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

To the shareholders of
Prysmian SpA

1. SCOPE OF THE ENGAGEMENT

In relation to the proposed share capital increase with the exclusion of pre-emptive rights pursuant to article 2441, fifth paragraph, of the Italian Civil Code and article 158, first paragraph, of Legislative Decree No. 58/98 (the Consolidated Act on Financial Intermediation, hereinafter the "TUF"), we have received from Prysmian S.p.A. (hereinafter "Prysmian" or the "Company" and together with its subsidiaries "Prysmian Group") the report of the Board of Directors dated 5 March 2013 prepared pursuant to article 2441, sixth paragraph, of the Civil Code (hereinafter the "Explanatory Report"), which illustrates and provides reasons for the above-mentioned proposed share capital increase with the exclusion of pre-emptive rights, and indicates the criteria adopted by the board of directors to determine the price for newly issued shares.

The proposal of the Company's board of directors (the "Board of Directors"), as illustrated in the Explanatory Report, is for the authorisation to convert into shares of the Company the equity-linked bond of Euro 300 million maturing on 8 March 2018, reserved for qualified investors, named "€300,000,000 1.25 per cent. Equity Linked Bonds due 2018", issued on 8 March 2013 (hereinafter the "Bond Loan") and, as a result of the authorisation, the approval, for the purpose of the conversion, of a share capital increase in instalments of cash, with the exclusion of pre-emptive rights pursuant to article 2441, fifth paragraph, of the Civil Code, for a maximum nominal amount of Euro 1,344,411.30 to be executed in one or more instalments through the issue of a maximum of 13,444,113 ordinary shares in the Company with the same characteristics as the outstanding ordinary shares (hereinafter the "Share Capital Increase"). The purpose of the proposed Share Capital Increase is therefore to allow the Company to convert the Bond Loan – if authorised by the Shareholders in the extraordinary general meeting – into newly issued shares and treasury shares at the option of the Company.

The proposed Share Capital Increase will be submitted for approval to the shareholders at the extraordinary general meeting convened for 16 April 2013.

In our capacity as auditors engaged to perform the audit of the 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 criteria adopted by the Board of Directors to determine the price of the new Prysmian shares.

2. DESCRIPTION OF THE TRANSACTION

The proposed Share Capital Increase as illustrated in the Explanatory Report is in connection with the Bond Loan reserved for qualified investors in the Italian and international markets, excluding the United States, Australia, Canada, Japan and South Africa, and also excluding a public offering, whose issue was approved by the Board of Directors on 4 March 2013, with pricing defined by the Board of Directors on 5 March 2013.

As illustrated in the Explanatory Report, the transaction (hereinafter the "Transaction") concerns the issue and subsequent conversion of the non-convertible equity-linked Bond Loan, totalling Euro 300,000,000, reserved for qualified investors, named "€300,000,000 1.25 per cent. Equity Linked Bonds due 2018", into bonds convertible into ordinary Prysmian shares and the consequent Share Capital Increase in cash instalments, with the exclusion of pre-emptive rights pursuant to article 2441, fifth paragraph of the Civil Code, for a maximum nominal amount of Euro 1,344,411.30 to be paid in one or more instalments through the issue of a maximum of 13,444,113 ordinary Prysmian shares with the same characteristics as the outstanding ordinary shares.

The issue of the bonds, and the main terms and features of the Bond Loan, were approved by the Board of Directors on 4 March 2013 and the placement was started and completed on 5 March 2013; the Transaction was executed through the issue of securities maturing on 8 March 2018.

The regulation of the Bond Loan (hereinafter the "Regulation" or "Boand Loan Regulation") provides that, should the shareholders not approve the Share Capital Increase for the purpose of the conversion of the bond by 31 July 2013 (the "Long-Stop Date"), the Company may, within a limited time period not exceeding 10 trading days after the Long-Stop Date, issue a specific notice addressed to the bondholders (the "Shareholder Event Notice") and redeem early the entire Bond Loan by paying in cash an amount equal to the greater of (i) 102% of the principal and (ii) 102% of the average market price of the bonds recorded over a period of time subsequent to the announcement of the redemption (plus, in either case, accrued interest).

