

## AUDITORS' REPORT ON THE PRICE OF SHARES IN THE PROPOSED SHARE CAPITAL INCREASE WITH THE EXCLUSION OF THE OPTION RIGHT PURSUANT TO ARTICLE 2441, FIFTH AND SIXTH PARAGRAPHS, OF THE ITALIAN CIVIL CODE, AND ARTICLE 158, FIRST PARAGRAPH, OF LEGISLATIVE DECREE NO. 58/98

To the Shareholders of  
Prysmian S.p.A.

### 1. SCOPE AND OBJECTIVE OF THE ENGAGEMENT

In relation to the proposed share capital increase with the exclusion of the option right pursuant to article 2441, fifth paragraph, of the Italian Civil Code and article 158, first paragraph, of Legislative Decree No. 58 of February 24, 1998 (the Consolidated Act on Financial Intermediation, the "TUF"), we received from Prysmian S.p.A. ("Prysmian" or the "Company") the report of the Board of Directors dated March 1, 2017 prepared pursuant to article 2441, sixth paragraph, of the Civil Code (the "Explanatory Report"), which illustrates and explains the above-mentioned proposed share capital increase with the exclusion of the option right, and indicates the criteria adopted by the Board of Directors to determine the price for newly issued shares.

The proposal by the Board of Directors, as illustrated in the Explanatory Report, is related to the authorisation to convert into shares of the Company the equity-linked bond amounting to Euro 500 million, maturing as of January 17, 2022, reserved to qualified investors, named "Prysmian S.p.A. €500,000,000 Zero Coupon Equity Linked Bonds due 2022" issued on January 17, 2017 (the "Bond") and, as a result of the authorisation, the approval, for the purpose of the conversion, of a share capital increase against cash contributions, in installments, with the exclusion of the option right pursuant to article 2441, fifth paragraph, of the Civil Code, for a maximum nominal amount of Euro 1.457.942,70 to be executed in one or more instalments through the issuance of a maximum of no. 14.579.427 ordinary shares of the Company with the same characteristics as the outstanding ordinary shares (the "Share Capital Increase").

As detailed in the Explanatory Report, the purpose of the proposed Share Capital Increase is therefore instrumental in allowing the Company to convert the Bond - if so authorized by the Extraordinary Shareholders Meeting - into newly issued shares and, at its option, treasury shares held by the Company.

The proposed Share Capital Increase will be submitted for approval to the Extraordinary Shareholders Meeting of the Company convened for April 12, 2017.

In our capacity as auditors engaged to perform the audit of Prysmian financial statements, we have been requested by the Board of Directors to issue, pursuant to article 2441, fifth and sixth paragraphs, of the Civil Code and article 158, first paragraph, of the TUF, a report on the adequacy of the criteria adopted by the Board of Directors to determine the issue price of the new Prysmian shares.

## 2. DESCRIPTION OF THE TRANSACTION

The proposed Share Capital Increase as illustrated above is in connection with the issuance of the Bond reserved for qualified Italian and international investors, excluding the United States, Australia, Canada, Japan and South Africa, and also excluding a public offering, whose issuance was approved by the Board of Directors on January 11, 2017, with pricing defined by the Board of Directors on January 12, 2017.

As illustrated in the Explanatory Report, the transaction concerns the issuance and subsequent conversion of the non-convertible equity-linked Bond, amounting to Euro 500 million, reserved for qualified investors, named "Prysmian S.p.A. €500,000,000 Zero Coupon Equity Linked Bonds due 2022", into bonds convertible into ordinary Prysmian shares and the consequent Share Capital Increase in cash instalments, with the exclusion of the option right pursuant to article 2441, fifth paragraph of the Civil Code, for a maximum nominal amount of Euro 1.457.942,70 to be paid in one or more instalments through the issue of a maximum of no. 14.579.427 ordinary Prysmian shares with the same characteristics as the outstanding ordinary shares (cumulatively the "Transaction").

The issuance of Bond, and the main terms and features of the Bond, were approved by the Board of Directors on January 11, 2017 and the placement was started and completed on January 12, 2017; the Transaction was executed through the issuance of securities and payment of the price occurred on January 17, 2017.

