Net Assets. Possible derivative instruments for coverage must be valued in a manner consistent with the asset or liability pertaining to the coverage, with it understood that the so-called equity swap underwritten by Olimpia on November 20, 2001, will be customarily valued at cost.

[omitted]

1.36 “Split”: shall have the meaning set forth in paragraph 9.01 below.

1.37 “Holinvest Split”: shall have the meaning set forth in paragraph 9.05 below. 1.38 “Seat”: Seat - Pagine Gialle S.p.A, with home offices at Via Grosso 10/8, Milan, registration number in the Milan Business Registry and tax code no. 12213600153.

[omitted]

1.39 “Holy Position”: Financial statements of Holy at December 31, 2002, with the accompanying reports, attached hereto as number 5.02(ii) which - in accordance with the provisions of paragraph 5.02(ii) below - shall represent the Holy financial position of reference for the Merger project.

1.40 “Olimpia Position”: Financial statements of Olimpia at November 30, 2002, with the accompanying reports, attached hereto as number 5.02(i) which - in accordance with the provisions of paragraph 5.02(i) below - shall represent the Olimpia financial position of reference for the Merger project.

1.41 “Olivetti Companies”: Telecom, TIM, and Seat, collectively.

1.42 “Standstill”: shall have the meaning set forth in paragraph 8.01 below.

1.42bis “Accelerated Standstill”: shall have the meaning set forth in paragraph 8.06 below.

1.43 “Financial Instruments”: every financial instrument (including Olivetti Instruments as defined below) that directly or indirectly grants subscription rights to Olivetti Stock (which, by way of example and not exclusively, includes convertible bonds, forward contracts, call options, and prepaid swaps).

1.44 “Olivetti Instruments”: instruments with the characteristics as set forth in the document attached hereto as no. 1.44.

[omitted]

1.46 “Initial Term”: shall have the meaning set forth in paragraph 8.05 below.

[omitted]

## ARTICLE II

### OBJECT OF CONTRACT

- (a) Under the present Contract, the various operations governed thereby and the Shareholders’ Agreements contained herein, the Current Olimpia Partners, Olimpia, and Hopa hereby agree on the terms and conditions for creating a partnership with strategic connotations.
- (b) The partnership referred to in the previous paragraph shall be achieved by Hopa’s joining its capital to that of Olimpia (by Holy’s merger with Olimpia) together with the Current Olimpia Partners, and the subsequent joint join p-3 Olimpia’s capital to that of Holinvest, together with Hopa.
- (c) The following stipulations in the present Contract shall, *inter alia*, govern:
  - (i) the steps taken to achieve the aforesaid situation (setting the terms and conditions thereof), in particular with regard to the provisions of Articles II, IV, and V below;
  - (ii) the rules of corporate governance and other provisions of a paracorporate nature to which the Parties have agreed, in particular with regard to the provisions of Articles VI and VII below;
  - (iii)
    - (A) the mechanisms for settling possible Standstills or Accelerated Standstills such as may arise in the administration of Olimpia (to include with regard to voting instructions as determined by the Olivetti Extraordinary Shareholders’ Meeting) and/or of Holinvest; and
    - (B) the means of any possible breakup of the partnership carried out under the present Contract, with regard to confirming a Standstill or Accelerated Standstill, as well as to the failure to renew Pacts upon their expiration;

with particular regard to the provisions of Articles VIII, IX, and X below.

## ARTICLE III

### PRELIMINARY OBLIGATIONS OF THE PARTIES

[omitted]

## ARTICLE IV

### CONDITIONS PRECEDENT

[omitted]

## ARTICLE V

### MERGER

[omitted]

5.09 Olimpia and Holinvest post-Merger ownership. The Parties mutually recognize that, on the basis of the Stipulated Exchange Rate:

(i) Olimpia post-Merger shall be owned as follows:

Pirelli	:	50.40%;
Edizione	:	16.80%;
Hopa	:	16.00%;
Unicredito	:	8.40%; and
Intesa	:	8.40%.

(ii) Holinvest post-Merger shall be owned as follows:

Hopa	:	80.001%; and
Olimpia	:	19.999%

[omitted]

## ARTICLE VI

### AGREEMENTS BETWEEN SHAREHOLDERS CONCERNING OLIMPIA AND OLIVETTI COMPANIES

6.00 Agreements and Agreement Term. (a) The Parties mutually recognize that the provisions in this Article VI, as well as those in Article VII below (collectively, the "Agreements") shall be effective for the entire period ("Agreement Term") between the effective date of the Merger and either:

- (i) the natural expiration of such Agreements, as regulated under paragraph (b) below; or
  - (ii) the date on which, in compliance with the applicable provisions herein, (A) - as a result of a Standstill, the Split and Holinvest Split become effective; (B) as a result of an Accelerated Standstill, the Current Olimpia Shareholders receive an Accelerated Standstill notice.
- (b) The Agreements shall have a term of three years as of the effective date of the Merger, and upon expiration shall be deemed tacitly extended [for an equal period], unless a notice of termination is served by either Party to the other, subject to the provisions in paragraph (c) below.
- (c) Subject to law requirements concerning particular cases, the Parties may withdraw from the Agreements, effective on the earliest expiration date, by written notice to the other Party 3 (three) months before such expiration date.

6.01 Board of Directors of Olimpia.

- (a) For the entire Duration of the Agreements, the Board of Directors of Olimpia will be made up of a fixed and non-changeable group of 10 members, one of which will be appointed upon designation by Hopa. The first Director appointed by Hopa will be Emilio Gnutti.
- (b) In the event the Director appointed by Hopa should cease to be on the Board, a replacement shall be designated within the next 20 (twenty) Work Days, and it is understood that the designation of the

replacement will be still made by Hopa, with the consent of Pirelli, which shall not withhold it unreasonably.

- (c) Should Hopa wish to revoke one or more of the Directors it designated, the Current Olimpia Partners will cooperate fully, in order for this revocation to proceed as rapidly as possible. Hopa shall have the right to designate - in accordance to what was set forth in the preceding paragraph (b) - the Director to be appointed as a replacement for the Director who was revoked, subject to the consent of Pirelli, which shall not withhold such consent unreasonably.
- (d) The Parties commit to holding each other harmless and to holding Olimpia harmless from any onus or damage deriving from the revocation without just cause of the Directors that each one of them from time to time designates, pursuant to paragraph 6.01.

#### 6.02 Relevant Subjects.

- (a) For the purposes of this contract and in particular of subsequent Article VIII the following shall be considered to be Relevant Subjects:
  - (i) In reference to the resolutions to be adopted by Olimpia's Shareholders' Extraordinary Meeting in relation to any subject that pertains to it, any time the resolution is adopted:
    - (A) In opposition to a proposal by Olimpia's Board of Directors passed with the agreement of the Directors appointed by Olimpia's Current Partners and by Hopa; or
    - (B) In agreement with a proposal by Olimpia's Board of Directors passed without the agreement of the Director appointed by Hopa;
  - (ii) In reference to the resolutions to be adopted by Olimpia's Board of Directors in relation to those pertaining to:
    - (A) The suggested vote to be cast during Olivetti's Shareholders' Extraordinary Meeting;
    - (B) The purchase, sale and transfer of any security interest valued over (euro)100,000,000.00 per transaction, or for multiple transactions performed during the same calendar year, with the exception of that which is provided for in the subsequent paragraph (b);
    - (C) Acts or initiatives that modify or will modify the debt/equity ratio from a 1:1 ratio (while keeping open the option to remedy this situation pursuant to the procedure outlined in subsequent paragraph 8.07(a)(ii) and with the understanding that in this case it will not be considered to be a situation inducing stalling) and/or that concern the definition of the terms and conditions for using outside sources of financing;
    - (D) Proposals for resolutions to be submitted to Olimpia's Shareholders' Extraordinary Meeting.
- (b) The Parties reciprocally acknowledge that - in spite of being slightly different from what was outlined in the preceding paragraph (a) (ii) (B) - the following shall not be considered Relevant Subjects for the purposes of this Contract: actions relating to the purchase or sale of Olivetti stock, the conversion of convertible Olivetti bonds in to Olivetti stock or equivalent financial instruments, as long as even after these transactions Olimpia's debt/equity ratio remains below 1:1.

#### 6.03 Board of Directors of Olivetti Companies.

- (a) For the entire Duration of the Agreements the current Olimpia partners will do whatever is in their power to ensure that, in the meetings of the Boards of Directors of the Olivetti Companies, a director be appointed as a result of being designated by Hopa. The first directors that Hopa designates to this end are those indicated in the attached document by number 6.03(a).