If, in the event the shareholders do not approve the Share Capital Increase, the Company has not issued the Shareholder Event Notice within the deadline established in the Regulation (and in specific circumstances even before that date), each bondholder may, within the terms established in the Regulation, request early redemption in cash of any bonds held. In this case, the Company shall pay an amount in cash equal to the market value (determined as indicated in 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 bonds into ordinary shares.

However, if at the extraordinary general meeting the shareholders decide to authorise the conversion of the Bond Loan and consequently to increase share capital with the exclusion of pre-emptive rights pursuant to article 2441, fifth paragraph, of the Civil Code for the purpose of the conversion of the Bond Loan, the Company shall – within 5 business days of filing the resolution of the extraordinary general meeting with the Companies' Register – send a specific notice to the bondholders whereby the bondholders shall receive, on the date specified therein, the right to convert their bonds into outstanding and/or newly issued Company ordinary shares.

In the Explanatory Report, the Board of Directors indicates that the Transaction, through the conversion of the bonds into newly issued shares, will enable the Company to strengthen its equity structure and diversify its sources of funding, while limiting cash outflows for interest and principal on maturity, as well as to expand its ownership structure through the entry of qualified investors.

For the reasons set out above, the Board of Directors believes it is important that the bonds may be converted into ordinary shares.

The placement of the Bond Loan with qualified investors made it possible to raise faster funds from the non-banking capital market, enabling the Company to take advantage of the opportunities offered by the favourable market environment and the placement conditions deriving from the equity-linked features of the Bond Loan. The Board of Directors believes that the Bond Loan issue is in the interests of the Company, which was able to raise funds in the medium-term securities market on favourable terms.

The main advantages of the Transaction as it has been structured include:

- The possibility to benefit timely from favourable market conditions through quick placement with institutional investors;
- The raising of funds on favourable terms, partly due to the equity-linked nature of the bonds;
- A broader diversification of financial resources;
- Increased financial flexibility;
- An extension of the average debt maturity.

The funds raised shall be used to optimise the Company's financial position and cost of capital and to finance business operations.

As indicated above, the reasons for the exclusion of pre-emptive rights, pursuant to article 2441, fifth paragraph, of the Civil Code, in relation to the proposed Share Capital Increase reflect the reasons for the Bond Loan issue, including strengthening of the Company's equity structure and the expansion of its ownership that would be made possible by the conversion of the bonds into ordinary shares.

Main features of the Bond Loan

Pursuant to the resolution of the Board of Directors of 5 March 2013, the main features of the Bond Loan are the following:

- Nature of the Bond Loan: equity-linked bonds, with the possibility of conversion into ordinary, newly issued or treasury Company shares, subordinated to authorisation of conversion by the shareholders in extraordinary general meeting and approval of a consequent share capital increase for the purpose of the conversion with the exclusion of pre-emptive rights, as indicated below (see "Conversion right");

- Amount: Euro 300 million;

- Term**:** five years, maturing 8 March 2018;

- Currency**:** Euro;

- Unit amount: Euro 100,000;

- Offered to: qualified investors, excluding the United States of America, Australia, Canada, Japan and South Africa and in any case excluding a public offering;

- Listing**:** the bonds are expected to be listed on a regulated market or a multilateral trading system by 31 July 2013;

- Issue price**:** 100% of the nominal value;

- Interest: fixed annual rate of 1.25%;

- Interest payments: every six months. First coupon due on 8 September 2013;

- Principal repayment: principal shall be repaid in a single instalment equal to the nominal amount on maturity of the Bond Loan. The Company may redeem the Bond Loan early and in full in specific circumstances illustrated in detail in the Bond Loan Regulation, in line with market practice, as follows:

  (i) At a value indexed to the market price of the underlying shares, should the Share Capital Increase for the purpose of the conversion not be approved by the Long-Stop Date (31 July 2013); see also "Conversion right" below;

  (ii) At the nominal value (plus interest), starting from 23 March 2016, should the trading price of the Company ordinary shares exceed 130% of the conversion price over a predefined time period;

  (iii) At the nominal value (plus interest), in the event of conversion, redemption and/or repurchase of the bonds for at least 85% of the original nominal amount of the Bond Loan;

  (iv) At the nominal value (plus interest), should specific changes take place in the tax regime applicable to bonds;