The offer of the Bond to qualified investors made it possible to quickly raise funds from the non-banking capital market, thereby allowing the Company to take advantage of the opportunities offered by the favorable market environment and the placement conditions deriving from the equity-linked features of the Bond. The Board of Directors believes that the Bond issue is in the interests of the Company, which has completed its fund raising in the medium-term securities market at favorable terms and conditions.

In the Explanatory Report, the Board of Directors indicates that the main advantages of the Transaction as it has been structured include:

- the opportunity to timely benefit from the positive market conditions through quick placement to institutional investors;
- the raising of funds at favorable conditions, also in light of the equity linked nature of the Bond;
- a broader diversification of financial resources;
- increased financial flexibility for the Company;
- extension of the average bond maturity.

Furthermore, the Board of Directors indicates in the Explanatory Report that the funds raised shall be used to:

- pursue external growth opportunities of the Company;

- finance – in line with the authorization of the Shareholders' Meeting to purchase treasury shares – the buyback of Company's shares to be used for any request for conversion and/or as a consideration for financing the growth strategy of the Company;
- and
- pursue the Company purpose.

The Bond Regulation (the "Regulation") provides that, should the Shareholders' Meeting not approve the Share Capital Increase for the purposes of the conversion of the Bond by June 30, 2017 (the "Long-Stop Date"), the Company may, within a limited period not exceeding 10 trading days after the Long-Stop Date, issue a specific notice addressed to the holders (the "Shareholder Event Notice") and proceed to the early redemption of the entire Bond by paying in cash an amount equal to the higher of (i) 102% of the principal and (ii) 102% of the average market price of the bond over the period subsequent to the announcement of the redemption (plus, in each case, accrued interest).

If, subsequent to the Shareholders' Meeting's failure to approve the Share Capital Increase, the Company does not issue the Shareholder Event Notice within the time limits specified in the Bond Regulation (and, in specific circumstances, even before that date), each holder may, within the time limits specified in the Regulation, request early redemption in cash of the bond held. In this case, the Company shall pay an amount in cash equal to the market value (determined in compliance with the Regulation) of the Prysmian ordinary shares to which the bondholder would have been entitled if he/she had exercised the right to convert the bond into ordinary shares.

However, if the Extraordinary Shareholders' Meeting decides to authorize the conversion of the Bond and to consequently increase the share capital with exclusion of the option right pursuant to art. 2441, fifth paragraph, of the Italian Civil Code for the purposes of the conversion of the Bond, the Company shall be required to send, within 5 business days from recording the shareholders' meeting resolution with the Business Register, a specific notice to the bondholders (the "Physical Settlement Notice") based on which the bondholders shall receive, on the date specified therein (the "Physical Settlement Date"), the right to convert their bond into outstanding and/or newly issued ordinary shares of the Company.

In the Explanatory Report, the Board of Directors indicates that the Transaction, through the conversion of the Bond into newly issued shares, shall allow the Company to strengthen its capital structure and diversify its financial structure while limiting the related cash outflow for financial expenses and projected capital, as well as to expand its ownership structure thanks to qualified investors.

For the reasons detailed above, the Company's Board of Directors believes it is important that the Bond may be converted into Company's shares.

As indicated in the Explanatory Report, the reasons for the exclusion of the option right, pursuant to article 2441, fifth paragraph, of the Civil Code, in relation to the proposed Share Capital Increase reflect the reasons for the Bond issue, including strengthening of the Company's equity structure and the expansion of its ownership that would become possible by the conversion of the bond into ordinary shares.

Accordingly, the Board of Directors believes that the exclusion of the option right, pursuant to article 2441, fifth paragraph, of the Civil Code could be completely justified on the basis of the characteristics, the timing and the purpose of the issuance of the Bond.

