

ADMINISTRATIVE BODY'S REPORT IN CASE OF DEMERGER, PREPARED PURSUANT TO ART. 70, PAR. 2 OF THE CONSOB REGULATION ADOPTED THROUGH RESOLUTION NO. 11971/99, AS SUBSEQUENTLY AMENDED AND INTEGRATED, ACCORDING TO CHART 1 OF ANNEX 3A TO THE REGULATION

DEMERGER OF A PORTION OF THE ASSETS
belonging to "PRYSMIAN CAVI E SISTEMI ITALIA S.r.l." to "PRYSMIAN S.p.A."
(hereinafter the "Transaction")

- a) *Explanation of the Transaction and its reasons with particular reference to the management objectives of the companies involved in the demerger and the plans formulated for the realisation thereof.*

Description of the companies participating in the partial demerger.

Demerged company

"PRYSMIAN CAVI E SISTEMI ITALIA S.R.L.", - A sole shareholder company, subject to the management and coordination of Prysmian S.p.A., with registered office in Milan, Viale Sarca 222, Share Capital of Euro 77,143,249.00, Tax code and registration number at the Milan Companies Register 04963770013, (hereinafter PCSI or the Demerged Company).

Acquiring company

"PRYSMIAN S.P.A.", with registered office in Milan, Viale Sarca 222, Share Capital of Euro 21,439,348.10, Tax code and registration number at the Milan Companies Register 04866320965, (hereinafter Prysmian or the Acquirer).

Explanation of the Transaction and its reasons.

The Transaction is governed by articles 2506 et seq. of the Italian Civil Code and is legally a demerger of a portion of the assets of Prysmian Cavi e Sistemi Italia S.r.l. to its own parent company Prysmian S.p.A., based on their respective balance sheets as at 31 December 2011, prepared pursuant to art. 2501 quater of the Italian Civil Code.

The Transaction in question does not involve the cases listed under article 117 bis of Legislative Decree no. 58 of 24 February 1998 nor do the parameters of significance apply as these are set forth by Consob in article 70, par. 4 of Regulation no. 11971/1999.

According to the regulations under "Regulation containing provisions on transactions with related parties," adopted by Consob with its resolution no. 17221 of 12 March 2010 as subsequently integrated, depending on the parties involved, a partial demerger may be considered as a transaction between related parties by virtue of the transfer of resources, services or obligations underlying the transaction. In this case, however, as the transaction was carried out with a subsidiary in which other related parties of Prysmian did not have significant interests, the Transaction is excluded from application of the provisions of Consob Regulation no. 17221 and the procedure applicable to transactions with related parties adopted by Prysmian.

The Transaction is part of a broader plan for the reorganisation, rationalisation and simplification of the equity investments held directly or indirectly by Prysmian S.p.A., including after control was acquired of the Dutch company Draka Holding N.V. and its equity investments, as a result of the positive conclusion of the voluntary takeover bid with swap of the ordinary shares of Draka Holding N.V.

The Acquirer "PRYSMIAN S.P.A." indirectly holds all the shares representing the entire share capital of the Demerged Company "PRYSMIAN CAVI E SISTEMI ITALIA S.R.L." and the Acquirer is expected to directly hold the entire share capital of the Demerged Company as a result of the aforementioned reorganization of the Prysmian Group, thus becoming the sole shareholder before the **[effective date]** of the Transaction. As a result of the aforementioned, the Transaction is an intra-group transaction and therefore the provisions of article 2505 of the Italian Civil Code, as referred in art. 2506-ter, par. 5, apply.

b) Description of the assets to be transferred to each company.

The assets belonging to PCSI which will be transferred to the Acquirer through the partial demerger are:

- 15.2% of the share capital of Prysmian PowerLink S.r.l., with registered office in Milan, Viale Sarca 222, Share Capital of Euro 50,000,000.00, Tax code and registration number at the Milan Companies Register 05931070964.

All the assets and liabilities and the ratios, without exception, other than those listed above, will continue to be owned by the Demerged Company.

c) Share allocation criteria.

As the Acquirer will be the sole shareholder of the Demerged Company as from the date the partial demerger will become effective, no new shares will be issued by the Acquirer as a result of the planned Transaction and there will be no changes to its share capital. As a result, no share swap ratio or share allocation criteria are envisaged.

d) Assessments made by the administrative body regarding application of the right of withdrawal if the demerger Transaction results in exclusion from listing pursuant to article 2437-quinquies of the Italian Civil Code.

The Transaction does not give the shareholders of Prysmian S.p.A. the right of withdrawal pursuant to art. 2437 *quinquies* of the Italian Civil Code, as the partial demerger does not give rise to exclusion from listing.

e) If the right of withdrawal applies, indication of the individuals entitled to exercise this right, the terms and conditions for the exercise of the right and the payment of the relative refund, with a specific mention of the criteria used to determine the latter.