- Moreover, in the event of a change in control, each bondholder shall be entitled to request early redemption at the nominal value plus interest. Pursuant to the Regulation, a change of control shall be considered to have taken place if one or more individuals acquire a stake in the Company exceeding the threshold set from time to time by the regulations on mandatory public takeover bids (regardless of whether an exception is applicable pursuant to those regulations), or the right to appoint a majority of the Company's directors;

- Conversion right: subject to a resolution of the shareholders at the extraordinary general meeting authorising the conversion of the bonds and approving the Share Capital Increase for the purpose of the conversion, the Company shall be required to disclose to the bondholders the date from which they shall be granted the right to convert the bonds into outstanding and/or newly issued ordinary shares in the Company (the Physical Settlement Date). Should the shareholders fail to approve the Share Capital Increase by 31 July 2013, each bondholder shall be entitled to request early redemption in cash of the bonds held, at a value that shall be indexed to the market price of the underlying shares (equal to the market value, determined in compliance with the Regulation, of the number of Prysmian ordinary shares which the bondholder would have been entitled to if he/she had exercised the right to convert the bonds into ordinary shares) and also the Company shall be entitled, within a limited interval of time following the Long-Stop Date, to redeem early the entire Bond Loan through the payment of a premium, i.e. by paying in cash an amount equal to the greater of (i) 102% of the principal and (ii) 102% of the average market price of the bonds recorded over a period of time subsequent to the announcement of the redemption (plus, in either case, accrued interest);

- Conversion price: The initial conversion price of the bonds into outstanding and/or newly issued ordinary shares in the Company is Euro 22.3146 per share, not considering 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 to redeem the bonds in the event they are not converted. The conversion price shall be allocated to the nominal price of the shares subscribed, with the remainder allocated to share premium. The number of shares to be issued or transferred for conversion shall be determined by dividing the nominal amount of the bonds for which the conversion right is exercised by the conversion price on the relevant conversion date, rounded down to the nearest 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 aforementioned parameters and pursuant to approval by the shareholders at the extraordinary general meeting, by way of example, the initial conversion ratio shall be equal to 4,481 shares for each bond;

- Adjustments to the conversion price: the Bond Loan Regulation provides that the initial conversion price shall be adjusted in accordance with market practice applicable to this type of debt instrument upon the occurrence, among other factors, of the following events: stock split or merge; share capital increase through allocation of profits or reserves to share capital; distribution of dividends; issue of shares or financial instruments reserved for the shareholders; granting to the shareholders of options, warrants or other rights to subscribe/purchase shares; issue of shares or granting of options, warrants or other subscription rights; issue of convertible financial instruments or instruments that are exchangeable for shares; change to the conversion/exchange rights connected to other financial instruments; change of control; or other material events indicated in the Bond Loan Regulation. In particular, should the Company distribute dividends during the term of the Bond Loan in excess of Euro 0.42 per year, the conversion price shall be adjusted in order to compensate bondholders for the dividends distributed (‘dividend protection’ clause);

- Applicable law: the Bond Loan is governed by English law.

3. NATURE AND SCOPE OF THIS REPORT

With reference to the nature and scope of this report, the proposed Share Capital Increase as described in paragraph 2 falls into the scope of article 2441, fifth paragraph, of the Civil Code, which governs capital increases with the exclusion of pre-emptive rights.

The purpose of this report, issued pursuant to article 2441, sixth paragraph, of the Civil Code and article 158, first paragraph, of Legislative Decree No. 58/98, is to re-enforce the information available to the shareholders excluded from pre-emptive rights, 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 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.

When 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. DOCUMENTS USED

In performing of 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 analysed the following documents:

- Explanatory Report of the Board of Directors dated 5 March 2013, prepared pursuant to article 2441, sixth paragraph, of the Civil Code and article 72 of CONSOB's Regulation 11971/99 and subsequent amendments and supplements, as well as article 3 of Ministerial Decree No. 437 of 5 November 1998;
- Minutes of the meetings of the Board of Directors of 4 and 5 March 2013;
- Detailed documentation of the valuation prepared by the Board of Directors, as well as the criteria and methods applied to determine the price of the newly issued Prysmian shares;
- The Company's separate and consolidated financial statements as of 31 December 2011;
- The Company's half-year report as of 30 June 2012;
- The Company's draft separate and consolidated financial statements as of 31 December 2012;

- Press release on the Company's FY 2012 Financial Results;
- The stock market prices for Prysmian shares over the time period defined by the Board of Directors;
- The analysts' consensus on the Prysmian share considered by the Board of Directors as part of the analysis for the purpose of determining the share price;
- The "Terms and Conditions of the Bonds" of the equity linked Bond Loan;
- Press releases of 5 March 2013 on the placement of the Bond Loan;
- 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 15 March 2013, 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 information that we considered in performing our analyses and/or that could have a significant impact on the valuations.

