



PRESS RELEASE

NEW STOCK OPTION PLAN ADOPTED

Milan, February 24th, 2004 – The Board of Directors of Pirelli & C. Real Estate met today and approved the stock option plan proposed by the Remuneration Committee. The plan is designed to foster the loyalty and to incentive the company's management over the next three years.

The current stock option plan, which involves approximately 90 resources and was approved in 2002, expires on December 31st, 2006. This plan, subject to the required conditions, involves subscription to shares equal to roughly 5% of the company's share capital.

The new plan involves approximately **55 individuals** within the company and its affiliates, to whom **1,000,000 share options** have been allocated, and will entitle them to buy an amount of shares equivalent to **2.3% of the company's share capital**. For the purposes of implementation of the plan, part of the company's own shares in the Pirelli RE portfolio will be used, in compliance with the procedures approved by the Shareholders' Meeting of May 6th, 2003.

The options shall entitle holders to subscribe to shares in the Company at a price equal to the arithmetic average of the official prices recorded the previous month (over the period January 24th – February 24th, 2004), and may be exercised to the extent of 50% as of July 1st, 2006, and the remaining 50% as of July 1st, 2007, with the final deadline for both tranches set at December 15th, 2007. The exercising of the options shall be subject to the continuation of employment or the holding of a directorship, as well as to achievement by the Pirelli RE share of a performance superior to that of the EPRA Europe index (the index for leading quoted European real estate companies).

The new plan is designed for:

- The Vice President and Managing Director – approximately 0.6% (2% in the previous plan);
- The Managing Directors of the Asset Management sectors (Residential and Land and Development) and the two General Managers responsible for the Services and Commercial and Non-Performing Loans sectors – approximately 0.9% (0.9% in the previous plan);
- First level staff - approximately 0.1% (0.4% in the previous plan);

- Other managers and executives - approximately 0.7% (1.7% in the previous plan).

The new plan completes the architecture of the management incentive plan, which features significant variable components linked to the achievement of specific annual economic and financial targets, as well as to specific EVA levels (Economic Value Added) over the three-year period.

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