BENI STABILI S.p.A. SIIQ

ILLUSTRATIVE REPORT PREPARED BY THE BOARD OF DIRECTORS ON THE ITEM NO. 1 ON THE AGENDA OF THE ORDINARY PART OF THE ANNUAL GENERAL SHAREHOLDERS' MEETING OF BENI STABILI S.P.A. SIIQ OF 15 APRIL 2014, PURSUANT TO ART. 125-*TER* OF THE ITALIAN LEGISLATIVE DECREE NO. 58/1998 AND TO ART. 84-*TER* OF THE CONSOB RESOLUTION NO. 11971/1999.

AGENDA

Ordinary part

1. Financial statements as at 31 December 2013 and related Management Report. Board of Statutory Auditors Report on the period ended 31 December 2013. Dividend distribution to shareholders.

   Pertinent and consequent resolutions.

2. Examination of the first part of the Remuneration Report.

   Pertinent and consequent resolutions.

Extraordinary meeting

1. Share capital increase upon payment and in tranches, for the exclusive purpose of the conversion of the equity linked bond loan, for a total amount equal to 270 million of Euro, with maturity on 17 April 2019, reserved to qualified investors, with the exclusion of any option as per art. 2441, paragraph 5, of the Italian Civil Code, for a total nominal amount of up to € 40,964,952.20, via the issue of up to no. 409,649,522 ordinary shares of a nominal value of € 0.10 each.

   Modification of Article 5 of the Articles of Association.

   Pertinent and consequent resolutions.

ILLUSTRATIVE REPORT THE ITEM NO. 1 ON THE AGENDA OF THE ORDINARY PART

1. **Financial statements as at 31 December 2013 and related Management Report. Board of Statutory Auditors Report on the period ended 31 December 2013. Dividend distribution to shareholders.**

   Pertinent and consequent resolutions.

Dear Shareholders,

As disclosed in the financial statements as at 31 December 2013 and the Management Report, the year closed with a net loss of 11,651,289.90 Euro.

As described in paragraph 6 in the notes to the Financial Statements as at 31 December 2013, the result for the year includes, pursuant to SIIQ regulations, a profit from tax-exempt operations of 22,673,803.90 Euro and a loss on taxable operations of 34,325,093.80 Euro. Consequently, in accordance with the reference regulations, the SIIQ is under no obligation to distribute the result of tax-exempt operations.

Subject to approval of the financial statements as at 31 December 2013, the Board of Directors proposes:

- to fully cover the loss for year 2013, amounting to 11,651,289.90 Euro using the Profit reserve included in the spin-off surplus for the same amount, which would decrease from 13,286,197.18 Euro to 1,634,907.28 Euro;
- to use 6,908,421.57 Euro from Capital reserve included in the spin-off surplus, which would drop from 133,934,495.52 Euro to 127,026,073.95 Euro, in order to:
  - add 6,908,368.81 Euro to the Revaluation reserve *ex* Italian Law 2/2009, which would increase from 17,222,013.73 Euro to 24,130,382.54 Euro;
  - allocate 52.76 Euro to the Revaluation reserve *ex* Italian Law 342/2000;

both related to revaluations made by a company merged in the year;

- to reclassify the Non-distributable reserve pursuant to art. 6, Italian Legislative Decree no. 38 dated 28 February 2005 by 10,743,481.62 Euro, increasing the Retained earnings reserve by the same amount. Consequently, the Non-distributable reserve pursuant to Italian Legislative Decree no. 38, relating to the fair value measurement of property assets, would drop from 143,372,044.41 Euro to 132,628,562.79 Euro whereas the Retained earnings reserve would increase from 3,127,935.99 Euro to 13,871,417.61 Euro.

