Prysmian Group

**INFORMATIVE DOCUMENT**

prepared in accordance with Article 71 of the regulation implementing Legislative Decree No 58 of February 24, 1998, on the rules governing issuers, adopted by CONSOB by resolution No 11971 of May 14, 1999 (as subsequently amended)

regarding the acquisition of 100% of the share capital of General Cable Corporation

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## INTRODUCTION

This informative document (the **Informative Document**) was prepared by Prysmian S.p.A. (the **Company** or the **Issuer**) in accordance with Article 71 of the regulation implementing Legislative Decree No 58 of February 24, 1998, on the rules governing issuers, adopted by CONSOB by resolution No 11971 of May 14, 1999, as subsequently amended (the **Issuers' Regulation**) and with the relevant model No 3 of Annex 3B, so as to provide exhaustive information on the transaction involving the acquisition (the **Acquisition**) by Prysmian of the entire share capital of General Cable Corporation (**General Cable Corporation**).

The Acquisition, which was completed on June 6, 2018 through the merger of Alisea Corp. (a company incorporated under the laws of the State of Delaware and whose share capital is entirely owned by the Company) into General Cable Corporation, is described in detail in the following Chapters 2 and 3.

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This document contains forecasts and estimates reflecting management's current views with respect to future events. Forecasts and estimates are typically identified by expressions such as 'it is possible', 'should', 'is foreseen' 'is expected', 'is estimated', 'is believed', 'is intended', 'is planned', 'objective', or by the use of these expressions in the negative form or by other variants of such expressions, or by comparable terminology. These forecasts and estimates include, but are not limited to, any information other than statements of fact, including, without limitation, those relating to the Issuer's future financial position and future operating results, strategy, plans, objectives and developments in the markets in which the companies of the group operate or intend to operate.

In view of such uncertainties and risks, readers are advised not to excessively rely on these forecasts as if they were a prediction of actual results. The Issuer's ability to reach the expected results depends on several factors that are beyond management's control. Actual results may differ significantly from (and be negative compared to) those estimated or implied in the forecast data. Such forecasts and estimates entail risks and uncertainties that could significantly affect expected results and are grounded on base assumptions.

The forecasts and the predictions made in this document are based on information available as of the date of this Informative Document. No obligation is herein undertaken to publicly update and review forecasts and estimates as a result of new information being available, of future events or of anything else, without prejudice to compliance with the applicable laws.

## SUMMARY OF PRO-FORMA DATA AND OF DATA PER SHARE AS OF DECEMBER 31, 2017

The tables below provide a summary of Prysmian's consolidated statement of financial position and income statement compared to pro-forma data of the Prysmian Perimeter, including General Cable after the Share Capital Increase, as defined below, as well as the relevant share indicators, for the year ended December 31, 2017.

The summary information presented below was extracted from the pro-forma consolidated statements as shown in Chapter 5 of this Informative Document and must be read together with the description of the hypotheses and criteria used for drafting these pro-forma consolidated statements and with the other information contained therein.

### Consolidated statement of financial/equity position

| (In millions of EUR) | **Prysmian Group consolidated statement of financial and equity position** | **Pro-forma Prysmian Group consolidated statement of financial and equity position** |
|---|---|---|
| | (A) | (G) |
| Total non-current assets | 2,779 | 4,797 |
| Total current assets | 3,964 | 4,975 |
| **Total assets** | **6,743** | **9,772** |
| Total equity | 1,675 | 2,169 |
| Total non-current liabilities | 1,967 | 3,806 |
| Total current liabilities | 3,101 | 3,797 |
| **Total equity and liabilities** | **6,743** | **9,772** |

### Consolidated income statement

| (In millions of EUR) | **Prysmian Group consolidated Income Statement** | **Pro-forma Prysmian Group consolidated Income Statement** |
|---|---|---|
| | (A) | (G) |
| Sales of goods and services | 7,901 | 11,297 |
| Operating income | 421 | 488 |
| Profit/(loss) before taxes | 305 | 351 |
| **Profit/(Loss) for the year** | **223** | **236** |

### Consolidated cash flow statement

| (In millions of EUR) | **Prysmian Group consolidated cash flow statement** | **Pro-forma Prysmian Group consolidated cash flow statement** |
|---|---|---|
| | (A) | (G) |
| Net cash flow provided by/(used in) operating activities (A) | 607 | 626 |
| Net cash flow provided by/(used in) investing activities (B) | (266) | (1,536) |
| Net cash flow provided by/(used in) financing activities (C) | 369 | 1,476 |
| Currency translation difference on cash and cash equivalents (D) | (21) | (27) |
| **Total cash flow provided/(used) in the year E = (A+B+C+D)** | **689** | **539** |

### Share indicators

| (In millions of EUR) | **Prysmian Group share indicators** | **Pro-forma Prysmian Group share indicators** |
|---|---|---|
| | (A) | (G) |
| Equity and reserves attributable to the Group: | 6.84 | 9.09* |
| Total cash flow provided/(used) in the year | 3.25 | 2.55* |
| Group Profit/(Loss) for the year | 1.07 | 1.13* |

**The number of outstanding shares from the Capital Increase was not included in the denominator as such number is unknown as of the date of this Informative Document.*

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## MAIN DEFINITIONS

Below is a list of the definitions used in the Informative Document, in addition to those contained in the text of the document. In relation to the definitions below, whenever the context so requires, the singular includes the plural and vice-versa.

| | |
|---|---|
| **Acquisition** | The transaction involving the acquisition by the Company of the entire share capital of General Cable Corporation, which occurred on June 6, 2018, through the merger of Alisea Corp. (a company incorporated under the laws of the State of Delaware and whose share capital is entirely owned by the Company) into General Cable Corporation. |
| **Shareholders' Meeting** | The Meeting of the Issuer's shareholders. |
| **Capital Increase** | The increase of the Issuer's share capital, approved by the Shareholders' Meeting on April 12, 2018, for an aggregate maximum amount of EUR 500,000,000.00, including any premiums, to be carried out, subject to the Closing, by and no later than July 31, 2019, in separable form, by issuing ordinary shares with regular entitlement to dividends, to be offered in pre-emption to shareholders who own ordinary shares and to holders of convertible bonds, according to Article 2441, paragraphs 1, 2 and 3, of the Italian Civil Code. |
| **2017 Consolidated Financial Statements** | The Issuer's consolidated financial statements for the year ended December 31, 2017 prepared in accordance with the IFRS and approved by the Issuer's Board of Directors on February 27, 2018. |
| **2017, 2016 and 2015 General Cable Financial Statements or 2017 Annual Report** | The consolidated Financial Statements as of December 31, 2017 and 2016, and for the years ended December 31, 2017, 2016 and 2015, prepared in accordance with the US GAAP, approved by the Board of Directors of General Cable Corporation, and included in the 2017 Annual Report on the Form 10-K prepared pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and consisting of Balance Sheet and consolidated financial situations as of December 31, 2017 and 2016, from the consolidated Income Statement , the overall consolidated Income Statement, the Consolidated Cash-flow Statement and from the statement of changes of the consolidated shareholders' equity for the three financial years closed at 31 December 2017, 2016 and 2015, and the related notes to consolidated Financial Statements. |
| **Borsa Italiana** | Borsa Italiana S.p.A., with registered office in Milan, Piazza degli Affari No 6. |
| **Closing** | The completion of the Acquisition, which occurred on June 6, 2018. |
| **Italian Civil Code** | Royal Decree No 262 of March 16, 1942, in force as of the Date of the Informative Document. |
| **Board of Directors** | The Issuer's board of directors. |
| **CONSOB** | The *Commissione Nazionale per le Società e la Borsa* (the Italian Companies and Stock Exchange Commission), based in Rome, Via G.B. Martini No 3. |

| | |
|---|---|
| **Date of the Informative Document** | The date on which this Informative Document is published. |
| **Informative Document** | This informative document. |
| **Issuer** or the **Company** | Prysmian S.p.A., with registered office in Milan, Via Chiese No 6, tax code and registration number at the Register of Companies of Milan 04866320965. |
| **General Cable Corporation** | General Cable Corporation, a company incorporated under the laws of the State of Delaware, with registered office in Highland Heights, Kentucky, whose shares were listed on the NYSE before completion of the Acquisition. |
| **Prysmian Group** | The group composed by the Issuer and by the companies which are directly and indirectly controlled by it pursuant to Article 93 of the TUF. |
| **NYSE** | New York Stock Exchange. |
| **General Cable Perimeter** or **General Cable** | General Cable Corporation and the companies which are directly and indirectly controlled by it. |
| **Prysmian Perimeter** or **Prysmian** | Means the Issuer and the companies which are directly and indirectly controlled by it pursuant to Article 93 of the TUF, except for the General Cable Perimeter. |
| **PwC** | PricewaterhouseCoopers S.p.A., with registered office in Milan, Via Monte Rosa No 91. |
| **Issuers' Regulation** | The regulation adopted by CONSOB by resolution No 11971 of May 14, 1999, in force as of the Date of the Informative Document. |
| **Auditing Company** | EY S.p.A., with registered office in Rome, via Po No 32. |
| **TUF** | Legislative Decree No 58 of February 24, 1998, in force as of the Date of the Informative Document. |
| **USD** or **$** | US dollar. |

## RISK FACTORS

The following is a summary of the potential risk factors which are a specific consequence of the Acquisition that is the subject of this Informative Document.

It should be noted that additional risks and uncertain events, which are not currently foreseeable or which are considered unlikely at the moment, could equally influence the business, the economic and financial conditions as well as the prospects of the Issuer.

For a more comprehensive analysis of the risks underlying the Acquisition, the observations set out below must be read together with the other information included in the Informative Document, in the 2017 Annual Financial Report and in the Interim Management Report as of March 31, 2018, available on the Issuer's website www.prysmiangroup.it.

### 1.1 Risks associated with the Acquisition

On December 3, 2017, the Issuer, Alisea Corp. (**Alisea**), a company incorporated under the laws of Delaware (US) and whose share capital is indirectly and entirely owned by the Issuer, and General Cable Corporation signed an agreement (the merger agreement) pursuant to which, after the occurrence of the conditions precedent to which the effectiveness of the said agreement was subject, the Company indirectly became the owner of 100% of the share capital of General Cable Corporation, a company incorporated under US law and whose shares were listed on the NYSE before completion of the Acquisition.

General Cable is a global leader in the development, design, manufacture, marketing and distribution of copper, aluminium or fibre optic wire and cable products. The Acquisition was carried out through the merger of Alisea into General Cable Corporation, which became effective on June 6, 2018. General Cable shares that were outstanding as of the date of effect of the merger were cancelled and, in the context of the merger, their owners received USD 30.00 per share (as of June 6, 2018, equal to approximately EUR 25.48). For the transaction, General Cable was valued, including net financial debt and other liabilities of the company, at approximately USD 3 billion (as of June 6, 2018, equal to approximately EUR 2.5 billion).

Following the completion of the transaction, General Cable Corporation shares were delisted from the NYSE on June 6, 2018.

For more information on the Acquisition, please refer to Chapters 2 and 3 of the Informative Document.

In relation to the Acquisition and to the related integration activities, the following risk factors should be noted.

#### *(i) Risks associated with the integration of General Cable and with its performance*

The Acquisition was carried out in the context of a general decline of profitability in the reference sector which, as for Prysmian, only concerned the Energy Products operating segment, and, as for General Cable, more generally the entire scope of its activities, taking into account that the sector is by now at a mature stage, which has led to increasing pressure on prices arising from increased competition.

In this context, the objective of the Acquisition, as part of a process of growth and geographical diversification through the expansion of its supply in particular in North and South America, is also to safeguard the profitability of the reference businesses also by implementing the planned synergies. Moreover, the integration of General Cable will enable the Prysmian Group to redefine its industrial presence allowing it to achieve significant economies of scale by rationalising its overproduction capacity in certain geographical areas (especially in Southern Europe), to improve its production processes by redefining (and relocating) its activities and production capacities and to achieve efficiency within its logistics structure, both in terms of cost and of customer service.

The achievement of the benefits and synergies expected from the Acquisition will depend, among other things, on the ability to efficiently integrate General Cable and to achieve potential synergies and economies of scale by preserving the current customer portfolio, maintaining sales volumes, creating an integrated organisation, rationalising production capacity and effectively integrating the information systems. Moreover, since the companies are relatively similar in terms of product portfolio, markets, customers and industrial structure, an effective integration of General Cable will depend mainly on management's ability to create an organisational structure which is able to sustain the integration of existing structures in a timely and effective manner, to harmonise the way in which sales forces access the market and to eliminate/minimise any differences in terms of management and culture.

Failure to succeed or a partial success of the integration may restrict the chance of achieving the expected synergies and, in certain cases, lead to a tightening of industrial processes and consequently to a worsening of the competitive position on the market. To date, the Issuer has not prepared an industrial plan on a combined base. However, an integration plan is currently under preparation in order to define the activities underlying the achievement of synergies and industrial integration.

In this regard, it should also be noted that, in 2014, General Cable announced a major corporate restructuring program, which as of the Date of the Informative Document has almost entirely been carried out, so as to ensure a greater focus in core business areas and reduce corporate complexity (which entailed a reduction of the workforce from approximately 15,000 employees in 2013 to approximately 8,500 in 2017, a reduction of production plants from 48 to 30 and an increase in General Cable's margins).

Cost synergies could also be achieved by increasing efficiency of research and development processes, production processes, as well as by benefiting from economies of scale in purchases of raw materials, other materials and services.

The Issuer estimates that extraordinary integration costs may be included within a range between EUR 200 million and EUR 220 million over the estimated period to complete the integration (i.e. 4 years); cost benefits expected in the same time frame are estimated at about EUR 150 million, with structural and permanent effects on the cost structure of the Prysmian Group and on its level of efficiency.

As a result of the Acquisition of General Cable Corporation and of the reorganisation announced on June 11, 2018, the operating segments of the Prysmian Group should not, at a preliminary analysis, undergo particular changes. The announced reorganisation will be implemented progressively over the next months, with the aim of completing the new operational arrangement by the end of this year. In parallel, subject to the approval of the Board of Directors, the accounting reporting of the Prysmian Group (the so-called 'segment reporting system') will be updated so as to take into account the new organisational structure. Consequently, General Cable's primary segment reporting developed by geographical area should merge into the three planned operating segments, Energy Projects (renamed Projects), Energy Products (renamed Energy) and Telecom. General Cable mainly operates in the Energy Products segment. General Cable's revenues, for the year 2017 and for the first quarter of 2018, were reclassified in accordance with the segments of the Prysmian Perimeter. From this preliminary operation, it appears that, as for General Cable, sales in the Energy Products segment amounted to approximately EUR 2.8 billion in 2017 (approximately EUR 0.7 billion in the first quarter of 2018); in the Energy Projects segment, they amounted to approximately EUR 0.2 billion in 2017 (approximately EUR 0.07 billion in the first quarter of 2018); finally, in the Telecom segment sales amounted to approximately EUR 0.3 billion in the year 2017 (approximately EUR 0.08 billion in the first quarter of 2018).

If General Cable is not integrated efficiently and in the estimated time frame, the goal of shielding itself against margin reductions, in particular in relation to the Energy Products business segment, may not be achieved, or may be achieved only partially. Furthermore, failure to achieve the expected synergies, the unexpected increase of estimated costs necessary to promote General Cable's integration into Prysmian, as well as any deviation of General Cable's future results from those expected (both in terms of costs and in terms of revenues) could have negative effects in the future on the prospects and on the economic and financial situation and assets of the Prysmian Group.

Set out below are certain specific risks associated with the process of General Cable's integration.

*(1) Risks related to key staff and to the rationalisation of resources*

In the context of a merger and acquisition, the human resources variable is one of the most complex and unpredictable aspects to manage as part of the integration process between the companies involved. Indeed, such variable is not only an important asset of the industrial complex being acquired, but is capable of significantly influencing the success of the transaction.

A merger and acquisition can in fact deeply modify the structures, procedures, policies and cultures of one or all of the companies involved in the process, causing reactions and uncertainties about the future which, if not handled in the most efficient manner, can have a negative impact on resource productivity, leading to conflicts and resistance or, in the worst case scenario, resignations involving managers holding positions and functions within the Prysmian Group, in a context, moreover, in which these individuals will find themselves having to manage a workforce which is more complex and richer in terms of resources. This risk is all the more significant for key staff of General Cable, in respect of which Prysmian's management is necessarily less aware of their activities.

The merger between Prysmian and General Cable will indeed lead to a change in the existing organisational structures as, in fact, a new group is born from the union of the previous two; this will be most noticeable in areas of geographical overlap. Managers were thoroughly selected on the basis of the 'best people for the job' principle, with the aim on the one hand of finding and retaining the best resources, and on the other of giving equal opportunities to people from both Prysmian and General Cable. The result will be an international management consisting of more than 400 managers who will be immediately tasked with clear responsibilities and precise objectives.

Although the Company has adopted incentive systems as a way of retaining key figures, there is no certainty that the relationship with one or more of these key figures will not be terminated for any reason whatsoever, and, in that case, there is thus no guarantee that the Company will be able to promptly replace them with individuals who are equally qualified and capable of ensuring the same operating and professional contribution in the short term, and of pursuing the same operating strategies.

There is therefore the risk that the difficulty of properly managing such process of staff integration and resource rationalisation may have negative effects on the functioning and on the economic, financial situation and assets of the Prysmian Group.

Furthermore, the priority of the new management that will manage the combined business will be to reorganise structures and procedures in the most effective and efficient manner, by seizing, where possible, all saving opportunities linked to the presence of economies of scale. Therefore, the appropriate and sustainable size of each department and production facility will be subject to assessment and – once the necessary studies and analyses are completed and the trade union information and consultation procedures provided for under the territorially applicable legislation are carried out – any reduction of personnel will be decided: this process will require a gradual implementation over the next 2-3 years, precisely to ensure that the most adequate level of service and attention to customers is maintained, through a careful business protection in each product segment.

Efforts aimed at accomplishing such structural and procedural reorganisation could also entail costs and risks associated with the implementation of the reorganisation procedure, with potentially negative effects on the functioning and on the economic and financial situation and assets of the Prysmian Group.

*(2) Risks associated with the rationalisation of production plants in Europe*

The Prysmian Group is exposed to the risk of the failure to achieve the objectives linked to the reorganisation of the production plants in Europe following the acquisition of General Cable. In the opinion of the Issuer, the main risk factors linked to the timely achievement of these objectives are attributable to social and industrial restrictions which may arise if the industrial reorganisation plans appeared to be in contrast with the continuity of the production activities. Failure to succeed or partial success in rationalising the production plants in Europe could extend the exposure of the Prysmian Group to the risk of overproduction capacity which, in the event of a worsening of the market, could lead to a decline of operating results in terms of volumes and/or operating margins.

The Issuer constantly strives to achieve industrial efficiency also through the optimisation of the production process, in particular in Europe, by concentrating production capacity in centres of excellence, with the aim of improving plant saturation and promoting the reduction of fixed costs.

The integration with General Cable can affect both the timing and the economic effects of these actions, as a result of the potential overlap of both the production assets and the customer portfolio of General Cable and of Prysmian.

Furthermore, organisational efforts will be focused on implementing the plan for the integration with General Cable, which includes activities such as the creation of economies of scale in terms of purchases, the creation of an integrated organisation, the effective integration of information systems and the rationalisation of the industrial structure.

If the Company were unable to implement the abovementioned strategies and to achieve its respective goals within the scheduled timeline, it may have to change or downsize its goals, with consequent negative effects on the business, on the prospects and on the economic and financial situation and assets of the Prysmian Group.

As of the Date of the Informative Document, the Prysmian Group has not prepared a rationalisation plan involving the production plants in other geographical areas in which it operates. However, the Issuer plans to timely analyse the industrial structure on a combined basis in such areas, and to assess the possible need for rationalisation activities and/or relocations.

*(3) Risks associated with the harmonisation of group policies*

Following the Acquisition, the policies applied by the Issuer will also have to be extended to all of General Cable's companies.

With particular reference to the policies for managing strategic metals such as copper, aluminium and lead and for coverage of its related price risk, for exchange risk management and for trading receivables risk management, it cannot be excluded that any delays in implementing the harmonisation procedures of group policies may in the future cause negative effects on the prospects and on the economic and financial situation and assets of the Prysmian Group.

*(4) Risks associated with the integration of information systems*

The activities of the companies of the Prysmian Perimeter were handled through a set of services and information systems that enable all business transactions (e.g. customer order management, production and distribution of goods and services, supply management and control, accounting and reporting support, human capital management) to be carried out in a controlled and consistent manner.

The success of the Acquisition will also depend on Prysmian's ability to integrate the information systems of General Cable, an issue that could pose risks in terms of security and continuity of activities.

Indeed, on the one hand security concerns may arise from the need to include – within the computer system applied in Prysmian – plants, commercial offices, data networks, and other aspects relating to General Cable, whose security levels could be lower than those applied to Prysmian, for example as concerns segregation of data networks or security settings of devices that connect to the internet or to any third party. On the other hand, problems relating to the continuity and management efficiency of activities could arise from the need to standardise and harmonise the systems so as to allow for a more effective operational integration. If these changes are not effectively planned, programmed and executed, they could result in errors and delays in handling client orders, in the lack of visibility on the business cycle, in mistakes in the planning and management of production and of inventory records, in incorrect accounting records, resulting in the need for subsequent corrections and/or reconciliations.

Although the Issuer intends to adopt procedures which are aimed at integrating General Cable's information system, as quickly as possible and as efficiently as possible, in the one which already exists and is applied to the companies of the Prysmian Perimeter, by using consolidated methodologies for change management and mitigation of risks related to computerisation and automation projects, as of the Date of the Informative Document it is not possible to ensure that such integration will occur without any impact on the functioning of the business and that any delay in such process could lead to negative effects on the prospects and on the economic and financial situation and assets of the Prysmian Group.

***(ii) Risks associated with the structure of the Acquisition***

The Acquisition of General Cable Corporation was carried out on the basis of an agreement between the Issuer, Alisea and General Cable Corporation, under which General Cable Corporation provided representations and warranties that were effective only until the completion of the Acquisition. Therefore, should contingent liabilities arise relating to General Cable Corporation and/or to other companies headed by it, for example related to tax, environmental, contractual issues, or to litigation or arbitration, the Issuer will not be entitled to any indemnification from the other party, with potentially negative consequences, even significant, on the prospects as well as on the economic and financial position and assets of the Prysmian Group.

Moreover, it should be noted that the due diligence activities carried out during the process that led to the completion of the Acquisition highlighted a possible risk of contingent liabilities, mainly tax and environment-related, amounting to approximately USD 80-90 million overall (equal to EUR 70.8-79.6 million), considered of minor importance compared to the size and complexity of the transaction.

In the context of the Acquisition agreement, the Company made certain undertakings which will extend also after the Closing and completion of the Acquisition. Prysmian undertook, for a period of six years following the completion of the merger of Alisea into General Cable Corporation, to indemnify and hold harmless, within the maximum limits permitted by the applicable laws, all current and previous directors and officers of General Cable Corporation and of its subsidiaries, as well as any person who, at the request of General Cable Corporation or of one of its subsidiaries, acted as director, officer, employee, trustee or fiduciary of other companies, entities or joint ventures, for all costs, expenses, judgments, penalties, losses, claims, damage or liability incurred by such persons in connection with any claim, action, proceedings or investigation (whether civil, criminal or administrative) arising from the activities carried out in favour of General Cable Corporation and of its subsidiaries (or upon request of such companies) prior to the effective date of the merger (including those relating to the Acquisition and to other activities covered by the Acquisition Agreement). In this context, the Company also undertook to ensure that General Cable Corporation, as resulting from the merger, would, by the effective date of the merger, purchase specific insurance policies, by paying the related premium, which are aimed at extending, for a period of at least six years from the effective date of the merger, the existing insurance coverage available to General Cable in relation to the liability of directors and officers, as well as in relation to any liability arising from carrying out 'fiduciary' assignments, at terms and conditions no less favourable to the beneficiaries of those policies than those already in place for General Cable (and providing, in any case, that such commitment could not result in an expense exceeding 300% of the premiums already paid by General Cable for insurance policies in place). The insurance coverage provided by the above mentioned agreements was activated with a cap of EUR 90 million; the overall premium paid for the extension on an annual basis is EUR 115,000 (plus tax at 22.25%).

### 1.2 Risks associated with financial indebtedness

As a result of the Acquisition, the Prysmian Group has a significant amount of financial debt. In particular, net financial expenses of the Prysmian Group, amounting to EUR 116 million in the year ended December 31, 2017, on a pro-forma basis amount, for the same period, to EUR 137 million (thus taking into account the effect of the Acquisition, the refinancing of General Cable indebtedness and the Capital Increase). In previous years, net financial expenses amounted to EUR 79 million in 2016 and EUR 89 million in 2015.

Furthermore, the Prysmian Group may have to refinance part of such indebtedness as it exists each time at maturity, and is exposed to the risk that failure to comply with the obligations and undertakings contained in the existing loan agreements could result, among other things, in creditors invoking the relevant acceleration clauses for such loans. In this respect, it should be noted that the financing for the Acquisition, the RCF Loan, the CDP Loan and the two loans granted by the EIB (as better described below) provide for the same financial covenants and are not secured by collateral.

The following table shows the development of the Prysmian Group gross financial indebtedness as of March 31, 2018 and as of December 31, 2017, 2016 and 2015.

| (in millions of EUR) | As of March 31, 2018, pro-forma (*) | As of March 31 | As of December 31 | | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2016 | 2015 |
| **Gross financial indebtedness** | | | | | |
| 2013 Convertible Bond | - | - | (283) | (289) | (280) |
| Term Line of credit | (1,000) | - | - | - | - |
| Bridge Line of credit | (700) | - | - | - | - |
| Bilateral Loan | - | - | - | (50) | (50) |
| RCF Loan | - | - | - | - | - |
| CDP Loan | (100) | (100) | (100) | - | - |
| 2013 EIB Loan | (50) | (50) | (59) | (75) | (92) |
| 2017 Convertible Bond | (459) | (459) | (456) | - | - |
| 2015 Non-Convertible Bond | (761) | (761) | (757) | (755) | (754) |
| 2017 EIB Loan | (110) | (110) | (110) | - | - |
| Prysmian Treasury revocable lines of credit | - | - | - | - | - |
| Other financial payables | (122) | (97) | (72) | (118) | (231) |
| **Gross financial position/(indebtedness)** | **(3,302)** | **(1,577)** | **(1,837)** | **(1,287)** | **(1,407)** |

(*) *Before Capital Increase*

It should be noted that the pro-forma value of the gross financial indebtedness as of March 31, 2018 before the Capital Increase, amounting to EUR 3,302 million, is higher by EUR 1,725 million compared to the gross financial indebtedness of the Issuer as of the same date.

That difference results from:

- EUR 955 million, relating to General Cable gross indebtedness;
- EUR 253 million, relating to the adjustment of General Cable indebtedness to reimbursement value;
- EUR 517 million, resulting from the EUR 1,691 million loan taken out for the Acquisition, net of related charges, offset by the partial repayment of General Cable indebtedness for EUR 1,174 million (equal to General Cable's total gross financial indebtedness, including adjustment to reimbursement value, excluding the non-refinanced amount of debt equal to EUR 34 million).

Summarised below are the main flows related to the Acquisition and to the refinancing of General Cable indebtedness calculated on the basis of pro-forma data as of March 31, 2018:

- EUR 1,295 million as consideration transferred to the shareholders of General Cable;
- EUR 1,174 million as partial repayment of General Cable indebtedness;
- EUR 44 million as expenses for stock option plans and parachute contracts;
- loans taken out for the Acquisition, net of related charges, for EUR 1,691 million;
- use of available cash for the remaining amount of EUR 822 million.