#### *Main feature of the Bond*

Pursuant to the resolution of the Board of Directors of March 1, 2017, the main features of the Bond are the following:

- Bond type: equity linked bond, with the possibility of conversion into ordinary shares of the Company (newly issued or treasury shares) subject to authorization by the Extraordinary Shareholders' Meeting and approval of a related share capital increase excluding the option right, as indicated herein (reference should be made to "Conversion Right");
- Amount: Euro 500 million;
- Duration: five years maturing on January 17, 2022;
- Currency: Euro;
- Unit amount: Euro 100,000;
- Recipients: qualified investors, except investors from the United States of America, Australia, Canada, Japan and South Africa, and, in any case, with the exclusion of the general public;
- Listing: the Bond are expected to be listed on a regulated market or a multilateral trading system (such as the Third Market of the Vienna Stock Exchange) by June 30, 2017;
- Issue price: 100% of their nominal value;
- Interest rate: 0% (zero coupon);
- Interest payments: not applicable;
- Redemption: the principal shall be repaid in a single installment equal to the nominal value, upon maturity of the Bond. The Company shall be entitled to early and full redemption of Bond in the cases detailed in the Bond Regulation, in line with market practices, including:
  - (i) at a value indexed to the underlying shares' market price, if the Share Capital Increase for the purposes of the conversion is not approved by the Long-Stop date (i.e. by June 30, 2017). Reference should also be made to "Conversion Right" below;

- (ii) at the nominal value (plus accrued interest), starting from February 1, 2020, if the trading price of the Company's ordinary shares increases over 130% of the conversion price within a specified period;
- (iii) at the nominal value (plus accrued interest) in the event of conversion, redemption and/or repurchase of the bond of at least 85% of the original nominal value of the Bond;
- (iv) at the nominal value (plus accrued interest), if specific changes in the tax regime take place which affect the Bond.

Furthermore, in the event of a change in control, each bondholder shall be entitled to request early redemption at the nominal value plus accrued interest. Pursuant to the Regulation, a change in control shall be considered to have taken place if one or more individuals acquire a stake in the Company equal to a percentage higher than the threshold set from time to time by the regulations on mandatory public takeover bids (regardless of the applicability of an exemption pursuant to these regulations) or the right to appoint the majority of the Company's directors.

- Conversion right: subject to a resolution of the Extraordinary Shareholders' Meeting authorizing the conversion of the Bond and approving the Share Capital Increase for this conversion, the Company shall be required to disclose to the bondholders the aforementioned Physical Settlement Date, that is the date from which they shall be granted the right to convert the Bond into outstanding and/or newly issued ordinary shares of the Company. If the Extraordinary Shareholders' Meeting does not approve the Share Capital Increase by June 30, 2017, each bondholder shall be entitled to request early redemption in cash of the Bond held, at a value that shall be indexed to the market price of underlying shares (equal to the market value - determined in compliance with the Regulation - of the Prysmian ordinary shares to which the bondholder would have been entitled if he/she had exercised the right to convert the bond into ordinary shares), and also the Company shall be entitled, within a limited period following the Long-Stop Date, to early redemption of the entire Bond through the payment of a premium, that is, payment in cash of an amount equal to the higher of (i) 102% of the principal and (ii) 102% of the average market price of bond over the period subsequent to the announcement of the redemption (plus, in each case, accrued interest).
- Conversion price: the initial conversion price of the Bond into outstanding and/or newly issued ordinary shares of the Company is euro 34.2949 per share, without prejudice to any adjustments to the conversion price. The nominal value of the shares to be issued in the event of a conversion cannot exceed the amount payable to the bondholders as redemption of the Bond in the event of non-conversion. The conversion price shall be allocated to the nominal price of the subscribed shares and, the remainder, to the share premium. The number of shares to be issued or transferred for the purposes of the conversion shall be determined by dividing the nominal value of the Bond, for which the conversion right shall be exercised, by the conversion price on the relevant conversion date, rounded down to the nearest whole number of ordinary shares, without prejudice to any cash adjustments. No fractions of shares shall be issued or delivered and no

payment in cash or adjustment shall be carried out for such fractions. Given the aforesaid parameters and subject to approval by the Extraordinary Shareholders' Meeting, by way of example, the initial conversion ratio shall be equal to 2,915 shares for each Bond.