  The amount of 10,743,481.62 Euro corresponds: i) to total write-downs recorded in 2013 on properties previously written-up; ii) to total write-ups recorded in previous years on properties sold in 2013. These amounts were reduced by the write-ups on properties recorded in 2013 in application of the fair value option. The related deferred tax effect on the residual revaluations as at 31 December 2013 was considered as well;
- to distribute to the Shareholders a dividend of 0.022 Euro for each ordinary share in issue as at the ex-dividend date, net of treasury shares held on that date, to be withdrawn only from profit reserves generated in tax periods prior to entry to the SIIQ regime. The shareholders will therefore be taxed on this dividend in accordance with related standard tax regulations not amended by Italian Law 296/2006.

Based on the shares in issue (1,915,341,904), net of treasury shares held (961,000), the total dividend would amount to 42,137,521.89 Euro for withdrawal as follows: i) 13,871,417.61 Euro from the Retained earnings reserve, which would consequently reduce to zero; ii) 1,634,907.28 Euro from Profit reserve included in the spin-off surplus, which would consequently reduce to zero; iii) 1,420,485.74 Euro from Profit reserve included in the merger surplus, which would consequently reduce to zero; iv)

20,831,275.86 Euro from Profit reserve for bonds, which would consequently reduce to zero; v) 4,379,435.40 Euro from the Profit reserve *ex* Italian Law 266/2005 revaluations, which would consequently drop from 190,092,575.00 Euro to 185,713,139.60 Euro.

The dividend will be paid on the ex-dividend date of 12 May 2014 (coupon 17), from 15 May 2014. Specifically, pursuant to the regulations in force, the entitlement to the payment of profits is determined on the basis of accounting evidences relevant to the end of the accounting day of the second open market day following the payment date (record date: 14 May 2014).

Should you agree with the above proposals, we invite you to adopt the following resolutions:

"the General Meeting

- having examined the Financial Statements as at 31 December 2013, which include the Management Report;
- having read the Report of the Board of Statutory Auditors prepared pursuant to art. 153, Italian Legislative Decree no. 58 dated 24 February 1998;
- having read the Report of the Independent Auditors, Mazars S.p.A., prepared pursuant to artt. 14 and 16, Italian Legislative Decree no. 39 dated 27 January 2010,

resolves

- to approve the Financial Statements as at 31 December 2013 and the related Management Report;
- to fully cover the loss for the year 2013, amounting to 11,651,289.90 Euro using the Profit reserve included in the spin-off surplus;
- to add 6,908,368.81 Euro to the Revaluation reserve *ex* Italian Law 2/2009 and allocate 52.76 Euro to the Revaluation reserve *ex* Italian Law 342/2000, using the Capital reserve included in the spin-off surplus;

- to reclassify the Non-distributable reserve pursuant to art. 6, Italian Legislative Decree no. 38 dated 28 February 2005 by 10,743,481.62 Euro, increasing the Retained earnings reserve by the same amount;
- to distribute to the shareholders a dividend of 0.022 Euro for each ordinary share in issue at the ex-dividend date, net of treasury shares held on that date. Based on the shares in issue (1,915,341,904), net of treasury shares held (961,000), the total dividend would amount to 42,137,521.89 Euro for withdrawal as follows: i) 13,871,417.61 Euro from the Retained earnings reserve; ii) 1,634,907.28 Euro from Profit reserve included in the spin-off surplus; iii) 1,420,485.74 Euro from Profit reserve included in the merger surplus; iv) 20,831,275.86 Euro from Profit reserve for bonds; v) 4,379,435.40 Euro from Profit reserve *ex* Italian law 266/2005 revaluations.
- to pay the dividend on the ex-dividend date of 12 May 2014 (coupon 17), from 15 May 2014. Specifically, pursuant to the regulations in force, the entitlement to the payment of profits is determined on the basis of accounting evidences relevant to the end of the accounting day of the second open market day following the payment date (record date: 14 May 2014);
- to grant all powers, without exclusion or exception, to the Board of Directors, hence to the Chairman and the Chief Executive Officer, permitting them, separately, if necessary via the appointment of special attorneys, to take all action and complete all formalities required to implement this resolution.”.

For the Board of Directors

The Chairman

(Enrico Laghi)