- (b) The new Boards of Directors of the Olivetti Companies, made up according to the dispositions in the preceding paragraph (a), will be appointed as soon as possible after the Merger and in any event within and no later than 60 Business Days after the effective date of the Merger itself.
  - (c) The dispositions in the preceding paragraphs 6.01(b) and (c) will apply, mutatis mutandis, also regarding the meetings of the Board of Directors of the Olivetti Companies.
- 6.04 Tender Offers on Olivetti Stock. Hopa commits itself to the fact that, in the event Olivetti Stock is subject to a tender offer, the Director that it designated in Olimpia's Board of Directors - if the Current Olimpia Partners requests it in writing - will not oppose Olimpia's agreeing to such tender offer.
- 6.05 Stand still.
- (a) Except for what set forth in the subsequent paragraph (b) or expressly provided for by this Contract, the Current Olimpia Partners and Hopa (also with respect to its respective controlling companies and affiliates) commit themselves not to purchase Olivetti Stock for the Duration of the Agreements, and agree to the fact that Olimpia - in partial derogation from this limitation - notwithstanding what is set forth in subsequent paragraph 8.06, will have the right to buy and sell Olivetti Stock as long as these transactions do not cause the limits described in paragraph 4.01(iii) to be exceeded, notwithstanding the fact that in order to calculate the threshold specified in the aforementioned paragraph, one shall have to bear in mind the quantities allowed by paragraph (a) of Article III.
  - (b) The following cases are exceptions to the Stand Still commitment specified in paragraph 6.05(a):
    - (i) The exercise on Pirelli's part of the rights already acquired before executing this Contract, in relation to the exercise of call options and swap contracts relating to the purchase of Olivetti Stocks and Bonds (which are described in detail in the attached document designated by number 6.05(b)(i);
    - (ii) For purchases of Olivetti Stock which were already allowed:
      - (A) From Unicredito and Intesa, by the current Paracorporate Pact agreed to by these entities with Pirelli, which is described in the attached document designated by number 6.05 (b) (ii) (A); and
      - (B) From Edizione, within the limits outlined by the current Paracorporate Pact agreed to by this entity with Pirelli, which are described in the attached document designated by number 6.05(b) (ii) (B).
    - (iii) The maximum number of Olivetti Stock that the Hopa Controlling Companies are authorized to possess pursuant to paragraph 4.01.
  - (c) Notwithstanding the above mentioned rights, furthermore the Parties reciprocally acknowledge that the purchase by one Side of convertible bonds and/or warrants that grant the right to underwrite convertible bonds in to Olivetti Stock and the exercise of the rights that go with it will be allowed only following the consent of the other Party, consent that shall not be unreasonably withheld, with the proviso that in the event of a request by Hopa there will have to be the unanimous consent of all the Current Olimpia Partners that at the time of this request are Olimpia partners.
- 6.06 Olimpia's Business Purpose. The Current Olimpia Partners commit themselves not to change Olimpia's business purpose (as reflected in the sample Articles of Incorporation which are found under Addendum 5.07 (b)) up to the latter of the following dates (i) the date of the natural expiration of the Agreements as set forth by paragraph 6 (b) of this Contract; and (ii) in the event of a Stall or an accelerated Stall, the effective date of the Break-up and the Holinvest Break-up.
- 6.07 Other Commitments Relating to Olimpia. The current Olimpia Partners commit to make it so that, for the entire duration of the Agreements, Olimpia:

- (i) Does not have other holdings or financial investments other than its holding in Olivetti, Olivetti's bonds, Olivetti's instruments and the holding by Olimpia in Holinvest possessed as a result of the merger;
- (ii) Has a debt/equity ratio that does not exceed 1:1; and
- (iii) Does not sell its holding in Olivetti to entities controlled by Olimpia or that are parts of groups whose ownership can be ascribed to the Current Olimpia Partners.

6.08 Co-sale Rights and Obligations.

- (a) Except when otherwise set forth in this Contract and in particular in the following paragraph 8.06(b)(iii) and 8.07(b)(ii), for the entire Term of the Agreements - and in any case until the effective date of the Spinoff and of the Holinvest Spinoff - if the holding of Pirelli in the capital of Olimpia is reduced by transfer, contribution, assignment (including by spinoff), or transfer of a portion thereof, directly or indirectly, or a financial instrument that may be converted and/or which gives right to a holding in the capital of Olimpia (hereinafter jointly the "Signed Holding") for payment, free of charge, for cash, or for payment in kind, under any status, including in several branches as compared to that held as of the signing date of this Contract, Hopa will have the right to claim (and therefore Pirelli will be obligated to cause) the buyer (hereinafter the "Third Party Buyer") - pursuant to the applicable provisions of this paragraph 6.08:

- (i) whenever, notwithstanding the transfer and/or assignment of the Assigned Holding, Pirelli, together with Unicredito and Intesa, maintains absolute majority in the capital of Olimpia by acquiring:

- (A) a percentage of the holding of Holinvest equal to the percentage between the Assigned Holding and 50.4% according to the following formula:

$$P_{piH} : P_{iH} = PC : 50.4\%$$

Where:

- $P_{piH}$ : is the holding percentage of Hopa in Holinvest for which Hopa may claim transfer to the Third Party Buyer;
- $P_{iH}$ : is the total holding (expressed as a percentage of the capital of Holinvest) of Hopa in Holinvest;
- $PC$ : is the Assigned Holding (expressed as a percentage of the capital of Olimpia);

or, as an alternative

- (B) a percentage of the Olivetti Instruments and/or of the Olivetti Shares and/or of the Financial Instruments held by Holinvest on the date Pirelli communicates its intent, equal to the percentages between the Assigned Participation and 50.4% according to the following formula:

$$P_{SOH} : SOH = PC : 50.4\%$$

Where:

- $P_{SOH}$ : is the portion of the Olivetti Instruments and/or Olivetti Shares and/or of the Financial Instruments held by Holinvest on the date Pirelli communicates its intent, for which Hopa may claim transfer to the Third Party Buyer;
- $SOH$ : the total number of Olivetti Instruments and/or Olivetti Shares and/or of the Financial Instruments on the date Pirelli communicates its intent, held by Holinvest;

- PC: is the Assigned Holding (expressed as a percentage of the capital of Olimpia);

and therefore

- (C) a percentage of its own holding in Olimpia equal to the percentage between the Assigned Holding and 50.4%:

$$\text{PpiO} : \text{PiO} = \text{PC} : 50.4\%$$

Where:

- PpiO: is the portion of Hopa's holding in Olimpia for which Hopa may claim transfer to the Third Party Buyer;
  - PiO: the total holding held by Hopa in Olimpia;
  - PC: Assigned Holding (expressed as a percentage of the capital of Olimpia);
- (ii) whenever the assignment and/or transfer with price paid in kind (contribution and/or spinoff) of the Assigned Holding implies the loss of the absolute majority in the common capital of Olimpia by Pirelli together with Unicredito and Intesa, acquiring the entire holding held by Hopa in Olimpia and/or Holinvest;
- (iii) whenever the assignment and/or transfer with the price paid in cash of the Assigned Holding implies the loss of the absolute majority in the common capital of Olimpia, by Pirelli, together with Unicredito and Intesa, Hopa will also have the obligation to sell (and, respectively, Pirelli will have the obligation and the right to cause Hopa to sell) to the Third Party Buyer the entire holding of Hopa in Olimpia and/or in Holinvest;

with the understanding that:

- (x) for the purposes of this paragraph 6.08, the financial instruments whose acquisition by the Third Party Buyer must be imposed by Hopa exercising the alternative power set forth in this paragraph 6.08(a), will be identified as "Instruments to be Assigned";
  - (y) once Hopa communicates - pursuant to the following paragraph (c) - to Pirelli that it wishes to exercise the co-sale right set forth in this paragraph 6.08(a), Hopa will be obligated to sell the Instruments to be Assigned under the terms and conditions set forth in this paragraph 6.08 and, in particular, the following paragraphs (d) and (e); and
  - (z) the choice between the options referred to in the previous paragraph 6.08(a)(i) will be exercised discretionally by Hopa and will be unavailable.
- (b) In order to allow Hopa to exercise the rights set forth in the previous paragraph (a), Pirelli undertakes to communicate to Hopa any intention to sell, transfer, assign (including by spinoff) or otherwise transfer under any status or part of its own holding in Olimpia, as soon as allowed by the negotiations with the Third Party Buyer (taking into consideration possible reasons of confidentiality), communicating to Hopa the nature of the Third Party Buyer and the terms and conditions of the possible transfer transaction.
- (c) Hopa, after receiving the communication about the transfer project of the Assigned Holding by Pirelli, must communicate to Pirelli within twenty (20) Business Days from receipt of the communication, whether or not it intends to exercise its own co-sale right and whenever Pirelli's communication refers to a transaction of the type indicated in the previous paragraph (a)(i), which of the options set forth in Sections (A) through (C) of said paragraph (a)(i) it intends to choose.

