

AVVISO n.13339	08 Dicembre 2004	Idem
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Mittente del comunicato : Borsa Italiana
Societa' oggetto dell'Avviso : PIRELLI & C.
Oggetto : IDEM – INTERVENTION FOR THE
ADJUSTMENT OF PIRELLI & C. STOCK
OPTION CONTRACTS FOLLOWING THE
OPERATION OF CAPITAL INCREASE

Testo del comunicato

Si veda allegato.

Disposizioni della Borsa

INTERVENTION FOR THE ADJUSTMENT OF PIRELLI & C. STOCK OPTION CONTRACTS FOLLOWING THE OPERATION OF CAPITAL INCREASE

This notice illustrates the intervention procedures that will be applied by Borsa Italiana for the derivatives contracts on Pirelli & C. following the press release of the company transmitted via official notice number 13331 on December 8th, 2004.

Description of the operation

The Board of Directors of Pirelli & C. deliberated to propose to the extraordinary General Assembly a capital increase which shall entail the issuance of a maximum of roughly 1.5 billion ordinary shares. These shares are to be offered in option to both holders of ordinary and saving shares with a subscription ratio of 2 new ordinary shares for every 5 ordinary or saving shares held, at a price of euro 0.70 per new share of which euro 0.18 as share premium, for a maximum amount of euro 1,080 million.

The Board of Directors delegated the President to convocate the extraordinary Shareholders meeting which shall approve the capital increase at a date estimated to be during the last 10 days of January.

Impact on the stock options listed on the IDEM

Subject to the approval of the operation by the extraordinary General Assembly of Pirelli & C, Borsa Italiana will adjust the stock options contracts.

This intervention will be on the basis of the adjustment coefficient K (see art. IA.9.1.10 of the Instructions accompanying the Rules for the Markets organised and managed by Borsa Italiana). The K coefficient is rounded to the 6th decimal number and calculated on the following formula:

$$K = \frac{P_{ex}^{teor}}{P_{uff}}$$

where: P_{ex}^{teor} = theoretical *ex right* price
 P_{uff} = official *cum right* price

Adjustments on Pirelli & C. stock options:

Adjustment to the exercise prices:

Where: E_{cum} = exercise price before the adjustment
 E_{ex} = exercise price after the adjustment

$$E_{ex} = E_{cum} \times K$$

Adjustment to the number of shares underlying the contract (lot):

$$A_{ex} = 1,000 \times \frac{1}{K}$$

Where: A_{ex} = lot after the adjustment

The above mentioned adjustments will be applied from the effective date of the capital increase.

For any further information, please call the Derivatives Division of Borsa Italiana:
+ 39 02 72426231