- Adjustments to the conversion price: the Bond Regulation provides that the initial conversion price shall be adjusted pursuant to the market practices applicable to this type of debt instrument upon occurrence, among others, of the following events: stock split or merge, free share capital increase through allocation of profits or reserves to the share capital, distribution of dividends, issue of shares or financial instruments exclusively to shareholders, assignment of options, warrants or other rights of subscription/purchase of shares or financial instruments to the shareholders, issue of shares or assignment of options, warrants or other subscription rights, issue of financial instruments that are convertible or exchangeable into shares, change to the conversion/exchange rights connected to other financial instruments, change of control or other material events indicated within the Bond Regulation. In particular, if the Company distributes dividends during the life of the Bond in excess of euro 0.42 per year, the conversion price shall be adjusted in order to compensate bondholders for distributed dividends (the so-called "dividend protection" clause);
- Applicable law: the Bond Regulation is governed by English law, without prejudice to the rules on the Bondholders' Meeting, which shall be governed by Italian law.

### 3. NATURE AND SCOPE OF THIS REPORT

The purpose of this report, issued pursuant to article 2441, sixth paragraph, of the Civil Code and article 158, first paragraph, of TUF, is to re-enforce the information available to the shareholders excluded from the option right, pursuant to article 2441, fifth paragraph, of the Civil Code, about the criteria adopted by the Board of Directors to determine the price for the shares for the purpose of the proposed Share Capital Increase.

More specifically, this report illustrates the criteria adopted by the Board of Directors to determine the share issuance price and any valuation difficulties encountered by them, and contains our considerations on the appropriateness of those criteria, in terms of their being reasonable and not arbitrary in the circumstances, and on their correct application.

In examining the valuation criteria adopted by the Board of Directors we did not perform a business valuation of the Company. This valuation was performed exclusively by the Board of Directors.

The purpose of our report is not to express, and it does not express, an opinion on the financial or strategic reasons of the Transaction.

#### 4. DOCUMENTATION USED

In performing our work, we obtained directly from the Company the documents we considered useful in the circumstances and performed inquiries with the Company's management. Specifically, we obtained and analyzed the following documentation:

- Explanatory Report of the Board of Directors dated March 1, 2017, prepared pursuant to article 2441, sixth paragraph, of the Civil Code and article 72 of CONSOB's Regulation 11971 of May 14, 1999 and subsequent amendments and supplements, as well as article 125-ter of TUF;
- Draft minutes of the meeting of the Board of Directors held on March 1, 2017 approving the Explanatory Report;
- Company's statutes;
- Detailed documentation of the valuation prepared by the Board of Directors, as well as the criteria and methods applied to determine the proposed price of the newly issued Prysmian shares;
- The Company's half-year report as of June 30, 2016 which was subject to a limited review by us and whose review report was issued on August 4, 2016;
- The Company's separate and consolidated financial statements as of December 31, 2016, whose audit reports have been issued today;
- The document presenting the 2016 results of the Company ("FY 2012 Financial Results");
- The 2017 budget of Prysmian Group, as approved by the Board of Directors on March 1, 2017;
- The stock market prices for Prysmian shares over the time period defined by the Directors;
- The analysts' consensus on the Prysmian share considered by the Directors as part of the analysis for the purpose of determining the issue price of the shares;
- The "Terms and Conditions of the Bond" of the equity linked Bond;
- Press releases of March 12, 2017 on the placement of the Bond;
- Accounting, non-accounting and statistical elements, as well as additional information that we deemed useful for the purpose of our engagement.



Furthermore, we obtained specific representation letter issued by the Company on March 20, 2017 stating that, as far as the Board of Directors and management of Prysmian are aware, no significant changes or events or circumstances have occurred that would make significant modifications necessary to the data and information that we considered while performing our analysis and/or that could have a significant impacts on the valuations.

#### 5. VALUATION CRITERIA ADOPTED BY THE BOARD OF DIRECTORS TO DETERMINE THE SHARE PRICE

In circumstances where the option right is excluded pursuant to article 2441, fifth paragraph, of the Civil Code, the sixth paragraph of the same article provides that the share price shall be determined by the Directors “based on the value of shareholders’ equity, taking into account, for listed shares, also the share prices of the last six months”.