- (d) Should Hopa exercise the co-sale right set forth in this paragraph 6.08, the transfers of the Instruments to be Assigned to the Third Party Buyer following such exercise must be perfected simultaneously with the transfer of the Assigned Holding by Pirelli to the Third Party Buyer.
- (e) The transfer price of the Instruments to be Assigned must be established pursuant to the following provisions:
- (i) whenever Hopa exercised the co-sale right set forth in its favor in the previous paragraph 6.08(a)(i)(C) or 6.08(a)(ii), the latter in the portion referring to the Olimpia holding, the price will be equal to the same price for each Olimpia share obtained by Pirelli from the assignment of the Assigned Holding;
  - (ii) whenever Hopa exercised the co-sale right in its favor pursuant to the previous paragraph 6.08(a)(i)(A) or 6.08(a)(ii), the latter in the portion referring to the holding in Holinvest, the price will be established by considering the implicit value assigned by the Third Party Buyer to the Olivetti securities and to any Financial Instrument held by Olimpia evaluating Holinvest on this basis at Net Assets Value;
  - (iii) whenever Hopa exercised the co-sale right in its favor pursuant to the previous paragraph 6.08(a)(i)(B), the price of the Olivetti Instruments will be established considering the implicit value assigned by the Third Party Buyer to the Olivetti securities and to any Financial Instrument held by Olimpia.

with the understanding that, for the purposes of this paragraph, the Net Asset Value (referred to in the previous paragraph (ii)) and the price of the Financial Instruments (referred to in the previous paragraph (iii)) will be established pursuant to the previous paragraph (e) and, in the event of this agreement between Pirelli and Hopa, by an audit firm included among the so-called "Big Four" - appointed by the Parties by mutual agreement or, in the absence of such agreement, by the Presiding Judge of the Court of Milan at the request of the most diligent Party; with the understanding that - the determinations made by audit firm will be unappealable and final.

- (f) It is understood between the Parties that the obligations set forth in this paragraph 6.08 must be considered exclusively at the charge of Pirelli, excluding any joint liability of the Current Olimpia Shareholders.

#### 6.08bis Co-sale Rights concerning Olimpia's assets.

- (a) For the entire Term of the Agreements - and in any event until the effective date of the Spinoff and of the Holinvest Spinoff - if the holding of Olimpia is reduced to a level below 25% of Olivetti's capital or, whenever it is so reduced, it is further reduced by transfer, assignment (including by spinoff) or sale of a portion thereof for payment, free of charge, for cash or by payment in kind, under any status, including in several tranches (hereinafter, together, the "Assigned Olivetti Holding"), Holinvest will have the right to claim (and therefore Olimpia will be obligated to cause) the buyer (hereinafter the "Third Party Buyer of Olivetti Instruments") - pursuant to the applicable provisions of this paragraph - to buy a percentage of the Olivetti Shares (and/or Financial Instruments) held by it on that date, equal to the percentage between the Assigned Olivetti Holding and Olimpia's holding in Olivetti, held before the assignment of the Assigned Olivetti Holding:

$$PAOH : AOH = POC : PO$$

Where:

- PAOH: is the number of Olivetti Shares (and/or Financial Instruments) held by it, for which Holinvest [sic] may claim the transfer to the Third Party Buyer;
- AOH: is the total number of Olivetti Shares (and/or Financial Instruments) held by Holinvest on the date Olimpia communicates its intent to transfer the Assigned Participation; POC: is the

Assigned Olivetti Holding (expressed as a percentage of the Olivetti Shares (and/or of the Financial Instruments) held by Olimpia on the date Olimpia communicates its intent to transfer Assigned Olivetti Holding);

- PO: the total holding in Olivetti and/or all Financial Instruments held by Olimpia before the assignment of the Assigned Olivetti Holding;

with the understanding that:

- (x) for the purposes of this paragraph 6.08bis, the Olivetti Shares and/or Financial Instruments for which Holinvest must impose the acquisition of the Olivetti Instruments by the Third Party Buyer will be identified as "Olivetti Instruments to be Assigned";
  - (y) once Holinvest communicates - pursuant to the following paragraph (c) - to Olimpia that it wishes to exercise the co-sale right set forth in this paragraph 6.08bis, Holinvest will be obligated to sell the Olivetti Instruments to be Assigned under the terms and conditions set forth in this paragraph 6.08bis and, in particular, the following paragraphs (d) and (e); and
- (b) In order to allow Holinvest to exercise the rights set forth in the previous paragraph (a), Olimpia undertakes to communicate to Holinvest any intention to sell, transfer, assign (including by spinoff), or otherwise transfer under any status or part of its own holding in Olivetti, as soon as allowed by the negotiations of the Olivetti Instruments with the Third Party Buyer (taking into consideration possible reasons of confidentiality), communicating to Holinvest the nature of the Third Party Buyer of the Olivetti Instruments and the terms and conditions of the possible transfer transaction.
  - (c) Holinvest, after receiving the communication about the transfer project of the Assigned Olivetti Holding by Olimpia, must communicate to Olimpia within twenty (20) Business Days from receipt of the communication, whether or not it intends to exercise its own co-sale right.
  - (d) Should Holinvest exercise the co-sale right set forth in this paragraph 8.06(ii)[sic], the transfers of the Assigned Olivetti Instruments to the Third Party Buyer of the Olivetti Instruments to be Assigned following such exercise must be perfected simultaneously with the transfer by Olimpia to the Third Party Buyer of the Olivetti Instruments of the Assigned Olivetti Holding.
  - (e) The transfer prize of the Olivetti Instruments to be Assigned will be equal to the price for each Olivetti share (and/or Financial Instrument) obtained by Olimpia from the transfer for the assignment of the Assigned Olivetti Holding.
  - (f) The Parties mutually take note and agree that - as a partial exception to the provisions of this paragraph 6.08bis - whenever Holinvest exercises the co-sale right referred to in this paragraph 6.08bis, the assignment of the Assigned Olivetti Holding which - pursuant to the terms of the preceding paragraph would include an event of Accelerated Standstill - it will not be considered Accelerated Standstill.

6.09 Taking Note. The parties mutually take note that:

- (i) the Agreements set forth in this Contract do not replace and therefore do not impair the validity, efficacy and enforceability of the Agreements referred to in the Paracorporate Pact executed on September 14, 2001 between Pirelli, Unicredito, and Intesa;
- (ii) in light of the preceding paragraph (i), the exercise by Unicredito and/or Intesa of the rights set forth in their favor in the Paracorporate Pact referred to in the previous paragraph (i) may not in any manner represent nonperformance of any commitments assumed by Unicredito and Intesa (as Current Olimpia Shareholders) under this Contract, nor cause under any other status any liability for Unicredito and Intesa themselves;

- (iii) whenever Unicredito and/or Intesa exercise the put right pursuant to the Paracorporate Pact referred to in the preceding paragraph (i), they will immediately be released from any obligation towards Hopa arising from this Contract, regardless of the date of the actual transfer of the Olimpia shares subject to the put, without prejudice to the fact that Pirelli will be automatically obligated towards Hopa to perform all such obligations towards Hopa itself;
- (iv) for whenever Unicredito and/or Intesa exercise the put right referred to in the previous paragraph (iii), Edizione Finance and Hopa waive, as of now, exercising the preference right established in their favor in the bylaws.

## ARTICLE VII

### SHAREHOLDERS' AGREEMENTS CONCERNING HOLINVEST

#### 7.01 Board of Directors of Holinvest.

- (a) For the entire Term of the Agreements, the board of directors of Holinvest will be made up of a fixed, unchangeable number of 7 members, one of whom will be appointed by Olimpia's designation.
- (b) The provisions of the previous paragraphs 6.01(b), (c) and (d) will apply, mutatis mutandis, to the Board of Directors of Holinvest.

#### 7.02 Lock-up Commitments.

- (a) As of the date of this Contract and for a period of twenty months from the effective date of the Merger, Hopa:

- (i) undertakes not to:
  - (A) offer, constitute in pledge, sell, carry out preliminary sale steps, lend or otherwise transfer or assign (including by contribution or partial spinoff), directly or indirectly, Hopa's Holinvest Holding or any financial instrument that may be converted or which would give right to a holding in the capital of Holinvest, or
  - (B) execute swap contracts and other acts and/or contracts transferring to a different party, in full or in part, any risk or economic profit arising from Hopa's ownership of the Holinvest Holding, regardless of the fact that the transactions described in the preceding points (A) and (B) must be liquidated by delivery of Hopa's Holinvest Holding or of the aforementioned financial instruments, for cash or otherwise.
- (ii) it pledges - without prejudice to the provisions of the following paragraphs (b) and (c) - to take all necessary steps to prevent Holinvest from:
  - (A) offering, selling, carrying out preliminary sales steps, lending, granting in pledge to guarantee obligations of third parties or otherwise transferring or assigning (including by contribution or partial spinoff), directly or indirectly, the Olivetti Instruments which, as of the date of this Contract, are owned by it, or any other financial instrument that may be converted or which gives right to a holding in the capital of Olivetti; or
  - (B) executing swap contracts or other acts and/or contracts transferring to a different party, in full or in part, any risk or economic profit arising from the ownership of the Olivetti Instruments which, as of the date of this Contract, are owned by it, regardless of the fact that the transactions described in the preceding points (A) and (B) must be liquidated by delivery of the Olivetti Instruments or of the other aforementioned financial instruments, for cash or otherwise.

