

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 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 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 100,000,000.00, Tax code and registration number at the Milan Companies Register 03337040962 (hereinafter PCS 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 S.r.l. to its own single shareholder 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..

As the Acquirer "PRYSMIAN S.p.A." directly holds all the shares representing the entire share capital of the Demerged Company "PRYSMIAN CAVI E SISTEMI S.R.L.", the transaction in question is an intra-group transaction and therefore the provisions of art. 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 PCS which will be transferred to the Acquirer through the partial demerger are:

- 100% of the share capital of Prysmian Treasury S.r.l., with registered office in Milan, Viale Sarca 222, Share Capital of Euro 4,242,476.00, Tax code and registration number at the Milan Companies Register 09764460151;

- 100% of the share capital of Prysmian Cavi e Sistemi Italia S.r.l., 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;
- 100% of the share capital of Fibre Ottiche Sud – F.O.S. S.r.l., with registered office in Battipaglia (Province of Salerno), Strada Provinciale 135, Share Capital of Euro 47,700,000.00, Tax code and registration number at the Salerno Companies Register 01003490651;
- 84.8% 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 is the sole shareholder 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 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 the Acquirer “PRYSMIAN S.P.A.” and this ownership structure will be maintained when the Transaction will enter into effect as well.

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, indicate 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 acquiring company is the sole shareholder 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 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.

Due to the partial demerger of PCS, assets with a fixed, unchangeable book value of Euro 214,683,098.06 will be transferred to the Acquirer. Any differences between the book value of the net assets actually transferred as this will be determined on the effective date of the partial demerger and the book value of the net assets transferred as at 31 December 2011 will be settled between the parties exclusively on a financial basis.

The decrease in the Demerged Company's equity of Euro 214,683,098.06 will be allocated for Euro 75,259,558 to "Profit carried forward," which reserve amounted to Euro 253,896,315 as at 31 December 2011; Euro 43,150,983 will be allocated to the "Capital contribution reserve," which amounted to Euro 145,574,539 as at 31 December 2011; Euro 80,127,098 will be allocated to the "Share premium reserve," which amounted to Euro 143,931,489 as at 31 December 2011; and Euro 16,145,459 will be allocated to the "Merger reserve" which totalled Euro 94,455,633 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 in question, 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.

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 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.

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)