The net financial debt of the Prysmian Perimeter as of December 31, 2017, equal to EUR 436 million, increased to EUR 648 million as of March 31, 2018, mainly as a consequence of: (i) the positive cash flows arising from operational activities, equal to EUR 119 million; (ii) an increase of working capital arising from the ordinary dynamics of the business, which absorbed cash for EUR 542 million; (iii) EUR 46 million as disbursements for operational investments; (iv) disbursements for financial costs of EUR 10 million; and (v) EUR 283 million as conversion of the 2013-2018 convertible bond.

The net financial debt of the Prysmian Group, equal to EUR 648 million as of March 31, 2018, following the Acquisition amounts to EUR 3,152 million, on a pro-forma basis and before the Capital Increase, and consists of:

- EUR 648 million, relating to the net financial debt of the Prysmian Group;
- EUR 906 million, relating to the net financial debt of General Cable;
- EUR 1,295 million, relating to the consideration transferred to the shareholders of General Cable;
- EUR 44 million, relating to disbursements for stock option plans and parachute contracts;
- EUR 253 million, relating to the adjustment of General Cable indebtedness to reimbursement value;
- EUR 6 million, classified as 'Other Receivables' of a non-current nature, relating to the non-amortised part of settlement costs associated with General Cable lines of credit.

As of the Date of the Informative Document, in order to cope with the reimbursement of part of General Cable's indebtedness in the context of the Acquisition and, to a lesser extent, to finance working capital seasonality, also pending a complete integration of the financial flows of General Cable, recently acquired, the Prysmian Group used part of the available revolving line, namely an amount of EUR 500 million.

For the sake of greater clarity, it should be noted that the group's business is characterised by a certain degree of seasonality, related to the fact that the installation of cables in the northern hemisphere takes place for the most part during the warmest months of the year; consequently, in the period between May and September the Prysmian Group is able to cope with the higher level of indebtedness, because of the requirements generated by the increase of working capital.

The table below shows the level of availability of Prysmian Treasury's committed and revocable lines of credit:

| (in millions of EUR) | As of March 31 | As of December 31 | | |
|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2015** |
| Bilateral Loan* | - | | 50 | 50 |
| RCF Loan** | 1,000 | 1,000 | 1,000 | 1,000 |
| Prysmian Treasury revocable lines of credit | 290 | 290 | 190 | 100 |

** The bilateral Loan was repaid in January 2017.*
*** EUR 500 million of the RCF Loan were used after the Closing, while none of it appears to have been used as of the other dates mentioned above since cash was available to the group.*

The table below shows the effects of pro-forma adjustments on the values of Prysmian Group net financial debt as of December 31, 2017.

| | Prysmian Group | Prysmian Group pro-forma |
|---|---|---|
| A. Cash and cash equivalents | 1,335 | 1,119 |
| B. Other cash equivalents | - | - |
| C. Securities held for trading and available-for-sale assets | 51 | 51 |
| **D. Liquidity (A) + (B) + (C)** | **1,386** | **1,170** |
| E. Current financial receivables | 54 | 77 |
| F. Current borrowings from banks | - | - |
| G. Current portion of non-current debt | 314 | 314 |
| H. Other current financial payables | 91 | 130 |
| **I. Current financial debt (F)+(G)+(H)** | **405** | **444** |
| **J. Net current financial debt (I) – (E) – (D)** | **(1,035)** | **(803)** |
| K. Non-current borrowings from banks | 252 | 1,943 |
| L. Bonds issued | 1,199 | 1,209 |
| M. Other non-current financial payables | 3 | 3 |
| **N. Non-current financial debt (K) + (L) + (M)** | **1,454** | **3,155** |
| **O. Recalculated net financial debt (J) + (N)** | **419** | **2.352** |

For more information on Prysmian Group's pro-forma net financial debt as of December 31, 2017, please refer to Chapter 5 of the Informative Document.

Set out below is a brief description of the main financing agreements and bonds constituting the financial indebtedness of the Prysmian Group as of the Date of the Informative Document.

***Financing agreements***

As of the Date of the Informative Document, the main financing agreements in place for the Prysmian Group are the following.

**Financing Agreement for the Acquisition**

On March 2, 2018, the Issuer entered into an agreement (the **Financing Agreement for the Acquisition**) under which a syndicate of leading banks provided the Issuer with the following lines of credit, which are all aimed at financing the costs related to the Acquisition of General Cable and are provided to the Issuer at the Closing date:

(a) Term Line of credit of EUR 1,000 million and with a term of 5 years from the Closing date of the Acquisition (to be repaid on June 6, 2023);

(b) Bridge Line of credit of EUR 700 million and with a term of 2 years, to be repaid in a single instalment at maturity (i.e. on June 8, 2020), or on a previous date with proceeds collected by eventually issuing other debt instruments. Moreover, with reference to the possible future issuing of bonds, it should be noted that it may be less easy for the Issuer, lacking an official rating from the relevant agencies, to gather funds in this manner in times of particular tension on financial markets.

In relation to the Company and, in certain cases, in relation to material subsidiaries or even to all companies of the group, the Financing Agreement for the Acquisition includes certain commitments and restrictions, which are subject to quantitative exceptions with associated threshold values.

The Financing Agreement for the Acquisition provides that, without prejudice to the obligation to repay the Financing for the Acquisition at maturity of each respective line of credit, the Company shall reimburse in advance the amounts provided by each funding entity if certain events were to occur, including: (a) a change of control of the Company; and (b) only in relation to the Bridge Line of credit, if bonds are issued (by using the proceeds collected from by issuing those bonds).

Finally, the Financing for the Acquisition provides that the funding entities may request outstanding financing to be repaid in full if certain events of default set forth in the relevant agreement were to occur, which are usual for this type of transactions, including failure by a company of the group that is headed by the Company to pay any other financial debt at maturity, if that circumstance concerns financial debt whose overall value exceeds EUR 50 million ('cross default').

**2017 Loan from Cassa Depositi e Prestiti**

On September 25, 2017, the Issuer entered into an agreement with Cassa Depositi e Prestiti S.p.A. (**CDP**) for a loan, subject to Italian law, for a maximum total amount of EUR 100 million (the **CDP Loan**). The CDP Loan provided the Company with financial resources for the group's general purposes, including investment and expenditure in research, development and innovation, as well as in energy efficiency and environmental protection. The CDP Loan was drawn down in full on September 29, 2017, and must be repaid in full in a single instalment, together with interest and charges owed and not yet paid, on September 30, 2020 (bullet repayment).

The CDP Loan agreement provides that the Company must repay to CDP all amounts due in connection with the CDP Loan if certain events of default were to occur, which are usual for this type of transactions, including failure by the Company and/or by a material subsidiary to comply with one or more repayment obligations arising from any other financial debt provided for by any agreement other than the CDP Loan agreement ('cross default'), if that circumstance concerns financial debt and/or obligations whose overall value exceeds EUR 50 million.

**The 2014 Revolving Credit Facility**

On June 27, 2014, the Issuer entered into an agreement under which a syndicate of leading banks made available to the Issuer (and to its subsidiary Prysmian Treasury S.r.l.) a long-term credit facility of EUR 1,000 million (the **RCF Loan**). The RCF Loan can be used both as a cash line of credit (in EUR) and as a signature line of credit by issuing commercial guarantees (in EUR or other currencies). The agreement expires on June 27, 2019. The revolving line was meant to refinance existing lines of credit and additional operational activities of the Prysmian Group.

In relation to Company and, in certain cases, also in relation to material subsidiaries or even to all companies of the group, the RCF Loan includes certain commitments and restrictions, which are subject to quantitative exceptions with associated threshold values.

The RCF Loan also provides that, without prejudice to the obligation to repay any use thereof at maturity, the Company must repay such use in advance if certain events were to occur, including a change of control of the Issuer.

Finally, the RCF Loan provides that the funding entities may request outstanding amounts to be repaid in full if certain events of default set forth in the relevant agreement were to occur, which are usual for this type of transactions, including failure by a company of the group that is headed by the Company to pay any other financial debt at maturity, if that circumstance concerns financial debt whose overall value exceeds EUR 50 million ('cross default').

As of December 31, 2017, the RCF Loan had not been drawn down, since cash and cash equivalents were available to Prysmian. As of the Date of the Informative Document, EUR 500 million of the RCF Loan appear to have been drawn down.

**EIB Loans**

*2013 EIB Loan*

On December 18, 2013, the Issuer entered into a first loan agreement with the European Investment Bank (**EIB**) for EUR 100 million, intended to fund Prysmian Group's research and development plans in Europe over the period 2013-2016 (the **2013 EIB Loan**). The 2013 EIB Loan, which was received on February 5, 2014, is repayable in 12 equal six-month instalments starting from August 5, 2015 until February 5, 2021.

The 2013 EIB Loan agreement provides that the EIB may request the 2013 EIB Loan to be repaid in full if certain events of default were to occur, which are usual for this type of transactions, including failure by a company of the group that is headed by the Company to pay any other financial debt at maturity, if such circumstance concerns financial debt whose overall value exceeds EUR 50 million (‘cross default’).

*2017 EIB Loan*

On November 10, 2017, the Issuer entered into an agreement with the EIB for a new loan of EUR 110 million intended to fund research and development plans in Europe over the period 2017-2020 (the **2017 EIB Loan**). The loan was disbursed on November 29, 2017 and is repayable in a single instalment at maturity on November 29, 2024. The 2017 EIB Loan follows the 2013 EIB Loan and is intended to fund research and development activities in Europe.

The 2017 EIB Loan agreement provides that the EIB may request the 2017 EIB Loan to be repaid in full if certain events of default were to occur, which are usual for this type of transactions, including failure by a company of the group that is headed by the Company to pay any other financial debt at maturity, if such circumstance concerns financial debt whose overall value exceeds EUR 50 million (‘cross default’).

Following the repayment of the 2013 EIB Loan instalments, the outstanding balance of the above mentioned EIB loans as of the Date of the Informative Document amounts to EUR 160 million (EUR 169 million as of December 31, 2017, EUR 75 million as of December 31, 2016 and EUR 92 million as of December 31, 2015).

To summarise, below are the main requirements, aggregated by type, which the above mentioned loans existing as of the Date of the Informative Document set forth as commitments on a consolidated level.

**(1) Financial requirements (financial covenants)**

Financial requirements (financial covenants) consist of (a) the ratio between the Adjusted EBITDA and Net Financial Expenses (as defined in the reference contracts); and (b) the ratio between Net Financial Debt and Adjusted EBITDA (as defined in the reference contracts).

The following definitions will be used in determining the financial covenants:

- **Net Financial Debt** means net financial debt as reported in the reclassified balance sheet included in Prysmian’s consolidated financial statements;
- **Adjusted EBITDA** means the adjusted EBITDA as reported in Prysmian’s consolidated financial statements, excluding: taxes and fees included in their calculation; costs related to pension funds for work provided in the past, any actuarial gain or loss, any gain or loss due to closure or restructuring thereof; dividends paid to third parties with non-controlling interest in entities of the group and including dividends received from subsidiaries classified under other financial assets;
- **Net Financial Expenses** means net financial expenses as reported in Prysmian’s consolidated income statement, excluding: capitalised non-monetary interest and charges, deferred or payable in kind; any charge or provision made in relation to pension funds; any gain or loss on exchanges and from contracts on exchanges and interest rates; dividends received from subsidiaries included in the other financial assets.

The covenants can therefore be broken down as follows:

| Adjusted EBITDA/Net Financial Expenses not lower than: | Net Financial Debt/ Adjusted EBITDA not higher than: |
|---:|---:|
| 4.00x | 3.00x |

The financial covenant under point (b) is extended to 3.50x as a result of acquisitions for 3 periods, even if non-consecutive.

In relation to the Prysmian Group as of December 31, 2017 (and therefore concerning the Prysmian Perimeter), the financial ratios indicated above were equal to 15.37x and 0.58x, respectively, well within the requirements set by the agreements.

Following the Acquisition, those figures will reach values which are closer to the threshold level set forth in the respective loan agreements, with a greater risk, therefore, of any failure to comply with the parameters at hand in the event of a sudden and significant deterioration of the main economic and financial parameters of the Prysmian Group.

The table below shows the covenants of the Prysmian Group calculated as of December 31, 2017, including the pro-forma effects relating to the Acquisition, the financing thereof also through new loans, and the Capital Increase.

| (*in millions of EUR*) | **December 31, 2017** |
|---|---|
| | **Prysmian Group pro-forma before and after Capital Increase** |
| Adjusted EBITDA | 940 |
| Net financial expenses of the Group | 137 |
| **Adjusted EBITDA / Net financial expenses of the Group** | **6.86** |

| (*in millions of EUR*) | **December 31, 2017** |
|---|---|
| | **Prysmian Group pro-forma after Capital Increase** |
| **Net financial debt of the Group** | 2,378 |
| Adjusted EBITDA | 940 |
| **Net financial debt of the Group / adjusted EBITDA** | **2.53** |

These figures do not reflect the further adjustment resulting from the conversion into capital of the 2013 convertible bonds, which occurred in the first quarter of 2018, and whose value as of December 31, 2017 was of EUR 283 million. Taking into account that further adjustment, the ratio between the net financial debt of the Prysmian Group and the adjusted EBITDA would be 2.74x before Capital Increase and 2.21x after Capital Increase. Furthermore, the above values do not take into account the calculation methods set forth in the loan agreements which entail adjustments that normally improve the covenant level.

For further details on the pro-forma financial data, please refer to Chapter 5 of the Informative Document.

**(2) Non-financial requirements**

The loan agreements described above also require compliance with non-financial commitments, defined in accordance with the market practice applicable to transactions of the same type and of the same importance.

Among those commitments, which entail a number of restrictions (in certain specific cases also in relation to the use of financial resources), the following should be noted: the commitment to ensure that payment obligations arising from the loan are not subordinated to any other unsecured obligation (‘*pari passu*’); restriction on the granting of collateral and pledges in favour of third parties as coverage for financial debt (negative pledge), with certain exceptions; restrictions on the assignment of assets or goods of the group headed by the Company that may have significant and substantial effects on the group’s activities and with certain exceptions; the commitment not to make significant changes to the nature of the business of the group headed by the Company; restrictions in relation to mergers, except for certain allowed reorganisations (such as intercompany transactions) and also except for cases in which the Issuer is the company resulting from the merger or, if the other companies involved in the merger are not part of the group which is headed by the Issuer, where the latter is still in compliance with the financial parameters; restrictions in carrying out acquisitions, except for certain cases that are expressly exempted.

Those agreements also lay out rules for cases of non-compliance (so-called ‘events of default’). The main events of default include, *inter alia*, the following cases: (a) failure to comply with loan repayment obligations; (b) failure to comply with the financial requirements (financial covenants); (c) failure to comply with certain non-financial requirements (non-financial covenants); (d) any company of the Issuer’s group being declared bankrupt or subject to other insolvency proceedings; (e) particularly significant judicial decisions; (f) events which are capable of having a significantly negative effect on the business, on the assets or on the financial condition of the Issuer’s group.

If an event of default were to occur, lenders are entitled to request that all or part of the sums provided and not yet repaid be reimbursed in addition to interest and any other owed sum. No collateral is required.

Failure by the Company to comply with any of the financial (financial covenants) and non-financial requirements (non-financial covenants) set forth in the loan agreements would result in an event of default, which, if not subsequently remedied in the cases and within the limits set out in the existing loan agreements or waived by the lending banks, could lead to creditors invoking the acceleration clause, and, therefore, to a revocation of the loans and/or to the early repayment of any amount drawn down, with the possible activation of the cross default clauses contained in such agreements.

It should be noted that such non-financial requirements are applicable by contract to the entire Prysmian Group, as resulting from the Acquisition.

As of the Date of the Informative Document, the clauses in the aforementioned loan agreements laying out financial and non-financial requirements, as mentioned above, appear to have been complied with. Furthermore, it should be noted that the Acquisition did not result in any breach of the contractual obligations set forth in the above mentioned loan agreements and, therefore, did not require any waiver on the part of the lending entities.

Moreover, should the Company be unable to comply with these financial and non-financial requirements in the future, the Prysmian Group may not be able to repay in advance the requested amounts, itself in turn generating liquidity risk, with consequent negative effects on the prospects and on the economic and financial situation and assets of the Prysmian Group.

Under the same circumstances and in the event of particularly adverse business or financial market dynamics, it should also be noted that there is a risk that the Issuer’s capacity to distribute dividends to its shareholders may decrease.

In light of the amount of cash and cash equivalents available and of the committed lines of credit that have not been drawn down, over EUR 750 million as of the Date of the Informative Document, and of the financial covenants (which have been fully complied with as of the Date of the Informative Document), it appears that the Prysmian Group is capable of mitigating such risk, and of gathering sufficient financial resources at a competitive cost.

**Bonds**

As of the Date of the Informative Document, the Issuer has issued the following bonds.

**(i) The 2017 convertible bond**

On January 11, 2017, the Board of Directors approved the placement of the equity-linked bond, known as ‘Prysmian S.p.A. Euro 500 million Zero Coupon Equity-Linked Bonds due 2022’, amounting to EUR 500,000,000 in total, refundable in one instalment at its maturity on January 17, 2022 and reserved to institutional investors (the **2017 Convertible Bond**). The 2017 Convertible Bond does not yield interest. On May 30, 2017, the bonds were admitted to trading on the ‘Third Market’ (MTF) on the Vienna Stock Exchange.

The Convertible Bond is governed by a regulation (Terms and Conditions) (the **2017 Convertible Bond Regulation**), governed by English law, except for matters to which Italian law applies mandatorily.

On April 12, 2017, the Shareholders' Meeting approved the convertibility of the bond and the proposed share capital increase for cash, against payment and in separable form with the exclusion of pre-emption rights by a maximum nominal amount of EUR 1,457,942.70, by issuing, in one or multiple instalments, up to 14,579,427 ordinary shares of the Company, with the same characteristics of outstanding ordinary shares, exclusively and irrevocably for conversion of the bond. The conversion price of the bonds was set at EUR 34.2949, without prejudice to any adjustments to the conversion price to be calculated on the basis of the estimates of the 2017 Convertible Bond Regulation.

The 2017 Convertible Bond Regulation sets certain restrictions upon the Issuer. There is in particular a negative pledge clause, which limits the possibility for the Issuer and for 'Material Subsidiaries' to pledge current or future assets, relationships or capital as collateral to secure financial debt represented by bonds, with certain exceptions. 'Material Subsidiary' means any of the Issuer's subsidiaries whose adjusted gross operating margin or turnover account for more than 5% of the group's adjusted gross operating margin (Adjusted EBITDA) or turnover, as resulting from the last financial statements of the subsidiary and from the last consolidated financial statements of the parent company. It should be noted that such restriction applies to the entire Prysmian Group, as resulting from the Acquisition.

Pursuant to the 2017 Convertible Bond Regulation, in the event of a change of control (a 'Change of Control') the Issuer must inform bondholders so as to make them aware of the possibility to exercise their right to convert the bonds or, as the case may be, the right to claim reimbursement of the bonds.

Furthermore, the 2017 Convertible Bond Regulation provides that if certain events of default were to occur ('Event of Default'), following a written notice by each bondholder to the Issuer or to the payment agent, the bonds may be declared immediately reimbursable at their nominal value, without any additional acts or requirements being necessary. Such events of default include failure to comply with payment obligations relating to other financial debt, loans or failure by the Issuer or by a material subsidiary to provide guarantees for loans if the amount owed following the event of default is over EUR 50 million (cross-default).

The Issuer may repay the 2017 Convertible Bond in advance at its nominal value if certain events were to occur, including:

(i) starting from February 1, 2020, if for at least 20 days in any period of 30 consecutive trading days the VWAP (the volume weighted average price) of the Issuer's shares is over 130% of the conversion price;

(ii) at any time, if there have been conversions and/or purchases (with cancellations) and/or reimbursements for at least 85% of the nominal value of the amount originally issued.

The Capital Increase does not in itself affect the 2017 Convertible Bond pursuant to change of control or event of default clauses.

**(ii) The 2015 non-convertible bond**

On March 30, 2015, the Issuer completed the placement of a non-convertible bond for a nominal value of EUR 750 million (the **2015 Non-Convertible Bond**), intended for institutional investors.

The 2015 Non-Convertible Bond yields fixed interest of 2.5% per year, to be paid with a postponed annual coupon maturing on 11 April of each year and reimbursement of the capital in one instalment at the maturity date envisaged for April 11, 2022.

The 2015 Non-Convertible Bond is governed by a regulation (Conditions) (the **2015 Non-Convertible Bond Regulation**) and is governed by English law, except for matters to which Italian law applies mandatorily.

The 2015 Non-Convertible Bond Regulation sets certain restrictions upon the Issuer. There is in particular a negative pledge clause, which limits the possibility for the Issuer and for 'Material Subsidiaries' to pledge current or future assets, relationships or capital as collateral to secure financial debt represented by bonds, with certain exceptions. 'Material Subsidiary' means any of the Issuer's subsidiaries whose adjusted gross operating margin or turnover account for more than 5% of the group's adjusted gross operating margin (Adjusted EBITDA) or turnover, as resulting from the last financial statements of the subsidiary and from the last consolidated financial statements of the parent company. It should be noted that such restriction applies to the entire Prysmian Group, as resulting from the Acquisition.

Pursuant to the 2015 Non-Convertible Bond Regulation, bondholders are entitled to request that the bonds be reimbursed in advance, within the term and in accordance with the procedure set out therein, in the event of a change of control (a 'Change of Control').

Furthermore, pursuant to the 2015 Non-Convertible Bond Regulation the occurrence of a series of events of default causes the application of the relevant acceleration clauses, consequently resulting in the obligation for the Issuer to repay the bond in advance. Such events of default include the failure to pay or the application of the acceleration clause on any other debt of the Issuer or of a material subsidiary for an overall total of EUR 50 million or more (cross-default).

The Capital Increase does not in itself affect the 2015 Non-Convertible Bond pursuant to the aforementioned change of control or event of default clauses.

Finally, it should be noted that all of the financing agreements and bonds mentioned above include so-called cross-default clauses, which provide for the early repayment of all amounts still due (for capital and interest) as a result of the failure to pay financial debt for amounts over EUR 50 million. Therefore, as a consequence of such cross-default clause, failure by the Issuer to comply with its obligation to repay financial debt exceeding EUR 50 million could lead to negative effects on the prospects and on the economic and financial situation and assets of the Prysmian Group.

In addition to the sources of funding mentioned above, revocable lines of credit for a total of EUR 350 million are currently available to the group's treasury company, Prysmian Treasury S.r.l.. These lines of credit are revocable and short-term credit facilities which can be used for cash needs. The value date of any amount requested is the same date on which the amount is requested and the ordinary term is of one month. The amount may be repaid, without additional costs, at any time with value date on that same date. Contract provisions are in line with banking standards and do not include any financial or non-financial covenants.

## 2. INFORMATION REGARDING THE ACQUISITION

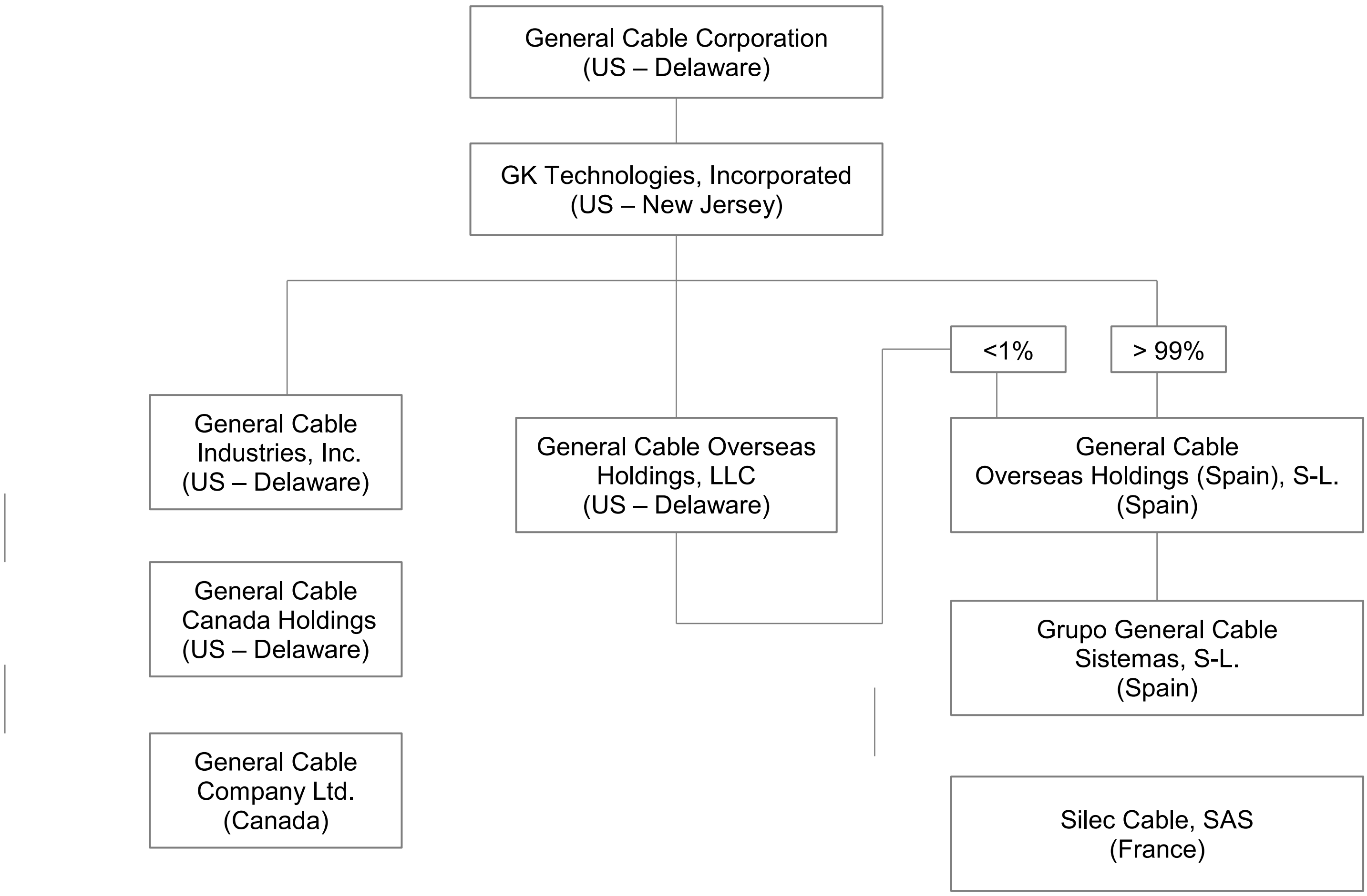
### 2.1 Summary description of the modalities and terms of the transaction

As stated above, on December 3, 2017 the Issuer, Alisea and General Cable Corporation signed an 'Agreement and Plan of Merger' governing the terms and conditions of the merger by incorporation of Alisea into General Cable Corporation (the latter company therefore being the acquiring company resulting from the merger), pursuant to the laws of the State of Delaware, USA (the **Acquisition Agreement**).

#### 2.1.1 *Description of General Cable and of the group of companies headed by it*

General Cable is a global leader in the development, design, manufacture, marketing and distribution of copper, aluminium and fibre optic wire and cable products.