- (b) Concerning the provisions of the following paragraph 7.03:
- (i) the Parties mutually take note that they know the following:
- (A) Holinvest gave in pledge to the banks which financed it (the "Creditor Banks") the Olivetti Instruments which, as of the date of this Contract, are owned by it (as identified in the document enclosed herewith under No. 7.02(b)(ii)(A)) as guarantee of the obligations to reimburse the financing granted to it by said Creditor Banks;
- (B) Hopa undertakes to take all possible steps to avoid a possible discussion of the pledge by the Creditor Banks and therefore to preserve the preferred rights in favor of Olimpia referred in paragraph 7.03 below;
- (ii) in light of the provisions of the preceding paragraph (i), the Parties agree that:
- (A) following the execution of this Contract, Hopa will do everything possible so that the Creditor Banks:
- (1) consent that, in the event of sale of the Olivetti Instruments following the discussion of the pledge referred to in the preceding paragraph (i)(A), Olimpia be granted a preferred right concerning the acquisition of the Olivetti Instruments so sold; or, whenever such hypothesis is not feasible,
- (2) to accept - in the event that the pledge referred to in the preceding paragraph (i)(A) must be discussed - to transfer to Olimpia the financing contracts and the respective guarantees, at a price equal to the market value as of that date of the credit given by the Creditor Banks to Holinvest, under the same financing contracts so assigned; on the other hand, it is understood that Hopa undertakes as of now to cause Holinvest - in the event that the Creditor Banks declare their availability to transfer the contract as indicated in this paragraph (ii)(A)(2) to accept - and therefore consent to - such assignments:
- (B) without limitation to the provisions of the preceding paragraph (A), immediately after the execution of the this contract, the Parties will send a joint communication to the Creditor Banks to inform them of the existence of the preferred right referred to in paragraph 7.03 below, and also requesting the Creditor Banks to a meeting to discuss the provisions of the aforementioned paragraph (ii)(A);
- (C) in order to help Olimpia achieve the purposes set forth in the previous paragraph (i)(C), Hopa will allow a representative of Olimpia (chosen by Olimpia with the consent of Hopa - which may not be unreasonably denied) to participate in all the meetings with the Creditor Banks which are the consequence or related to the provisions of the previous paragraph (ii)(A); (iii) the sections in the previous paragraphs(i) and (ii) will apply, mutatis mutandis, also in the case of subsequent financing and the respective pledges, with the understanding that the pledges so granted by Holinvest may refer only to the debts contracted by it, to the exclusion of the guarantee pledges of the debts of other parties.
- (c) Hopa's obligation referred to in the previous paragraph (a)(ii) is understood in the sense of allowing Holinvest to freely dispose - during the lock-up period - of the Olivetti Instruments and/or Financial Instruments (but without application of the preferred right referred to in paragraph 7.03 below) provided that during said period, Holinvest keeps its ownership of a number of securities of not less than 65% and not more than 125% of those listed in the previous paragraph 4.01(ii)(A) and provided the shares of the companies director or indirectly controlled by Olivetti do not exceed 10% of the assets of Holinvest, without prejudice to the composition of the assets of Holinvest on the Relevant Date.

- (a) At the end of the Lock-up period referred to in the previous paragraph 7.02(a)(ii) and for the entire residual Term of the Agreements - and in any case until the effective date of the Spinoff and of the Holinvest Spinoff - Holinvest may freely dispose of the Financial Instruments and of the Olivetti Shares, provided it - should it carry out any of the transactions set forth in the previous paragraph 7.02(a)(ii)(A) and (B) - grant Olimpia (with written communication detailing the identity of the potential buyer whenever it is known to Holinvest, regardless of the fact that the sale takes place on the regulated market, and all the elements necessary for the adequate evaluation of the offer of the latter and of the elements showing his seriousness) a preferred right in the Olivetti Instruments which are the object of such transaction.
- (b) It is understood that:
  - (i) the offer must be presented by the third party within (30) thirty Business Days from the date Olimpia received Holinvest's communication referred to in the previous paragraph 7.03(a);
  - (ii) the preferred right referred to in the previous paragraph (b) must be exercised by the Olimpia within two (2) Business Days after Olimpia's receipt of the respective denunciatio.

7.04 Holinvest's Bylaws. Hopa will take all necessary steps so that, by the date of the Merger and not later, Holinvest's bylaws be amended to allow Holinvest exclusively to engage in the holding and financial activity concerning ownership and trading of the Olivetti Shares, Olivetti Instruments and Financial Instruments, as well as the shares and/or financial instruments of the companies directly or indirectly controlled by Olivetti; Hopa's commitment is subject to the admissibility of such amendment pursuant to current legislation, without prejudice to the fact that Hopa will not be obligated to make such amendment whenever it implies the prohibition to Holinvest from continuing to own the holdings in securities other than those indicated in this paragraph, as currently owned, with the understand that, in this case, Hopa undertakes to cause Holinvest not to acquire new securities other than those described above. In addition, within the same term, Hopa undertakes to make in the current bylaws of Holinvest [sic] the amendments necessary to make it consistent with the model bylaws enclosed herewith under No. 7.04.

- 7.05 Second Preferred Right in Favor of Olimpia. (a) In the absence of a scenario of Accelerated Standstill, on the expiration of the first three-year period of the term of the Agreements (but completely independently from the fact that the agreements are extended for a subsequent three-year period or not) Hopa will cause Holinvest to execute with Olimpia a preferred rights agreement with a term of two years, under which - as of that date - Holinvest - whenever it intends to offer, pledge, sell, carry out preliminary sale steps, sell any sale option or contract, grant any option, right or warrant for acquisition, lend or otherwise transfer, assign or dispose (including by contribution or partial spinoff), directly or indirectly, all or part of Olivetti's holding post-Spinoff - it must offer it preferentially to Olimpia to the extent that, due to the transaction planned, Hopa and Holinvest would own together less than:
- (i) 65% of the holding in Olivetti belonging to them by the effect of the Spinoff; or
  - (ii) 65% of the Olivetti Instruments owned by Holinvest on the reference date of the Spinoff.
- (b) The preferred right referred to in the previous paragraph (a) must be exercised by Olimpia within 15 days after its receipt of the respective denunciatio.
  - (c) For the entire term of the preferred rights agreement set forth in this paragraph 7.05, the provisions of the previous paragraph 6.05 apply, mutatis mutandis.

## ARTICLE VIII

### STANDSTILL AND ACCELERATED STANDSTILL

- 8.01 Identification of standstill cases. For the purposes of this Contract, "Standstill" means a situation of disagreement, expressed in preliminary consultations or, in the absence thereof, in the Extraordinary Shareholders' Meeting of Olimpia or in the Board of Directors of Olimpia, among the Current Olimpia Shareholders, on the one hand, and Hopa, on the other hand, on a Relevant Subject, at any time during the Term of the Agreements.
- 8.02 Obligation of consultation. The Current Olimpia Shareholders undertake to first consult Hopa whenever a Relevant Deliberation must be discussed or approved.
- 8.03 Procedure. (a) For the performance of the obligation referred to in paragraph 8.02 above, the Current Olimpia Shareholders and Hopa undertake to meet, or to first consult each other by telephone conference or videoconference, subject to the appropriate minutes, within and not later than the third (3rd) day prior to the day scheduled for the meeting of the board or shareholders of Olimpia, or immediately after they become aware, in the event of urgent invitation from the meeting of the Board of Olimpia pursuant to the applicable bylaws' provisions.
- (b) In the consultation referred to in this paragraph, the Current Olimpia Shareholders and Hopa will do everything possible to reach an agreement and/or identify a common position in the issues submitted to their examination, and undertake for this purpose to act in good faith.
- (c) The unjustified absence of a Party in the preliminary consultation or its abstention from decisions reached during the consultation, implies acceptance of the decisions reached by the other Party and impose on the absent or abstaining Party the obligation to comply with and observe such decisions.
- 8.04 Manifestation of will. (a) Whenever the Current Olimpia Shareholders and Hopa, in the preliminary consultation referred to in paragraphs 8.02 and 8.03 above, reached an agreement concerning the issues submitted to said consultation, they will be obligated to express their will at the competent levels, according to the following provisions:
- (i) by giving a joint representative delegation to participate in Olimpia's extraordinary shareholders' meeting and to cast the vote in said meeting, according to the decision made; or, as applicable,
- (ii) to cause its representatives in the Board of Directors of Olimpia to participate in the meeting of the board and cast their vote there, according to the joint decisions reached in the preliminary consultation.
- (b) Otherwise, in the absence of mutual agreement on the issues submitted to consultation, Hopa will be obligated to refrain from participating in the meeting of the shareholders or of the board and from casting or causing its vote to be cast at said level and/or refrain from expressing, at any level and mode, its will or position concerning the issue subject to said preliminary consultation, except as indicated in point (d) below.
- (c) Whenever the preliminary consultation referred to in the previous paragraphs 8.02 and 8.03 does not take place by the fault of the Current Olimpia Shareholders, Hopa will have the right to participate in the meeting of the shareholders and/or board and cast or cause casting of its vote at that level and/or to express, at any level and mode, its will or position concerning the Relevant Subject, except as set forth in point (d) below.
- (d) Whenever the situation referred to in point (b) or the situation referred to in point (c) above occur, Hopa will have the right to send to the Current Olimpia Shareholders, by telegram or registered letter and pursuant to paragraph 12.03, a "Standstill Notice" within the term of 15

(fifteen) days from the end of the consultation referred to in paragraph 8.03 or, in the absence of consultation, from the date of the decision referred to in the preceding paragraph 8.04(c).

