



**Capital Increases of
Pirelli & C. and Olimpia**

Milan, 7 December 2004

Pirelli & C. and Olimpia Capital Increases

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Strategic Rationale

Strengthening Pirelli financial structure and enhancing its presence in the telecommunications services area through a Share Capital Increase of up to €1.1bn

Main steps & pillars

- Enhancing Olimpia's financial structure through a Share Capital Increase up to €2bn, consequently, with such proceeds...

...increasing the investment in Telecom Italia and, in the event of the merger between TI and TIM, to neutralize the dilution effect

- To maintain Pirelli bargaining power in the cables sales proceeds



As a result, Pirelli will benefit, through Olimpia, from the new TI group structure

Transactions details: Pirelli & C. Share Capital Increase

Total amount

Up to €1,078 million

Subscription right

Extended to all the current Pirelli & C. shareholders (ordinary and savings); willingness of the Syndicate Pact shareholders to fully exercise their pro-quota subscription rights; willingness of a bank consortium (Caboto, UBM, JP Morgan, MCC, Mediobanca) to guarantee the capital increase

Issue price

€0.70 (with a discount on current ordinary share price of 24.9%)

Shares issued

Up to around 1.5 billion new ordinary shares, i.e. 2 new ordinary shares each 5 ordinary/saving shares currently outstanding

Warrants

Existing listed warrants could be exercised within 31 december 2004 (cum rights)

Expected closing

By end March 2005

Transactions details: Olimpia Share Capital Increase

**Total
amount**

Up to €2,000 million

Issue price

Par value (€1)

Shares issued

Up to 2 billion new ordinary shares

TI-TIM deal summary

TI PTO for 2/3 of TIM's ordinary shares free float (28.9% of TIM's ordinary share capital) at a price of €5.6 per share

TI PTO for the 100% of TIM's savings shares at a price of €5.6

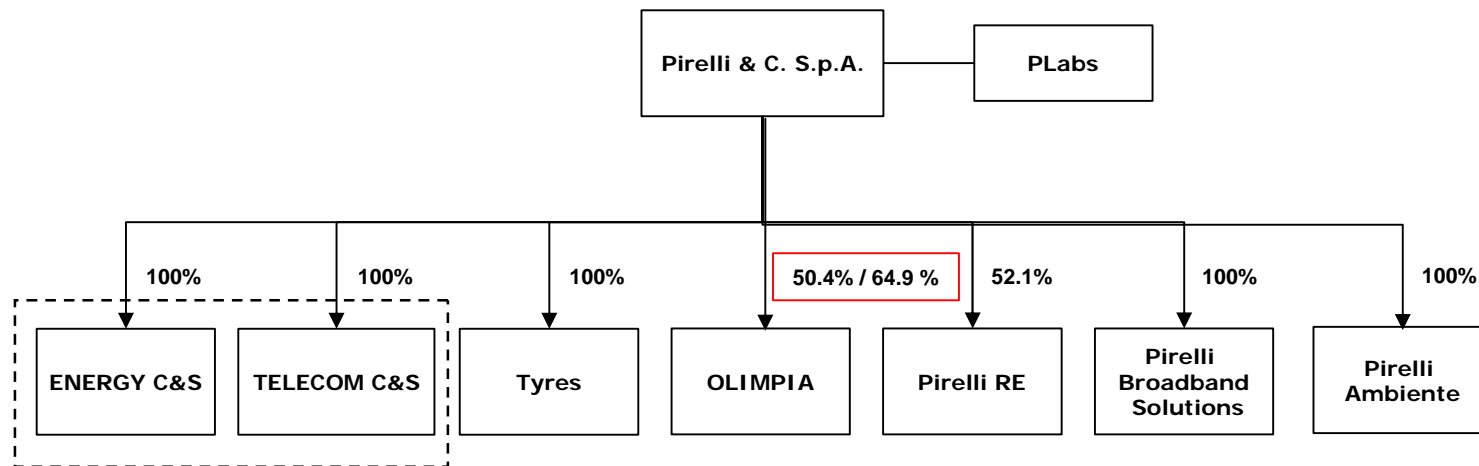
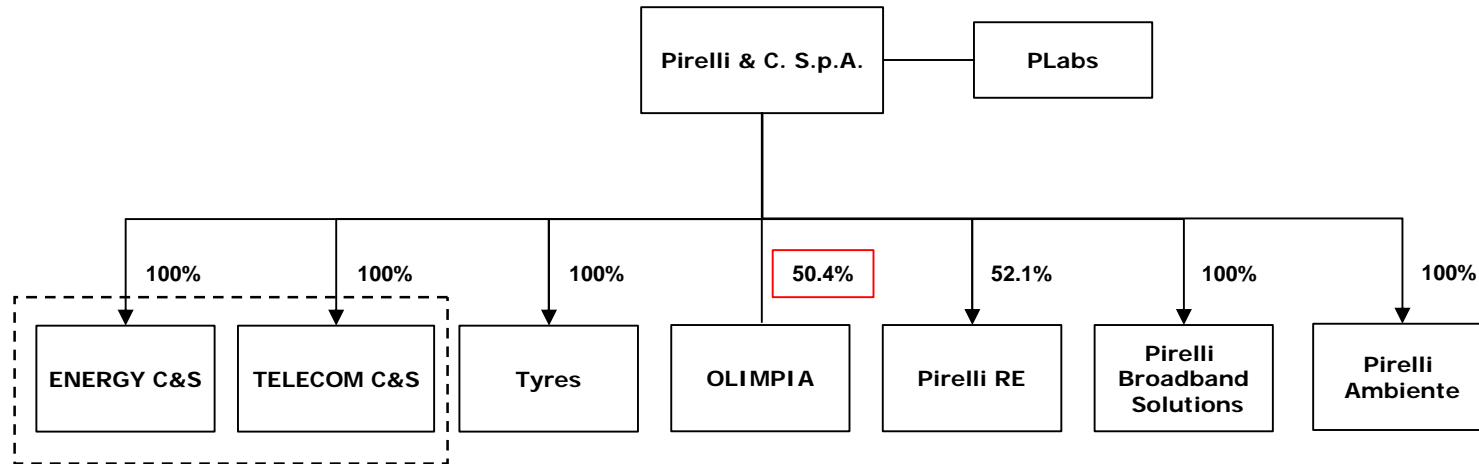
PTO subject to an acceptance level of 2/3 of the total number of TIM's ordinary shares under offer

Maximum PTO cash outflow up to €14.5 bn, financed by a €12bn committed facility provided by major domestic and international banks and by €2.5bn of existing facilities

TIM will transfer its Italian activities to a NewCo (TIM Italia SpA) that will be owned by TI

TI-TIM merger by incorporation of TIM into TI at an exchange ratio in line with current market prices (1.73 for the ordinary shares, 2.36 for the savings shares)

Evolution of Pirelli Group Structure



Expected Timetable

Date	Event
07-dec-04	BoD Pirelli & C. approving the Share Capital Increase proposal
31-dec-04	Ending Warrants exercise period
by 31-jan-05	General Meeting for Share Capital Increase approval
by 07-feb-05	Start of the offer period
by 25-feb-05	End of the offer period
by 15-mar-05	Underwriting and payment for issued shares