Set out below is a chart summarising the structure of the General Cable Perimeter. Unless otherwise indicated, the ownership ratio between the companies listed in the chart is 100%.



Below is a list of the main subsidiaries of General Cable Corporation.

| NAME | REGISTERED OFFICE | % OWNED | OWNED BY |
|---|---|---|---|
| GK Technologies, Incorporated (**GK Tech**) | New Jersey, USA | 100% | General Cable Corporation |
| General Cable Industries, Inc. (**GCII**) | Delaware, USA | 100% | GK Tech |
| General Cable Canada Holdings LLC (**GCCAN Holdings**) | Delaware, USA | 100% | GCII |
| General Cable Company Ltd. GCC | Nova Scotia, Canada | 100% | GCCAN Holdings |
| General Cable Overseas Holdings, LLC (**GCCO Holdings**) | Delaware, USA | 100% | GK Tech |
| General Cable Overseas Holdings (Spain) S.L. (**GCCO Holdings Spain**) | Spain | 100% | 99.35% owned by GK Tech; 0.65% owned by GCCO Holdings |
| Grupo General Cable Sistemas, SL (**GCC Sistemas**) | Spain | 100% | GCCO Holdings Spain |
| Silec Cable, SAS | France | 100% | GCC Sistemas |

### 2.1.2 *Modalities, terms and conditions of the transaction and related payment modalities and terms*

The signing of the Acquisition agreement was preceded by a due diligence which was carried out on the basis of publicly available information and of the documentation made available by General Cable throughout the procedure, which showed a potential risk of contingent liabilities, mainly tax and environment-related, for an overall amount of approximately USD 80-90 million (equal to EUR 70.8-79.6 million), considered of minor importance compared to the size and complexity of the transaction.

For the purposes of determining the value of General Cable, the Issuer's assessments were based on valuation methods which are in line with national and international standards, as well as on General Cable's growth and development prospects.

In particular, the main methods used to carry out said activity include: (i) the Discounted Cash Flow method, (ii) the market multiples method (both as of the date of analysis and based on historical data) (iii) the recognised multiples in comparable transactions method, (iv) the analysis of premiums, compared to market prices, which were paid in selected previous transactions considered comparable as resulting in a change of control in the context of a takeover bid. Throughout the entire process, the price used to calculate the value of the company on a stand-alone basis for comparative purposes was the relevant undisturbed market price (or the market price on the date on which the process involving the review of strategic options was announced). The Discounted Cash Flow method is an analytical methodology which belongs to the class of financial evaluation methods. This method makes it possible to incorporate the economic and financial projections of the company being valued and to grasp the specific medium- and long-term growth prospects regardless of the stock market sentiment, but taking into account the company's development plan and the growth prospects of the market in which it operates.

The market multiples method is based on the analysis of stock prices of a sample of companies which are comparable to the one being evaluated; in order to apply this criterion, a series of ratios are calculated ('multiples' or 'multipliers') – in relation to the sample of selected comparable companies – between the stock market value and certain selected significant parameters (e.g. EV/Adj. EBITDA).

The recognised multiples in comparable transactions method is based on the analysis of prices, and therefore of multiples, paid by purchasing companies for target companies of a sample of change of control transactions that are comparable to the transaction being valued.

In relation to listed companies, practice suggests considering undisturbed market prices as relevant information to assess the economic value of the company being valued, using the stock market capitalisations determined on the basis of stock prices recorded at time intervals considered to be significant. In the context of an analysis based on valuation methods which do not include a control premium, account may also be taken of premiums, compared to market prices, paid in specific previous transactions considered to be comparable as resulting in a change of control in the context of a takeover bid.

The merger agreement was subject to the occurrence of certain conditions precedent, including: (i) approval of the transaction by the meeting of the shareholders of General Cable Corporation; (ii) approval or authorisation by the competent anti-trust authorities (including those in the United States of America and in the European Union); (iii) approval by other competent regulatory authorities (such as the approval by the Committee on Foreign Investment in the United States, CFIUS); (iv) the occurrence, as at the Closing, of the other usual conditions for this type of transactions (such as the absence of any measures prohibiting the Acquisition, the accuracy of the representations and warranties made by the parties in the Acquisition agreement and the fulfilment of the commitments undertaken by the parties in the agreements relating to the Acquisition).

On February 16, 2018, the meeting of the shareholders of General Cable Corporation approved the acquisition by the Issuer of 100% of General Cable Corporation shares at a price of USD 30.00 per share (as of June 6, 2018, equal to approximately EUR 25.48). The meeting was attended by approximately 75.34% of the share capital with voting rights, and approximately 99% of those in attendance voted in favour of the Acquisition.

Furthermore, the Acquisition Agreement – which was structured in the form of a 'cash reversed triangular merger', normally used for the acquisition of companies whose registered office is in the State of Delaware (USA) and are listed on the NYSE – provided that:

(i) all Alisea shares (the acquired company) which were outstanding on the effective date of the merger, entirely owned by Prysmian, would be converted into shares of General Cable Corporation as resulting from the merger;

(ii) all General Cable Corporation shares (the acquiring company) which were outstanding on the effective date of the merger with Alisea would be cancelled and converted into the right, for their owners, to receive an amount equal to USD 30.00 per share (without interest) (as of June 6, 2018, equal to approximately EUR 25.48), except for (a) the General Cable shares owned by Prysmian, Alisea or any other company that is entirely owned, directly or indirectly, by the Company or by General Cable Corporation, or any other company that is entirely controlled, directly or indirectly, by General Cable Corporation (unless they were held on behalf of third parties), as well as for (b) the General Cable Corporation shares in relation to which, in the context of the planned merger, the right of 'appraisal' provided for under Delaware law had been exercised (the fate of General Cable Corporation shares mentioned *sub* paragraphs (a) and (b) is described below, *sub* (iii), (iv) and (v));

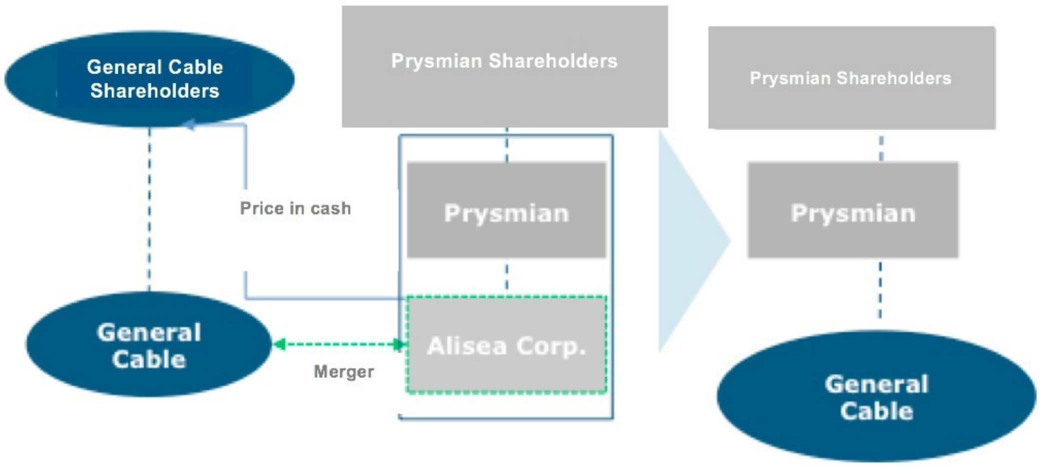
(iii) the General Cable Corporation shares owned by companies that are entirely controlled, directly or indirectly, by General Cable Corporation or by the Company (other than Alisea) would be converted into shares of General Cable as resulting from the merger, so that the said companies could retain in post-merger General Cable Corporation the same percentage of capital previously owned in General Cable Corporation before the merger, taking into account the conversion of the Alisea shares into General Cable Corporation shares as referred to above *sub* (i);

(iv) the General Cable Corporation shares owned by the Company, by Alisea or by General Cable Corporation would be cancelled and voided without any consideration;

(v) the General Cable Corporation shares for which the right of 'appraisal' provided for under Delaware law had been validly exercised (and not waived) would have obtained the right to receive an amount (potentially different from the one set out in the Acquisition Agreement) determined in accordance with the applicable provisions of Delaware General Corporation Law.

With reference to the said right of 'appraisal' under Delaware law, it should be noted that: (i) those entitled to it were General Cable Corporation shareholders who had not voted in favour of the merger (in the meeting of the shareholders of General Cable Corporation specifically convened for that purpose) and who, before the said meeting, had expressly requested in writing to receive consideration for their shares on the basis of a fair value valuation (as opposed to USD 30.00 per share – as of June 6, 2018, approximately EUR 25.48 – determined in the context of the Acquisition); and (ii) the fair value would have been determined by the Delaware Court of Chancery (such amount could have been lower or higher than, or equal to the one determined in the context of the Acquisition). Furthermore, it should be noted that a request for appraisal was only made for approximately 100 shares, the consequence being that, pursuant to Delaware law, the fair value determination procedure will not be carried out for the shares for which such right was exercised, since the minimum threshold necessary for actually carrying out such procedure was not met.

Set out below is a simplified graphic representation of the structure of the Acquisition:




For the transaction, General Cable is valued, including net financial debt and other liabilities of the company, at approximately USD 3 billion (as of June 6, 2018, equal to approximately EUR 2.5 billion).

Completion of the Acquisition was subject to the occurrence of certain conditions which are typical for this type of transactions, including: (i) approval of the transaction by the meeting of the shareholders of General Cable Corporation; (ii) approval or authorisation by the competent anti-trust authorities (including those in the United States of America and in the European Union); (iii) approval by other regulatory authorities (such as the approval by the Committee on Foreign Investment in the United States, CFIUS); (iv) the occurrence, as at the Closing, of the other usual conditions for this type of transactions (such as the absence of any measures prohibiting the Acquisition, the accuracy of the representations and warranties made by the parties in the Acquisition agreement and the fulfilment of the commitments undertaken by the parties in the agreements relating to the Acquisition).

All those conditions were satisfied and, on June 6, 2018, the Closing of the transaction was finalised.

The merger of Alisea into General Cable Corporation became effective, under Delaware law, on June 6, 2018. On June 6, 2018, following the completion of the transaction, General Cable shares were delisted from the NYSE.

As a consequence of the completion of the merger of Alisea into General Cable Corporation, the Company indirectly became the owner of 100% of the share capital of General Cable after the merger with Alisea.

In the context of the Acquisition Agreement, General Cable Corporation provided to the Company the representations and warranties which are usual for this type of transactions. However, it should be noted that, under the Acquisition Agreement, such representations and warranties were effective only until the Closing and the completion of the transaction – the accuracy and veracity thereof until the Closing date being a condition to which completion of the Acquisition was subject –, but were no longer valid following its finalisation. Therefore, should contingent liabilities arise in the near future in relation to General Cable and its subsidiaries, for example related to tax, environmental, contractual issues, or to litigation, the Company will not be entitled to any indemnification from the other party.

Still pursuant to the Acquisition Agreement, the Company made certain undertakings which will extend also after the Closing and completion of the Acquisition. In particular, Prysmian undertook, for a period of six years following the completion of the merger of Alisea into General Cable Corporation, to indemnify and hold harmless, within the maximum limits permitted by the applicable laws, all current and previous directors and officers of General Cable Corporation and of its subsidiaries, as well as any person who, at the request of General Cable Corporation or of one of its subsidiaries, acted as director, officer, employee, trustee or fiduciary of other companies, entities or joint ventures, for all costs, expenses, judgments, penalties, losses, claims, damage or liability incurred by such persons in connection with any claim, action, proceedings or investigation (whether civil, criminal or administrative) arising from the activities carried out in favour of General Cable Corporation and of its subsidiaries (or upon request of such companies) prior to the effective date of the merger (including those relating to the Acquisition and to other activities covered by the Acquisition Agreement). In this context, the Company also undertook to ensure that General Cable Corporation, as resulting from the merger, would, by the effective date of the merger, purchase specific insurance policies, by paying the related premium, which are aimed at extending, for a period of at least six years from the effective date of the merger, the existing insurance coverage available to General Cable in relation to the liability of directors and officers, as well as in relation to any liability arising from carrying out 'fiduciary' assignments, at terms and conditions no less favourable to the beneficiaries of those policies than those already in place for General Cable (and providing, in any case, that such commitment could not result in an expense exceeding 300% of the premiums already paid by General Cable for insurance policies in place). The insurance coverage provided by the above mentioned agreements was activated with a cap of EUR 90 million; the overall premium paid for the extension on an annual basis is EUR 115,000 (plus tax at 22.25%).

2.1.3 ***Sources of funding***

The Issuer funded the Acquisition through a combination of (i) new debt for approximately EUR 1.7 billion and (ii) available cash and use of existing lines of credit, for approximately EUR 750 million.

With reference to the new debt, on March 2, 2018 the Issuer (as a borrower), UniCredit Bank AG Milan Branch as agent (the **Agent**), Crédit Agricole Corporate and Investment Bank, Goldman Sachs International, Banca IMI S.p.A., Mediobanca – Banca di Credito Finanziario S.p.A. and UniCredit Bank AG (the **Arrangers**) and Crédit Agricole Corporate and Investment Bank, Goldman Sachs International Bank, Intesa Sanpaolo Bank Luxembourg SA, Mediobanca International (Luxemburg SA) and UniCredit Bank AG (the original **Funding Entities**) signed a financing agreement (the **Financing Agreement for the Acquisition**), governed by English law, for a maximum total amount of EUR 1.7 billion (the funding associated thereto hereinafter the **Financing for the Acquisition**).

The Financing Agreement for the Acquisition was syndicated on March 27, 2018 and 7 other leading financial institutions joined as funding entities.

Under the Financing for the Acquisition, disbursement of funds may be refused only in the event of major events of default or misrepresentations.

The Financing for the Acquisition provides the Company with the financial resources necessary for a company entirely owned by the Issuer to pay part of the Acquisition price of General Cable Corporation, to refinance existing indebtedness of General Cable Corporation and of its subsidiaries and to pay fees, commissions, costs and expenses related to the Acquisition.

The Financing for the Acquisition consists of the following lines of credit:

- 'Term Line of credit': a fixed-term line of credit for an overall amount of EUR 1,000,000,000, made available to the Company in EUR or US Dollars. The Term Line of credit will be repaid on the date of the fifth anniversary of the Closing date of the Acquisition (i.e. June 6, 2023);
- 'Bridge Line of credit': a fixed-term line of credit for an overall amount of EUR 700,000,000, made available to the Company in EUR or US Dollars. The Bridge Line of credit will be repaid within 2 years of the Closing date of the Acquisition (i.e. on June 8, 2020), or on a prior date with proceeds collected by issuing any other debt instruments.

Funds for each individual use may be provided until the earliest between: (a) the date falling 30 days after the closing date of the Acquisition; and (b) December 31, 2018. The funds were provided on June 6, 2018.

*Restrictions and obligations*

In relation to the Company and, in certain cases, to its material subsidiaries ('Material Subsidiaries') (i.e. a subsidiary of the Company whose EBITDA or turnover is equal to or higher than 5% of the group's EBITDA (as per contract) or turnover) or even to all companies of the group, the Financing Agreement for the Acquisition sets out the following obligations and restrictions, which are subject to quantitative exceptions with associated threshold values, as well as to the additional remedies as described below:

- obligation to obtain and maintain any authorisation required to fulfil its contractual obligations and for the conduct of its ordinary business;
- obligation to comply with all applicable laws and regulations;
- obligation to ensure that its payment obligations arising from the Financing for the Acquisition are not subordinated to any other non-subordinated and unsecured obligation ('*pari passu*');
- restrictions on the granting of collateral and pledges ('negative pledge') as coverage for financial debt, with certain exceptions, including the granting of collateral and pledges: (i) in connection with the securitisation of receivables; and (ii) unless otherwise permitted, for a value not exceeding 10% of the group's total consolidated assets;

- restrictions on the assignment of businesses or assets of the group which is headed by the Company that may lead to a substantial change of said group's main activity or that may adversely affect the credit position of the Funding Entities;
- obligation not to make significant changes to the nature of the activities of the Group which is headed by the Company, considered in its entirety;
- restrictions in relation to mergers, except for certain allowed reorganisations (such as intercompany transactions) and certain allowed mergers in which the Company is the company resulting from the merger and, if the other companies involved in the merger are not companies of the group which is headed by the Issuer, the Company is still in compliance with the financial parameters;
- obligation to comply with all applicable environmental laws;
- obligation not to carry out speculative transactions on derivatives;
- restrictions on the provision of guarantees and financing to third parties, except for certain allowed guarantees and financing, including (i) those provided in the ordinary course of business under market conditions (ii) for a value not exceeding EUR 150,000,000 at any time;
- obligation to maintain adequate insurance coverage;
- obligation to carry out significant transactions with third parties under ordinary market conditions;
- obligation to comply with all applicable laws concerning pension plans;
- obligation to comply with tax laws;
- obligation to comply with any economic or financial penalty.

It should be noted that such non-financial requirements apply by contract to the entire Prysmian Group, as resulting from the Acquisition.

The Financing Agreement for the Acquisition sets out two financial parameters compliance with which is assessed every six months starting from December 31, 2018, under which (a) the ratio between the Adjusted EBITDA (as defined in the contract) and the overall Net Financial Expenses (as defined in the contract) in the previous 12 months must not be lower than 4.00:1.00 and (b) the ratio between the consolidated Net Financial Debt and the Adjusted EBITDA (as defined in the contract) (**Leverage Ratio**) in the previous 12 months must not exceed 3.00:1.00 (it may reach 3.50:1.00 on not more than three occasions, even if non-consecutive, as a result of an acquisition).

Violations of the financial parameters can be remedied up to a maximum of 4 times.

In addition to the above, the Company, for itself and in certain cases on behalf of the group, made certain representations and warranties – some of which are to be considered as being repeated on each date on which Financing for the Acquisition is used and at each interest payment date – which are usual for this type of transactions. Such representations include, by way of example and without limitation, representations relating to: (i) its status; (ii) the binding nature of the obligations undertaken under the Financing Agreement for the Acquisition and the additional financial documents (the **Financial Documents**); (iii) the absence of any conflict between the obligations arising from the Financial Documents and the applicable provisions contained in laws, regulations, articles of association and other binding documents; (iv) its capacity to sign the Financial Documents; (v) the authorisations required in order to comply with the obligations undertaken under the Financial Documents and to carry out its ordinary business; (vi) the absence of penalties; (vii) the existence of anti-corruption policies and procedures; (viii) the accuracy of the information provided under the Financing Agreement for the Acquisition; (ix) compliance with anti-corruption rules; (x) the absence of disputes or legal proceedings which may, or which are reasonably considered likely to, result in a significant adverse effect (a **Significant Adverse Effect**) with reference to the business, assets or the financial situation of the Company, taking into account the resources made available to it by other members of the group headed by the Company or made available to said group (considered as a whole) or the Company's ability to meet its payment and financial obligations in accordance with the provisions of the Financial Documents, taking into account the resources made available to it by other members of the group which is headed by the Company, or which significantly jeopardise the rights or remedies to which Lenders are entitled in relation to the Financing Agreement for the Acquisition; (xi) compliance with applicable environmental rules; (xii) the absence of insolvency proceedings with respect to the Company and to each of its Material Subsidiaries; and (xiii) the accounting records provided by it in connection with the Financing for the Acquisition.

*Interest*

The Financing Agreement for the Acquisition provides for a floating interest rate, as follows:

- as for the Term Line of credit, the 6 month EURIBOR rate plus a margin of 1.15% p.a. (the Initial Margin);
- as for the Bridge Line of credit, the 3 month EURIBOR rate plus a margin of 0.55% p.a. every 3 months, with an increase of 0.15% p.a. every 3 months.

Interest will accrue every six months in arrears for the Term Line of credit and quarterly in arrears for the Bridge Line of credit.

In line with recent market practices, the parameters mentioned above to index interest (i.e. the 6- and 3-month Euribor rate) cannot have a negative value given that a floor of zero was agreed by contract.

The margin which applies to the Term Line of credit can vary, on the basis of the results of the margin statement, if the relevant margin statement shows that (i) there has not been nor is there currently any Event of Default (as defined below) and (ii) the Financial Leverage (Leverage Ratio), with reference to the previous 12 months, falls within one of the predetermined parameters:

| | |
|---|---|
| Higher than 3.00:1 | 1.45% p.a. |
| Higher than 2.50:1 and less than or equal to 3.00:1 | 1.15% p.a. |
| Higher than 2.00:1 and less than or equal to 2.50:1 | 0.95% p.a. |
| Higher than 1.50:1 and less than or equal to 2.00:1 | 0.80% p.a. |
| Higher than 1.00:1 and less than or equal to 1.50:1 | 0.65% p.a. |
| Less than or equal to 1.00:1 | 0.55% p.a. |

Margin changes applicable to the Term Line of credit will apply three business days after delivery of the related margin statement by the Company the Agent.

*Early repayment*

The Financing Agreement for the Acquisition provides that, without prejudice to the obligation to repay the Financing for the Acquisition at maturity of their respective lines of credit, the Company must repay in advance the amounts made available by each Funding Entity upon the occurrence of certain events, including the following:

- the occurrence of an event the consequence of which is that the participation of a Funding Entity to, or compliance with the obligations undertaken by it under, the Financing Agreement for the Acquisition violates legal or regulatory provisions applicable to it;
- the occurrence of a Change of Control (as defined below) where the Majority of the Funding Entities (as defined below) request repayment of the Financing for the Acquisition with at least 30 days' notice to the Agent and to the Company;
- if the Acquisition does not take place on the day of or on the day following the first use of the Financing for the Acquisition;
- with exclusive regard to Bridge Line of credit, the receipt of proceeds arising from the issuance of debt securities.

Under the Financing Agreement for the Acquisition, a change of control occurs if any person or group of persons acting jointly (1) own shares with voting rights representing more than 50% of the Company's share capital or (2) have the right to appoint, by contract or otherwise, the majority of the members of the board of directors of the Company (a **Change of Control**).

Notwithstanding the foregoing, the Company has the right (i) to request that any amount of the Financing for the Acquisition not yet disbursed and available be cancelled; and (ii) from the date falling 18 months after the closing date of the Acquisition, to the early repayment of part of the Financing for the Acquisition, except for payment of re-employment costs if the voluntary early repayment does not occur on an interest payment date.

*Events of default*

Under the Financing Agreement for the Acquisition, the decisions by Funding Entities in relation to the rights and powers they may exercise pursuant to the Financing Agreement for the Acquisition are taken collectively and, depending on the subject matter of the decision: (i) by a majority of 66.66% to be calculated on the basis of the participation share of each Funding Entity in relation to the Financing for the Acquisition (or, with respect to certain issues concerning only one of the lines of credit, taking into account only the Funding Entities for those lines of credit) (the **Majority Funding Entities**); or (ii) unanimously, for specific cases set out under the Financing for the Acquisition.

In particular, under the Financing Agreement for the Acquisition, as long as Financing for the Acquisition is outstanding, the Majority Funding Entities, through the Agent, may request that the Financing for the Acquisition be repaid in full upon the occurrence of an event of default as described below (**Events of Default**) with reference, as the case may be, to the Company and/or to a Material Subsidiary and/or to a company of the group which is headed by the Company, which are usual for this type of transactions and are subject to quantitative exceptions with associated threshold values, and to the remedies set out in the Financing Agreement for the Acquisition:

- failure to comply with payment obligations under the Financing Agreement for the Acquisition;
- failure to comply with the financial parameters;

- failure to comply with the obligations and restrictions set out in the Financing Agreement for the Acquisition and in the relevant Financial Documents, provided that (except for the failure to comply with payment obligations and financial commitments) the relevant breach is not remedied within 21 days from the earliest between: (i) the date on which the breach was recorded by the Agent and (ii) the date on which the Company became aware of the breach;
- the falsity or inaccuracy of the representations and warranties made by the Company with respect to certain circumstances, unless such circumstances are remedied within 21 days from the earliest between: (i) the date on which the breach was recorded by the Agent and (ii) the date on which the Company became aware of the inaccuracy;
- failure to pay and/or a request for immediate payment before the maturity date that was originally agreed upon and/or the possibility of a request for immediate payment before the relevant maturity date, in relation to any other financial debt of a company of the group that is headed by Company (cross-default), where such case concerns financial debt whose overall value is equal to or higher than EUR 50,000,000;
- with reference to the Company or to the Material Subsidiaries, the suspension of repayment or the impossibility to repay their debts at maturity, or the opening of negotiations with creditors for the deferment of those repayments; depreciation of assets below the value of liabilities, or a formal moratorium;
- the initiation of insolvency proceedings in relation to the Company or to a Material Subsidiary, including: (i) a moratorium agreement or other similar agreement with any of their creditors; (ii) a request or order of liquidation, receivership, dissolution or reorganisation; (iii) a claim for a guarantee for an overall total value exceeding EUR 50,000,000; (iv) the appointment of a liquidator or of any other official receiver; or (v) any similar proceedings commenced in another jurisdiction;
- litigation, arbitration, administrative, legislative, governmental or other proceedings or investigations against any member of the group which is headed by the Company which, in the event of a negative outcome, could have a Significant Adverse Effect;
- confiscation or expropriation of, or enforcement proceedings against assets of the Company or of a Material Subsidiary whose overall value exceeds EUR 50,000,000, unless these procedures are revoked or cancelled within 21 days;
- suspension or termination by the group which is headed by the Company of a significant part of its business, except where this occurs as part of an Allowed Reorganisation (as defined by contract) or other permitted assignment;
- the invalidity or unlawfulness of the Financial Documents;
- the occurrence of an event which in the reasonable opinion of the Majority Funding Entities, has a Significant Adverse Effect;
- a certification on the consolidated financial statements in a report prepared by an independent auditor that may reasonably be considered as having a Significant Adverse Effect.

## 2.2 Reasons for and purpose of the transaction

### *2.2.1 Reasons for the transaction in particular in relation to the Issuer's management objectives*

The Acquisition of General Cable is based on solid strategic reasons and on significant opportunities for value creation. The global scale and the consolidation of the cables market increase the need to achieve economies of scale, expand product portfolio, ensure geographical proximity to customers and enhance research and development efforts.

As highlighted above, the Acquisition of General Cable will allow the Prysmian Group to consolidate its global leadership position in the cables and energy and telecommunications systems sectors and to diversify its geographical presence even more, by expanding its supply especially to North and South America.

Thanks to its leadership position in key segments and areas of the global cables market and to the possibility to share best practices and procedures that the two entities have developed independently, the new group is expected to be able to generate significant synergies and to fully grasp the opportunities that will arise in the market.

The achievement of the benefits and synergies expected from the Acquisition will depend, among other things, on the ability to efficiently integrate General Cable and to achieve potential synergies and economies of scale, by preserving its current customer base, maintaining sales volumes, creating an integrated organisation, rationalising production capacity and effectively integrating the information systems. Cost synergies could also be achieved by increasing efficiency of research and development processes, production processes, as well as by benefiting from economies of scale in the purchase of raw materials, other materials and services.

In the year ended December 31, 2017, the new group, resulting from the aggregation of Prysmian and General Cable, would have generated a turnover of approximately EUR 11.3 billion and an EBITDA (net of non-recurring items) of approximately EUR 940 million, with margins of approximately 8% of the combined turnover. The new group will be able to benefit from an increased geographical presence, by relying on:

- the possibility of exploiting General Cable’s established presence in North and South America and Prysmian’s presence in the EMEA region (further enhanced by the activities carried out by General Cable) and on the Asian market;

- the possibility of expanding the commercial offer with high-added value products as well, strengthening the range of currently offered services and increasing cross-selling opportunities. In North America in particular, the Acquisition will enable the expansion of the product portfolio in the utilities, telecommunications cables and cables for industrial applications businesses, and for the construction market;

- the integration of managerial skills and best practices developed by the two entities independently.