- (e) Within 30 Business Days from the date the Current Olimpia Shareholders received the Standstill Notice, the Parties must request - for the only purpose referred to in paragraph 10.01 below - by unappealable judgment of an Arbitration Board, to be appointed in accordance with Article XIII below, the ascertainment, for the purposes set forth in Article X, of whether or not the Standstill situation was declared by Hopa in good faith.

In any event, it is understood in order to avoid any doubt, that Hopa's right (as referred to in Article IX below) to have the Spinoff [and] the Holinvest Spinoff take place without the results of such ascertainment and therefore the Current Olimpia Shareholders must implement all necessary steps for the Spinoff and Holinvest Spinoff to take place within the term indicated in paragraph 9.01(c) below.

#### 8.05 Rights of the Parties.

- (a) Whenever Hopa sends to the Current Olivetti Shareholders a Standstill Notice pursuant to paragraph 9.04 (c) above, Hopa will have the right (which will be deemed exercised by the receipt of the Standstill Notice by the Current Olimpia Shareholders pursuant to point (c) paragraph 8.04 above) to claim - as of the end of the thirty-sixth (36) month after the date of the Merger (the "Initial Term") - all necessary steps to be taken so that within 6 months from the Initial Term, the Spinoff and Holinvest Spinoff take place pursuant to the applicable provisions of Article IX below.
- (b) The Parties agree that in any case of absence of opt-out of the Parties and their consequent automatic renewal pursuant to the provisions of paragraph 6.00(b) above, the Initial Term must be considered from time to time [the end of the thirty-sixth (36) month after the date of each renewal].

#### 8.06 Identification of Cases of Accelerated Standstill.

- (a) Whenever - during the Term of the Agreements - one of the following events takes place (each of them an event of "Accelerated Standstill"):
  - (i) a decision is made for the merger and/or spinoff of Olimpia and/or Olivetti with companies other than companies directly or indirectly controlled;
  - (ii) Olimpia stops owning a holding in Olivetti at least equal to the Holding in Olivetti, including as a consequence of:
    - (A) transfer and/or assignment (including by spinoff) and/or contribution of all or part of its holding in Olivetti and/or Financial Instruments (with voting right) to companies belonging to the groups in which the Current Olimpia Shareholders are members or which are managed by them; or
    - (B) transfer and/or assignment (including by spinoff) of all or part of its holding in Olivetti and/or Financial Instruments (with voting right) to third parties with payment in kind (for example by swap or contribution).
  - (iii) Olimpia's debt/equity Ratio - without prejudice to paragraph (b) below - exceeds 1:1;
  - (iv) the Current Olimpia Shareholders decide to contribute all or part of their total holding in Olimpia to companies belonging to groups in which the Current Olimpia Shareholders are members or which are managed by them;
  - (v) without prejudice to the provisions of paragraph 8.06(b) (iii) (C) below, there are plans for transfer, assignment and/or conveyance (including by spinoff) under any status, of all or part of the total holding of the Current Olimpia Shareholders in Olimpia, to companies belonging to groups in which the Current Olimpia Shareholders are members or which are managed by them,

at a price lower than the market price of Olimpia's holding in Olivetti plus (euro) 0.60 per Olivetti Share and/or Financial Instrument owned by Olimpia. It is understood that, whenever Extraordinary Transactions or Capital Transactions are carried out, such increase of (euro) 0.60 must be determined for a number of Olivetti Shares and/or Financial Instruments appropriately adjusted or adapted as a consequence of such Transactions, according to market practice, with the understanding that whenever, due to the determination of such number there is a disagreement between the Parties, such determination will be requested by the most diligent Party from a prime business bank chosen by mutual agreement or, in the absence thereof, designated by the President Judge of the Court of Milan;

- (vi) there are plans for assignment and/or conveyance (including by spinoff) of all or part of the total participation of the Current Shareholders in Olimpia to third parties, with payment in kind (for example by swap or contribution), whenever the third party does not assume towards Hopa the same obligations assumed by the Current Olimpia Shareholders pursuant to the agreements, without prejudice to the fact that in such case Hopa will not be subject to any co-sale obligation;

in all these cases, Hopa will have the right to ask Olimpia and the Current Olimpia Shareholders to take all necessary steps in order to decide - pursuant to the applicable provisions of Article IX below - on the Spinoff and Holinvest Spinoff.

- (b) The Parties mutually take note that:

- (i) the right granted to Hopa in paragraph (a) above will be deemed exercised when the Current Olimpia Shareholders receive a written communication from Hopa indicating to the Current Olimpia Shareholders its desire to enforce its rights established in the event of Accelerated Standstill, "Accelerated Standstill Notice";
- (ii) this communication must be sent by Hopa to the Current Olimpia Shareholders not later than by the fifteenth (15th) day after the occurrence of one of the events referred to in paragraph (a) above; (iii) in the event referred to in paragraph 8.06(a)(v) above, Hopa will not have:
  - (A) the right to exercise the co-sale rights reserved in its favor in paragraph 6.08(a) above;
  - (B) the right to exercise its preferred right established in the bylaws; and
  - (C) any co-sale obligation.

#### 8.07 Exceptions to Cases of Accelerated Standstill.

- (a) In partial derogation to the provisions of paragraph 8.06(a)(iii) above, the Parties mutually take note that:
  - (i) the occurrence of a possible excess over the ratio of 1:1 in the debt/equity Ratio of Olimpia, relevant for the purposes of paragraph 8.06(iii) above, will exclusively be that carried out by Olimpia and the Current Olimpia Shareholders and communicated by them to Hopa (including as part of the approval of the periodic financial statements and balance sheets of Olimpia by its Board of Directors) quarterly, and at any time following a written request from Hopa to Olimpia; and
  - (ii) it may be considered that the event referred to in the previous paragraph 8.06(iii) took place only if, following said event, the debt/equity Ratio of Olimpia is not restored to a value equal to or lower than 1:1 within the next 5 days from the date of the communication by which Olimpia notifies Hopa that the debt/equity Ratio of Olimpia has exceeded 1:1 or, as an alternative, the latter does not irrevocably undertake to restore it, with the understanding that such restoration may occur (A) by non-refundable payments to the capital account made by the Current Olimpia Shareholders and without causing economic difficulties for Hopa or dilutions of the latter's

holding in Olimpia or (B) by subordinated financing, with the understanding that, in this case, the current Olimpia Shareholders will be obligated (in order to avoid an Accelerated Standstill) to convert or replace within 60 (sixty) days such subordinated financing by non-refundable payments to the capital account, without causing economic difficulties for Hopa or dilution of the latter's holding in Olimpia.

- (b) In addition, the Parties mutually take note that:
- (i) the transfer or contribution of their holding in Olimpia will not constitute a case of Accelerated Standstill pursuant to paragraph 8.06(v) above:
    - (A) by one of the Current Olimpia Shareholders, to a company which is (and remains) controlled by it; and
    - (B) by Unicredito and Intesa to:
      - (1) a company subject to joint control of said parties in their respective bank group and as long as they remain members thereof; and/or
      - (2) to Pirelli, pursuant to the provisions of the current Pool Agreement between Pirelli, on the one hand, and Unicredito and Intesa on the other hand, provided that Pirelli - simultaneously with such assignment or contribution - is subrogated in the obligations assumed by Unicredito and Intesa towards Hopa pursuant to the Agreements and in general pursuant to this Contract;
    - (C) by Edizione to Pirelli pursuant to the provisions of the current Pool Agreement between Pirelli, on the one hand, and Edizione, on the other hand, whereby Pirelli is subrogated as of now, in the event of such assignment or contribution, in the obligations assumed by Edizione towards Hopa pursuant to the Agreements and, in general, pursuant to this Contract;
  - (ii) the assignments referred to in paragraph 8.07(b)(i) above will not give Hopa the right to exercise the co-sale rights reserved to it under paragraph 6.08(a) above, nor the preferred right established for it in the bylaws, nor will they create any co-sale obligation for Hopa.

8.08. Relations between Standstill and Accelerated Standstill. The Parties mutually take note that whenever, in the event of a Standstill, there is an event of Accelerated Standstill, the applicable provisions in the case of Accelerated Standstill will prevail and, whenever there is an Accelerated Standstill, there may be no Standstill or a subsequent Accelerated Standstill, with the understanding that in the event of a Standstill, an Accelerated Standstill may take place but a subsequent Standstill may not be deemed to occur.

## ARTICLE IX

### SPINOFF AND HOLINVEST SPINOFF

- 9.00 Triggering Events. Should Hopa exercise the rights set forth in its favor in paragraphs 8.05 and 8.06(a) above, and in the event of failure to renew the Agreements on their initial expiration or at the expiration of the subsequent renewals periods pursuant to paragraph 6.00 above:
- (i) the Current Olimpia Shareholders undertake to do everything necessary so that - pursuant to the following paragraphs of this Article IX and in particular paragraph 9.01 - the Spinoff takes place; and
  - (ii) Hopa and Olimpia undertake to do everything necessary so that - pursuant to the following paragraphs of this Article IX and in particular paragraph 9.04 - the Holinvest Spinoff takes place.
- 9.01 The Spinoff.