As reported in the Explanatory Report, the Board of Directors, in consideration of the features of both the Bond and the Share Capital Increase for the purpose of the Bond conversion, resolved to propose to the Shareholders’ Meeting that the issue price for the new shares from the Share Capital Increase be equal to the conversion price of the Bond, provided that the former price would not be lower than the price determined based on the shareholders’ equity resulting from the Company’s most recently approved financial statements, taking into account the performance of Prysmian shares on the Mercato Telematico Azionario (“MTA”) stock exchange in the last six months. At the same date, the Board of Directors also determined the initial conversion price of the Bond based on the criteria used in equivalent transactions which is in line with market practices for such debt securities.

In detail, with reference to the valuation criteria adopted, the Board of Directors performed the following analyses:

- A. Determination of the share issue price based on the performance of Prysmian shares on the stock exchange and the initial conversion premium.
- B. Valuation of the suitability of the conversion premium through the development of mathematical and financial models.
- C. Determination of the Company’s fundamental value by applying the Discounted Cash Flow (DCF) method.

Below a summary of the analysis performed by the Board of Directors is presented.

- A. Determination of the share issue price based on the performance of Prysmian shares on the stock exchange and the initial conversion premium

The initial conversion price, given the nature of the instrument - which will become convertible into shares upon the fulfilment of the conditions of the Bond and subject to authorisation of the conversion and approval of the Share Capital Increase by the shareholders at the extraordinary general meeting - was determined upon the completion of book building based on the stock



market price of Prysmian shares and by applying a conversion premium within a predefined range, based on the volume and quality of demand generated during the Bond placement reserved for qualified investors in the Italian and international markets.

In order to determine the share market value, account was taken of the Volume Weighted Average Price of the Prysmian share recorded on the MTA from the start of the bookbuilding and the transaction pricing, equal to euro 24.2796.

A conversion premium of 41.25% has been applied to the current reference share price. The conversion premium was set based on the outcome of the bookbuilding within a pre-set range of 37.5 to 45% and it is in line with the average conversion premium applied in recent comparable transactions involving convertible bond carried out in Italy and Europe, which are similar both in terms of loan duration and amount issued, as shown in the table below.

Conversion premium for convertible bond issues in Europe in the last months			
Transactions panel	Average of minimum figures	Average of maximum figures	Average of averages
All the transactions (*)	26.48%	41.32%	33.90%
Similar transactions (**)	24.35%	60.00%	42.18%
(*) Main transactions concluded in Europe from 01.01.2016 to 31.12.2016			
(**) Transactions with maturity between 4 and 6 years, amount over 200 mln, and yield to maturity between -0.25% and +0.25%			

By applying the aforementioned criteria, the initial conversion premium established by the Board of Directors is equal to 41.25%, and therefore the issue price of the shares relating to the conversion of the Bond is euro 34.2949 per share.

In compliance with the provisions of article 2441, sixth paragraph, of the Italian Civil Code, the Board has also analyzed the performance of Prysmian shares in the last six months. As required by art. 2441, sixth paragraph of the Italian Civil Code, the issue price of the new shares must be determined "based on the value of the shareholders' equity, also taking into account the price performance recorded in the last six months for shares listed on regulated markets".

The Prysmian shares' average market price in the six-month period before January 11, 2017 (the date in which the issuance of the Bond was approved) is equal to Euro 22.4984 per share. The share issue price as determined above, equal to Euro 34.2949 per share, is therefore higher than the market price average recorded in the six-month period.

Furthermore, the issue price is higher than the shareholders' equity per share as at December 31, 2016, equal to Euro 6.04.

In the Explanatory Report, the Board of Directors indicates that, pursuant to the Bond Regulation, the initial conversion price may be subject to adjustments upon conversion pursuant to applicable market practices for this type of instrument, should the events indicated, by way of example, but not limitation, in paragraph no. 2 "Adjustments to the conversion price" above.

B. Valuation of the suitability of the conversion premium through the development of mathematical and financial models

To support the determination of the conversion premium, the Company carried out further analysis, developing mathematical-financial models, aiming at checking the adequacy of the conversion premium.

A convertible bond is a financial instrument that de facto incorporates features of both debt instruments (an ordinary bond) and risk capital, through the inclusion of an implicit right of the bondholder to convert the security into shares (call option).

