

ADMINISTRATIVE BODY'S REPORT IN CASE OF DEMERGER, PREPARED PURSUANT TO ART. 70, PARAGRAPH 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  
of "FIBRE OTTICHE SUD – F.O.S. 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**

"FIBRE OTTICHE SUD – F.O.S. S.R.L.", a single member Company, *subject to the management and coordination of Prysmian S.p.A. and belonging to the Prysmian Group*, with registered office in Battipaglia (Province of Salerno), Strada Provinciale No. 135, registered capital of Euro 47,700,000.00, tax code and registration number with the Salerno Companies' Register of 01003490651 (hereinafter, "FOS" or the Demerged Company).

**The acquiring company**

"PRYSMIAN S.p.A.", with registered office in Milan, Viale Sarca 222, Share Capital of Euro 21,459,171.00, Tax code and registration number with the Milan Companies' Register 04866320965, (hereinafter Prysmian or the Acquirer).

Explanation of the Transaction and its reasons.

At a legal level, the Transaction, regulated by arts. 2506 *et seq.* of the Italian Civil Code, is a demerger of a portion of the assets of Fibre Ottiche Sud – F.O.S. S.r.l. to its parent company and single member, Prysmian S.p.A. on the basis, respectively, of the relevant balance sheet and of the half-year financial statements, both drafted as at 30 June 2013 and pursuant to art. 2501-*quater* of the Italian Civil Code. The Transaction in question does not involve the cases listed under art. 117-*bis* of Legislative Decree no. 58 of 24 February 1998 nor do the relevant parameters set forth by Consob in art. 70, paragraph 6 of Regulation no. 11971/1999 apply.

According to the regulations under "Regulation containing provisions relating to 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 do not have significant interests, the provisions of Consob Regulation no. 17221 and the procedure relating to transactions with related parties adopted by Prysmian are not applicable to the Transaction.

Fibre Ottiche Sud – F.O.S. S.r.l. is the owner of a building complex for industrial use located in Milan, Viale Sarca 336, consisting of a plot of land of approximately 22,000 sq.m. and a main shed, as well as various ancillary technological buildings (consisting of Energy House, a former plant called "spinning tower" and an interchange electricity substation), already leased to third parties.

On expiry of the lease, the building complex was no longer operating and its reuse as a capital good was not envisaged.

Given that the land on which the property in question was built is located in the so-called "Bicocca" area, the Prysmian Group found it the most suitable place to build its new offices, replacing the current that, in addition from being leased, are insufficient in terms of size and characteristics to meet

the changing needs of the Prysmian Group in Milan, subject to the complete renovation of the main shed, i.e. its demolition and reconstruction.

For this purpose, F.O.S. S.r.l has presented a project for the construction of a new building by means of a notice of commencement, on which the silent consent of the Municipality of Milan applied on 7 September 2012, and has paid the required planning fees.

Since the new offices will be used by all the Prysmian Group's companies located in Milan, it was deemed appropriate to separate the land and the buildings thereon that will not be knocked down from the assets of F.O.S. S.r.l., so that the new building complex becomes a part of the assets of the parent company Prysmian S.p.A.

This transfer to Prysmian S.p.A. also takes into account the fact that the new offices will mainly host Prysmian S.p.A.'s employees, as well as the employees of other Prysmian Group's companies located in Milan. Moreover, the costs for the construction of the new buildings shall be borne by Prysmian S.p.A., which has employees possessing the skills necessary for the daily management of the constructed buildings.

The Acquirer "PRYSMIAN S.P.A." directly owns all the stakes representing the entire registered capital of the Demerged Company "FIBRE OTTICHE SUD – F.O.S. S.R.L.", with the current transaction qualifying as an intragroup transaction, and with the application of the rules and regulations set forth in art. 2505 of the Italian Civil Code, as referred to in art. 2506-ter, paragraph 5 of the Italian Civil Code.

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

The assets owned by FOS subject to transfer through a partial demerger in favour of the Acquirer are the industrial land owned by FOS, located in the Municipality of Milan, Viale Sarca 336, the cadastral area of which is 22,248 sq.m., with technological ancillary buildings on it that will be reused for the new construction, consisting of Energy House, a former plant called "spinning tower" and an interchange electricity substation.

The real estate complex being demerged is identified as follows:

- in the Land Registry of the Municipality of Milan

Municipality	Plot	Sheet	Parcel	Sub-plot	Total area sq.m:	Quality	Cl.:	Rental Income €:	Agricultural income €:	Lot
Milan	NCT (New Land Registry)	55	84		22,184	Land for building				1
Milan	NCT (New Land Registry)	55	89		64	Land for building				1

- and in the Property Registry:

Municipality	Plot	Location	Sheet	Parcel	Sub-plot	Quality	Cl.:	Income €:
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Milan	NCEU (New Urban Property Registry)	MILAN (PROVINCE OF MILAN) VIALE SARCA, 336, T-1 – 2 – 3 Floor	55	84	703	F/3	
Milan	NCEU (New Urban Property Registry)	MILAN (PROVINCE OF MILAN) VIALE SARCA, 336, T Floor	55	89		D/1	612.00

The aggregate book value of the above-mentioned assets resulting from the Demerged Company's balance sheet as at 30 June 2013 is equal to Euro 11,169,593, taking into account the depreciation amount of these assets. To these, Euro 2,531,171 must be added, relating to expenses incurred for the renovation of the site being demerged and, as shown in the Demerged Company's balance sheet as at 30 June 2013, recognised as fixed assets under construction.

The proposed demerger is based on the Demerged Company's balance sheet and on the Acquirer's half-year financial statements, both as at 30 June 2013.

The decrease in the book value of the Demerged Company shall be equal to the book value of the items assigned on the effective demerger date and will be posted to the reserves existing at that time, excluding any decrease in the registered capital depending on the demerger, as the single member has already notified its intention to make payments to increase equity so as to offset the decrease in the book value resulting from the demerger. All the assets and liabilities and the relationships, with no exclusions or exceptions, other than those listed above, shall remain the ownership of the Demerged Company.

*c) Share allocation criteria.*

As the Acquirer is the single member of the Demerged Company and will continue to be so on 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 art. 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 issue and assignment of shares of the Acquirer, it will not affect the shareholding and the ownership structure of Prysmian.

All the stakes representing the entire registered capital of the Demerged Company are currently held directly by the Acquirer "PRYSMIAN S.P.A." and this ownership structure shall remain such also when the Transaction becomes effective.

*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 stakes of the demerged company and the acquiring company, where these effects are disclosed by the parties of 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 stakes assigned to the members 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 is the single member of the Demerged Company and will continue to be so 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 and liabilities concerned with partial demerger shall be transferred as they are, with the value they have, on the partial demerger effective date.

The proposed demerger is based on the relevant balance sheet and on the half-year financial statements, both as at 30 June 2013, of the Demerged Company and of the Acquirer, respectively.

As an effect of the partial demerger of FOS, a net book value of Euro 13,700,764 shall be transferred to the Acquirer. The differences, if any, between the book value of the actually transferred equity, as resulting on the partial demerger effective date, and the above-mentioned book value of the transferred equity, as at 30 June 2013, shall be allocated to the reserves then existing in the financial statements of the Demerged Company.

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

The Acquirer's book value shall not be subject to any changes.

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.

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

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

Milan, 1<sup>st</sup> August 2013

**PRYSMIAN S.P.A.**

**Director**

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