- (a) The Spinoff will consist of a partial spinoff of Olimpia as a consequence of which Hopa will receive the pro-quota of Olimpia's assets and liabilities.
- (b) The reference date, including for the determination of the pro-quota of the assets and liabilities and without prejudice to paragraph 9.02, of the Spinoff (the "Relevant Date") will be:
  - (i) the Initial Term, in the event of Standstill and in the event of failure to renew the Agreements on the original expiration or on the expiration of the subsequent renewal periods (without prejudice to paragraph 8.05(b) above); and
  - (ii) a date coinciding with the third (3rd) Business Day following the date of the relevant event for the purposes of Accelerated Standstill, in the event of Accelerated Standstill.
- (c) Without prejudice to paragraph 9.06 below, the Current Olimpia Shareholders must take all necessary steps to complete the Spinoff within six (6) months:
  - (i) from the Initial Term, in the event of Standstill and in the event of failure to renew the Agreements on the original expiration or on the expiration of the subsequent renewals periods; and
  - (ii) from the date of receipt of the Accelerated Standstill Notice, in the event of Accelerated Standstill.

- 9.02 Commitment of the Current Olimpia Shareholders. Without prejudice to paragraph 9.07 below for the so-called cash settlements, in all cases in which, pursuant to this Contract, it is necessary to proceed with the Spinoff, the Current Olimpia Shareholders must do everything necessary so that, on the Relevant Date:
- (i) the assets of Olimpia consist at least of the Olivetti Holding (ii) the share of the Olivetti Holding and Financial Instruments to be attributed to Hopa in the Spinoff is equal to the percentage of Hopa's holding in the capital of Olimpia, without prejudice to the fact that, in the Spinoff, Hopa must be attributed a share of the Olivetti Holding including in the event that, on the Relevant Date, Olimpia has a holding lower than the Olivetti Holding, except that, upon the reduction of Olimpia's holding in Olivetti below the Olivetti Holding, the exercise of the co-sale right is obtained by Hopa; in this case, Hopa will be attributed the pro rata of Olimpia's holding in Olivetti and of its financial instruments;
  - (ii) Hopa will be attributed a portion, in a percentage equal to Hopa's holding percentage in Olimpia's capital,
    - (A) of Olimpia's holding in Holinvest on the Relevant Date; or
    - (B) the share reserved to Olimpia in connection with Holinvest's assets and liabilities on the same date.

9.03 Further Commitments in the Event of Standstill, Accelerated Standstill and Failure to Renew. In addition to the provisions of Paragraph 9.02 above, in the event of Spinoff following a Standstill, and an Accelerated Standstill or failure to renew the Agreements, the Current Olimpia Shareholders must take all necessary steps so that the debt/equity Ratio of Olimpia on the Relevant Date is not higher than 1:1.

9.04 Subsequent Commitments only in the Event of Accelerated Standstill. In addition to the provisions of paragraph 9.02 above, in the event of Spinoff following an Accelerated Standstill (and therefore not in the case of Standstill or failure to renew the Agreements), the Current Olimpia Shareholders must take all necessary steps so that the effects of the event which gives rise to Hopa's right to enforce the Accelerated Standstill (provided it does not consist of the events referred to in paragraphs 8.06(ii) and 8.06(iii) below) do not damage the Spinoff.

9.05 Holinvest Spinoff.

- (a) The Holinvest Spinoff will consist of a partial spinoff of Holinvest as a consequence of which Olimpia will be attributed the pro-quota of the assets and liabilities of Holinvest.
- (b) Without prejudice to paragraph 9.07 below, the reference date of the Holinvest Spinoff will be the Relevant Date of the Spinoff (and must therefore be determined pursuant to paragraph 9.01 (b) above).
- (c) Without prejudice to paragraph 9.07 below, Hopa must take all necessary steps for the Holinvest Spinoff to be completed within six (6) months:
  - (i) from the Initial Term, in the event of Standstill and in the event of failure to renew the Agreements on the original expiration or on the expiration of the subsequent renewals periods; and
  - (ii) from the date of receipt of the Accelerated Standstill Notice, in the event of Accelerated Standstill.

9.06 Commitment of Hopa. In all cases in which the Holinvest Spinoff must be carried out, Hopa will take all necessary steps so that, on the Relevant Date:

- (i) Holinvest's debt/equity Ratio is not higher than 1:1; and
- (ii) Holinvest's assets do not include financial instruments other than Olivetti Bonds or other Olivetti Instruments or financial instruments derivative from Extraordinary Transactions or Olivetti Shares arising from the conversion of the instruments of mentioned above, in addition to the Olivetti Shares referred to in paragraph 4.01 (a) (ii) (A) (4) above.

9.07 Modalities of the Spinoff and Holinvest Spinoff.

- (a) Without prejudice to the previous paragraphs of this Article IX, the Parties mutually take note that, in order to carry out the agreement of the Parties in the event that it is necessary to proceed with the Spinoff and the Holinvest Spinoff:
  - (i) the Holinvest Spinoff must proceed and be effective before the Spinoff becomes effective, and must attribute to Olimpia (or, should it so require, in writing, to one of its fully-held subsidiaries) the pro-quota of the assets and liabilities of Holinvest (as set forth in paragraphs 9.05 and 9.06 above); however, it is understood that, whenever Hopa so desires, instead of the Holinvest Spinoff (and therefore instead of the allocation to Olimpia of the pro-quota of the assets and liabilities of Holinvest) Hopa may liquidate Olimpia [and therefore buy Olimpia's holding in Holinvest] with a payment in cash (so-called cash settlement) whose amount must be calculated equal to the difference, calculated at market prices on the Relevant Date, between the assets and liabilities which, in the event of the Holinvest Spinoff (and therefore in the event of allocation to Olimpia of the pro-quota of the assets and liabilities of Holinvest) would have been reserved for Olimpia; with the understanding that this right may be exercised by Hopa only within 15 (fifteen) Business Days from the Relevant Date, and that the payment of the aforementioned amount must take place within 15 (fifteen) Business Days after the exercise of said right.
  - (ii) subsequently - although without solution of continuity - at the time the Holinvest Spinoff becomes effective, the Spinoff will be carried out attributing to Hopa (or, if it so desires, to one of its fully-held subsidiaries) the pro-quota of the assets and liabilities of Olimpia (as set forth in paragraphs 9.01 to 9.04 above); however, it is understood that, whenever the Current Olimpia Shareholders so desire, instead of the Spinoff (and therefore instead of the allocation to Hopa of the pro-quota of the assets and liabilities of Olimpia) the Current Olimpia Shareholders may liquidate Hopa [and therefore buy the pro-quota, unless decided otherwise, of Hopa's entire holding in Olimpia] with a payment in cash (so-called cash settlement) whose amount must be calculated equal to the difference, calculated at market prices on the Relevant Date, between the assets and liabilities which, in the event of the Spinoff (and therefore in the event of allocation to Hopa of the pro-quota of the assets and liabilities of Olimpia) would have been reserved for

Hopa; with the understanding that this right may be exercised by the Current Olimpia Shareholders only within 15 (fifteen) Business Days from the Relevant Date, and that the payment of the aforementioned amount must take place within 15 (fifteen) Business Days after the exercise of said right.

- (iii) including in the event of cash settlement, Hopa will be paid or attributed the Increase Premium to which it is entitled pursuant to Article X below.
  - (iv) the stipulation of the Spinoff instrument will be subject to the stipulation of the preferred right agreement referred to in paragraph 7.05 above, whose enforceability will be, in turn, subject, as a suspensive condition, to the completion of the Spinoff.
- (b) Furthermore, the Parties mutually take note of the fact that Olimpia's liabilities include a "syndicated loan," in the amount of (euro) 1.8 billion maturing in October 2006, which cannot be distributed as part of the Spinoff between the company subject to spinoff and the beneficiary, and that therefore:
- (i) such syndicated loan will fully remain in the liabilities of Olimpia;
  - (ii) as part of the Spinoff, Olimpia will attribute to the beneficiary another financial loan, equal to the portion of the syndicated loan receivable by the beneficiary of the Spinoff, without changing the preexisting pro-quota of the assets and liabilities to which the beneficiary is entitled.
- (c) The Parties mutually take note that, as part of the Holinvest Spinoff, as part of the attribution of the pro-quota of the applicable assets and liabilities, Hopa will be attributed 1,000,000 Olivetti Bonds and the respective debt as referred to in paragraph 4.01(ii)(D)(2).