### *2.2.2 Programmes developed by the Issuer in relation to General Cable*

Prysmian believes that the new group will be able to continue to further establish itself as one of the leading operators in the cables industry and in the energy and telecommunications systems industry. In particular:

- it will expand its product supply by acquiring a significant presence in North and South America. In relation to the North American market in particular, General Cable will enable a significant expansion of the product portfolio in the utilities and telecommunications cables and cables for industrial applications businesses, and for the construction market;

- it will expand its commercial offer with higher value-added products and services. The new group will be in a position to offer an even more complete product portfolio to a wider customer base;

- taking into account that General Cable does not have its own optical fibre manufacturing plants, the new group will be characterised by a higher level of integration and will be able to cover all stages of production;

- as a result of the improvement of logistical flows (arising from an enhanced geographical presence) the new group will be able to improve the quality of its services;

- as a result of the harmonisation of management policies for strategic metals, the new group will be characterised by a greater level of efficiency which will directly impact the group's economic result.

Moreover, the integration of General Cable will enable the Prysmian Group to redefine its industrial presence, allowing it to achieve significant economies of scale by rationalising its overproduction capacity in certain geographical areas (in particular in Southern Europe), to improve its production processes by redefining (and relocating) its activities and production capacities and to improve efficiency both in terms of cost and of customer service, within its logistics structure. These measures would guarantee the Prysmian Group the opportunity to reduce its production costs, to improve service to its customers and to increase market accessibility, which is important leverage to support the consolidation of its operating margins.

In general, the Prysmian Group will attempt to fully exploit any opportunities to improve penetration of different markets and to support the appropriate use of the various production sites; production strategies will take into account the performance of the various production sites as well as their ability to serve customer requests while complying with the standards required by the market.

Since the companies are relatively similar in terms of product portfolio, markets, customers and industrial structure, an effective integration of General Cable will depend mainly on management's ability to create an organisational structure which is capable of sustaining the integration of existing structures in a timely and effective manner, of harmonising the way the sales force accesses the market and of eliminating/minimising any differences in terms of management and culture.

Following the completion of the transaction, an integration plan aimed at ensuring an adequate production structure and a functional process to integrate the existing different structures will be prepared and implemented. In general, the new group will attempt to fully exploit any opportunities to improve penetration of different markets and to support the appropriate use of various production sites; production strategies will take into account the performance of the various production sites as well as their ability to serve customer requests while complying with the standards required by the market.

As of the Date of the Informative Document, the Prysmian Perimeter and the General Cable Perimeter have not prepared industrial plans on a combined base or corporate reorganisation projects between the two groups. However, an integration plan aimed at identifying the activities underlying the achievement of synergies and of industrial integration is currently under preparation.

Following the integration of the two entities, there are no plans to close production sites for the 12 months following the closing; any restructuring activities that may arise as a result of the integration plan will be presented and agreed with the various workers' representatives in accordance with local rules and practices.

## 2.3 Relations with General Cable

### *2.3.1 Significant relations between the Issuer and General Cable, directly or indirectly through subsidiaries, and existing as of the date of the transaction*

As of the Closing date, the Issuer did not have any significant relations with General Cable or with companies of the group headed by the latter, whether directly or indirectly through subsidiaries.

### *2.3.2 Significant relations or agreements between the Issuer, its subsidiaries, officers and members of the board of directors of the Issuer and General Cable*

Except for the relations and agreements which are instrumental to the Acquisition (as described in this Informative Document), there are no significant relations or agreements between the Issuer (or its subsidiaries, officers and the members of its board of directors) and General Cable or the companies of the group that is headed by the latter.

### 2.4 Documents available to the public

Copies of the following documents are available to the public at the registered office of the Issuer located in Milan, Via Chiese No 6 – during office hours and on working days – and in electronic form on the website of the Issuer (www.prysmiangroup.com):

- the articles of association of the Issuer;
- Prysmian's reports and annual and consolidated financial statements as of December 31, 2017, with the report prepared by the Auditing Company;
- Prysmian's reports and annual and consolidated financial statements as of December 31, 2016, with the report prepared by the Auditing Company;
- Prysmian's reports and annual and consolidated financial statements as of December 31, 2015, with the report prepared by PwC.

The annual reports (Form 10-K) of General Cable Corporation for the years ended December 31, 2017, 2016 and 2015 are publicly available on General Cable's website (www.generalcable.com).

## 3. SIGNIFICANT EFFECTS OF THE TRANSACTION

### 3.1 Significant effects of the transaction on key factors that influence and define the Issuer's activities as well as on the type of business carried out by the Issuer

The aggregation of the two industrial groups, Prysmian and General Cable, will enable the Issuer to strengthen its global leadership position in the energy and telecommunications cables and systems industry.

The development strategy concerning such transaction is described in detail under paragraph 2.2 above. Set out below are the areas in respect of which the most significant synergies are expected and the results which are expected from the new industrial combination.

The new industrial aggregation is expected to yield annual cost synergies of approximately EUR 150 million – under ordinary conditions and before taxes, within five years from the Closing – a substantial part of which to be achieved in the first three years. These synergies are expected to be generated primarily through:

(i) savings in the purchases of raw materials and other products and services as a result of the harmonisation of the terms and conditions of the different suppliers of Prysmian and General Cable, and by exploiting the increased bargaining power of the Prysmian Group as a result of the increase in size following the merger;

(ii) the optimisation of industrial production, in order to improve the efficiency of production sites and reorganise the various lines of production; in addition to cost efficiency and competitiveness, such industrial reorganisation will be specifically focused on raising the level of customer service and on exploiting cross-selling opportunities; and

(iii) the achievement of management savings and improvements in operational efficiency by effectively reorganising and integrating the two companies at corporate, Country and business level, with the specific aim of promoting the best human resources at Prysmian and at General Cable.

In addition to the aspects mentioned above, the new industrial combination will reap further additional benefits (not included in the estimate of approximately EUR 150 million) by achieving greater economies of scale, expanding product supply, exchanging know-how on production and research and development, mutually introducing the best solutions and processes with their respective customers and in their respective facilities, improving logistics and improving hedging against exchange rate fluctuations.

Finally, the following are expected as a result of the integration between Prysmian and General Cable: i) an improvement in net working capital management policies by sharing best practices which may help in strengthening the management of the group's cash and ii) potential savings on financing costs – especially with regard to the necessary refinancing of existing General Cable debt following the Acquisition – which may have a positive impact on the financial management.

The net costs required to generate the synergies considered were estimated at a range between approximately EUR 200 million and EUR 220 million – to be spread over a period of four years – arising mainly from settlement costs, from the rationalisation of production and management structures, from the rationalisation of general expenses and from other integration costs (IT, Project Management and other costs).

The two companies have proved their ability to integrate and develop companies and facilities purchased through continued investments. The previous business acquisitions and integrations carried out by Prysmian (as a stand-alone entity and as part of the Pirelli group), such as the integration of the business of Draka Holding N.V., which took place starting from 2011, of the cables business of Siemens AG, which took place in 1998, or the cables business in the energy sector of BICC General, in 2000, are significant examples of cases in which the assets acquired were developed and enhanced (as was the case, for example, for the centres of excellence of Neustadt in Germany, Delft in the Netherlands and Pikkala in Finland for the production of extra-high voltage cables).

In relation to General Cable, Prysmian does not plan any kind of relevant break-up or dismissal, and believes that the integration can be successfully implemented by taking into account the cultures and strengths of both companies.

The transaction will thus enable the Prysmian Group to better face the constant changes in the market, by presenting itself as a new entity with:

(i) better coverage of North and South America;

(ii) a complementary business and products portfolio;

(iii) an increased customer base, with limited areas of commercial overlap and potential cross-selling opportunities;

(iv) a leadership position in research and development, which is crucial in order to effectively address the constant need for innovation; and

(v) the necessary financial strength to invest in opportunities for organic and external growth on a global scale.

Overall, following the integration the Prysmian Group is expected to reach a broader customer base, to further improve its level of customer service and to increase its competitiveness in terms of costs, thanks to the significant economies of scale which it will be possible to achieve following the finalisation of Prysmian's Acquisition of General Cable and to the optimisation of logistic flows.

### 3.2 Implications of the transaction on the strategic guidelines concerning the commercial and financial relations and the centralised provision of services between companies of the group

The implications of the transaction on the strategic guidelines of the Prysmian group are described under paragraphs 2.2.1 and 2.2.2 of this Informative Document.

## 4. ECONOMIC, EQUITY AND FINANCIAL DATA RELATING TO GENERAL CABLE

This Chapter provides a summary of the financial information relating to General Cable. Such information, as specified in the following paragraphs, was taken from documents made public by General Cable itself, which were not subject to any approval by any corporate body of the Company. Therefore, Prysmian does not take any responsibility in relation to the completeness and veracity of the data and information relating to General Cable included in this Chapter 4.

### 4.1 Consolidated financial information relating to General Cable

#### 4.1.1 *Statements of financial/equity position at December 31, 2017 and 2016, income statements and cash flow statements for the years ended December 31, 2017, 2016 and 2015*

Set out below are General Cable's consolidated statements of financial/equity position at December 31, 2017 and 2016, the income statements and overall consolidated income statements and the consolidated cash flow statements for the years ended December 31, 2017, 2016 and 2015. This consolidated data, expressed in USD and in accordance with the US GAAP, were taken from the 'Form 10-K Annual Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended December 31, 2017', filed by General Cable with the U.S. Securities and Exchange Commission.

General Cable's financial data (originally expressed and published in US dollars) were converted into EUR on the basis of the exchange rates set out in the tables below:

| | End-of-period exchange rates | | |
|---|---|---|---|
| | **As of December 31, 2017** | **As of December 31, 2016** | **As of December 31, 2015** |
| US dollar | 1.199 | 1.054 | 1.089 |

| | Average exchange rates | | |
|---|---|---|---|
| | **Year 2017** | **Year 2016** | **Year 2015** |
| US dollar | 1.13 | 1.107 | 1.11 |

General Cable's consolidated data must be read together with the published financial statements which include the explanatory notes and which form an integral part of those financial statements.

**Consolidated statements of financial/equity position at December 31, 2017 and 2016**

| (in millions) | in millions of USD December 31, 2017 | in millions of USD December 31, 2017 | in millions of EUR December 31, 2017 | in millions of EUR December 31, 2017 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | 84.7 | 101.1 | 70.6 | 95.9 |
| Receivables, net of provisions of USD 19.2 million in 2017 and USD 20.2 million in 2016 | 714.2 | 664.5 | 595.5 | 630.4 |
| Inventories | 736.1 | 768.2 | 613.8 | 728.8 |
| Other current assets | 60.0 | 65.4 | 50.0 | 62.0 |
| **Total current assets** | 1,595.0 | 1,599.2 | 1,329.9 | 1,517.1 |
| Property, plant and equipment | 530.3 | 529.3 | 442.2 | 502.1 |
| Deferred income taxes | 7.9 | 20.4 | 6.5 | 19.4 |
| Goodwill | 11.0 | 12.0 | 9.2 | 11.4 |
| Intangible fixed assets | 23.3 | 28.3 | 19.4 | 26.8 |
| Unconsolidated affiliated companies | 0.2 | 9.0 | 0.2 | 8.5 |
| Other non-current assets | 67.6 | 43.4 | 56.4 | 41.2 |
| **Total assets** | 2,235.3 | 2,241.6 | 1,863.8 | 2,126.5 |
| **Liabilities and Net Equity** | | | | |
| **Current Liabilities** | | | | |
| Trade payables | 437.5 | 414.0 | 364.8 | 392.8 |
| Other current liabilities | 308.8 | 419.6 | 257.5 | 398.1 |
| Current portion of non-current debt | 46.9 | 67.5 | 39.1 | 64.0 |
| **Total current liabilities** | 793.2 | 901.1 | 661.4 | 854.9 |
| Non-current liabilities | 1,038.8 | 871.1 | 866.2 | 826.4 |
| Deferred income taxes | 108.6 | 126.7 | 90.6 | 120.1 |
| Other non-current liabilities | 162.9 | 173.8 | 135.8 | 164.9 |
| **Total liabilities** | 2,103.5 | 2,072.7 | 1,754.0 | 1,966.3 |
| **Liabilities and Net Equity** | | | | |
| Ordinary shares, nominal value of USD 0.01, issued and outstanding shares: | | | - | - |
| 2017 – 50,583,870 (net of 8,054,826 treasury shares)<br>2016 – 49,390,850 (net of 9,419,116 treasury shares) | 0.6 | 0.6 | 0.5 | 0.6 |
| Additional paid-in Capital Reserve | 706.6 | 711.0 | 589.2 | 674.5 |
| Treasury Stock | (151.9) | (169.9) | (126.7) | (161.2) |
| Retained Profit/(loss) | (195.3) | (102.2) | (162.9) | (97.0) |
| Total Profit/(Loss) | (230.8) | (286.4) | (192.4) | (271.7) |
| **Total group shareholders' equity** | 129.2 | 153.1 | 107.7 | 145.2 |
| Noncontrolling interest | 2.6 | 15.8 | 2.2 | 15.0 |
| **Total net equity** | 131.8 | 168.9 | 109.9 | 160.2 |
| **Total net equity and liabilities** | 2,235.3 | 2,241.6 | 1,863.9 | 2,126.5 |

## Consolidated comprehensive income statements for the years ended December 31, 2017, 2016 and 2015

| (in millions) | in millions of USD December 31, 2017 | December 31, 2016 | December 31, 2015 | in millions of EUR December 31, 2017 | December 31, 2016 | December 31, 2015 |
|---|---|---|---|---|---|---|
| Net sales | 3,837.2 | 3,858.4 | 4,514.5 | 3,395.8 | 3,485.4 | 4,067.1 |
| Cost of Sales | 3,411.1 | 3,451.3 | 4,082.1 | 3,018.7 | 3,117.7 | 3,677.6 |
| **Gross margin** | 426.1 | 407.1 | 432.4 | 377.1 | 367.8 | 389.5 |
| General, administrative and selling expenses | 416.8 | 408.9 | 412.3 | 368.9 | 369.4 | 371.4 |
| Goodwill impairment charges | - | 9.0 | 3.9 | - | 8.1 | 3.5 |
| Intangible fixed assets impairment charges | - | 7.5 | 1.7 | - | 6.8 | 1.5 |
| **Operating income** | 9.3 | (18.3) | 14.5 | 8.2 | (16.5) | 13.1 |
| Other income (expense) | 28.5 | 7.2 | (71.3) | 25.2 | 6.5 | (64.2) |
| Interest income (expense): | | | | - | - | - |
| Interest expense | (78.7) | (89.5) | (97.0) | (69.6) | (80.9) | (87.4) |
| Interest income | 2.0 | 2.5 | 2.7 | 1.8 | 2.3 | 2.4 |
| | (76.7) | (87.0) | (94.3) | (67.8) | (78.6) | (85.0) |
| **Profit/(loss) before taxes** | (38.9) | (98.1) | (151.1) | (34.4) | (88.6) | (136.1) |
| Taxes | (15.8) | 3.7 | 14.8 | (14.0) | 3.3 | 13.3 |
| **Equity in net earnings of affiliated companies** | - | 0.9 | 0.5 | - | 0.8 | 0.5 |
| **Profit/(Loss) for the year** | (54.7) | (93.5) | (135.8) | (48.4) | (84.5) | (122.3) |
| Profit/(loss) attributable to noncontrolling interest | 1.9 | 0.3 | (13.9) | 1.7 | 0.3 | (12.5) |
| **Profit/(loss) attributable to shareholders of the parent company** | (56.6) | (93.8) | (121.9) | (50.1) | (84.8) | (109.8) |
| **Profit/(loss) per share – net Profit/(loss) attributable to shareholders of the parent company per ordinary share** | | | | | | |
| Profit/(loss) per ordinary share – basic | (1.1) | (1.9) | (2.5) | (1.0) | (1.7) | (2.2) |
| Profit/(loss) per ordinary share – diluted | (1.1) | (1.9) | (2.5) | (1.0) | (1.7) | (2.2) |
| Dividends per ordinary share | 0.7 | 0.7 | 0.7 | 0.6 | 0.7 | 0.6 |
| Total Profit/(Loss) | | | | | | |
| **Profit/(Loss) for the year** | (54.7) | (93.5) | (135.8) | (48.4) | (84.5) | (122.3) |
| Currency translation gain (loss) | 72.9 | 47.9 | (100.2) | 64.5 | 43.3 | (90.3) |
| Defined benefit plan adjustments, net of tax of USD 7.7 million in 2017, USD 3.6 million in 2016 and USD 7.2 million in 2015 | (6.0) | 6.6 | 15.1 | (5.3) | 6.0 | 13.6 |
| Total Profit/(Loss), net of tax | 12.2 | (39.0) | (220.9) | 10.8 | (35.2) | (199.0) |
| Total Profit/(Loss) attributable to noncontrolling interest | 13.2 | 1.0 | (22.2) | 11.7 | 0.9 | (20.0) |
| Total Profit/(Loss) **attributable to shareholders of the parent company** | (1.0) | (40.0) | (198.7) | (0.9) | (36.1) | (179.0) |

## Consolidated financial statements for the years ended December 31, 2017, 2016 and 2015

| (in millions) | in millions of U.S. Dollars [$] Dec 31, 2017 | Dec 31, 2016 | Dec 31, 2015 | in millions of Euros [€] Dec 31, 2017 | Dec 31, 2016 | Dec 31, 2015 |
|---|---|---|---|---|---|---|
| **Cash flow of operating activities:** | | | | | | |
| **Net income (Loss) including non-controlling interest** | (54.7) | (93.5) | (135.8) | (48.4) | (84.5) | (122.3) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | | | |
| Amortization | 73.9 | 86.0 | 96.4 | 65.4 | 77.7 | 86.8 |
| Foreign currency exchange (gain) loss | 3.4 | 0.6 | 61.4 | 3.0 | 0.5 | 55.3 |
| Non-cash asset impairment charges | 2.3 | 59.5 | 67.3 | 2.0 | 53.7 | 60.6 |
| Non-cash interest charges | 4.0 | 5.0 | 3.6 | 3.5 | 4.5 | 3.2 |
| Deferred income taxes | (12.1) | (22.7) | (24.4) | (10.7) | (20.5) | (22.0) |
| Venezuela deconsolidation charge | - | - | 12.0 | - | - | 10.8 |
| (Gain) loss on disposal of subsidiaries | 71.9 | (25.6) | (5.1) | 63.6 | (23.1) | (4.6) |
| (Gain) loss on disposal of property | (1.4) | 2.1 | 2.5 | (1.2) | 1.9 | 2.3 |
| Changes in operating assets and liabilities, net of effect of divestitures: | | | | | | |
| (Increase) decrease in receivables | (25.3) | 11.2 | 133.5 | (22.4) | 10.1 | 120.3 |
| (Increase) decrease in inventories | 18.1 | 52.6 | 34.0 | 16.0 | 47.5 | 30.6 |
| (Increase) decrease in other assets | 6.4 | 7.3 | 23.0 | 5.7 | 6.6 | 20.7 |
| Increase (decrease) in accounts payable | 7.8 | 2.8 | (37.6) | 7.0 | 2.7 | (33.8) |
| Increase (decrease) in accrued and other liabilities | (133.3) | 70.9 | (31.1) | (118.0) | 64.0 | (28.0) |
| **Net cash flows of operating activities** | (39.0) | 156.2 | 199.7 | (34.5) | 141.1 | 179.9 |
| **Cash flows of investing activities:** | | | | | | |
| Capital expenditures | (85.4) | (84.1) | (61.5) | (75.6) | (76.0) | (55.3) |
| Proceeds from properties sold | 11.9 | 1.5 | 1.8 | 10.5 | 1.4 | 1.6 |
| Reduction of cash due to Venezuela deconsolidation | - | - | (8.2) | - | - | (7.4) |
| Disposal of subsidiaries, net of cash disposed of | 2.2 | 81.8 | 78.4 | 1.9 | 73.9 | 70.6 |
| Investment in restricted cash | (10.0) | - | - | (8.8) | - | - |
| Other | (0.1) | 0.2 | - | (0.1) | 0.2 | - |
| **Cash flows of investing activities** | (81.4) | (0.6) | 10.5 | (72.1) | (0.5) | 9.5 |
| **Cash flow of financing activities:** | | | | | | |
| Dividends paid to shareholders | (37.4) | (35.6) | (35.3) | (33.1) | (32.2) | (31.8) |
| Proceeds from debt | 2.101,1 | 1.516,2 | 2.945,5 | 1.859,4 | 1.369,6 | 2.653,6 |
| Repayments of debt | (1.967,3) | (1.635,2) | (3.167,2) | (1.741,0) | (1.477,1) | (2.853,3) |
| Purchase of non-controlling interest | - | (18.0) | - | - | (16.3) | - |
| Dividends paid to non-controlling interest | - | (0.1) | (2.5) | - | (0.1) | (2.3) |
| Proceeds from sale & leaseback transaction | - | 6.2 | - | - | 5.6 | - |
| Impact of stock options and other | (2.1) | (0.4) | (0.6) | 1.9 | (0.4) | (0.5) |
| **Cash flow of financing activities** | 98.5 | (166.9) | (260.1) | 87.2 | (150.8) | (234.3) |
| Effect of exchange rate changes on cash and cash equivalents | 5.5 | - | (43.5) | 4.9 | - | (39.2) |
| **Increase (Decrease) in cash and cash equivalents** | (16.4) | (11.3) | (93.4) | (14.5) | (10.2) | (84.1) |
| Cash and cash equivalents — beginning of year | 101.1 | 112.4 | 205.8 | 89.5 | 101.5 | 185.4 |
| Cash and cash equivalents — end of year | 84.7 | 101.1 | 112.4 | 75.0 | 91.3 | 101.3 |
| **Supplemental Information:** | | | | | | |
| Cash paid during the year for: | | | | | | |
| Income tax payments | 9.6 | 16.3 | 13.6 | 8.5 | 14.7 | 12.3 |
| Interest paid | 75.5 | 81.4 | 87.1 | 66.8 | 73.5 | 78.5 |
| Non-cash investing and financing activities: | | | | | | |
| Capital expenditures included in accounts payable | 10.3 | 24.1 | 13.3 | 9.1 | 21.8 | 12.0 |

### 4.1.2 *General*

General Cable sells copper, aluminum and fiber optic wire and cable products worldwide. The group additionally engages in the design, integration, and installation on a turn-key basis for products such as high and extra-high voltage terrestrial and submarine systems and analyzes its worldwide operations based on four geographical segments: North America, Europe, Latin America and Africa/Asia Pacific.

As of December 31, 2017, General Cable manufactured its product lines in 30 principal manufacturing facilities in 13 Countries with regional distribution centers around the world in addition to the corporate headquarters in Highland Heights, Kentucky.

The preparation of the financial statements in conformity with the US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on historical experience and information that is available to management about current events and actions the company may take in the future. Significant items subject to estimates and assumptions include valuation allowances for accounts receivable and deferred income taxes; legal, compliance, environmental and asbestos management liabilities; uncertain tax positions; impacts of the tax reform enactment; inventory costing and valuation; share-based compensation; assets and obligations related to pension and other post-retirement benefits; intangible and long-lived asset valuations; financial instruments; self-insured workers' compensation and health insurance reserves; and revenue recognized under the percentage-of-completion method.

### 4.1.3 *Notes to the financial position*

Please find below the notes regarding the most significant aspects of General Cable financial position.

***Inventories***

General Cable's inventories are valued using the weighted average cost method. All inventories are stated at the lower of cost and net realizable value. The details of inventories are as follows:

| | in millions of U.S. Dollars [$] | | in millions of Euros [€] | |
|---|---|---|---|---|
| (in millions) | Dec 31, 2017 | Dec 31, 2016 | Dec 31, 2017 | Dec 31, 2016 |
| Raw Materials | 175.8 | 170.7 | 146.6 | 161.9 |
| Work in process | 131.8 | 130.3 | 109.9 | 123.6 |
| Finished goods | 428.5 | 467.2 | 357.3 | 443.2 |
| **Total** | **736.1** | **768.2** | **613.8** | **728.8** |

As of December 31, 2017 and 2016, General Cable had USD 14.1 million (EUR11.8 million) and USD19.3 million (EUR18.3 million) of consignment inventory at locations not operated by the Company, respectively, with approximately 90% and 80% of the consignment inventory located in the United States and Canada, respectively.

***Trade receivables***

General Cable sells a broad range of products globally. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers, including members of buying groups, composing General Cable's customer base. Customers generally receive a 30 to 60 day payment period, with exceptions in certain end markets. Certain automotive customers receive payment terms ranging from 45 days to 360 days, which is common in this particular market. Ongoing credit evaluations of customers' financial condition are performed, and generally, no collateral is required.
General Cable maintains reserves for potential credit losses and such losses, in the aggregate, have not exceeded management's estimates. Certain subsidiaries also maintain credit insurance for certain customer balances. Bad debt expense associated with uncollectible accounts for the years ended December 31, 2017, 2016 and 2015 was USD 4.1 million (EUR 3.6 million), USD 5.1 million (EUR 4.6 million) and USD 8.1 million (EUR 7.3 million), respectively.
General Cable has centralized purchasing of copper, aluminum and other significant raw materials. The largest supplier of copper rod accounted for approximately 70% of the North American purchases in 2017, while the largest supplier of aluminum rod accounted for approximately 60% of the North American purchases in 2017. The largest supplier of copper rod accounted for approximately 45% of the European purchases in 2017, while the largest supplier of aluminum rod accounted for approximately 30% of the European aluminum purchases in 2017. The largest supplier of copper rod accounted for approximately 75% of the Latin American purchases in 2017, while the largest supplier of aluminum rod accounted for approximately 30% of the Latin American aluminum purchases in 2017.

***Goodwill and intangible assets***

Goodwill and intangible assets with indefinite useful lives are not amortized, but are reviewed at least annually for impairment. Goodwill is allocated to various reporting units, which are generally an operating segment or at a level below the operating segment. General Cable compares the fair value of each reporting unit to its carrying amount to determine if there is potential goodwill impairment. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than the carrying value of the goodwill. The impairment test for the Company's indefinite-lived intangible assets involves comparing the fair value of the intangibles to their carrying values.