Based on the assessment above, the conversion premium suitability was analyzed through valuation of the most recent fair value of the two embedded components of a convertible bond – bond and share purchase option – through the creation of a trinomial model.

To that effect, the following main parameters were considered:

- Volatility: 29.50%;
- Dividends: dividend protection clause as per the Regulation;
- Credit Spread: 195 bps;
- ZC rates: -0.20% (Yr1), -0.08% (Yr3); 0.12% (Yr5);
- Indicative coupon: 0.00%.

Based on these parameters, the identified conversion premium, equal to 41.25%, determines that the value of the loan option component (equal to 9.85%) is consistent with that of the bond component (90.15%).

C. Determination of the Company's fundamental value by applying the Discounted Cash Flow (DCF) method

In addition, an assessment of the fundamental value of the Company's shares was performed using the Discounted Cash Flow (DCF) method.

This method, which is commonly adopted for valuation in order to determine the company's economic value, was applied based on 2017-2019 three-year projections. In particular, the projections for the 2017-2018 two-year period are based on average sales values and Ebitda from the consensus of the Company's analysts, while for 2019 on estimated growth rates compared to 2018 deriving from the consensus.

The table below shows the Prysmian share value arising from the application of the DCF method, based on the value range of the main valuation parameters applied:

DCF method			
Parameters	+/-0.25%	Base	+/-0.25%
Wacc	6.95%	6.70%	6.45%
"g" rate	1.43%	1.68%	1.93%
Capital Value (€/mln)	6,701	7,486	8,445
Value per share(€)	31.30	34.96	39.44

#### 6. VALUATION DIFFICULTIES ENCOUNTERED BY THE BOARD OF DIRECTORS

The Explanatory Report does not report any specific difficulties encountered by the Board of Directors in performing the valuations described above.

#### 7. RESULTS OF THE ASSESSMENT PERFORMED BY THE BOARD OF DIRECTORS

As reported in the Explanatory Report:

- The analysis of the performance of Prysmian share price in the period considered gives a value of the economic capital of Prysmian, expressed as value per share, equal to Euro 24.2796;
- The Board of Directors determined a conversion premium of 41.25%, based on the outcome of the book building process and in line with the premium range identified on the basis of the average conversion premium applied in comparable issuances of convertible bond loans recently completed in Italy and in Europe in terms of duration of the loan and amount issued;
- The assessment of the adequacy of the conversion premium using mathematical-financial models resulted in a value of the option component of the loan consistent with that of the bond component;
- The DCF method results in a value of economic capital per Prysmian share ranging from Euro 31.30 to Euro 39.44, which is higher than the value per share derived from an analysis of stock market prices.

Based on the analysis performed and the book building process, in order to take also into account the demand expressed during the placement of the Bond in domestic and international markets, the Board of Directors decided to set the price at Euro 34.2949 per share.

In detail, the price set by the Board of Directors represents:

- A value that incorporates a premium of 41.25% over the weighted average price of Prysmian shares (equal to Euro 24.2796 per share) recorded between the start of book building and the pricing of the Transaction; this premium is consistent with that applied in recent comparable transactions;
- A value that incorporates a premium over stock market prices recorded in the different time periods considered, including maximum values;
- A value within the range delimited by the target prices;
- An issue value falling within the range determined using the DCF method;
- A value exceeding the net book value of shareholders' equity per share as of December 31, 2016 (equal to Euro 6.04).

Based on the work performed and, in particular, the analysis on the adequacy of the conversion premium, the Board of Directors concluded that the valuation criteria adopted in the determination of the conversion price of the Bond and therefore of the issue price of conversion shares (and the relevant conversion ratio) comply with the criteria provided by article 2441, sixth paragraph, of the Civil Code and accordingly they are appropriate to determine a price which is able to safeguard the patrimonial interests of Prysmian shareholders, also taking into consideration the exclusion of the option right.