[omitted]

## ARTICLE X

### INCREASE PREMIUM

- 10.00 Description. In all the events in which it is necessary to proceed with the spin-off, pursuant to the applicable provisions of this contract and in particular Article 9 above (in the calculation of the pro quota of the assets and liabilities to which the beneficiary is entitled under the spin off) Olimpia or the current Olimpia shareholders, if Olimpia fails to do so, must pay to Hopa, by the methods referred to in paragraph 10.04 below, but in addition to any right of Hopa by the effect of the spin-off pursuant to Article IX above, an Increase Premium (the "Increase Premium") for each Olivetti share and/or financial instrument which, by the effect of the spin-off, must be attributed to Hopa (or should have been attributed to Hopa in the event that the current Olimpia shareholders would have exercised their right to the cash settlement pursuant to the paragraph 9.07(a) above, to be determined and paid pursuant to the provisions of the following paragraphs of this Article X. It is understood that, whenever Extraordinary Transactions or Capital Transactions are carried out, such Increase Premium must be paid for the entire number of Olivetti shares and/or financial instruments timely adjusted or adapted as a consequence of such transactions, according to market practice, with the understanding that whenever, due to the determination of such number there is a disagreement between the Parties, such determination will be requested by the most diligent Party from a prime business bank chosen by mutual agreement or, in the absence thereof, designated by the Presiding Judge of the Court of Milan; with the understanding that, without prejudice to paragraph (i) above, the Increase Premium will be paid only for the Olivetti shares and Financial Instruments directly or indirectly owned, held, or available to Olimpia as of the date of the Spinoff (net of those arising from the Holinvest Spinoff, which will consequently not be considered for the determination of the Increase Premium). Whenever actually paid, the Increase Premium must be considered to include all Hopa's claims following the Standstill or the accelerated Standstill, as the case may be.

- 10.01 The Increase Premium In The Event of Standstill: In the event that the spin-off takes place following a standstill, the Increase Premium must be determined as follows:
- (i) at (euro) 0.35, whenever the arbitration board referred to in Article XIII below, selected by the parties pursuant to paragraph 8.04(d) above, determines that the standstill was declared by Hopa not in good faith; or instead
  - (ii) at (euro) 0.60, whenever the arbitration board referred to in Article XIII below, selected by the parties pursuant to paragraph 8.04(d) above, determines that the standstill was declared by Hopa in good faith.
- 10.02 The Increase Premium in the Event of Accelerated Standstill. In the event that the spin-off takes place following an accelerated standstill, the Increase Premium will be equal to (euro) 0.60, without prejudice to the fact that, in the case referred to in paragraph 8.06 (ii) above, the Increase Premium will be equal to (euro) 0.70.
- 10.03 The Increase Premium in the Event of Failure to Renew the Agreements. In the event that the spin-off takes place as the consequence of the failure to renew the agreements, the Increase Premium will be determined according to the following provisions:
- (i) the Increase Premium may not in any event and therefore not even if the parties resort to the evaluation of the investment banks referred to in paragraph (ii) below, be determined at an amount of less than (euro) 0.35;
  - (ii) the Increase Premium will be determined by mutual agreement between the current Olimpia shareholders and Hopa within 10 business days from the last day of the term of the agreement or, in the absence of such agreement, by two "investment banks" within the national standing selected one by each party; for the purposes of this paragraph 10.03. party means Hopa, on the one hand, and the current Olimpia shareholders on the other hand, without prejudice to the fact that, whenever the "investment banks" so appointment disagree on the evaluation within 30 business days from their appointment, the evaluation will be made by a third "investment bank" with the same standing, selected by agreement between the first two (at the time the parties give the task) or, in the absence of agreement, by the presiding judge of the Court of Milan;
  - (iii) the Presiding Judge of the Court of Milan will be (in the order and in the terms indicated above) also requested to appoint the "investment bank" which one of the parties may have omitted to appoint or to replace it, in the event of its subsequent transfer of the task; (iv) the evaluation referred to in point (i) above will be final and binding for the parties pursuant to articles 1349 and 1473 of the Civil Code, for the purposes of this Article X and in particular this paragraph 10.03.
- 10.04 Terms and Modalities of Payment of the Increase Premium. The Increase Premium must be paid or allocated to Hopa by Olimpia - or by the current Olimpia shareholders pursuant to paragraph 10.00 above - in immediately available funds;
- (i) in the event referred to in paragraph 10.01 above;
    - (A) concerning the (euro) 0.35, at the time of affecting the spin-off: and
    - (B) concerning the possible balance (equal to (euro) 0.25) within 15 (fifteen) business days from the decision of the arbitration board, determining that the standstill was determined by Hopa in good faith;
  - (ii) in the event referred to in paragraph 10.02 above, concerning the (euro) 0.35, within 30 (thirty) calendar days from receipt of the accelerated standstill notice by the current Olimpia shareholders, and the balance of the applicable Increase Premium at the time of perfecting the spin-off;

- (iii) in the event referred to in paragraph 10.03 above, within 30 (thirty) business days from the determination referred to in points (ii) to (iv) of paragraph 10.03 above;

## **ARTICLE XI**

### **EXPENSES AND BURDENS**

[omitted]

## **ARTICLE XII**

### **GENERAL PROVISIONS**

[omitted]

## **ARTICLE XIII**

### **DISPUTE**

[omitted]

Please note that the entire agreement (without omitted parts):

- (i) will be deposited with the Company Registry of Milan and Turin/Ivrea pursuant to Article 122, paragraph 1(c) of Article 122 of Legislative Decree 58/98; and
- (ii) is already available on Pirelli's web-site at [www.pirelli.com](http://www.pirelli.com)

Milan, March 1, 2003

## ANNEX II

### PRO FORMA CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

(Extract from the Information Document drawn up pursuant to Article 70.4 of the Consob Regulation for the Merger of Telecom Italia into Olivetti).

## Pro forma consolidated balance sheet at 31 December 2002 and income statement for the year ended 31.12.2002

Olivetti Group – pro-forma consolidated balance sheet at 31 December 2002

(in millions of euros)	Olivetti Group before Merger	Reclassifications/ cancellation of equity investments	Conversion of Bond issues
<b>Assets</b>			
Intangible assets:			
Goodwill Telecom	21,351	250	
other intangible	13,210		
Fixed assets	19,449		
Long-term investments			
Equity investments and advances on future capital contributions	2,576	299 (299)	
Others	1,424		
	<b>58,010</b>	<b>299 (49)</b>	
<b>Working capital</b>			
Inventories	584		
Trade accounts receivable	8,418		
Other assets	7,984		
Trade accounts payable	(6,168)		
Reserves for risks & charges	(5,826)		
Other liabilities	(7,616)		
	<b>(2,624)</b>		
<b>Invested Capital net of operating liabilities</b>	<b>55,386</b>	<b>299 (49)</b>	
<b>Reserve for employee termination indemnity</b>	<b>(1,364)</b>		
<b>Invested capital, net of operating liabilities &amp; the reserve for empl. term. indemn.</b>	<b>54,022</b>	<b>299 (49)</b>	
Financed by:			
<b>Shareholders' equity</b>			
Parent Company interest	11,639		6
Minority interest	8,984	(49)	
	<b>20,623</b>	<b>(49)</b>	<b>6</b>
<b>Medium/long-term debt</b>	<b>33,804</b>		<b>(7)</b>
<b>Net short-term borrowings</b>			
Short-term borrowings	6,827		
Liquid assets & short-term financial assets	(7,394)	299	
Financial accrued expenses (income) & deferred expenses (income), net	162		1
	<b>(405)</b>	<b>299</b>	<b>1</b>
<b>Total financial indebtedness</b>	<b>33,399</b>	<b>299</b>	<b>(6)</b>
<b>Total</b>	<b>54,022</b>	<b>299 (49)</b>	<b>(0)</b>

Withdrawals	Tender Offer & cancellation of equity investments	Cancellation of treasury stock and distribution of reserves to third parties	Merger effects Reduction of minority interest on cancellation of treasury stock	Exchange of T.I. shares held by minority shareholders	Cost of financing	Olivetti Group after Merger
	7,518					29,119
						13,210
						19,449
	8,695 (8,695)	(334)				2,576
						1,090
	<b>8,695 (1,177)</b>	<b>(334)</b>				<b>65,444</b>
						584
						8,418
					90	8,074
						(6,168)
						(5,826)
						(7,616)
					90	(2,534)
	<b>8,695 (1,177)</b>	<b>(334)</b>			90	<b>62,910</b>
						<b>(1,364)</b>
	<b>8,695 (1,177)</b>	<b>(334)</b>			90	<b>61,546</b>
(305)		(133)	28	3,001		14,236
	(1,177)	(994)	(28)	(3,001)		3,734
<b>(305)</b>	<b>(1,177)</b>	<b>(1,128)</b>				<b>17,970</b>
<b>305</b>	<b>8,695</b>					<b>42,797</b>
		794				7,621
					90	(7,005)
						163
		794			90	<b>778</b>
<b>305</b>	<b>8,695</b>	<b>794</b>			90	<b>43,576</b>
	<b>8,695 (1,177)</b>	<b>(334)</b>			90	<b>61,546</b>

Olivetti Group – pro-forma consolidated income statement for the year ended 31 December 2002

(in millions of euros)	Olivetti Group before Merger	Cancellation of Telecom Italia investment write-down
<b>Sales and service revenues</b>	<b>31,408</b>	
Changes in inventories of work in progress, semi-finished and finished goods	(8)	
Changes in inventory of contract work in process	(42)	
Increases in capitalized internal construction costs	675	
Operating grants	20	
<b>Standard production value</b>	<b>32,053</b>	
Raw materials and outside services	(13,303)	
<b>Value added</b>	<b>18,750</b>	
Labor cost	(4,727)	
<b>Gross operating profit</b>	<b>14,023</b>	
Depreciation & amortization	(7,269)	
<i>of which goodwill</i>	(2,142)	
Other valuation adjustments	(605)	
Provisions to reserves for risks & charges	(171)	
Net other income	38	
<b>Operating income</b>	<b>6,016</b>	
Net investments and financial income (expense)	(3,036)	
<i>of which value adjustments</i>	(786)	
<b>Income before extraordinary items and taxes</b>	<b>2,980</b>	
Net extraordinary income (expenses)	(5,496)	
<b>Income before taxes</b>	<b>(2,516)</b>	
Income taxes	2,210	(1,078)
<b>Net income (loss) before minority interest</b>	<b>(306)</b>	<b>(1,078)</b>
Minority interest	(467)	
<b>Net income (loss)</b>	<b>(773)</b>	<b>(1,078)</b>