Intangible assets that are not deemed to have an indefinite life, principally customer relationships and trademarks, are amortized over their useful lives based on the expected economic benefit consistent with the historical customer attrition rates

The amounts of goodwill and indefinite-lived intangible assets were as follows (in millions):

| in millions of U.S. Dollars [$] | Goodwill<br>North America | Latin America | Africa/Asia Pacific | Total | Indefinite-lived intangible assets —Trademarks<br>North America | Europe | Total |
|---|---|---|---|---|---|---|---|
| **Balance, December 31, 2015** | **16.5** | **3.9** | **1.8** | **22.2** | **0.3** | **0.4** | **0.7** |
| Currency translation and other adjustments | (1.0) | - | (0.2) | (1.2) | 0.4 | - | 0.4 |
| Devaluation of fixed assets with indefinite profitable lifespan and of the goodwill | (7.4) | - | (1.6) | (9.0) | (0.3) | - | (0.3) |
| **Balance, December 31, 2016** | **8.1** | **3.9** | **-** | **12.0** | **0.4** | **0.4** | **0.8** |
| Currency conversion and other adjustments | (1.0) | - | - | (1.0) | - | (0.1) | (0.1) |
| Goodwill and indefinite-lived asset impairment | - | - | - | - | - | - | - |
| **Balance, December 31, 2017** | **7.1** | **3.9** | **-** | **11.0** | **0.4** | **0.3** | **0.7** |

| in millions of Euros [€] | Goodwill<br>North America | Latin America | Africa/Asia Pacific | Total | Indefinite-lived intangible assets —Trade names<br>North America | Europe | Total |
|---|---|---|---|---|---|---|---|
| **Balance, December 31, 2015** | **15.2** | **3.6** | **1.7** | **20.4** | **0.3** | **0.4** | **0.6** |
| Currency translation and other adjustments | (0.8) | 0.1 | (0.2) | (0.9) | 0.4 | 0.0 | 0.4 |
| Goodwill and indefinite-lived asset impairment | (6.7) | - | (1.4) | (8.1) | (0.3) | - | (0.3) |
| **Balance, December 31, 2016** | **7.7** | **3.7** | **-** | **11.4** | **0.4** | **0.4** | **0.8** |
| Currency conversion and other adjustments | (1.0) | - | - | (1.0) | - | (0.1) | (0.1) |
| Goodwill and indefinite-lived asset impairment | (0.8) | (0.4) | - | (1.2) | (0.0) | (0.0) | (0.1) |
| **Balance, December 31, 2017** | **5.9** | **3.3** | **-** | **9.2** | **0.3** | **0.3** | **0.6** |

As of December 31, 2017 and 2016, the total accumulated goodwill impairment charge was USD 7.4 million (EUR 6.2 million), prior to foreign currency conversion adjustments, within the North America segment, USD 82.6 million (EUR 68.9 million), prior to foreign currency conversion adjustments, within the Latin America segment and USD 77.4 million (EUR 64.5 million), prior to foreign currency conversion adjustments, within the Africa /Asia Pacific segment. As of December 31, 2017 and 2016, the total accumulated indefinite-lived asset trademarks impairment charge was USD 2.1 million (EUR 1.8 million), prior to foreign currency conversion adjustments, within the North America segment, USD 68.9 million (EUR 57.5 million), prior to foreign currency conversion adjustments, within the Latin America segment and USD 24.2 million (EUR 20.2 million), prior to foreign currency conversion adjustments, within the Africa/Asia Pacific segment.

The amounts of other intangible assets are as follows (in millions):

| (in millions) | in millions of U.S. Dollars [$]<br>Dec 31, 2017 | Dec 31, 2016 | in millions of Euros [€]<br>Dec 31, 2017 | Dec 31, 2016 |
|---|---|---|---|---|
| Intangible assets with determinable lives: | | | | |
| Intangible assets with determinable lives | 108.9 | 108.9 | 90.8 | 103.3 |
| Amortization fund | (89.8) | (85.0) | (74.9) | (80.6) |
| Foreign currency conversion adjustment | (5.1) | (5.2) | (4.3) | (4.9) |
| **Total Amortized intangible assets** | **14.0** | **18.7** | **11.7** | **17.7** |

***Property, plant and equipment***

Property, plant and equipment are stated at cost, less accumulated depreciation. Costs assigned to property, plant and equipment relating to acquisitions are based on estimated fair values at the acquired date.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets: buildings, from 15 to 50 years; and machinery, equipment and office furnishings, from 2 to 20 years.

Leasehold improvements are depreciated over the life of the lease or over the useful life if shorter. General Cable’s manufacturing facilities perform major maintenance activities during planned shutdown periods which traditionally occur in the months of July and December. The costs related to the main activities of ordinary maintenance are classified in earnings when incurred.

The testing of these long-lived assets for impairment also requires a significant amount of judgments and assumptions, particularly as it relates to identification of asset groups and the determination of fair market value. General Cable evaluates the recoverability of the carrying amount of long-lived assets (including property, plant and equipment and intangible assets with determinable lives) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Impairment losses are recognized when the future envisaged non-discounted cash flows deriving from the activity are lower than the carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in earnings.

Property, plant and equipment consisted of the following (in millions):

| | in millions of U.S. Dollars [$] | | in millions of Euros [€] | |
|---|---|---|---|---|
| (in millions) | Dec 31, 2017 | Dec 31, 2016 | Dec 31, 2017 | Dec 31, 2016 |
| Land | 44.0 | 44.7 | 36.7 | 42.4 |
| Buildings and leasehold improvements | 223.4 | 206.5 | 186.3 | 195.9 |
| Machinery, equipment and office furnishings | 755.8 | 714.4 | 630.2 | 677.7 |
| Construction in progress | 39.0 | 53.5 | 32.5 | 50.8 |
| **Total — Gross book value** | **1,062.2** | **1,019.1** | **885.7** | **966.8** |
| Less accumulated depreciation | (531.9) | (489.8) | (443.5) | (464.7) |
| **Total — net book value** | **530.3** | **529.3** | **442.2** | **502.1** |

Depreciation expense totaled USD 66.0 million (EUR 58.4 million), USD 75.8 million (EUR 68.5 million) and USD 84.1 million (EUR 75.8 million) for the years ended December 31, 2017, 2016 and 2015, respectively, as well as USD 15.7 million (EUR 12.8 million) in the three months ended March, 31 2018.

### *Long-term debt*

Details of non-current financial liabilities is as follows (in millions):

| | in millions of U.S. Dollars [$] | | in millions of Euros [€] | |
|---|---|---|---|---|
| (in millions) | Dec 31, 2017 | Dec 31, 2016 | Dec 31, 2017 | Dec 31, 2016 |
| North America | | | | |
| 5.75 % Senior Notes | 600.0 | 600.0 | 500.3 | 569.2 |
| Subordinated Convertible Notes | 429.5 | 429.5 | 358.1 | 407.5 |
| Debt discount | (253.1) | (255.6) | (211.0) | (242.5) |
| Debt issuance costs | (9.1) | (10.6) | (7.6) | (10.1) |
| Revolving Credit Facility | 219.9 | 75.9 | 183.4 | 72.0 |
| Other | 9.0 | 9.0 | 7.5 | 8.5 |
| Europe | | | - | - |
| Revolving Credit Facility | 39.6 | - | 33.0 | - |
| Other | 5.3 | 7.4 | 4.4 | 7.0 |
| Latin America credit facilities | 44.6 | 82.4 | 37.2 | 78.2 |
| Africa/Asia Pacific credit facilities | - | 0.6 | - | 0.6 |
| **Total debt** | **1,085.7** | **938.6** | **905.3** | **890.4** |
| Less current maturities | 46.9 | 67.5 | 39.1 | 64.0 |
| **Long-term debt** | **1,038.8** | **871.1** | **866.2** | **826.4** |

*5.75 % Senior Notes*

The main elements of the 5.75% Senior Notes are summarized in the table below:

| | in millions of U.S. Dollars [$] | | in millions of Euros [€] | |
|---|---|---|---|---|
| (in millions) | Dec 31, 2017 | Dec 31, 2016 | Dec 31, 2017 | Dec 31, 2016 |
| Nominal value | 600.0 | 600.0 | 500.3 | 569.2 |
| Debt issuance costs | (5.8) | (7.0) | (4.8) | (6.6) |
| Carrying amount | 594.2 | 593.0 | 495.5 | 562.6 |
| Fair Value (Level 1) | 619.7 | 579.0 | 516.7 | 549.3 |
| **Payment of Interest** | Semi-Annual: Apr 1 & Oct 1 | | Semi-Annual: Apr 1 & Oct 1 | |
| Maturity Date | 10/01/2022 | | 10/01/2022 | |
| Guarantee | Jointly and severally guaranteed by General Cable's wholly owned U.S. subsidiaries | | | |

| | | 5.75 % Senior Notes | |
|---|---|---|---|
| | Beginning date | Percentage | |
| Call option [(1)] | October 1, 2017 | | 102.875% |
| | October 1, 2018 | | 101.917% |
| | October 1, 2017 | | 100.958% |
| | October 1, 2020 and thereafter | | 100.000% |

(1) The Company may, at its option, redeem the 5.75% Senior Notes on or after the stated beginning dates at percentages noted above (plus accrued and unpaid interest). Additionally, on or prior to October 1, 2015, the Company had the right to redeem in the aggregate up to 35% of the aggregate principal amount of 5.75% Senior Notes issued with the cash proceeds from one or more equity offerings, at a redemption price in cash equal to 105.75% of the principal plus accrued and unpaid interest so long as (i) at least 65% of the aggregate principal amount of the 5.75% Senior Notes issued remained outstanding immediately after giving effect to any such redemption; and (ii) notice of any such redemption was given within 60 days after the date of the closing of any such equity offering.

The 5.75% Senior Notes' indenture contains covenants that limit the ability of the Company and certain of its subsidiaries to (i) incur additional indebtedness and guarantee indebtedness; (ii) pay dividends or make other distributions or repurchase or redeem the Company's share capital; (iii) purchase, redeem or retire the debt; (iv) issue certain preferred shares or similar equity securities; (v) make loans or investments; (vi) sell assets; (vii) incur liens; (viii) enter into transactions with subsidiaries; (ix) enter into agreements restricting the Company's subsidiaries' ability to pay dividends; and (x) consolidate, merge or sell all or substantially all the assets. However, these covenants are subject to exceptions and conditions.

*Subordinated convertible notes*

The principal elements of the subordinated convertible notes are as follows:

| | in millions of U.S. Dollars [$] | | in millions of Euros [€] | |
|---|---|---|---|---|
| (in millions) | Dec 31 2017 | Dec 31 2016 | Dec 31 2017 | Dec 31 2016 |
| Nominal value | 429.5 | 429.5 | 358.1 | 407.5 |
| Debt discount | (253.1) | (255.6) | (211.0) | (242.5) |
| Debt issuance costs | (3.3) | (3.6) | (2.8) | (3.4) |
| Carrying amount | 173.1 | 170.3 | 144.3 | 161.6 |
| Fair Value (Level 1) | 453.4 | 343.8 | 378.1 | 326.2 |
| Maturity Date | 11/01/2029 | | 11/01/2029 | |
| Stated annual interest rate | 4.50% until Nov 2019<br>2.25% until Nov 2029 | | 4.50% until Nov 2019<br>2.25% until Nov 2029 | |

The company’s Subordinated Convertible Notes were issued on December 18, 2009 in the amount of USD 429.5 million (EUR 348.6 million, exchange rate as of March, 30 2018). The notes and the ordinary shares issuable upon conversion were registered on a Registration Statement on Form S-4, initially filed with the SEC on October 27, 2009, as amended and as declared effective by the SEC on December 18, 2009. At issuance, the Company separately accounted for the liability and equity components of the instrument, based on the Company’s nonconvertible debt borrowing rate on the issuance date of the instrument itself, amounting to 12.5% At issuance, the liability and equity components were USD 162.9 million (EUR 132.2 million, exchange rate of March, 30 2018) and USD 266.6 million (EUR 216.4 million, exchange rate of March, 30 2018), respectively. The equity component (debt discount) is being amortized to interest expense based on the effective interest method. The Subordinated Convertible Notes were issued to complete an exchange offer; therefore, all proceeds were used to extinguish the previously held 1.00% Senior Convertible Notes due 2012. The company incurred issuance fees and expenses of approximately USD 14.5 million (EUR 11.8 million, exchange rate of March, 30 2018) as a result of the exchange offer which have been proportionately allocated to the liability and equity components of the Subordinated Convertible Notes due in 2029. Additional terms have been summarized in the table below.

The Company’s Subordinated Convertible Notes and terms are summarized in the tables below

| | Subordinated Convertible Notes due 2029 (1) |
|---|---|
| Conversion Rights — The notes are convertible at the option of the holder into the Company's ordinary shares upon the occurrence of certain events, including: | (i) during any calendar quarter commencing after March, 31 2010, in which the closing price of the Company's ordinary shares is greater than or equal to 130% of the conversion price for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter (establishing a contingent conversion price of USD 47.78); |
| | (ii) during any five business day period after any five consecutive trading day period in which the trading price per USD1,000 principal amount of the Notes for each day of that period is less than 98% of the product of the closing sale price of the Company's ordinary shares and the applicable conversion rate; |
| | (iii) certain distributions to holders of the Company's ordinary shares are made or upon specified corporate transactions including a consolidation or merger; |
| | (iv) a "fundamental change" as defined in the Notes indenture; |
| | (v) at any time during the period beginning on August, 31 2029 and ending on the close of business on the business day immediately preceding the stated maturity date; and |
| | (vi) on or after November 15, 2019, the Company may redeem all or a part of the notes for cash at a price equal to 100% of the principal amount of the notes, plus interest, if the price of the Company's ordinary shares has been at least 150% of the conversion price then in effect for at least 20 trading days during the 30 consecutive trading day period immediately preceding the date on which notice is given. |
| Initial conversion rate | USD 36.75 per share — approximating 27.2109 shares per USD 1,000 principal amount of Notes |
| Upon conversion | The holder will receive, in lieu of an ordinary share, an amount of cash equal to the lesser of (i) the principal amount of the Notes, or (ii) the conversion value, determined in the manner set forth in the indenture governing the Notes, of a number of shares equal to the conversion rate. |
| | If the conversion value exceeds the principal amount of the Notes on the conversion date, the Company will also deliver, at its discretion, cash or ordinary shares or a combination of cash and ordinary shares with respect to the conversion value upon conversion. |
| | If conversion occurs in connection with a "fundamental change" as defined in the Notes indenture, the Company may be required to repurchase the Notes for cash at a price equal to the principal amount plus accrued but unpaid interest. |
| | If conversion occurs in connection with certain changes in control, the Company may be required to deliver additional shares of the Company's ordinary shares (a "make whole" premium) by increasing the conversion rate with respect to the initial one. |
| Potential shares issuable upon conversion | The Company may issue additional shares up to 11,686,075 under almost all conditions and up to 14,315,419 under the "make-whole" premium |
| Guarantee | None |

In the event of a "fundamental change" or exceeding the aforementioned average pricing thresholds, the Company will be required to classify the amount outstanding as a current liability.

*Revolving credit facility*

The main elements of the Company's revolving credit facility are summarized in the table below:

| | in millions of U.S. Dollars [$] | | in millions of Euros [€] | |
|---|---|---|---|---|
| (in millions) | Dec 31 2017 | Dec 31 2016 | Dec 31 2017 | Dec 31 2016 |
| Outstanding borrowings | 259.5 | 75.9 | 216.4 | 72.0 |
| Total credit under facility | 700.0 | 700.0 | 583.7 | 664.1 |
| Undrawn availability | 326.2 | 399.0 | 272.0 | 378.5 |
| Interest rate | 2.8 | 2.5 | 2.8 | 2.5 |
| Outstanding letters of credit | 24.6 | 21.7 | 20.5 | 20.6 |

*Latin America credit facilities*

The main elements the Latin America credit facilities are summarized in the table below:

| (in millions) | in millions of U.S. Dollars [$] Dec 31 2017 | Dec 31 2016 | in millions of Euros [€] Dec 31 2017 | Dec 31 2016 |
|---|---|---|---|---|
| Outstanding borrowings | 44.6 | 82.4 | 37.2 | 78.2 |
| Undrawn availability | 42.9 | 38.2 | 35.8 | 36.2 |
| Interest rate — weighted average | 7.8 | 11.0 | 7.8 | 11.0 |
| Maturity Date | Other | | Other | |

The Latin America Credit Facilities are primarily short-term loans utilized for working capital purposes. The fair value of the Latin America credit facilities approximates their carrying value.

### *Derivative Instruments*

The Company is exposed to various financial risks, including changes in foreign currency exchange rates and raw material (commodity) prices. To manage risks associated with the volatility of these natural business exposures, the Company enters into commodity and foreign currency derivative agreements, as well as copper and aluminum forward pricing agreements. The Company does not purchase or sell derivative instruments for trading purposes. The Company does not engage in derivative contracts for which a lack of marketplace quotations would necessitate the use of fair value estimation techniques.

The Company enters into commodity instruments to hedge the purchase of copper, aluminum and lead in future periods and foreign currency exchange contracts principally to hedge the currency fluctuations in certain transactions denominated in foreign currencies, thereby limiting the risk that would otherwise result from changes in exchange rates. The principal transactions hedged during the year were firm sale and purchase commitments. The fair value of foreign currency contracts represents the amount required to enter into offsetting contracts with similar remaining maturities based on quoted market prices.

The Company accounts for these commodity instruments and foreign currency exchange contracts as economic hedges. Changes in the fair value of economic hedges are recognized in current period earnings in Other income (expense).

The notional amounts and fair values of derivatives not designated as cash flow hedges as at March 31, 2018, December 31, 2017 and December 31, 2016 are shown below (in millions).

| | December 31 2017 | | | December 31 2016 | | |
|---|---|---|---|---|---|---|
| | Notional | Fair value | | Notional | Fair value | |
| (in millions of U.S. Dollars [$]) | Amount | Asset (1) | Liability (2) | Amount | Asset (1) | Liability (2) |
| Derivatives not designated as cash flow hedges: | | | | | | |
| Commodity futures | 106.1 | 26.1 | 0.1 | 142.5 | 9.2 | 1.8 |
| Foreign currency exchange | 105.5 | 1.3 | 0.7 | 30.7 | 0.1 | 1.1 |
| | | 27.4 | 0.8 | | 9.3 | 2.9 |

### 4.1.4 *Notes to consolidated financial statements*

General Cable conducts its operations through four geographic operating and reportable segments — North America, Europe, Latin America, and Africa/Asia Pacific. The operating and reportable segments align with the structure of the group's internal management organization. All four segments engage in the development, design, manufacturing, marketing and distribution of copper, aluminum, and fiber optic communication, construction, electric utility and electrical infrastructure wire and cable products. In addition to the above products, the North America and Latin America segments manufacture and distribute rod mill wire and cable products and the Europe segment engages in turn-key project services for both land and submarine cables.

***2017 v 2016***

Net sales remained relatively flat in 2017 from 2016, with a variation of -5%, mainly due to:

- The sale or exit of operations of USD 243.3 million (EUR 215.3 million);
- Unfavorable product mix of USD 231.7 million (EUR 205.0 million);

These trends were offset by higher copper and aluminum prices of USD 389.9 million (EUR 345.0 million), favorable foreign currency exchange rate changes of USD 39.1 million (EUR 34.6 million) and increased volume of USD 24.8 million (EUR 21.9 million).

Volumes, as measured by metal pounds sold, decreased by 46.4 million pounds, or 5%, in 2017 compared to 2016, principally due to the divestiture of businesses in Africa/Asia Pacific. Excluding the divested businesses, volume, as measured by metal pounds sold, increased by 13.0 million pounds.

*North America*

Net sales in the North America operating segment increased USD 176.4 million (EUR 156.1 million), or +9%, in 2017 from 2016. The net increase is primarily attributable to:

- higher copper and aluminum prices of USD194.1 million (EUR 171.8 million);
- increased volume of USD 62.9 million (EUR 55.7 million);
- favorable foreign currency exchange rate changes of USD 7.3 million (EUR 6.5 million).

These trends were partially offset by net sales of USD 52.6 million (EUR 46.5 million) attributable to the sale of non-core operations and unfavorable product mix of USD 35.3 million (EUR 31.2 million).

Volume, as measured by metal pounds sold, increased 32.9 million pounds, or 6%, in 2017 compared to 2016 due to stronger demand for construction and electric utility aerial transmission products.

Europe

Net sales in the Europe operating segment remained relatively flat in 2017 from 2016, primarily attributable to:

- higher copper and aluminum prices of USD 60.3 million (EUR 53.4 million);
- favorable foreign currency exchange rate changes of USD 20.1 million (EUR 17.8 million)

These trends were offset by unfavorable product mix of USD 78.5 million (EUR 69.5 million) and lower volume of USD 3.1 million (EUR 2.7 million).

Volumes, as measured by metal pounds sold, remained relatively flat in 2017 compared to 2016. Stronger demand for electric utility products including land-based turn-key projects was offset by the lower performance of the subsea turn-key project activity and weaker demand for industrial and construction products.

*Latin America*

Net sales in the Latin America operating segment increased by USD 22.7 million (EUR 20.1 million), or +3%, in 2017 from 2016. The net increase was primarily attributable to:

- higher copper and aluminum prices of USD 100.5 million (EUR 88.9 million);
- favorable foreign currency exchange rate changes of USD 12.1 million (EUR 10.7 million)

These trends were partially offset by unfavorable product mix of USD 76.3 million (EUR 67.5 million) and lower volume of USD 13.6 million (EUR 12.0 million).

Volume, as measured by metal pounds sold, decreased 7.1 million pounds, or 3%, in 2017 compared to 2016. The decrease in demand was primarily driven by uneven spending on electric infrastructure and construction projects, partially offset by higher shipments of aerial transmission cables in Brazil.

*Africa/Asia Pacific*

Net sales in the Africa/Asia Pacific operating segment decreased by USD 219.1 million (EUR 193.9 million), or 77%, in 2017 from 2016. Volumes, as measured by metal pounds sold, decreased by 70.6 million pounds, or -83%, in 2017 compared to 2016, primarily attributable to the divested businesses.

Cost of sales

The cost of sales decreased by USD 40.2 million (EUR 35.5 million) falling to USD 3,411.1 million (EUR 3,018.7 million) in 2017 from USD 3,451.3 million (EUR 3,117.7 million) in 2016. The percentage decrease in cost of sales was consistent with the percentage decrease in net revenues. Cost of sales is raw material intensive with copper and aluminum comprising the major cost components for cable products. At current metal prices, raw material costs are approximately 85% of total product cost with copper and aluminum metal costs comprising approximately 50% of total product cost for the year ended December 31, 2017.

Gross profit

Gross profit increased by USD 19.0 million (EUR 16.8 million), or 5%, in 2017 as compared to 2016. Gross profit as a percentage of sales was 11% for the years ended December 31, 2017 and 2016.

Selling, general and administrative expenses [*SG&A expense*]

SG&A expense increased by USD 7.9 million (EUR 6.9 million) or +2%, in 2017 from 2016. The net impact to this expense was primarily attributable to the following discrete factors:

- in 2017, General Cable recorded net pre-tax losses of USD 67.1 million (EUR 59.4 million) on asset sales and restructuring expenses of USD 25.7 million (EUR 22.7 million);
- in 2016, the General Cable recorded net capital losses of USD 10.1 million (EUR 9.1 million) on asset sales, restructuring related expenses of USD 48.8 million (EUR 44.1 million) and expenses of proceedings before the Securities Exchange Commission (**SEC**) and the U.S. Department of Justice (**DOJ**) of USD 54.3 million (EUR 49.1 million)

SG&A as a percentage of net sales was approximately 11% in both 2017 and 2016.

EBITDA, Adjusted EBITDA, Operating Income, Adjusted Operating Income

As for income dynamics that characterized the companies of the General Cable Group, we highlight the following trends in the three-year period 2017-2015:

| | in millions of U.S. Dollars [*$*] | | in millions of Euros [*€*] | |
|---|---|---|---|---|
| | **Year ended on** | | **Year ended on** | |
| (in millions) | Dec 31 2017 | Dec 31 2016 | Dec 31 2017 | Dec 31 2016 |
| Net sales | 3,837.2 | 3,858.4 | 3,395.8 | 3,485.5 |
| EBITDA | 82.1 | 62.6 | 72.6 | 56.6 |
| Adjusted EBITDA | 212.8 | 230.9 | 188.6 | 208.6 |
| Operating income | 9.3 | (18.3) | 8.2 | (16.5) |
| Adjusted Operating Income | 140.0 | 150.0 | 124.2 | 135.5 |

The reconciliation of these IAPs, deriving from the investor presentations made by General Cable to its own investors of February, 26 2018 and February 9 2015, and the balance sheet values is as follows:

| | | in millions of U.S. Dollars [$] | | in millions of Euros [€] | |
|---|---|---|---|---|---|
| | | Year ended on | | Year ended on | |
| | | Dec 31 2017 | Dec 31 2016 | Dec 31 2017 | Dec 31 2016 |
| **Result attributable to the parent's company's shareholders** | | **(56.6)** | **(93.8)** | **(50.1)** | **(84.8)** |
| Net income (loss) attributable to non-controlling interest | | 1.9 | 0.3 | 1.7 | 0.3 |
| Net income (loss) attributable to non-consolidated companies | | - | (0.9) | - | (0.8) |
| Taxes | | 15.8 | (3.7) | 14.0 | (3.3) |
| Interest expense, net | | 76.7 | 87.0 | 67.8 | 78.6 |
| Other incomes (expense) | | (28.5) | (7.2) | (25.2) | (6.5) |
| **Operating income** | | **9.3** | **(18.3)** | **8.2** | **(16.5)** |
| Adjusted operating income | | | | | |
| Restructuring and divestiture expense | (1) | 51.6 | 82.6 | 45.7 | 74.6 |
| Legal and investigative expense | (2) | 1.3 | 7.0 | 1.2 | 6.3 |
| Provisions for Foreign Corrupt Practices Act (FCPA) | (3) | | 54.3 | - | 49.1 |
| Incentives for new customers | (4) | 9.9 | - | 8.8 | - |
| (Gain) loss from sale of assets | (5) | - | (51.9) | - | (46.9) |
| Claim payments on projects | (6) | 3.5 | | 3.1 | |
| Venezuela deconsolidation charge | (7) | - | - | - | - |
| Gain (loss) of Venezuela business | (7) | - | - | - | - |
| Payments to U.S. pension funds | (8) | - | 7.4 | - | 6.7 |
| (Gain) loss of Asia Pacific and Africa | (9) | 64.4 | 68.9 | 57.2 | 62.2 |
| **Total Adjustments** | | **130.7** | **168.3** | **116.0** | **152.0** |
| **Adjusted Operating Income** | | **140.0** | **150.0** | **124.2** | **135.5** |
| Amortization | | 72.8 | 80.9 | 64.4 | 73.1 |
| **EBITDA** | | **82.1** | **62.6** | **72.6** | **56.6** |
| **Adjusted EBITDA** | | **212.8** | **230.9** | **188.6** | **208.6** |

Details of the adjustments indicated above, evaluated as non-recurring items by General Cable management, can be summarized as follows:

(1) *Costs and revenues related to corporate restructuring.* The value reflects restructuring and divestiture expense associated with planned restructuring programmes, as well as the review of strategic alternatives that led to the already announced final merger agreement with Prysmian;

(2) *Legal and investigation expense.* The value reflects the legal and investigation expense arising from external legal advice;

(3) *Provisions for Foreign Corrupt Practices Act (FCPA).* The value reflects the provisions made in connection with the SEC and the DOJ investigations;

(4) *Incentives to new customers.* The value reflects a one-time charge related to a stock exchange programme that General Cable has performed in the field of automotive ignition cables;

(5) *(Gain) loss on sale of assets.* The value reflects the profit and losses from the sale of certain General Cable assets;

(6) *Claim payments on projects.* The value reflects losses associated with claims relating to General Cable's submarine electric cables business;

(7) *Venezuela deconsolidation charge.* The value reflects the effects of the country's deconsolidation due to the country's economic/political uncertainty problems. The Venezuelan subsidiary was deconsolidated and accounted for using the cost method from the third quarter of 2015;

(8) *Payments to U.S. pension funds.* The value reflects payment to the U.S. Master Pension Plan fund, and represents payment made for those plan participants who chose a lump sum and towards whom General Cable has no future obligations;

(9) (Gain) loss of Asia Pacific and Africa. The value reflects the exclusion of operations in the Africa and Asia Pacific segment that were not considered "core operations" by General Cable and were sold.