As indicated above, the Transaction does not provide the shareholders of Prysmian S.p.A. with the right of withdrawal.

f) Forecasts on the structure of the significant shareholding and the ownership structure of the demerged company and the acquiring company following the Transaction.

As the Transaction does not involve the issuing and assignment of shares of the Acquirer, it will not affect the structure of the shareholding and the ownership structure of Prysmian.

All the shares representing the entire share capital of the Demerged Company are currently held by Prysmian Cavi e Sistemi S.r.l., which is in turn entirely and directly owned by the Acquirer "PRYSMIAN S.P.A.". This ownership structure will change once the Transaction enters into effect since, at that time, the entire share capital of the Demerged Company will be directly owned by the Acquirer.

g) Effects of the demerger on any existing shareholders' agreements which are significant pursuant to art. 122 of the Consolidated Act and which concern the shares of the demerged company and the acquiring company, where these effects are disclosed by the parties to the agreements.

There is no shareholders' agreement relating to the shares of the Demerged Company and the Acquirer.

h) Description of rights connected to the shares assigned to the shareholders of the demerged company.

The Transaction will not involve the issuing and assignment of shares of the Acquirer.

i) In the case of a demerger to pre-existing acquiring companies or a demerger with assignment of shares according to non-proportional criteria, indication of the criteria used to determine the share swap ratio. Indication of the existence of any appraisals, on the economic value of

the assets to be demerged and the economic value attributed to pre-existing acquiring companies, with mention of the assessment methods used.

As the Acquirer will be the sole shareholder of the Demerged Company on the effective date of the partial demerger, no new share will be issued by the Acquirer and therefore no share swap ratio will be required.

The assets that will be involved in the partial demerger will be transferred with the status and entity they will have on the effective date of the partial demerger, except for any financial compensation between the companies participating in the transaction in question.

The proposed demerger is based on the balance sheet as at 31 December 2011 of the Demerged Company and the Acquirer.

Assets with a fixed and unchangeable book value of Euro 7,600,000, equal to 15.2% of the share capital of Prysmian PowerLink S.r.l. shall be transferred to the Acquirer as a result of the partial demerger of PCSI. Any differences between the book value of the assets actually transferred as at the effective date of the partial demerger and the book value of the assets transferred as at 31 December 2011 shall be settled between the parties exclusively on a financial basis.

Euro 4,038,402 of the decrease in the book value of the Demerged Company's shareholders' equity of Euro 7,600,000 will be allocated to the "Merger Reserve" until the full amount is reached, thereby exhausting this reserve, while Euro 3,651,598 will be allocated to the "Capital contribution" reserve, which amounted to Euro 3,918,750 as at 31 December 2011.

No decreases will be made to the Demerged Company's share capital.

Due to the partial demerger, the book value of the Acquirer's equity will be increased following the recognition of a gain since, upon transferral of the assets mentioned above, the Acquirer will exclusively reduce the corresponding value of the equity investment in the Demerged Company in proportion to the value of the transferred assets in the consolidated financial statements.

Upon transfer of the assets mentioned above, the Acquirer shall exclusively decrease the value which corresponds to its investment in the Demerged Company in proportion to the current value of the transferred assets.

The effective value of the assets assigned to the Acquirer and those left to the Demerged Company is equal at least to their book value.

j) Date from which the transactions of the demerged company will be recognised in the financial statements of the acquiring companies.

The demerger is effective as from the last registration of the demerger deed at the Companies Register office in which the companies participating in the demerger are registered or as from any later date set in the demerger deed.

The demerged assets will be recognised in the financial statements of Prysmian from the effective date of the demerger indicated in the above paragraph.

k) Tax effects of the Transaction on the companies participating in the demerger.

The partial demerger is governed by art. 173 of Presidential Decree no. 917/1986 (Consolidated Income Tax Act).

The tax treatment of the partial demerger is based on the principle of neutrality. Indeed, it does not give rise to the realisation or the distribution of capital gains or losses of the demerged company's assets, including those relating to inventories and goodwill.

From the date the demerger becomes effective, the individual positions of the demerged company and the relative instrumental obligations are attributed to the acquiring companies and, in the case of a partial demerger, to the demerged company itself, in proportion to the respective transferred or remaining assets shares, unless these personal positions are connected to the elements of the demerged assets individually or in groups, in which case they will follow these elements with their respective owners.

Insofar as the Transaction in question is concerned, due to the reduction in the book value of the equity investment held by Prysmian in the Demerged Company, a gain would arise, since the book

value that will be attributed to the elements of the Demerged Company's assets being transferred will be higher than the corresponding reduction in the value of the equity investment in the Demerged Company.

In terms of indirect taxes, the partial demerger is a transaction to which VAT is not applicable pursuant to art. 2, par. 3, letter f) of Presidential Decree no. 633 of 26/10/1972. This corporate transaction shall be subject to a fixed registration duty.

Milan, 29th March 2012

PRYSMIAN S.P.A.

Signed by the Director

(Pier Francesco Facchini)