## 8. WORK PERFORMED

For the purpose of our engagement:

- we read critically the Explanatory Report, the Company's statutes and other documents received by the Company;
- we analyzed, through discussions held with the Board of Directors, the work performed by them to identify the criteria for determining the price of the newly issued shares in order to verify that the criteria used were appropriate, in terms of reasonableness, justified and not arbitrary in the circumstances;
- we verified that the explanations by the Board of Directors concerning the valuation criteria adopted to determine the share price were complete and not contradictory;
- we considered the elements necessary to ascertain that the criteria used were technically appropriate to determine the price for newly issued shares;
- we verified the stock market prices of Prysmian shares during the six months preceding the date of the Explanatory Report, and more generally over the entire time period considered by the Board of Directors, and verified the accuracy of their calculations;

- we verified the consistency of the data used by the Board of Directors against the relevant sources, and the mathematical accuracy of the calculation underlying the valuations developed;
- we performed a sensitivity analysis on the criteria adopted by the Board of Directors to determine the price in order to evaluate to what extent results could be affected by changes in the underlying parameters;
- we discussed with Prysmian management the elements involved in the Company's projections, which are nevertheless subject to the uncertainties and limitations connected with any type of projection;
- we collected information, through inquiries performed with the Company's management, regarding events occurred after the launch of the Transaction, specifically any events or circumstances that might have a significant impact on the data and information used in our analysis or on the results of the valuations;
- we analyzed the documents publicly available concerning the Prysmian Group and Prysmian shares;
- we obtained formal representation by the Company's legal representatives regarding the valuation elements made available and the fact that, as far as they are aware, at the date of this report, no significant changes should be made to the data of the Transaction or the other elements considered.

#### 9. COMMENTS AND CLARIFICATIONS ABOUT THE APPROPRIATENESS OF THE VALUATION CRITERIA ADOPTED BY THE BOARD OF DIRECTORS TO DETERMINE THE SHARE PRICE

The Explanatory Report prepared by the Board of Directors to illustrate the Share Capital Increase under examination describes the reasons for the criteria used and the logic process adopted for determining the share price for the purpose of the Share Capital Increase.

In this respect, in consideration of the nature of the Transaction, we express below our consideration about whether the valuation criteria adopted by the Board of Directors were reasonable and not arbitrary.

According to the information provided in the Explanatory Report, the decision-making process followed by the Board of Directors was aimed, in line with business valuation theory and prevailing practice, at defining an 'equity value' of Prysmian, as defined in article 2441, sixth paragraph, of the Civil Code, correctly interpreted as the value of the Company's economic capital rather than the net book value of its shareholders' equity.

In this respect, the Board of Directors determined an economic value mainly on the basis of observation of the share prices on the stock market, while taking into consideration analysts' consensus in applying a valuation method based on discounting future cash flows.

With reference to the method of analyzing stock market share prices, it should be noted that:

- The valuation method based on stock market prices, which is widely used in the Italian professional practice, has solid doctrinal foundation and is based on parameters determined with a thorough process;
- The valuation method based on stock market prices is expressly indicated in article 2441, sixth paragraph, of the Civil Code as a criterion for valuing listed companies and accordingly it appears to be adequate in the circumstance, given the characteristics of the Company;
- The market capitalization of Prysmian with reference to an average historic period of six months, according to the Civil Code, represents a significant indicator for the determination of the issue price of new shares related to the conversion of the Bond;
- The broad coverage by analysts is an indicator of the importance of the shares: in this respect we noted that exists an extensive coverage of the shares by Italian and international independent analysts and a frequent revision of consensus estimates;
- The value of each Prysmian share determined by the Board of Directors for the purpose of the Share Capital Increase includes a premium over the share price on the stock market not only during the last six months, but also when considering a longer time period; the share price is higher than the value attributed by the market before the start of the Transaction and at which Prysmian shareholders could have sold their shares;
- In particular, based on the evidence available to the Company, the 41.25% premium incorporated in the share issue price is in line with the premiums applied in comparable transactions recently completed in Italy and in Europe.

In accordance with best valuation practice, the Board of Directors also analysed the results obtained through other valuation criteria.

The application of mathematical-financial models is based on the notion that the existence in a convertible bond of a right to purchase shares leads investors to accept a lower coupon on the bond than that which they would accept for a non-convertible bond of the same issuer and with the same maturity. The issuer, while having cost savings on the coupon, grants the possibility of converting the bond into shares (call option), generally at a conversion premium.