Operating income

The table below lists the operating profit by segment, in millions of Euros.

| | Year ended | | | | | |
|---|---|---|---|---|---|---|
| | Dec 31 2017 | | Dec 31 2016 | | Variations | |
| | Amount | % | Amount | % | Net variation | Exchange rate effect |
| North America | 60.7 | 60% | 56.4 | 60% | 5.5 | (1.2) |
| Europe | (11.0) | 22% | 2.3 | -13% | (13.3) | - |
| Latin America | 15.6 | 20% | (13.0) | 19% | (28.3) | 0.3 |
| Africa/Asia Pacific | (57.1) | -2% | (62.2) | -12% | 3.9 | 1.2 |
| **Total operating income** | **8.2** | **100%** | **(16.5)** | **100%** | **24.4** | **0.3** |

* the net change reflects the change net of the effect of the exchange rate change applied to the conversion into Euros of the schematics originally published by General Cable in U.S. Dollars.

*North America*

The increase in operating income for the North America segment was USD 6.2 million (EUR 5.5 million) in the year ended December 31, 2017 compared to the year ended December 31, 2016. In the year ended December 31, 2017, General Cable recognized other restructuring related charges of USD 31.5 million (EUR 27.9 million) and a USD 6.9 million (EUR 6.1 million) loss related to asset sales. In the year ended December 31, 2016, General Cable recognized restructuring related charges of USD 54.7 million (EUR 48.4 million), additional Foreign Corrupt Practices Act related expense of USD 54.3 million (EUR 48.1 million) and a EUR 53.2 million (USD 47.1 million) gain related to the disposal of its North American automotive ignition wire business.

*Europe*

The decrease in operating income for the Europe segment was USD 15.0 million (EUR 13.3 million) in the year ended December 31, 2017 compared to the year ended December 31, 2016. The net decrease in operating income was primarily attributable to the unfavorable impact of lower subsea project activity in the year ended December 31, 2017.

*Latin America*

The increase in operating income for the Latin America segment was USD 32.0 million (EUR 28.3 million) in the year ended December 31, 2017 compared to the year ended December 31, 2016. The net increase in operating income was primarily driven by the impact of performance initiatives in the year ended December 31, 2017 and increased sales of aerial transmission product in Brazil.

*Africa/Asia Pacific*

The decrease in operating loss for the Africa/Asia Pacific segment was USD 4.4 million (EUR 3.9 million) in the year ended December 31, 2017 compared to the year ended December 31, 2016. In the year ended December 31, 2017, General Cable recognized pre-tax losses of USD 60.2 million (EUR 53.3 million) on asset sales. In the year ended December 31, 2016, General Cable recognized pre-tax losses of USD 49.0 million (EUR 43.4 million) on asset sales.

<u>Other income (expense)</u>

Other income (expense) primarily includes foreign currency transaction gains and losses, which result from changes in exchange rates between the designated functional currency and the currency in which transactions are denominated as well as gains and losses on derivative instruments that are not designated as cash flow hedges. During 2017 and 2016, General Cable recorded other income of USD 28.5 million (EUR 25.2 million) and USD 7.2 million (EUR 6.5 million), respectively.

For 2017, other income was primarily attributable to USD 31.0 million (EUR 27.4 million) related to gains on derivative instruments that were not designated as cash flow hedges, partially offset by USD 2.5 million (EUR 2.2 million) related to foreign currency transaction losses.

For 2016, other income was primarily attributable to USD 8.9 million (EUR 8.0 million) related to gains on derivative instruments that were not designated as cash flow hedges, partially offset by USD 1.7 million (EUR1.5 million) related to foreign currency transaction losses.

Interest income and expense

Net interest expense decreased USD 10.3 million (EUR 9.1 million) in 2017 as compared to 2016 primarily due to lower borrowings of General Cable's Latin America credit facilities due to the efficient management of working capital.

Taxes

General Cable's effective tax rate for 2017 and 2016 was (40.6)% and 3.8%, respectively. The effective tax rate for 2017 was significantly impacted by the following unfavorable items:

- recognizing no tax benefit on operating losses incurred in countries where valuation allowances are recorded against net deferred tax assets;
- recognizing no tax benefit on USD 38.0 million (EUR 33.6 million), USD 19.9 million (EUR 17.6 million), USD 6.9 million (EUR 6.1 million), and USD 3.5 million (EUR 3.1 million) of losses resulting from the sale of our Algerian, Chinese, North American (automotive ignition wire) European, and Pakistani businesses, respectively;
- recording USD 45.9 million (EUR 40.6 million) of U.S. tax expense associated with the one-time deemed taxable repatriation of the accumulated earnings and profits of foreign subsidiaries in connection with what is provided by the Tax Reform Act;
- recording USD 9.8 million (EUR 8.7 million) of income tax expense associated with changes in judgment concerning uncertain tax positions related to the FCPA settlement;
- recording USD 5.7 million (EUR 5.0 million) of tax expense associated with US tax regime (U.S. Subpart F); and
- recording USD 5.7 million (EUR 5.0. million) of tax expense to establish a valuation allowance against net deferred tax assets in New Zealand.

The unfavorable aspects for the effective tax rate were partially offset by :

- recording USD 62.1 million (EUR 55.0 million) of U.S. tax benefit associated with the reduction of the federal corporate income tax rate from 35% to 21% in connection with the Tax Reform Act; and
- recording USD 7.6 million (EUR 6.7 million) of tax benefits associated with the release of reserves for uncertain tax positions due to settlements and statute of limitation lapses.

**2016 v 2015**

Net sales decreased by USD 656.1 million (EUR 592.6 million), or 15%, in 2016 from 2015. The net decrease was primarily attributable to:

- the sale or exit of operations as part of the restructuring and divestiture programmes of USD 211.2 million (EUR 190.8 million);
- lower copper and aluminum prices of USD 226.4 million (EUR 204.5 million);
- unfavorable product mix and foreign currency rate changes of USD 125.9 million (EUR 113.7 million) and USD 97.3 million (EUR 87.9 million), respectively.

Volumes, as measured by metal pounds sold, decreased by 42.6 million pounds, or 4%, in 2016 compared to 2015, principally due to the impact of businesses sold in 2016. Excluding divested businesses, volume, as measured by metal pounds sold, increased by 3.0 million pounds.

*North America*

Net sales in the North America operational segment decreased USD 257.6 million (EUR 232.7 million), or 11%, in 2016 from 2015. The net decrease was primarily attributable to:

- net sales of USD 51.7 million (EUR 46.7 million) attributable to the automotive ignition wire business that was sold in 2016;

- lower copper and aluminum prices of USD 102.4 million (EUR 92.5 million);
- unfavorable product mix and foreign currency rate changes of USD 94.9 million (EUR 85.7 million) and USD 15.1 million (EUR 13.6 million), respectively.

Volumes, as measured by metal pounds sold, increased by 4.1 million pounds, or +1%, in 2016 compared to 2015. The increase was primarily attributable to favorable market demand for construction and electric utility cables which was partially offset by unfavorable market demand for specialty products, particularly in the Oil&Gas business.

*Europe*

Net sales in the Europe operational segment decreased by USD 84.5 million (EUR 76.3 million), or -9%, in 2016 from 2015. The net decrease was primarily attributable to:

- lower copper and aluminum prices of USD 32.6 million (EUR 29.4 million);
- unfavorable product mix and foreign currency exchange rate changes of USD 45.0 million (EUR 40.7 million) and USD 5.3 million (EUR 4.8 million), respectively.

Volumes, as measured by metal pounds sold, remained relatively flat in 2016 compared to 2015. Stronger demand for electric utility products including land-based turn-key projects as well as energy cables was offset by the continued weak demand for industrial and construction products throughout the region.

*Latin America*

Net sales in the Latin America operational segment decreased by USD 71.6 million (EUR 64.7 million), or -10%, in 2016 from 2015. The net decrease was primarily attributable to:

- lower copper and aluminum prices of USD 54.5 million (EUR 49.2 million);
- unfavorable foreign currency exchange rate changes of USD 36.1 million (EUR 32.6 million).

These trends were partially offset by favorable product mix of USD 18.4 million (EUR 16.6 million).

Volumes, as measured by metal pounds sold, remained relatively flat in 2016 compared to 2015. Increased volume for aerial transmission cables was offset by a decrease of 3.9 million pounds related to the sale of Venezuela coupled with ongoing difficult economic conditions and reduced government investments in the entire region.

*Africa/Asia Pacific*

Net sales in the Africa/Asia Pacific operational segment decreased by USD 242.4 million (EUR 219.0 million), or 46%, in 2016 from 2015. The net decrease was primarily attributable to:

- net sales of USD 153.9 million (EUR 139.0 million) attributable to businesses that were sold as part of the divestiture programme in 2016;
- lower copper and aluminum prices of USD 36.9 million (EUR 33.3 million);
- unfavorable foreign currency exchange rate changes of USD 40.8 million (EUR 36.9 million).

Volumes, as measured by metal pounds sold, decreased 45.7 million pounds, or -35%, in 2016 compared to 2015. The decrease in volume sold was primarily attributable to divested businesses of 41.7 million pounds.

<u>Cost of sales</u>

The cost of sales decreased by USD 630.8 million (EUR 569.8 million) falling to USD 3,451.3 million (EUR 3,117.7 million) in 2016 from USD 4,082.1 million (EUR 3,677.6 million) in 2015. The percentage decrease in the cost of sales was consistent with the percentage decrease in net income. The cost of raw materials has a particular impact on the cost of sales, with copper and aluminum comprising the major cost components for cable products. For the year ended December 31, 2016, raw material costs were approximately 85% of total product cost with copper and aluminum metal costs comprising approximately 45% of total product cost.

Gross profit

Gross profit decreased by USD 25.3 million (EUR 22.8 million), or -6% in 2016 as compared to 2015. Gross profit as a percentage of sales was 11% and 10% for the years ended December 31, 2016 and 2015, respectively.

Selling, general and administrative expenses [*SG&A expense*]

SG&A expense decreased by USD 3.4 million (EUR 3.0 million), or -1%, in 2016 from 2015. The net favorable impact to SG&A expense was primarily attributable to the benefit of restructuring savings recognized in the year ended December 31, 2016. For 2016 and 2015, SG&A expense reflects the net impact of restructuring and divestiture actions as well as discrete items including the following:

- in 2016, General Cable recorded net pre-tax gains of USD 10.1 million (EUR 9.1 million) on asset sales, restructuring related expenses of USD 48.8 million (EUR 44.1 million) and expenses related to the SEC and DOJ proceedings of USD 54.3 million (EUR 49.1 million).
- in 2015, the General Cable recorded restructuring expenses of USD 26.7 million (EUR 24.1 million) and a Venezuela deconsolidation charge of USD 12.0 million (EUR 10.8 million), which were partially offset by net pre-tax gains on asset sales of USD 16.1 million (EUR 14.5 million).

SG&A as a percentage of net sales was approximately 11% in 2016 and 9% in 2015.

EBITDA, Adjusted EBITDA, Operating Income, Adjusted Operating Income

As for the income dynamics that characterized the companies of the General Cable Group, we highlight the following trends in the three-year period 2017-2015:

| | in millions of U.S. Dollars [$] | | in millions of Euros [€] | |
|---|---|---|---|---|
| | **Year ended on** | | **Year ended on** | |
| (in millions) | Dec 31 2016 | Dec 31 2015 | Dec 31 2016 | Dec 31 2015 |
| Total net sales | 3,858.4 | 4,514.5 | 3,485.5 | 4,067.1 |
| EBITDA | 62.6 | 99.4 | 56.6 | 89.6 |
| Adjusted EBITDA | 230.9 | 263.9 | 208.6 | 237.7 |
| Operating income | (18.3) | 14.5 | (16.5) | 13.1 |
| Adjusted Operating Income | 150.0 | 179.0 | 135.5 | 161.2 |

The reconciliation of these GAAPs, deriving from investor presentation made by General Cable to its own investors of February, 26 2018 and February, 9 2015 and the balance values is as follows:

| | | in millions of U.S. Dollars [$] | | in millions of Euros [€] | |
|---|---|---|---|---|---|
| | | **Year ended on December, 31** | | **Year ended on December, 31** | |
| | | Dec 31 2016 | Dec 31 2015 | Dec 31 2016 | Dec 31 2015 |
| **Result attributable to the shareholders of the parent company** | | **(93.8)** | **(121.9)** | **(84.8)** | **(109.8)** |
| Net income (loss) attributable to non-controlling interest | | 0.3 | (13.9) | 0.3 | (12.5) |
| Net income (loss) attributable to non-consolidated companies | | (0.9) | (0.5) | (0.8) | (0.5) |
| Taxes | | (3.7) | (14.8) | (3.3) | (13.3) |
| Interest expense, net | | 87.0 | 94.3 | 78.6 | 85.0 |
| Other income (expense) | | (7.2) | 71.3 | (6.5) | 64.2 |
| **Operating income** | | **(18.3)** | **14.5** | **(16.5)** | **13.1** |
| Adjusted operating income | | | | | |
| Restructuring and divestiture expense | (1) | 82.6 | 56.0 | 74.6 | 50.5 |
| Legal and investigative expense | (2) | 7.0 | 19.7 | 6.3 | 17.7 |
| Provisions for Foreign Corrupt Practices Act (FCPA) | (3) | 54.3 | 4.0 | 49.1 | 3.6 |
| Incentives for new customers | (4) | - | 4.6 | - | 4.1 |
| (Gain) loss on sale of assets | (5) | (51.9) | 10.7 | (46.9) | 9.6 |
| Claim payments on projects | (6) | | | | |
| Venezuela deconsolidation charges | (7) | - | 12.0 | - | 10.8 |
| Gain (loss) of Venezuela business | (7) | - | 3.7 | - | 3.3 |
| Payments to U.S. pension funds | (8) | 7.4 | - | 6.7 | - |
| (Gain) loss of Asia Pacific and Africa | (9) | 68.9 | 53.8 | 62.2 | 48.5 |
| **Total Adjustments** | | **168.3** | **164.5** | **152.0** | **148.1** |
| **Adjusted Operating Income** | | **150.0** | **179.0** | **135.5** | **161.2** |
| Amortization | | 80.9 | 84.9 | 73.1 | 76.5 |
| **EBITDA** | | **62.6** | **99.4** | **56.6** | **89.6** |
| **Adjusted EBITDA** | | **230.9** | **263.9** | **208.6** | **237.7** |

Details of the adjustments indicated above, evaluated as non-recurring items by General Cable management, can be summarized as follows:

(10) *Costs and revenues related to corporate restructuring.* The value reflects restructuring and divestiture expense associated with planned restructuring programmes, as well as the review of strategic alternatives that led to the already announced merger final agreement with Prysmian;

(11) *Legal and investigation expense.* The value reflects the legal and investigation expense arising from external legal advice;

(12) *Provisions for Foreign Corrupt Practices Act (FCPA).* The value reflects the provisions made in connection with the SEC and DOJ investigations;

(13) *Incentives to new customers.* The value reflects a one-time charge related to a stock exchange programme that General Cable has performed in the field of automotive ignition cables;

(14) *(Gain) loss on sale of assets.* The value reflects the profits and losses from the sale of certain General Cable assets;

(15) *Claim payments on projects.* The value reflects losses associated with claims relating to General Cable's submarine electric cables business;

(16) *Venezuela deconsolidation charge.* The value reflects the effects of the country's deconsolidation due to the country's economic/political uncertainty problems. The Venezuelan subsidiary was deconsolidated and accounted for using the cost method from the third quarter of 2015;

(17) *Payments to U.S. pension funds.* The value reflects payment to the U.S. Master Pension Plan fund, and represents the payment made for those plan participants who chose a lump sum and towards whom General Cable has no future obligations;

(Gain) loss of Asia Pacific and Africa. The value reflects the exclusion of operations in the Africa and Asia Pacific segment that were not considered "core operations" by General Cable and were sold.

<u>Operating income</u>

The table below lists the operating profit by segment, in millions of U.S. Dollars.

| | Year ended | | | | | |
|---|---|---|---|---|---|---|
| | Dec 31 2016 | | Dec 31 2015 | | Variations | |
| | Amount | % | Amount | % | Net variation | Exchange rate effect |
| North America | 56.4 | 60% | 76.1 | 60% | (19.9) | 0.2 |
| Europe | 2.3 | 22% | 5.9 | -13% | (3.7) | 0.1 |
| Latin America | (13.0) | 20% | (20.5) | 19% | 7.6 | (0.1) |
| Africa/Asia Pacific | (62.2) | -2% | (48.5) | -12% | (13.6) | (0.1) |
| **Operating income** | **(16.5)** | **100%** | **13.1** | **100%** | **(29.6)** | **-** |

* the net change reflects the change net of the effect of the exchange rate change applied to the conversion into Euros (€) of the schematics originally published by General Cable in U.S. Dollars.

*North America*

The decrease in operating income for the North America segment was USD 22.1 million (EUR 19.9 million) in the year ended December 31, 2016 compared to the year ended December 31, 2015. The net decrease in operating income was primarily due to the unfavorable net impact of the resolution of the SEC and DOJ investigations of USD 50.3 million (EUR 45.4 million) coupled with the impact of weak end market demand for oil and gas products. The decrease was partially offset by the benefit of restructuring initiatives and by USD 10.5 million (EUR 9.5 million) due to lower restructuring related charges (including gains on asset sales) and the impact of stronger demand for the electric utility and non-residential construction markets.

*Europe*

The decrease in operating income for the Europe segment was USD 4.0 million (EUR 3.7 million) in the year ended December 31, 2016 compared to the year ended December 31, 2015. The net decrease in operating income was primarily attributable to the unfavorable impact of lower subsea project activity, the continued weak industrial and construction activity throughout the region and divestiture related charges of USD 8.4 million (EUR 7.6 million), including losses on divested businesses. The decrease was partially offset by USD 30.3 million (EUR 27.4 million) due to lower restructuring related charges and the impact of divesting certain businesses, including the sale and deconsolidation of businesses held in Venezuela (recorded in Europe based on the legal entity structure).

*Latin America*

The Latin America segment operating income improved by USD 8.4 million (EUR 7.6 million) in the year ended December 31, 2016 compared to the year ended December 31, 2015. The improvement in operating income was primarily driven by restructuring savings in the year ended December 31, 2016.

*Africa/Asia Pacific*

The increase in operating loss for the Africa/Asia Pacific segment was USD 15.1 million (EUR 13.6 million) as at December 31, 2016 compared to the year ended December 31, 2015. The net increase in operating loss is primarily attributable to higher costs related to divestiture activity of USD 18.3 million (EUR 16.5 million) including gains and losses on sales and closures of businesses and other costs.

Other income (expense)

Other income (expense) primarily includes foreign currency transaction gains or losses, which result from changes in exchange rates between the designated functional currency and the currency in which a transaction is denominated as well as other gains and losses on derivative instruments that are not designated as cash flow hedges and Venezuelan currency devaluation charges. During 2016 and 2015, General Cable recorded other income of USD 7.2 million (EUR 6.5 million) and other expense of USD 71.3 million (EUR 64.2 million), respectively.
For 2016, other income was primarily attributable to USD 8.9 million (EUR 8.0 million) related to gains on derivative instruments that were not designated as cash flow hedges, partially offset by USD 1.7 million (EUR 1.5 million) related to foreign currency transaction losses.

For 2015, other expense was primarily attributable to the adoption of the SIMADI currency exchange system in Venezuela and ongoing remeasurement of the local balance sheet, which resulted in an expense of USD 22.9 million (EUR 20.6 million), as well as USD 41.2 million (EUR 37.1 million) related to foreign currency transaction losses, and USD 7.2 million (EUR 6.5 million) related to losses on derivative instruments which were not designated as cash flow hedges

Interest income and expense

The net balance of interest income and expense, net decreased by USD 7.3 million (EUR 6.6 million) in 2016 compared to 2015, primarily for effect by proceeds from disposals that were used to pay off the debt and of the lesser indebtedness due to the efficient management of working capital and lower metal prices in the year ended December 31, 2016, and incremental interest expense recognized in the year ended December 31, 2015 on General Cables Senior variable rate Notes, paid on March, 31 2015.

Tax provision

General Cable's effective tax rate for 2016 and 2015 was 3.8% and 9.8%, respectively.

General Cable's low effective tax rate for 2016 was primarily due to the adverse impact of recognizing no tax benefits on operating losses incurred in countries where valuation allowances are recorded against net deferred tax assets, recording USD 6.7 million (EUR 6.1 million) of tax expense to establish a valuation allowance against beginning of year net deferred tax assets in China, and recognizing no tax benefits on USD 27.8 million (EUR 25.1 million) of foreign currency conversion adjustments reclassified out of accumulated other comprehensive income into continuing operations related to the closure of our South African operations. These adverse effects were partially offset by the use of U.S. capital losses for which no deferred tax asset was previously recognized. This resulted in the recognition of only USD 2.2 million (EUR 2.0 million) of income tax expense on USD 53.2 million (EUR 48.1 million) of pre-tax gain associated with the sale of the North American Automotive Ignition Wire business. General Cable's relatively low 2015 effective tax rate was primarily due to the adverse impact of operating losses incurred in countries where valuation allowances are recorded against net deferred tax assets, partially offset by tax benefits associated with the exiting of a business in India and the expiration of statutes of limitation on contingent tax liabilities in various jurisdictions.

General Cable derives significant cash tax savings from the subordinated convertible notes issued on December 18, 2009. For U.S. federal income tax purposes, the interest deduction on the subordinated convertible notes is computed based on the comparable yield of a hypothetical fixed rate debt instrument with similar terms and conditions but no conversion feature. The comparable yield was determined based on independent appraisal to be 12.5%. Accordingly, annual interest deductions are calculated at 12.5% of the adjusted issue price. The adjusted issue price, and consequently the interest deduction for income tax purposes, grows over the term of the debt due to the difference between the interest deduction using a comparable yield of 12.5% on the adjusted issue price, and the coupon rate of 4.5% on the principal amount. Interest expense recognized in accordance with U.S. GAAP is calculated at 12.5% of the liability component of the subordinated convertible notes, which is substantially lower than the adjusted issue price for tax purposes. The difference between the tax and U.S. GAAP interest computations results in substantially greater interest deductions for tax purposes than U.S. GAAP interest expense.

General Cable paid no U.S. federal income taxes for 2016 or 2015.

4.2. Audit by **the independent auditors**

The consolidated financial statements of General Cable at December 31, 2016 and 2017 and for the years ended December 31, 2017, 2016 and 2015, including the aforementioned prospects, were subject to audit by independent auditors Deloitte & Touche LLP, that issued its audit report relating to the years ended December 31, 2017, 2016 and 2015 on February 28, 2018. The independent auditors issued unmodified audit report on the consolidated financial statements of General Cable mentioned above,. Audit report is available on General Cable's website (www.generalcable.com).

## 5. PRO-FORMA FINANCIAL INFORMATION OF THE ISSUER

### 5.1. Pro-forma consolidated financial statements

This paragraph provides information on the pro-forma consolidated statement of financial position, income statement and cash flow of the Issuer as of December 31, 2017 (**Pro-Forma Consolidated Financial Statements**).

The Pro-Forma Consolidated Financial Statements were prepared for illustrative purposes in accordance with CONSOB Communication DEM/1052803 of July 5, 2001, to reflect retrospectively the effects of the acquisition by the Company of the whole of the share capital of General Cable Corporation finalized on June 6, 2018, through the merger of Alisea Corp. into General Cable Corporation (the **Acquisition**), the financing required to perform the Acquisition (for which Prysmian has already signed specific agreements with the financing banks), and the Capital Increase aimed at rebalancing the financial structure of the Prysmian Group after the closing of the Acquisition.

The Pro-Forma Consolidated Financial Statements as of December 31, 2017, were prepared on the basis of:

- Prysmian Group: 2017 Consolidated Financial Statements, approved by the Board of Directors on February 27, 2018, prepared according to IFRS and subject to a statutory audit by the Independent Auditors, who issued their report on March 12, 2018;
- General Cable: Consolidated financial statements for the years ended December 31, 2017, 2016 and 2015 prepared according to U.S. GAAP and approved by the Board of Directors of General Cable Corporation (the **General Cable Financial Statements 2017, 2016 and 2015**), included in the 2017 Annual Report on Form 10-K, pursuant to the Section 13 or 15(d) of the Securities Exchange Act of 1934. The General Cable 2017, 2016 and 2015 Financial Statements were audited by Deloitte & Touche LLP, that issued its report on February 28, 2018.

The Pro-Forma Consolidated Financial Statements were prepared solely for information purposes, and were obtained by making appropriate pro-forma adjustments to reflect retrospectively the significant effects of the Transaction, as if it had occurred with regard to the impact on the statement of financial position as at December 31, 2017, and with regard to the financial and economic effects, on January 1, 2017.

For a proper interpretation of the information contained in the pro-forma consolidated data, it should be noted that:

(i) since these representations are based on assumptions, if the Transaction had actually occurred on such dates, the results that are presented therein would not be necessarily obtained;
(ii) the pro-forma adjustments represent the most assets, economic and financial effects directly connected with the Transaction;
(iii) the consolidated pro-forma data does not reflect projected figures and is not intended, in any way, to represent a forecast of the future asset, economic and financial situation of the Issuer;
(iv) in consideration of the various purposes of the pro-forma consolidated data as compared to historical figures, and in consideration of the various methodologies used to calculate the pro-forma adjustments made to the Issuer's consolidated financial statements, the pro-forma consolidated statement of financial position and income statement have to be reviewed and interpreted separately, without attempting to find accounting connections between them.

The valuation criteria used to prepare the pro-forma adjustments and to draft the Pro-Forma Consolidated Financial Statements are consistent with those used in the Issuer's Consolidated Financial Statements as of December 31, 2017, to which reference should be made.

The presentation of the Pro-Forma Consolidated Financial Statements is made on a report with separate columns in order to analytically present the transactions subject of the pro-forma adjustments. The Issuer's Pro-Forma Consolidated Financial Statements include:

- The Issuer's consolidated historical data (column A)
- historical data of General Cable converted into Euros and reclassified according to the schemes used by the Issuer (column B);
- the impact on General Cable's consolidated historical data of the adoption of IFRS accounting standards, consistent with those used in the Prysmian Group, on the basis of the preliminary analysis completed as of the date of the preparation of Pro-Forma Consolidated Financial Statements (column C);
- the impact of the Acquisition (column D);
- the impact of the Acquisition financing, also taking into consideration the new financing agreements and the refinancing of General Cable's financial indebtedness (column E)
- the impact of the Capital Increase consisting in the offering of the new shares to existing shareholders for a total amount EUR 500 million (column F);
- the Issuer's pro-forma consolidated values (column G).

Finally, pursuant to Annex II of the Regulation 809/2004/EC, all the adjustments reflected in the pro-forma consolidated data are considered to have a permanent effect, with the exception of those indicated at the end of the pro-forma consolidated income statement with comments in the notes.

***Base assumptions for the preparation of the Pro-Forma Consolidated Financial Statements***

Pro-Forma Consolidated Financial Statements were prepared on the basis of the following base assumptions:

<u>Business Combination: Application of IFRS 3 – Business Combinations</u>

Pro-Forma Consolidated Financial Statements were prepared assuming, with reference to the Acquisition, the following data governed by the Merger Agreement:

- Number of shares to be acquired: 50,813,642;
- Unit price equal to USD 30.00 per Share

The total consideration for the Acquisition has been determined to amount to USD 1,524 million, equal to EUR 1,295 million, on the basis of the Euro/U.S. Dollar exchange rate effectively applied for the supply of this amount in currency (1.1774 Euro/U.S. Dollar). Furthermore, the in the context of the Acquisition it is provided that the Issuer shall refinance the existing indebtedness of General Cable, which has been determined to amount to:

- USD 1,354 million, equal to EUR 1,129 million, on the basis of the Euro/U.S. Dollar exchange rate as of December 31, 2017 (1.199 Euro/U.S. Dollar).