<u>Cost of financing</u>		Cancellation of tax credit on T.I. dividends	Amortization of consolidation goodwill	Accrued cost of financing	Minority interests	Tax effect on pro-forma accounts	Olivetti Group after Merger
Withdrawals	Tender Offer						
							31,408
							(8)
							(42)
							675
							20
							32,053
							(13,303)
							18,750
							(4,727)
							14,023
			(163)				(7,432)
			(163)				(2,305)
							(605)
							(171)
							38
			(163)				5,853
(13)	(356)			(69)			(3,474)
							(786)
(13)	(356)		(163)	(69)			2,379
							(5,496)
(13)	(356)		(163)	(69)			(3,117)
		(703)				796	1,225
(13)	(356)	(703)	(163)	(69)		796	(1,892)
					(152)		(619)
(13)	(356)	(703)	(163)	(69)	(152)	796	(2,511)

**Description of the pro forma adjustments to the historical consolidated amounts at 31 December 2002 and for the year ended 31 December 2002**

*Pro forma adjustments to the historical consolidated balance sheet at 31 December 2002*

1. The column "Reclassifications/cancellation of equity investments" refers to the investment in Telecom Italia that was included under working capital and not consolidated at 31 December 2002 but which, as explained in the reports of the Boards of Directors of Olivetti and Telecom Italia is involved in the Merger.
2. The column "Conversion of bond issues" refers to conversions carried out between 31 December 2002 and 15 April 2003 of Olivetti 1.5% 2001-2004 and Olivetti 1.5% 2001-2010 convertible bonds.
3. The column "Withdrawals" refers to the effect thereof on the assumption that 5% of Olivetti's shareholders, other than Olimpia and not considering treasury stock, exercise their right of withdrawal at a price of Euro 0.9996 per share, calculated as described below.
4. The column "Tender offer and cancellation of equity investments" refers to the outlay, financed by the line of credit remaining after the payment of withdrawals, for the purchase of Telecom Italia ordinary and savings shares at a price of respectively Euro 7.958 and Euro 4.812 per share, calculated as described below.
5. The column "Cancellation of treasury stock and distribution of reserves to third parties" refers to the cancellation by Telecom Italia of its ordinary and savings share treasury stock and the distribution of dividends to minority interests drawing on prior-year profits and reserves.
6. "Merger effects" show the reduction of the minority interest in the shareholders' equity following the cancellation of Telecom Italia's treasury stock and the exchange of the Telecom Italia shares held by the remaining minority shareholders.
7. The column "Cost of financing" shows the expense incurred in having the line of credit available.

*Pro forma adjustments to the historical income statement for 2002*

1. The column "Cancellation of the Telecom Italia investment writedown" shows the cancellation of the tax effect of the writedown of the investment in Telecom Italia included in Olivetti's income statement, since it was made only for tax purposes and in view of the fact that the writedown would not have been made on the assumption that the Merger was effective from 1 January 2002.
2. The columns "Cost of financing" (withdrawals and tender offer) shows the financial expense deriving from the use of the line of credit on the assumption that it was drawn down at the beginning of the year.
3. The column "Cancellation of tax credit on Telecom Italia dividends" records the elimination of the tax credit on the dividends received from Telecom Italia and shown in the income statement for the year.

4. The column "Amortization of consolidation goodwill" shows the amortization of the additional goodwill arising from the partial tender offer for Telecom Italia shares (Euro 7,518 million) and that arising from the reclassification of some Telecom Italia shares included in working capital as a long-term investment (Euro 250 million), for a total of Euro 388 million. The amortization charge was calculated with reference to a 20-year period. At the same time the remaining useful life of the existing goodwill was revised, which gave rise to a positive adjustment (lower amortization charge) of Euro 225 million.

5. The "Accrued cost of financing" is the part attributable to the year of the total expense incurred in having the line of credit available.

6. The "Tax effects on the pro forma accounts" refer to the tax liability incurred in 2002 by the Company Resulting from the Merger on the pro forma adjustments.

#### **Assumptions made for the preparation of the pro forma data**

Consideration was given to the Olivetti 1.5% 2001-2004 and Olivetti 1.5% 2001-2010 convertible bonds that had been converted by 15 April 2003, the last date for the conversion of Olivetti convertible bonds under the terms governing the issues.

The recent performance of the Olivetti share price, which is now higher than the value obtained from the calculation of the withdrawal price, means that the exercise of the right is not profitable. It was therefore prudentially assumed that withdrawals by Olivetti shareholders (other than Olimpia S.p.A. and not considering treasury stock) would amount to 5% of the share capital following the conversion of the Olivetti 1.5% 2001-2004 and Olivetti 1.5% 2001-2010 convertible bonds referred to above, at a price of Euro 0.9996 per share, obtained on the basis of the average of the official prices of the Olivetti share from 26 November 2002 to 9 May 2003, with the last official price kept unchanged from 9 May 2003 to 23 May 2003.

As regards the financing of the withdrawals by Olivetti shareholders, account was taken of the line of credit of Euro 9,000 million granted for that purpose and the related cost included in the pro forma income statement at an interest rate of 4.1% with consideration given to the three tranches in which it will be disbursed.

The whole of the portion of the financing referred to in the previous paragraph remaining after payment of the withdrawals, equal to Euro 8,695 million, was allocated to the voluntary partial Tender Offer for Telecom Italia ordinary and savings shares in equal percentages of the total ordinary and savings share capital. The tender offer prices assumed were Euro 7.958 per ordinary share and Euro 4.812 per savings share. These prices were obtained as the weighted average, augmented by 20%, of the official stock exchange prices of the Olivetti share from 12 March 2003 to 26 May 2003, the day of the third call of Olivetti's extraordinary shareholders' meeting, with the last official price available kept unchanged from 9 May 2003 to the day of the meeting, augmented by 20%.

As a consequence of the Tender Offer, Olivetti's in the total share capital of Telecom Italia after the Tender Offer and before the Merger rises from 39.53% to 56.79%.

The Tender Offer for Telecom Italia shares results in consolidation goodwill of Euro 7,518 million. The pro forma income statement contains an amortization charge corresponding to one twentieth of that amount.

Account was taken of the Telecom Italia dividend drawing on prior-year profits and reserves that will be submitted for approval to the shareholders' meeting called to approve the merger plan.

Provision was made for the company to be absorbed to cancel its ordinary and savings share treasury stock deriving from buybacks.

On the basis of an independent appraisal, Euro 22,950 million of the total cancellation deficit of Euro 25,792 million that emerged in the post-Merger balance sheet was allocated to the equity investment in TIM.

By means of the redistribution mechanism, used to account for the Merger in the company financial statements, the pre-Merger value of Olivetti's share capital was kept unchanged at Euro 8,845 million.

To permit the total participation in the Merger of the Telecom Italia shares held by Olivetti, those classified by the latter as trading securities were reclassified as long-term investments.

The expense incurred in obtaining the line of credit to pay for withdrawals and, for the portion remaining, for the purchase of shares in the Tender Offer amounted to Euro 90 million and was included in full in the pro forma balance sheet, while only the amount accruing in the first year was included in the pro forma income statement.

The costs that will be incurred in 2003 in connection with the successful outcome of the Merger for advisory services, legal opinions, valuations, etc., estimated to amount at most to Euro 110 million, were not considered among the pro forma amounts since they are non-recurring items.

### Main effects on the income statements and balance sheets of changing the percentage of withdrawals assumed in preparing the pro forma data

The main effects on the income statements and balance sheets of changing the figure of 5% assumed for withdrawals in preparing the pro forma data and confirming acceptances of the Tender Offer utilizing all the portion of the Euro 9 billion line of credit not required to pay for the withdrawals (Euro 8,695 million) are shown in the table below.

Olivetti Group (in millions of euros)	Pro-forma	Absolute value			Changes		
		0%	25%	max % <sup>(1)</sup>	0%	25%	max%
Telecom Italia Goodwill	29,119	29,383	28,064	24,124	+264	-1,055	-4,995
Shareholders' equity after minority interest	14,236	14,500	13,181	9,241	+264	-1,055	-4,995
<b>Result for the year after minority interest<sup>(2)</sup></b>	<b>(2,511)</b>	<b>(2,524)</b>	<b>(2,458)</b>	<b>(2,261)</b>	<b>+(13)</b>	<b>-(53)</b>	<b>-(250)</b>

(1) On the assumption of complete withdrawal apart from the shares held by Olimpia and treasury stock.

(2) The changes in the result are due to those in the amortization of the consolidation goodwill with the size of the Tender Offer for Telecom Italia shares.

## ANNEXES