The method applied is designed to verify that the combination of the terms of the two components (bond and call option) is consistent, since the terms of the bond component could change should the issuer favor a lower or a higher cost of debt. However, at the same time, the issuer would offset a different cost of debt by setting, respectively, a higher or a lower conversion premium.

The Explanatory Report also illustrates the results of the discounted cash flow method, which gives a range of values and the share price defined by the Directors falls within the range.

Based on the available information, the manner in which the valuation method was applied, the main amounts included in the 2017-2019 three-year projections and the relevant valuation parameters (average weighted discount rate WACC, long-term growth rate “g”) considered by the Board of Directors are reasonable and not arbitrary in the circumstances and for the purpose of this report.

The Directors, in defining the share issue price, consistently with market practice for this type of transactions, also took into account the demand expressed during the private placement of the Bond.

As reported in the Explanatory Report, the conversion price and the initial share price may change, as is the practice for this type of transaction, upon the occurrence of the events listed in the Bond Regulation, specifically, the distribution of dividends exceeding the threshold of 0.42 euro per share.

In accordance with the provisions of the Bond Regulation, and as reported in the Explanatory Report, the price per share proposed for the Share Capital Increase (Euro 34.2949) meets the requirement of being higher than the net book value of shareholders’ equity per share as of December 31, 2016 (Euro 6.04).

The above aspects were duly taken into consideration for the purpose of this report.

#### 10. SPECIFIC LIMITATIONS ENCOUNTERED BY THE AUDITORS AND ANY OTHER SIGNIFICANT ASPECTS EMERGING IN THE PERFORMANCE OF THE ENGAGEMENT

As detailed above, in the performance of the engagement we used documents and information made available by the Company, assuming their truthfulness, correctness and completeness without making any analysis in these respect. In the same way, no analysis or assessment of the validity and legal effectiveness of the resolutions by the Board of Directors on the Transaction were performed, as they fall out of the scope of our work.

As mentioned above, the Board of Directors did not report any specific limitations in the valuation analysis performed in the context of the Transaction.

We draw the attention on the fact that the valuation method based on stock market prices, even if represents the value expressed by the market and is particularly recommended with companies with a significant market capitalization, may be subject to factors unrelated to the analyzed company, such as periods characterized by significant volatility in the markets, speculative pressures, temporary adjustments in the portfolio of institutional investors or specific tranches of sale or purchase orders in period of lower volumes of brokerage of the shares under observation, or other anomalous circumstances, such as the market situation which has been recently characterized by high level of uncertainty and turbulent events, which may reduce the ability of stock market prices of reflecting intrinsic valuation. Accordingly, the application of the above method could be less meaningful when unexpected circumstances or speculative pressures occur. However, taking into consideration average prices over sufficiently



long periods – as the Board of Directors did - makes it possible to mitigate the impact of stock price fluctuations. In the specific circumstances, the period considered by the Board of Directors gave a share price lower than the share price.

It should be noted that the Board of Directors, while determining the issue price of the new shares, has not adopted an analytical control approach using perspective financial and economic data extracted by industrial plans approved by the Directors of the Company, as the Board of Directors used a control approach based on the 2017-2019 projections derived by the analysts' consensus.

Finally, considering the nature of the Transaction, a share capital increase following conversion of a convertible bond, the determination of the conversion price and therefore of the share price is affected by, and reflects, contingent circumstances in both the stock market and the bond market; different market conditions could have led to different values.

## 11. CONCLUSION

Based on the documents examined and the procedures illustrated above, and taking into consideration the nature and scope of our work, as reported in this report, subject to the aspects mentioned in paragraph 10, we believe that the valuation criteria adopted by the Board of Directors are appropriate, being reasonable and not arbitrary in the circumstances, and they have been correctly applied in the determination of the issue price of new Prysmian shares, equal to Euro 34,2949, within the Share Capital Increase with the exclusion of the option right, pursuant to article 2441, sixth paragraph, of the Civil Code, for the purpose of the issuance of the Bond.

Milan, March 20, 2017

EY S.p.A.  
Signed by: Pietro Carena (Partner)

This report has been translated into English from the original, which was issued in accordance with the Italian legislation, solely for the convenience of international readers. We have not examined the translation into English of the documentation referred to in this report.