X-pand into the Future

e u r e x *circular 071/05*

Date: Frankfurt, May 11, 2005
Recipients: All Eurex members and vendors
Authorized by: Peter Reitz

⚠ **High Priority**

Merger of Telecom Italia Mobile S.P.A. and Telecom Italia S.P.A.

Contact: Functional Helpdesk Equity Products, tel. +49-69-211-1 12 10

Content may be most important for:	**Attachments:**
➲ Front Office / Trading ➲ Middle + Back Office ➲ Auditing / Security Coordination	none

Summary:

The shareholders of Telecom Italia S.P.A. and Telecom Italia Mobile S.P.A. decided the merger of both companies by integrating Telecom Italia Mobile into Telecom Italia. As soon as this merger becomes effective, an adjustment to the Eurex option on Telecom Italia Mobile (TIM5) will be required. This circular contains a description of the adjustment procedure.

Eurex Deutschland
D-60485 Frankfurt am Main
www.eurexchange.com

Customer Support
Tel. +49-69-211-1 17 00
Fax +49-69-211-1 17 01

Management Board:
Rudolf Ferscha (CEO), Jürg Spillmann,
Daniel Gisler, Thomas Lenz,
Peter Reitz

Merger of Telecom Italia Mobile S.P.A. and Telecom Italia S.P.A.

In the course of their respective Annual General Meetings the shareholders of Telecom Italia S.P.A. and Telecom Italia Mobile S.P.A. decided the merger of both companies by integrating Telecom Italia Mobile into Telecom Italia. The shareholders of Telecom Italia Mobile will receive 1.73 ordinary shares of Telecom Italia for each ordinary share of TIM. The transaction is scheduled to become effective in June 2005.

Pursuant to number 2.6.10.1 (6) of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich an adjustment to the options on Telecom Italia Mobile (TIM5) will be required as soon as the merger becomes effective. The new underlying for options on Telecom Italia Mobile will be the ordinary shares of Telecom Italia. The exercise prices of the series existing at that time will be adjusted by means of the R-factor. Based on the exchange ratio of 1.73 TQI shares for one TIM share, the R-factor will be 0.5780. The contract size will be adjusted so that the original contract value remains unchanged.

Contract size new = (exercise price old * contract size old) / exercise price new

Upon exercise of a TIM5 option after the adjustment the fractional part of the contract size will be paid in cash. The adjusted series are shown in the table below:

Exercise price old	Contract size old	Exercise price new	Contract size new
390	1000	225	1733.3333
400	1000	231	1731.6017
420	1000	243	1728.3951
440	1000	254	1732.2835
460	1000	266	1729.3233
480	1000	277	1732.8520
500	1000	289	1730.1038
520	1000	301	1727.5748
540	1000	312	1730.7692
560	1000	324	1728.3951
580	1000	335	1731.3433
600	1000	347	1729.1066
620	1000	358	1731.8436

The new contract size of the LEPO will be published on the last trading day before the adjustment.

Product code and product ISIN remain unchanged. After the adjustment no more expirations and exercise price for TIM5 options will be introduced and option series without open interest will be deleted. As soon as there is no more open interest, trading in TIM5 options will be discontinued.

All existing orders and quotes in TIM5 options will be deleted after close of trading on the exchange day on which the adjustment is made.

Eurex Deutschland
D-60485 Frankfurt am Main
www.eurexchange.com

Customer Support
Tel. +49-69-211-1 17 00
Fax +49-69-211-1 17 01

Management Board:
Rudolf Ferscha (CEO), Jürg Spillmann,
Daniel Gisler, Thomas Lenz,
Peter Reitz

Telecom Italia options (TQI5) will not be affected by the transaction.

Furthermore, only Regular Market Making will be possible in TIM5 options as of the date of the merger.

Clearing Measures

Pending deliveries in TIM5 shares on the day of the adjustment will be cancelled after close of trading and replaced by delivery instructions with the adjusted contract size. Collateral which comprises TIM5 shares will be rebooked in the Eurex® system.

On the days prior to the corporate action the **Contract Cover Assignment Entry** window should be used to delete all allocations of shares covering short call positions for the TIM5 product.

Should you require further details, please feel free to contact our functional helpdesk for equity products at telephone +49-69-211-1 12 10.

Frankfurt, May 11, 2005