With regard to these aspects, in order to limit the potential fluctuations of the exchange rates, the Issuer has entered into certain derivatives contracts, collectively constituting a zero cost collar, with a notional value of USD 2,700 million (EUR 2,293 million, at an Euro/U.S. Dollar exchange rate actually applied for the supply of this amount in currency equal to 1.1774). The use of these instruments is in order to limit the potential fluctuations of the EUR/US Dollar exchange rate in the range between 1.16 Euro/U.S. Dollar and 1.245 Euro/U.S. Dollar.

As reported above, following the closing of the Acquisition, the Issuer will obtain control over General Cable, and will account for the Acquisition in the Issuer's consolidated financial statements in accordance with IFRS 3 as follows:

- all identifiable assets acquired and identifiable liabilities assumed by the Issuer in the course of the Acquisition, except for some items as specified in the reference accounting standard, will be measured at their fair value as of the control acquisition date;
- goodwill will be determined as the difference between (i) the sum of the consideration transferred for the acquisition of control and any non-controlling interest in the acquiree; and (ii) the fair value of the assets acquired liabilities assumed by means of the Acquisition.

Nonetheless, in accordance with the rules set for the preparation of pro-forma statements, which are specified in the previously mentioned CONSOB Communication DEM/1052803 of July 5, 2001, in order to prepare the Pro-Forma Consolidated Financial Statements, the same assets and liabilities were measured consistently with the statement of financial-asset position of General Cable as of March 31, 2018. In this regard, we specify that due to the limited amount of time between the Acquisition date and the date of preparation of the Informative Document, we do not have sufficient information to perform an analytical estimate of fair value of the assets and liabilities of General Cable, which are hence measured, in the Pro-Forma Consolidated Financial Statements, at their respective historical book values, converted into Euros and eventually reclassified in order to be consistent with the valuation and classification criteria used by the Issuer.

For the purposes of the preparation of the consolidated financial statements for the periods following the Acquisition, the Issuer will complete the valuation process of identifiable assets acquired and identifiable assumed liabilities within the terms set out by IFRS 3, paragraph 45, which provides for the possibility to conclude such process within a reasonable time, in order to obtain the information necessary to identify and measure the following as of the acquisition date:

- the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree;
- the consideration transferred for the acquiree;
- the resulting goodwill or gain on a bargain purchase.

During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date which, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date which, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

For the purposes of the preparation of the Pro-Forma Consolidated Financial Statements presented here, for the reasons mentioned above, the difference between the value, either actual or preliminarily estimated, of the items listed above, and General Cable's net equity as of March 31, 2018 determined in accordance with IFRS (either decreased or increased, following adjustments mainly related to the estimated value of General Cable's indebtedness reimbursement and to some costs directly related to both the Acquisition and to personnel expenses, that General Cable is expected to incur before the Acquisition effective date) has been accounted for as an "Intangible Fixed Asset". The amount of EUR 14 million, emerging from the difference between General Cable net assets as of December 31, 2017 and the corresponding amount as of March 31, 2018, which has been considered in order to determine the temporary value of the Difference to be Allocated emerging from the Acquisition, has been recorded as a non-current financial asset, consistently with pro-forma preparation principles.

For the purposes of the preparation of the Informative Document, in order to evaluate any non-controlling interests, the Issuer ha preliminarily considered an amount equal to the amount recorded in the financial statements.

It shall be noted that both the amount of non-controlling Interests and of the consolidation difference to be allocated, hereby reported for pro-forma purposes, might differ, also significantly, from actual data that will be recognized, in relation to the fair value of the identifiable assets acquired and the identifiable liabilities assumed. The income statements of future periods will also reflect the impact of such allocations, which are not included in the pro-forma income statement.

Finally, actual data will be determined on the basis of exchange rates as of the control acquisition date that might differ, from those used for the purposes of pro-forma adjustments onto the statement of financial-asset position.

General Cable indebtedness refinancing

As part of the Acquisition, the Issuer assumes that a significant part of General Cable's indebtedness (equal to 94% of the indebtedness in existence as of December 31, 2017) will be refinanced, as:

- the Revolving Credit Facility (EUR 217 million as of December 31, 2017), includes an automatic repayment clause in case of change in control, which will be triggered as soon following the Acquisition becoming effective;
- the Subordinated Convertible Notes (as of December 31, 2017, EUR 147 million accounted for as liabilities and EUR 211 million as equity) provide the option for bondholders, following the publications of a fundamental change conversion notice by the issuing company, to convert the notes into shares, applying the conversion rate set forth (increased by the make whole premium related to the make whole transactions) and to obtain cash consideration in exchange. The resulting number of shares has been valued on the basis of the unit price of USD 30.00 per share, or USD 466 million in total (EUR 389 million as of December, 31, 2017). On the basis of the evaluation of the economic conditions related to the exercise of this option, the Issuer considers very likely that such option will be exercised in full in that failure to exercise it might be detrimental to them;
- the 5.75% Senior Notes (EUR 503 million as for December 31, 2017) provide for the possibility for the company to exercise an optional redemption, which would allow purchase such Notes from bondholders for an amount equal to the nominal amount, increased by a premium, to be determined in accordance with the Notes' indenture.

The 5.75% Senior Notes indenture provides for an optional redemption at the company's discretion at the prices listed below:

| | **Purchase price** |
|---|---|
| 12-month period beginning October 1, 2017 | 102.875% |
| 12-month period beginning October 1, 2018 | 101.917% |
| 12-month period beginning October 1, 2019 | 100.958% |
| 12-month period beginning October 1, 2020 and following | 100.000% |

For the purposes of the preparation of the Pro-Forma Consolidated Financial Statements, there was assumed a redemption price of USD 618 million (EUR 502 million), equal to 102.875% of the nominal value of USD 600 million (EUR 487 million). This means a redemption premium of USD 18 million (EUR 15 million) compared to the nominal value of the bonds Having assessed the economic conditions related to the exercise of this option, on June 6, 2018, the Issuer, taking into account the significant economic advantage linked with the redemption of such 5.75% Senior Notes, exercised the option of redemption.

Interest rates

Interest rates applicable to the new financing arrangements agreed by the Issuer were assumed equal to:

- o EUR 1,000 million Term-Loan nominal value: 1.67%, determined on the basis of the terms and conditions of the related financing agreement, and taking into account the effects of derivative financial instruments on interest rates stipulated for the purposes of cover during 2018 for a notional amount of EUR 850 million;
- o EUR 700 million Bridge Loan nominal value: 0.78%, determined on the basis of the terms and conditions of the related financing agreement.

Transaction costs

Transaction costs related to financing agreements obtained by the Issuer were estimated at EUR 9 million, while transactions costs related to the Capital Increase were estimated at EUR 9 million.

<u>Tax Effects</u>

The tax effects of the specific pro-forma adjustments have been calculated considering the applicable tax rate. With specific reference to the refinancing of General Cable's indebtedness, it shall be noted that a preliminary analysis resulted in a positive tax effect also related to the conversion of the convertible bond equal to.

- EUR 42 million as of December, 31 2017

Due to the complexity of the tax discipline and the fact that the Issuer deems that the pro-forma representation includes the best available estimate of these tax effects, there is the risk that actual data might differ, also significantly, from those reported in the Pro-Forma Consolidated Statements included in the Informative Document.

***Pro-Forma Consolidated Financial Statements as of December 31, 2017***

## Pro-forma consolidated statement of financial-asset position as of December 31, 2017

| (In Euro million) | Prysmian Group consolidated statement of financial and asset position | General Cable U.S. GAAP reclassified consolidated statement of financial and asset position | Pro-forma adjustments | | | | Pro-forma Prysmian Group consolidated statement of financial and asset position |
|---|---|---|---|---|---|---|---|
| | | | U.S. GAAP – IFRS adjustments | Acquisition | Acquisition Financing and General Cable Indebtedness refinancing | Capital increase | |
| | (A) | (B) | (C) | (D) | (E) | (F) | (G) |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 1,646 | 456 | - | - | - | - | 2,102 |
| Intangible fixed assets | 735 | 28 | - | 1,458 | - | - | 2,221 |
| Equity-accounted shareholdings | 217 | - | - | - | - | - | 217 |
| Available-for-sale financial assets | 12 | - | - | - | - | - | 12 |
| Financial assets held to maturity | 2 | - | - | 14 | - | - | 16 |
| Derivatives | 14 | 16 | - | - | - | - | 30 |
| Deferred tax assets | 135 | 7 | - | 26 | - | - | 168 |
| Other receivables | 18 | 28 | - | (15) | - | - | 31 |
| **Total non-current assets** | **2,779** | **535** | **-** | **1,483** | **-** | **-** | **4,797** |
| **Current assets** | | | | | | | |
| Inventories | 954 | 614 | - | - | - | - | 1,568 |
| Trade receivables | 1,131 | 539 | - | - | - | - | 1,670 |
| Other receivables | 448 | 67 | - | - | - | - | 515 |
| Financial assets held for trading | 40 | - | - | - | - | - | 40 |
| Derivatives | 45 | 7 | - | - | - | - | 52 |
| Available-for-sale financial assets | 11 | - | - | - | - | - | 11 |
| Cash and cash equivalents | 1,335 | 71 | - | 1,340 | 562 | 491 | 1,119 |
| **Total current assets** | **3,964** | **1,298** | **-** | **1,340** | **562** | **491** | **4,975** |
| Assets held for sale | - | - | | | | | - |
| **Total assets** | **6,743** | **1,833** | **-** | **143** | **562** | **491** | **9,772** |
| **Equity and reserves attributable to the Group** | **1,487** | **108** | **2** | **(112)** | **-** | **493** | **1,978** |
| Share capital | 22 | 463 | - | (463) | - | 500 | 522 |
| Reserves | 1,465 | (355) | 2 | 351 | - | (7) | 1,456 |
| **Capital and reserves attributable to non-controlling interests** | **188** | **3** | **-** | **-** | **-** | **-** | **191** |
| **Total equity** | **1,675** | **111** | **2** | **(112)** | **-** | **493** | **2,169** |
| **Long-term debt** | | | | | | | |
| Borrowings from banks and other lenders | 1,466 | 867 | - | 262 | 572 | - | 3,167 |
| Other payables | 8 | 15 | (3) | - | - | - | 20 |
| Provisions for risks and charges | 33 | 7 | - | - | - | - | 40 |
| Derivatives | 2 | - | - | - | - | - | 2 |
| Deferred tax liabilities | 103 | 91 | 1 | (92) | - | - | 103 |
| Employee benefit obligations | 355 | 118 | 1 | - | - | - | 474 |
| **Total non-current liabilities** | **1,967** | **1,098** | **(1)** | **170** | **572** | **-** | **3,806** |
| **Current liabilities** | | | | | | | |
| Borrowings from banks and other lenders | 370 | 49 | - | - | (10) | - | 409 |
| Trade payables | 1,686 | 368 | - | - | - | - | 2,054 |
| Other payables | 671 | 186 | - | 34 | - | - | 891 |
| Derivatives | 35 | 1 | - | - | - | - | 36 |
| Provisions for risks and charges | 321 | 5 | - | - | - | - | 326 |
| Current tax payables | 18 | 15 | (1) | 51 | - | (2) | 81 |
| **Total current liabilities** | **3,101** | **624** | **(1)** | **85** | **(10)** | **(2)** | **3,797** |
| **Total liabilities** | **5,068** | **1,722** | **(2)** | **255** | **562** | **(2)** | **7,603** |
| **Total equity and liabilities** | **6,743** | **1,833** | **-** | **143** | **562** | **491** | **9,772** |

## Pro-forma consolidated income statement for the year ended December 31, 2017

| (In Euro million) | **Prysmian Group consolidated Income Statement** | **General Cable U.S. GAAP Reclassified consolidated Income Statement** | **Pro-forma adjustments** | | | | **Pro-forma Prysmian Group consolidated Income Statement** |
|---|---|---|---|---|---|---|---|
| | | | U.S. GAAP – IFRS adjustments | Acquisition | Acquisition Financing and General Cable indebtedness refinancing | Capital increase | |
| | (A) | (B) | (C) | (D) | (E) | (F) | (G) |
| Revenues from sales of goods and services | 7,901 | 3,396 | - | - | - | - | 11,297 |
| Change in inventories of work in progress, semi-finished and finished goods | 57 | (29) | - | - | - | - | 28 |
| Other income | 81 | - | - | - | - | - | 81 |
| Raw materials, consumables used and goods for resale | (4,912) | (2,558) | - | - | - | - | (7,470) |
| Fair value change in metal derivatives | 12 | 17 | - | - | - | - | 29 |
| Personnel costs | (1,086) | (450) | 2 | - | - | - | (1,534) |
| Amortization, depreciation, impairment and impairment reversals | (199) | (68) | - | - | - | - | (267) |
| Other expenses | (1,475) | (273) | - | 30 | - | - | (1,718) |
| Share of net profit/(loss) of equity-accounted companies | 42 | - | - | - | - | - | 42 |
| **Operating income** | **421** | **35** | **2** | **30** | **-** | **-** | **488** |
| Finance costs | (443) | (72) | (5) | 17 | 36 | - | (467) |
| Finance income | 327 | 3 | - | - | - | - | 330 |
| **Profit/(loss) before taxes** | **305** | **(34)** | **(3)** | **47.** | **36** | **-** | **351** |
| Taxes | (82) | (14) | 8 | (11) | (16) | | (115) |
| **Net profit/(loss) for the year** | **223** | **(48)** | **5** | **36** | **20** | **-** | **236** |

## Pro-forma consolidated Cash-flow Statement for the year ended December 31, 2017

| (In Euro million) | Prysmian Group Cash-flow Statement | Reclassified GC Group U.S. GAAP Consolidated Cash-flow Statement | Pro-forma adjustments: U.S. GAAP – IFRS Adjustments | Pro-forma adjustments: Acquisition | Pro-forma adjustments: Acquisition Financing and General Cable indebtedness refinancing | Pro-forma adjustments: Capital increase | Pro-forma Prysmian Group consolidated Cash-flow Statement |
|---|---|---|---|---|---|---|---|
| | (A) | (B) | (C) | (D) | (E) | (F) | (G) |
| Profit/(loss) before taxes | 305 | (34) | (3) | 47. | 36 | - | 351 |
| Depreciation, impairment and impairment reversals of property, plant and equipment | 154 | 60 | - | - | - | - | 214 |
| Amortization and impairment of intangible fixed assets | 45 | 7 | - | - | - | - | 52 |
| Net gains on disposal of property, plant and equipment, intangible fixed assets and acquisition purchase price adjustment | (2) | (1) | - | - | - | - | 1 |
| Profits/(losses) of operating and financial investment and divestment activities | - | 64 | - | - | - | - | 64 |
| Share of net profit/(loss) of equity-accounted companies | (42) | - | - | - | - | - | (42) |
| Share-based payments | 49 | 2 | - | (45) | - | - | 6 |
| Fair value change in metal derivatives and other fair value items | (12) | (17) | - | - | - | - | (29) |
| Net finance costs | 116 | 73 | 5 | (17) | (36) | - | 141 |
| Changes in inventories | (101) | 16 | - | - | - | - | (85) |
| Changes in trade receivables/payables | 122 | (16) | - | - | - | - | 106 |
| Changes in other receivables/payables | 67 | (95) | - | - | - | - | (28) |
| Taxes paid | (104) | (9) | - | - | - | - | (113) |
| Dividends received from equity-accounted companies | 10 | - | - | - | - | - | 10 |
| Utilizations of provisions (including employee benefit obligations) | (64) | (9) | - | - | - | - | (73) |
| Increases and/or releases of provisions (including employee benefit obligations) | 64 | (7) | (2) | - | - | - | 55 |
| **Net cash flow provided by/(used in) operating activities (A)** | **607** | **34** | **-** | **(15)** | **-** | **-** | **626** |
| Net cash flow from acquisitions and/or disposals | (7) | 2 | - | (1,199) | - | - | (1,204) |
| Investments in property, plant and equipment | (237) | (75) | - | - | - | - | (312) |
| Disposals of property, plant and equipment and assets held for sale | 3 | 11 | - | - | - | - | 14 |
| Investments in intangible fixed assets | (20) | - | - | - | - | - | (20) |
| Investments in financial assets held for trading | (2) | (9) | - | - | - | - | (11) |
| Disposals of financial assets held for trading | 11 | - | - | - | - | - | 11 |
| Investments in available-for-sale financial assets | (13) | - | - | - | - | - | (13) |
| Investments in associates | (1) | - | - | - | - | - | (1) |
| **Net cash flow provided by/(used in) investing activities (B)** | **(266)** | **(71)** | **-** | **(1,199)** | **-** | **-** | **(1,536)** |
| Capital contributions and other changes in equity | 3 | - | - | - | - | 491 | 494 |
| Share buyback | (100) | - | - | - | - | - | (100) |
| Dividend distribution | (101) | (33) | - | - | - | - | (134) |
| Loans repayment | (66) | (1,741) | - | - | (1,129) | - | (2,936) |
| Proceeds of new loans | 710 | 1,859 | - | - | 1,691 | - | 4,260 |
| Finance costs paid | (398) | 67 | - | - | 36 | - | (429) |
| Finance income received | 328 | - | - | - | - | - | 328 |
| Changes in other net financial receivables/payables | (7) | - | - | - | - | - | (7) |
| **Net cash flow provided by/(used in) financing activities (C)** | **369** | **18** | **-** | **-** | **598** | **491** | **1,476** |
| Currency conversion gains/(losses) on cash and cash equivalents (D) | (21) | (6) | - | - | - | - | (27) |
| **Total cash flow provided/(used) in the year E=(A+B+C+D)** | **689** | **(25)** | **-** | **(1,214)** | **598** | **491** | **539** |
| Net cash and cash equivalents at the beginning of the year (F) | 646 | 96 | - | (96) | - | - | 646 |
| Changes in pro-forma income statement, not reflected in the pro-forma statement of asset position (G) | | | - | (30) | (36) | - | (66) |
| **Net cash and cash equivalents at the end of the year (E+F+G)** | **1,335** | **71** | **-** | **1,340** | **562** | **491** | **1,119** |

***Explanatory notes to Pro-Forma Consolidated Financial Statements as of December 31, 2017***

Column A – Prysmian Group Consolidated Data

The column includes historical data of the Issuer extracted from the Prysmian Group 2017 Annual Report.

Column B – Reclassified General Cable U.S. GAAP General Cable Consolidated Data

The column includes historical General Cable data taken from General Cable Financial Statements 2017, 2016 and 2015, converted into Euros and reclassified in accordance to the schemes used by the Issuer.

In detail, the tables included below in this explanatory note set forth:

- General Cable's economic, financial and assets data as of December 31, 2017, prepared in accordance with U.S. GAAP and presented in millions of U.S. Dollars, as reported in General Cable's Financial Statements 2017, 2016 and 2015; data has been presented preliminarily reclassified, on the basis of information available to date, adopting presentation and aggregation criteria, which are consistent with the Prysmian Group's financial statements;
- General Cable's economic, financial and assets data as of December 31, 2017, prepared in accordance with U.S. GAAP and presented after being converted at the spot rate of 1.199 Euro/U.S. Dollar (at the December 31, 2017 employed in the preparation of the consolidated statement of financial and asset position of the Prysmian Group), while the financial flows were converted at the 2017 average spot rate of 1.13 Euro/U.S. Dollar (average data of the year 2017 employed for the preparation of the Prysmian Group's consolidated statement of financial position 2017).

Conversion of U.S. GAAP financial and asset position of General Cable, reclassified:

| | (In U.S. Dollar million) | (In Euro million) |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | 547 | 456 |
| Intangible fixed assets | 34 | 28 |
| Equity-accounted shareholdings | - | - |
| Available-for-sale financial assets | - | - |
| Financial assets held to maturity | - | - |
| Derivatives | 19 | 16 |
| Deferred tax assets | 8 | 7 |
| Other receivables | 33 | 28 |
| **Total non-current assets** | **641** | **535** |
| **Current assets** | | |
| Inventories | 736 | 614 |
| Trade receivables | 646 | 539 |
| Other receivables | 79 | 67 |
| Financial assets held for trading | - | - |
| Derivatives | 8 | 7 |
| Available-for-sale financial assets | - | - |
| Cash and cash equivalents | 85 | 71 |
| **Total current assets** | **1,554** | **1,298** |
| Assets held for sale | - | - |
| **Total assets** | **2,195** | **1,833** |
| **Equity and reserves attributable to the Group** | **129** | **108** |
| Share capital | 555 | 463 |
| Reserves | (426) | (355) |
| **Equity attributable to non-controlling interests** | **3** | 3 |
| **Total equity** | **132** | **111** |
| **Long-term debt** | | |
| Borrowings from banks and other lenders | 1,039 | 867 |
| Other payables | 18 | 15 |
| Provisions for risks and charges | 8 | 7 |
| Derivatives | - | - |
| Deferred tax liabilities | 109 | 91 |
| Employee benefit obligations | 141 | 118 |
| **Total non-current liabilities** | **1,315** | **1,098** |
| **Current liabilities** | | |
| Borrowings from banks and other lenders | 59 | 49 |
| Trade payables | 441 | 368 |
| Other payables | 223 | 186 |
| Derivatives | 1 | 1 |
| Provisions for risks and charges | 6 | 5 |
| Current tax payables | 18 | 15 |
| **Total current liabilities** | **748** | **624** |
| **Total liabilities** | 2,063 | 1,722 |
| **Total equity and liabilities** | **2,195** | **1,833** |

Conversion of General Cable's consolidated statement of income, prepared in accordance with U.S. GAAP, reclassified:

| | (In U.S. Dollar million) | (In Euro million) |
|---|---|---|
| Revenues from sales of goods and services | 3,837 | 3,396 |
| Change in inventories of work in progress, semi-finished and finished goods | (33) | (29) |
| Other income | - | - |
| Raw materials, consumables used and goods for resale | (2,890) | (2,558) |
| Fair value change in raw materials derivatives | 19 | 17 |
| Personnel costs | (508) | (450) |
| Amortization, depreciation, impairment and impairment reversals | (77) | (68) |
| Other expenses | (308) | (273) |
| Share of net profit/(loss) of equity-accounted companies | - | - |
| **Operating income** | **40** | **35** |
| Finance costs | (81) | (72) |
| Finance income | 3 | 3 |
| **Profit/(loss) before taxes** | **(38)** | **(34)** |
| Taxes | (16) | (14) |
| **Net profit/(loss) for the year** | **(54)** | **(48)** |

Conversion of General Cable's consolidated cash-flow statement, prepared in accordance with U.S. GAAP, reclassified:

| | **Consolidated financial and asset position, prepared in accordance with U.S. GAAP, of the GC Group, reclassified** | **Consolidated financial and asset position, prepared in accordance with U.S. GAAP, of the GC Group, reclassified** |
|---|---|---|
| Profit/(loss) before taxes | (38) | (34) |
| Depreciation, impairment and impairment reversals of property, plant and equipment | 68 | 60 |
| Amortization and impairment of intangible fixed assets | 8 | 7 |
| Net gains on disposal of property, plant and equipment, intangible fixed assets and acquisition purchase price adjustment | 72 | 64 |
| Profits/(losses) from operating and financial investment and divestment activities | (1) | (1) |
| Share of net profit/(loss) of equity-accounted companies | | - |
| Share-based payments | 2 | 2 |
| Fair value change in raw materials derivatives and other fair value items | *(18)* | (17) |
| Net finance costs | 82 | 73 |
| Changes in inventories | 18 | 16 |
| Changes in trade receivables/payables | (18) | (16) |
| Changes in other receivables/payables | (109) | (95) |
| Taxes paid | (10) | (9) |
| Dividends received from equity-accounted companies | - | - |
| Utilizations of provisions (including employee benefit obligations) | (10) | (9) |
| Increases and/or releases of provisions (including employee benefit obligations) | (8) | (7) |
| **Net cash flow provided by/(used in) operating activities (A)** | **38** | **34** |
| Net cash flow from acquisitions and/or disposals | 2 | 2 |
| Investments in property, plant and equipment | (85) | (75) |
| Disposals of property, plant and equipment and assets held for sale | 12 | 11 |
| Investments in intangible fixed assets | - | - |
| Investments in financial assets held for trading | (10) | (9) |
| Disposals of financial assets held for trading | - | - |
| Investments in available-for-sale financial assets | - | - |
| Investments in associated companies | - | - |
| **Net cash flow provided by/(used in) investing activities (B)** | **(81)** | **(71)** |
| Capital contributions and other changes in equity | - | - |
| Share buyback | - | - |
| Dividend distribution | (37) | (33) |
| Loans repayment | (1,967) | (1,741) |
| Proceeds of new loans | 2,101 | 1,859 |
| Finance costs paid | (76) | 67 |
| Finance income received | - | - |
| Changes in other net financial receivables/payables | - | - |
| **Net cash flow provided by/(used in) financing activities (C)** | **21** | **18** |
| Currency translation gains/(losses) on cash and cash equivalents (D) | 6 | (6)* |
| **Total cash flow provided/(used) in the year E=(A+B+C+D)** | **(16)** | **(25)** |
| Net cash and cash equivalents at the beginning of the year (F) | 101 | 96 |
| **Net cash and cash equivalents at the end of the year (E+F)** | **85** | **71** |

*These items also include the difference due to the different exchange rate applied to the flows of the year compared to balance sheet data

With reference to the reclassification of the historic General Cable U.S. GAAP data, it should be noted that this derives from a preliminary analysis. Upon completion of this analysis, differences, also significant, could be identified regarding the reclassification of data in accordance with the schemes used by the Issuer.

Column C – U.S. GAAP - IFRS Adjustments

The column sets forth the preliminary adjustments to General Cable U.S. GAAP data, in order to comply with IFRS, made on a preliminary basis, on the basis of the information available on the date of drafting the Issuer's Pro-Forma Consolidated Financial Statements.

In detail, the column reflects the following impacts on the statement of balance sheet position:

- “Other Payables”: the column includes a reduction of EUR 3 million, related to the gain recognized in a “sales and lease-back” transaction, which has been deferred in accordance with U.S. GAAP accounting standards over the residual term of the operational leasing agreement but, in accordance with IFRS standards, shall be recognized as incurred;
- “Deferred Tax Liabilities”: the column includes a reduction of EUR1 million, mainly related to the measurement of defined benefit plans for employees in accordance with IFRS accounting standards.
- “Employee Benefit Obligations”: the column includes an increase of EUR 1 million due to the measurement of defined benefit plans for employees in accordance with IFRS accounting standards (General Cable has requested an actuarial service specialist to perform an evaluation of the existing plans, applying criteria and assumptions which are consistent with those adopted by the Issuer in the Consolidated Financial Statements 2017);
- “Current tax payables”: the column includes a reduction of EUR 1 million due to the measurement of defined benefit plans for employees in accordance with IFRS accounting standards;
- “Reserves”: the column includes a reduction of EUR 2 million, as a consequence of the effects described above.

