



## **PRESS RELEASE**

### **BOARD APPROVES NEW STOCK OPTION PLAN FOR 2006-2009 AIMED TO BOOST LOYALTY AND DRIVE MANAGEMENT TEAM TO REACH THE TARGETS SET OUT IN THE THREE YEARS PLAN 2006-2008 ALREADY PRESENTED TO THE FINANCIAL COMMUNITY**

- **EXERCISE CONDITIONS OF THE PLAN: SHARE PRICE OF AT LIST €55 OR MORE AND ACHIEVEMENT OF THE GROWTH MINIMUM TARGET SET OUT IN THE THREE YEARS PLAN (CAGR 10-15%)**
- **PERIOD OF EXERCISE FOR 70 BENEFICIARIES: 40% FROM JULY 2008 AND 60% FROM JULY 2009**

### **THE BOARD OF DIRECTORS CONFIRMS THE TARGETS FOR THE FULL YEAR SET OUT IN THE PLAN**

*Milan, 16 December 2005* – Today's meeting of the Board of Directors of Pirelli & C. Real Estate has approved the Stock Option Plan proposed by the Remuneration Committee for the period 2006-2009. The new plan takes account of the exercise periods established under the plan for 2004-2006.

This medium-term incentive plan is intended to boost loyalty and drive the management team to reach the targets set out in the three years plan for 2006-2008 presented in mid-October.

The new Stock Option Plan is aimed at approximately **70 staff** within the Company and its subsidiaries, who are to be allocated a total of **1,800,000 options** that will grant holders the right to acquire shares representing **4.3% of the share capital**. Treasury shares held by the Company will be used to implement the plan.

The options will grant the right to acquire Pirelli RE shares at a price based on the average official closing price of the stock over the previous month (from 16 November – 16 December 2005). 40% of the options may be exercised from 1 July 2008 and the remaining 60% from 1 July 2009. Both tranches must be exercised by 15 December 2009.

In addition to being subject to continuing employment with the Company or as a Director, exercise of the options is also subordinated to both market and business conditions:

- achievement of a stock price of at least €55;
- achievement of the growth target for operating profit including income from equity participations set out in the three-year plan for 2006-2008 (CAGR 10-15%).

Beneficiaries of the new plan are as follows:

- approximately 17% regards the Chief Executive Officer (27% under the previous plan);
- approximately 51% regards first and second level of line (48% under the previous plan);
- approximately 12% regards first and second level of staff (8% under the previous plan);
- around 20% regards other managers and executives (17% under the previous plan).

The new plan for 2006-2009 forms part of a wider management incentive programme, which includes significant variable components linked to the achievement of specific annual financial and operating performance targets over the three years.

The Board of Directors also confirms the targets for the full year set out in the plan.

For further information contact:  
Pirelli RE Press Office Tel. +39/02/8535.4270  
Pirelli RE Investor Relations Tel. +39/02/8535.4057  
[www.pirellire.com](http://www.pirellire.com)