With reference to the economic data, the column reflects the following impacts:

- “Personnel costs”: the column includes a reduction of EUR 2 million mainly related to the measurement of defined benefit plans for employees in accordance with IFRS accounting standards;
- “Finance Costs”: the column includes an increase of EUR 5 million mainly related to the measurement of defined benefit plans for employees in accordance with IFRS accounting standards;
- “Taxes”: the column includes a reduction of EUR 8 million due to the reclassification from income statement to comprehensive income statement of the remeasurement of deferred taxes on employee benefits which, in accordance with U.S. GAAP standards, had been recognized in the income statement of the period, while IFRS standards require them to be released in the comprehensive income statements (consistently with the items which had originated those deferred taxes – so-called “backwards tracing”)

All adjustments reflected on this column of the pro-forma income statement shall have a permanent effect.

With reference to the financial data, the column reflects the following impacts:

- “Net finance costs”: the column includes an increase of EUR 5 million mainly related to the measurement of defined benefit plans for employees in accordance with IFRS accounting standards;
- Accrual and Utilizations of provisions (including employee benefit obligations): the column includes a decrease of EUR 2 million due to the remeasurement of provisions for employee benefit obligations in accordance with IFRS accounting standards;

Concerning the adjustments to General Cable’s historical U.S. GAAP data, it should be noted that significant differences have not been identified between U.S. GAAP and IFRS. Upon completion of this analysis, further differences, even significant, could be identified regarding between U.S. GAAP and IFRS.

<u>Column D – Acquisition</u>

With reference to the statement of financial-asset position, the adjustment in question reflects the impacts deriving from the consolidation of General Cable, in accordance with assumptions outlined in the paragraph “Base assumptions for the preparation of the Pro-Forma Consolidated Financial Statements”, and with the consequent preliminary calculation of the item recorded as “Intangible Fixed Assets”, which represents the estimate of the algebraic sum of the differences with respect to the accounting values that emerge following the measurement of the assets and liabilities at their fair value together with, on a residual basis, the goodwill.

The item has been determined as follows:

| | (In U.S. Dollar million) | (In Euro million) |
|---|---|---|
| Number of purchased shares | 50,813,642 | |
| Unit price per share (in U.S. Dollars) | 30 | |
| **Fair value of the consideration to be transferred to General Cable shareholders (A)** | **1,524** | **1,295** |
| | | |
| General Cable equity as of December 31, 2017 (U.S. GAAP) | 132 | 111 |
| | | |
| Equity adjustments for: | | |
| U.S. GAAP – IFRS Adjustments | 2 | 2 |
| Transaction costs, net of the relative tax impact | (29) | (24) |
| Stock option plans and other personnel related expenses, net of the relative tax impact | (43) | (36) |
| General Cable indebtedness adjustment to the reimbursement value | (322) | (269) |
| Tax Impact of General Cable indebtedness Adjustment to the reimbursement value | 51 | 42 |
| **Net value of acquired assets/assumed liabilities (B)** | **(209)** | **(174)** |
| **Non-controlling interests (C)** | **3** | **3** |
| **Difference from net value of acquired assets/assumed liabilities as of March 31, 2018 net of the share of non-controlling interests(D)** | | **(14)** |
| **Difference to be allocated (A-(B-C-D))** | | **1,458** |

The fair value of the consideration transferred to the shareholders of General Cable includes the fair value of the consideration paid for 100% of ordinary capital of General Cable; it being a cash payment it has been identified as equal to USD 30.00 per share subject to purchase.

Non-controlling interests reflects the book value of capital and reserve of minorities, reported as non-controlling capital and reserves in General Cable equity. The amount reflects also the effects attributable to U.S. GAAP - IFRS Adjustments.

The value of net acquired assets and assumed liabilities, as outlined in paragraph “Base assumptions for the preparation of the Pro-Forma Consolidated Financial Statements”, has been preliminarily identified as book net equity of General Cable as of December 31, 2017 (EUR 111 million), as adjusted in order to consider:

1) U.S. GAAP – IFRS adjustments (EUR 2 million), described in more detail under explanatory note “Column C – U.S. GAAP - IFRS Adjustments”;
2) transaction costs related to the Acquisition, that will be incurred by General Cable before the Acquisition effective date (EUR 31million), net of a tax impact of EUR 7 million;

3) costs related to stock-option plans and leave incentives provided for the top management, that will be incurred by General Cable before the Acquisition effective date (EUR 45 million), net of a tax impact of EUR 9 million. In particular, these relate to (i) the termination of stock-option incentive plans currently in place in General Cable, which, based on the merger agreement, will be terminated through the payment of an amount determined consistently with that provided in favour of the selling shareholders, and (ii) costs for leave incentives to current General Cable outgoing management;
4) the adjustment of General Cable indebtedness book value to the Issuer's estimated value of reimbursement. In detail, this amount was determined by considering early reimbursement of the following values:

| | (In U.S. Dollar million) | | (In Euro million) | |
|---|---|---|---|---|
| | Net Book Value as of December 31, 2017 | Reimburse ment Value | Net Book Value as of December 31. 2017 | Reimburse ment Value |
| Revolving Credit Facility (*) | 261 | 261 | 217 | 217 |
| 5.75% Senior Notes | 603 | 627 | 503 | 523 |
| Subordinated Convertible Notes | 176 | 466 | 147 | 389 |
| **Total** | **1,040** | **1,354** | **867** | **1,129** |
| of which, non-current liabilities | 1,028 | 1,342 | 857 | 1,119 |
| of which, current liabilities | 12 | 12 | 10 | 10 |

(*) The net book value does not include the amount of USD 8 million (EUR 7 million) classified as "Other Receivables" and related to the unamortized portion of transaction costs related to such credit facilities.

In particular, the difference between book values and reimbursement values are as follows:

- for the 5.75% Senior Notes: write-off of transaction costs not yet amortized, and previously directly offsetting debt (EUR 5 million) and, for the remaining part, the estimate of the premium related to the early repayment of the Notes through the "optional redemption" method, as provided by the said Notes indenture;
- for the Subordinated Convertible Notes: write-off of transaction costs not yet amortized, and previously directly offsetting debt (EUR 3 million), recognition, as a liability, of the Convertible Notes component previously recorded as the company's equity, in accordance with accounting standards (EUR 211 million) and, for the remaining part, the estimate of the premium related to the early repayment of the Notes through the "make whole" method, as provided by the rules of the Notes indenture;

5) the tax impact of adjustments on the indebtedness described above *sub* 4), amounting to EUR 42 million.

As outlined in paragraph "Base assumptions for the preparation of the Pro-Forma Consolidated Financial Statements", regarding the valuation process of identifiable acquired assets and assumed liabilities, and the related measurement period, it shall be noted that, as of the Date of the Informative Document, such period has not expired yet, and, while awaiting reliably measurable elements in an objective manner, in particular in relation to tangible and intangible assets with definite useful life, pro-forma adjustments have not been recorded.

On the basis of these elements, the column includes the following balance sheet impacts:

- "Intangible Fixed Assets": the column includes the pro-forma adjustments of EUR 1,458 million of the Difference to be allocated, as determined in the calculation table above, which reflects the positive difference between the fair value of the consideration transferred to the shareholders of General Cable and the Value of the net assets acquired/assumed (net of any non-controlling interests);

- "Financial assets held to maturity": the column includes the impact of EUR 14 million related to the difference between the adjusted net assets of General Cable as of December 31, 2017, and the corresponding net book value as of March 31, 2018 (allocated to such item in accordance with the pro-forma preparation technical rules);
- "Deferred Tax Assets": the column includes the pro-forma adjustment of EUR 26 million related to the tax impacts of the transaction costs, that General Cable will incur before the Acquisition effective date (EUR 7 million); of the stock-option plans and leave incentive costs (EUR 9 million); of transaction costs that Prysmian will incur (EUR 1 million); and of the "optional redemption" of the 5.75% Senior Notes (EUR 3 million); of the reclassification of EUR 6 million, equal to the difference between the adjustments described below with reference to the deferred tax liabilities with respect of the balance of the net deferred tax liabilities presented in the General Cable Financial Statements 2017, 2016 and 2015;
- "Other Receivables": the column includes a reduction of EUR 15 million related (i) for EUR 7 million to the write-off of transaction costs not yet amortized of the Revolving Credit Facility which will be extinguished in the context of the Acquisition, (ii) for EUR 8 million used to decrease tax receivables, used as a reduction of so-called tax recapture related to the reimbursement of the Subordinated Convertible Notes, as described under the item "Current tax payables";
- "Cash and Cash Equivalents": the column includes a reduction of EUR 1,340 million, attributable to: (i) EUR 1,295 million, for the consideration to be transferred by Prysmian to the shareholders of General Cable and (ii) EUR 45 million for the cash outflows related to stock-option plans and leave incentives, that General Cable will incur before the Acquisition effective date;
- "Borrowings from banks and other lenders": the column includes an increase of EUR 262 million, which reflects the higher nominal amount of financial debt if recorded at the reimbursement value (EUR1,129 million), rather than the book value preceding the Acquisition (EUR 867 million[1]);
- "Deferred tax liabilities": the column includes the reduction of EUR 148 million, related to the write-off of net deferred tax liabilities related to the reimbursement of the Subordinated Convertible Notes, compensated by the decrease of EUR 50 million of the deferred tax assets recorded on tax loss carry forward, used as a reduction of tax liabilities for the "tax recapture", as described under the item "Current tax payables", as well as the reclassification of EUR 6 million equal to the adjustments described below with reference to the deferred tax assets net of deferred tax liabilities presented in the General Cable Financial Statements 2017, 2016 and 2015;
- "Other payables": the column includes an increase of EUR 34 million, related to: (i) transaction costs, that General Cable will incur before the Acquisition effective date for EUR 31 million, and (ii) EUR 3 million of transaction costs that the Issuer will incur in the context of the Acquisition;
- "Current tax payables": the column includes an increase of EUR 51 million, which is related to:
    (i) recognition of the tax payable on repatriation of non-distributed profits, as provided for by the Tax Cuts and Jobs Act approved on December 22, 2017 in the Unites States of America, amounting to EUR 38 million. Such payables had been previously compensated by tax loss carry forward, which would now be used instead as a reduction of the tax recapture described *sub* (ii);
    (ii) recognition of the tax payable related to the "tax recapture" after the reimbursement of the Subordinated Convertible Notes, amounting to EUR 13 million. Such payable is recorded net of tax receivables and deferred tax assets on tax loss carry forward, as described above.

With reference to the economic data, the column reflects the following impacts:

- "Other Costs": the column includes the impacts, amounting to EUR 30 million, of the write-off of non-recurring transaction costs related to the Acquisition, already included in the Issuer's and General Cable's historical data as of December 31, 2017;

[1] Value set out gross of the unamortized component of the transaction cost of the Revolving Credit Facility (EUR 7 million) set out among the non-current assets

- “Finance Costs”: the column includes the impacts, amounting to EUR 17 million, related to the elimination of the “zero-cost collar” underwritten, in order to cover the financial outlays in American currency related to the Acquisition and the refinancing of the General Cable indebtedness included in the Issuer’s historical data as of December 31, 2017;
- “Taxes”: the column includes tax impacts of the abovementioned adjustments for EUR11 million.

The adjustments reflected in this column of pro-forma income statements will not have a permanent effect, as they mainly relate to the offset of non-recurring components related to the Acquisition, which are included in the historical data of the Issuer and of General Cable as of December 31, 2017.

With reference to the cash-flow statement, the column includes the following impacts:

- “Shared-based payments”: the column includes the decrease of EUR 45 million related to the cash outflows for stock option plans and leave incentives, that will be borne by General Cable before the Acquisition effective date;
- “Net finance costs”: the column reflects the reduction of EUR 17 million, pertaining to the offset of the “zero-cost collar”, underwritten in order to hedge the cash outflows in American currency related to the Acquisition and the refinancing of General Cable’s debt included in the Issuer’s historical data as of December, 31 2017;
- “Net cash flow from acquisitions and/or disposals”: the column includes the reduction of EUR 1,199 million attributable to the net balance between: (i) EUR 1,295 million, for the consideration to be transferred by Prysmian to the shareholders of General Cable and (ii) EUR 96 million, equal to General Cable’s cash and cash equivalents as of January 1, 2017;
- “Net cash and cash equivalents at the beginning of the year”: the column includes the reduction of EUR 96 million, equal to General Cable’s cash and cash equivalents as of January 1, 2017 which have been reclassified into the Net cash flow provided by/(used in) financing activities, as an adjustment to the consideration to be paid by Prysmian to the selling shareholders of General Cable.

Taking into account the different reference date, which was considered for the preparation of the pro-forma statement of financial-asset position, the pro-forma income statement and the pro-forma cash-flow statement, an adjustment of EUR 30 million due to the economic and cash-flow effects not recorded in the financial-balance sheet position was reflected as “Changes in pro-forma income statement, not reflected in the pro-forma statement of balance sheet position”.

Column E – Acquisition Financing and General Cable indebtedness refinancing

The column includes the impacts of the financing of the Acquisition and of the refinancing of General Cable indebtedness through the EUR 1,000 million nominal value Term-Loan and the EUR 700 million nominal value Bridge-Loan.

The impact has been determined as shown in the table below:

| | (In Euro million) | | |
|---|---|---|---|
| | Impact on the Item Cash and cash equivalents | Impact on the Item Financial costs | Impact on the Item Taxes |
| New Financing Agreements | | | |
| Term Loan | 1,000 | 18 | 4 |
| Bridge Loan | 700 | 7 | 2 |
| Transaction costs of new financing agreements | (9) | - | - |
| Total new financing agreements | 1,691 | 25 | 6 |
| - General Cable Indebtedness to be Refinanced | (1,129) | (61) | (22) |
| **= Net Impact** | **562** | **(36)** | **(16)** |

The adjustment on financial liabilities, amounting to EUR 562 million in total, has been allocated to the non-current financial liabilities for EUR 572 million, and to the current financial liabilities for EUR (10) million, consistently with the classification of General Cable's liabilities which are being reimbursed (which included, as a current portion as of December 31, 2017, only the accrued financial interest) and with the non-current nature of the Term-Loan and the Bridge Loan. The finance costs of the new indebtedness have been determined on the basis of the interest rates set forth by the respective financing arrangements, and include the amount of EUR 3 million for the share of the cost for the issuance thereof and of competence for the period. The finance costs related to the General Cable indebtedness to be refinanced correspond to the historical values reported in the General Cable Financial Statements 2017, 2016 and 2015 in connection with the same.

All adjustments reflected on this column of the pro-forma income statement shall have a permanent impact.

With reference to the financial data, the column includes the following impacts:

- "Net finance costs": the column includes the reduction of EUR 36 million, due to the lower interest expenses accrued in the period on the Term-Loan and the Bridge-Loan, as compared to the interest expenses recorded historically accrued in General Cable Financial Statements 2017, 2016 and 2015 in connection with the financial debts, which were the object of refinancing;
- "Loan repayments": the column includes the reduction of EUR 1,129 million equal to the value of the financial outlay connected with the repayment of General Cable's financial debts, which was the subject of refinancing;
- "New loan proceeds": the column includes the increase of EUR 1,691 million, equal to the value of the Term-Loan and the Bridge-Loan, net of the respective issuance costs.
- "Net finance costs": the column includes the reduction of EUR 36 million, due to the lower interest expenses accrued in the period on the Term-Loan and the Bridge-Loan, as compared to the interest expenses historically recorded in the General Cable Financial Statements 2017, 2016 and 2015 and in connection with financial debts subject of refinancing;

  Taking into account the different date of reference, which was considered for the preparation of the pro-forma statement of financial-balance sheet position, the pro-forma income statement and the pro-forma cash-flow statement, an adjustment for the amount of EUR 36 million due to economic and cash-flow impacts not recorded in the financial-balance sheet statement was reflected in the item "Changes in pro-forma income statement and pro-forma financial statement, not reflected in the pro-forma statement of balance sheet position".

<u>Column F – Capital Increase</u>

The column includes the impacts of the Capital Increase, as the same, amounting to EUR 500 million, is specifically aimed at rebalancing Prysmian Group's post-Acquisition financial structure.

In particular, the column includes the following balance sheet impacts:

- "Cash and cash equivalents": the column includes an increase of EUR 491 million, equal to the Capital Increase, net of its directly attributable costs, which have been estimated at EUR 9 million.
- "Share Capital": the column includes an increase of EUR 500 million, equal to the value of the Capital Increase;
- "Reserves": the column includes a reduction of EUR 7 million, equal to the estimated value of transaction costs directly attributable to the Capital Increase, estimated to be equal to EUR 9 million, net of the related tax impact, estimated to be equal to EUR 2 million;

- “Current tax payables”: the column includes a reduction of EUR 2 million, equal to the tax impact in relation to the transaction costs.

The column does include no impacts on the economic data.

With reference to the financial data, the column includes the following impacts:

- “Capital contributions and other changes in equity”: the column includes the increase of EUR 491 million, equal to the value of the Capital Increase, net of the costs directly attributable to the same, estimated to be equal to EUR 9 million.

<u>Column G – Pro-Forma Data</u>

The column includes the sum of the impacts included in the previous columns.

### 5.2 Pro-Forma indicators per share

This paragraph sets forth the following historical and pro-forma data per share (the **Pro-forma indicators per share**):

(i) ordinary profit after taxation;

(ii) net profit;

(iii) cash flow.

| | Prysmian Group (A) | Prysmian Group pro-forma (G) |
|---|---|---|
| **Financial Information (in Euro million)** | | |
| Capital and reserves attributable to the group: | 1,487 | 1,978 |
| Total cash flow provided/(used) in the year | 689 | 539 |
| Net profit/(loss) for the year of the group | 227 | 240 |
| **Number of Shares (thousands)** | | |
| In circulation at the end of the period | 20,980 | 210,980* |
| Weighted average of shares in circulation | 211,684 | 211,684* |
| **Indicators per share (in Euros)** | | |
| Capital and reserves attributable to the group: | 7.05 | 9.37* |
| Total cash flow provided/(used) in the year | 3.25 | 2.55* |
| Net profit/(loss) for the year of the group | 1.07 | 1.13* |

**The number of shares deriving from the Capital Increase was not included in the denominator, as still unknown as of the date of this Informative Document.*

Profit per share was calculated based on the profit for the year attributable to the Prysmian shareholders. The inclusion of positive economic result of the acquired group and the effects of the pro-forma adjustments described above led to higher profit per share.

Inclusion of the overall cash flow provided/(used) in the year by the acquired group and the impacts of the pro-forma adjustments described above determined a lower cash flow provided/(used) per share for the year, due to the consequent impact of the cash outflow used in connection with the Acquisition, net of the proceeds of the financing of the same including by means of new loans (which have already been agreed by Prysmian with the financing banks) and of the Capital Increase.

Inclusion of the impacts of the pro-forma adjustments related to the Capital Increase determined a higher capital and reserves per share for the year attributable to the group.

In this regard, it shall be noted how the number of shares deriving from the Capital Increase was not included in the count, as it still unknown as of the date of the Informative Document. The actual value of capital and reserves per share will differ from the presented pro-forma indicator, due to the inclusion, in the denominator, of the actual number shares issued as part of the Capital Increase.

## 5.3 Independent Auditors' report on the examination of the Pro-Forma Consolidated Financial Statements

The Independent Auditors' report on the examination of the Pro-Forma Consolidated Financial Statements is attached sub Annex I to the Informative Document.

## 6. PROSPECTS OF THE ISSUER AND OF THE GROUP

### 6.1 General information on the trend of the Issuer's business since the end of the year which the latest financial statements published refers to

The global macroeconomic cycle became stronger in 2017, with an improvement in all major geographic areas, driven mainly by the recovery of the Eurozone economies and the return to a positive trend by some emerging countries, e.g. Brazil and Russia. In the United States there was a progressive strengthening of growth due to improved domestic consumption and external demand, as well as the positive effect related to tax reform introduced by the Trump administration. China's growth was solid throughout the whole of 2017, exceeding the Government's forecasts and analysts' expectations; this result was supported by sectors linked to new technologies and services, which helped offset the slowdown in investment in the traditional industries and construction sectors. The Middle East and North Africa region were the main area of weakness in 2017, suffering from the uncertainty of the geopolitical framework and the high dependence of the local economy on the oil sector.

The global economic trend in the first months of 2018 highlights a substantial confirmation of the growth trend realized in 2017 in the United States and China, despite the decision announced by both nations to introduce new commercial duties on imports of specific products. On the one hand the tax reform introduced by the Trump administration gave further oxygen to growth in the United States, while in China improvement in domestic consumption has driven economic growth over the initial months of the year. In Europe growth remains solid albeit lower than what was recorded in the final months of 2017, while the leading indicators of business and consumer confidence remain at high levels. In Brazil the trend of gradual recovery already highlighted at the end of 2017 is confirmed, supported by new-found political stability and the reduction of the inflation rate.

In this context, the Issuer foresees that, for the year 2018, that demand in the building and industrial cable cyclical businesses will grow compared to 2017, thanks to the recovery of European demand partially offset by weakness in the Middle East (Oman), while expecting a trend of stability in the utility MV cable business, with heterogeneous trends in different geographical areas. In the Energy Projects segment, compared with a market that is expected to grow, the Issuer plans to consolidate its position in the undersea cables and systems sector, compared with an expected growth of tendering activity in the second half of the year. For terrestrial systems and high-voltage cables, the Issuer expects a moderate recovery compared to 2017, with a gradual improvement of the expected results in China thanks to a new production structure. In the Oil&Gas business the Issuer expects that cable demand for new on-shore projects (primarily in North America and the Middle East) will remain stable thanks to the gradual strengthening of oil prices, while expecting weakness in the SURF business, due to pressure on prices in the Brazilian market. Finally, in the telecom operating segment organic sales growth is expected to remain solid throughout 2018, supported by strong expansion in demand for optical cables in North America and Europe, while for the copper cables for telecommunications segment it is confirmed that there will be a slowdown due to lower demand in Australia. It is also expected that, standing constant exchange rates at levels existing at the Date of the Informative Document, the transfer impact arising from conversion into the currency of consolidation of the profits of affiliates will have a negative impact on the group's operating profit expected in 2018 for approximately EUR 20-25 million.

During the year 2018, finally, the Issuer will continue in the process of rationalization of its activities, with the goal of achieving the expected cost efficiencies and strengthen competitiveness in all business segments.

### 6.2 Information relating to the reasonable profits expectation for the current year

With reference to the guidance combined 2018 of the Prysmian Group, please refer to press release of June 20, 2018 available on the Company's website www.prysmiangroup.com.

## Annexes

Annex 1: External Auditors' report concerning the Pro-Forma Consolidated Financial Statements as of December 31, 2017

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Building a better working world

# Independent auditors' report on the examination of the pro-forma consolidated financial statements of the Prysmian Group

*(Translation from the original Italian text)*

> The European Commission's regulation on Prospectuses n. 809/2004A, adopted by CONSOB in Italy under Regulation n. 11971, requires, for the preparation of the information memorandum (the "Information Document") in connection with significant mergers, demergers, acquisitions or disposals by Italian listed companies that, when unaudited pro-forma financial information are presented, the Information Document contain "a report prepared by the independent auditors stating that in their opinion the unaudited pro-forma financial information has been properly compiled on the basis stated and that basis is consistent with the accounting policies of the Italian listed company". CONSOB in Italy requires that the independent auditors' report be prepared in accordance with CONSOB Rule n. DEM/1061609 of 9 August 2001.
>
> Accordingly, a report on the examination of the unaudited pro-forma financial information was issued by the independent auditors of Prysmian S.p.A., in connection with the preparation of the Information Document by Prysmian S.p.A. pursuant to the Regulation adopted by CONSOB with Resolution no. 11971/99, as amended, for the acquisition of 100% of the share capital of General Cable Corporation (the "Transaction"), for the sole purpose of the above mentioned Italian regulation. Such report forms part of the Information Document for the Transaction.
>
> The following is the English language translation of the original Italian independent auditors' report on the examination of the unaudited consolidated pro-forma financial information of Prysmian S.p.A. under the above mentioned Italian regulation, in connection with the Transaction, and cannot be used, in whole or in part, for any other purposes.

To the Board of Directors of
Prysmian S.p.A.

1. We examined the pro-forma consolidated statement of the financial position, income statement and cash flow statement (the "Pro-Forma Consolidated Financial Statements") accompanied by the explanatory notes of Prysmian S.p.A. ("Prysmian" and, together with its subsidiaries, the "Prysmian Group") as of and for the year ended 31 December 2017.

   Such Pro-Forma Consolidated Financial Statements derive from:

   - the historical financial information related to the consolidated financial statements of the Prysmian Group as of and for the year ended 31 December 2017, prepared in accordance with International Financial Reporting Standard ("IFRS") as adopted by the European Union (the "Consolidated Financial Statements 2017"),
   - the historical financial information related to the consolidated financial statements of the General Cable Group as of and for the year ended 31 December 2017, prepared in accordance with US GAAP (the "General Cable Financial Statements 2017"),

   and from the pro-forma adjustments applied to such financial information and examined by us.

   The Consolidated Financial Statements 2017 as of and for the year ended 31 December 2017 have been audited by us and we have issued our auditors' report on 12 March 2018.

   The General Cable Consolidated Financial Statements 2017 as of and for the year ended 31 December 2017 have been audited by Deloitte & Touche LLP, who issued its auditors' report on 28 February 2018.

   The Pro-Forma Consolidated Financial Statements have been prepared on the basis of the assumptions described in the explanatory notes to retroactively reflect the effects of the acquisition by Prysmian of the whole share capital of General Cable Corporation through the merger of Alisea Corp. into General Cable Corporation (the "Acquisition"), the financing required to perform the Acquisition, and the Capital Increase aimed at rebalancing the financial structure of the Prysmian Group after the closing of the Acquisition (collectively, the "Transaction").

2. The Pro-Forma Consolidated Financial Statements, accompanied by the explanatory notes, have been prepared pursuant to Regulation adopted by CONSOB with Resolution no. 11971/99, as amended in application of Law Decree n. 58/98 concerning the regulations governing Italian listed companies.

   The scope of the preparation of the Pro-Forma Consolidated Financial Statements is to present, in accordance with valuation criteria consistent with the historical financial data and with the applicable regulations, the effects of the Transaction on the consolidated economic and financial trend and on the consolidated balance sheet of the Prysmian Group, as if such Transaction virtually occurred on 31 December 2017 and, with respect to the economic and financial effects only, at the beginning of the year 2017. However, it should be noted that if the Transaction had actually occurred on such dates, the results that are presented therein would not be necessarily obtained.

   The Prysmian's Directors are responsible for the preparation of the Pro-Forma Consolidated Financial Statements. Our responsibility is to express an opinion on the reasonableness of the assumptions adopted by the Directors for the preparation of the Pro-Forma Consolidated Financial Statements and on the utilization of a proper methodology in preparing such data. In addition, it is our responsibility to express an opinion on the proper application of the valuation criteria and of the accounting principles.

3. Our examination has been made in accordance with the criteria recommended by CONSOB in its Recommendation n. DEM/1061609 of 9 August 2001 for the examination of the pro-forma data applying the procedures we deemed necessary under the circumstances with respect to the engagement received.

4. In our opinion, the assumptions adopted by Prysmian for the preparation of the Pro-Forma Consolidated Financial Statements as of and for the year ended 31 December 2017, accompanied by the explanatory notes, to retrospectively reflect the Transaction, are reasonable and the methodology utilized for the preparation of the above mentioned financial information has been properly applied for the information purpose described above. Finally, we believe that the valuation criteria and the accounting principles have been properly applied for the preparation of the Pro-Forma Consolidated Financial Statements.

Milan, 12 June 2018

EY S.p.A.

Signed by: Pietro Carena, partner

*This report has been translated into the English language solely for the convenience of international readers*