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

In circumstances where pre-emptive rights are 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 a company's directors "*based on the value of shareholders' equity, taking into account, for listed shares, also the share prices in the last six months*".

As reported in the Explanatory Report, the Board of Directors, in consideration of the features of both the Bond Loan and the Share Capital Increase for the purpose of the conversion of the Bond Loan, resolved to propose to the shareholders to set the price for newly issued shares in the Share Capital Increase equal to the initial conversion price of the bonds, provided that the price would not be lower than the price based on the shareholders' equity resulting from the Company's latest approved financial statements; the price should also take into account the performance of Prysmian shares on the electronic stock exchange Mercato Telematico Azionario ("MTA") in the last six months. On the same date, the Board of Directors determined the initial conversion price of the bonds based on the criteria used in equivalent transactions which is in line with market practices for such debt securities.

With reference to the valuation criteria adopted, the Board of Directors performed the following analyses:

A. Determination of the share price based on the performance of the Prysmian share price and the initial conversion premium;

B. Assessment of the adequacy of the conversion premium through mathematical-financial models;

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

Below we present a summary of the analyses performed by the Board of Directors.

A. Determination of the share price based on the performance of the Prysmian share price 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 Loan and subject to authorisation of the conversion and approval of the Share Capital Increase by the shareholders at the extraordinary general meeting – was determined on 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 Loan placement reserved for qualified investors in the Italian and international markets.

In order to determine the market value of the shares, consideration was made towards the volume weighted average price for Prysmian shares recorded on the MTA between the start of book building and the pricing of the Transaction, equal to Euro 16.6838.

A conversion premium of 33.75% was applied to the current share price. The conversion premium was set based on the outcome of the book building within a predefined range of 30% to 37.5% and is in line with the average conversion premium applied in recent comparable issues of convertible bond loans carried out in Italy and Europe with similar loan periods and amounts issued, as shown in the table below:

Conversion premium for convertible bond issues in Europe in the last 6 months

Panel of transactions	Average of minimum figures	Average of maximum figures	Median of averages
All transactions (*)	27.2%	32.0%	**30.0%**
Transactions with similar maturities (**)	29.6%	34.3%	**32.5%**
Transactions with similar issue amounts (***)	28.3%	33.9%	**32.5%**

(*) Main transactions completed in Europe from 01.09.2012 to 27.02.2013
(**) Between 5 years and 5 years and 3 months
(***) Amount issued between €275m and €400m

When the aforementioned criteria and the initial conversion premium established by the Board of Directors are applied, the share price for the purpose of the conversion of the Bond Loan is equal to Euro 22.3146 per share.

The Board of Directors also analysed the performance of the Prysmian share in the last six months, as required by article 2441, sixth paragraph, of the Civil Code, which provide that the price of newly issued shares must be determined "*based on the value of shareholders' equity, also taking into account, for shares listed on regulated markets, the share prices in the last six months*".

The average stock market price of Prysmian shares in the six months preceding 4 March 2013 (the date of approval of the Bond Loan) was equal to Euro 14.912 per share. The share price as determined above, equal to Euro 22.3146 per share, is therefore higher than the average market price recorded in the six-month period.

Furthermore, the price is higher than the shareholders' equity per share as of 31 December 2012, which was equal to Euro 4.12.

It should be noted that pursuant to the Bond Loan Regulation, the initial conversion price may be subject to adjustment upon conversion in accordance with market practice for this type of instrument, upon the occurrence of events including, but not limited to, those mentioned in paragraph 2, to which reference is made.

B. *Assessment of the adequacy of the conversion premium through mathematical-financial models*

To support the determination of the conversion premium, the Company carried out further analyses, developing mathematical-financial models, in order to verify 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 equity, through the inclusion of an implicit right of the bondholder to convert the security into shares (call option).

Based on the above considerations, the analysis of the adequacy of the conversion premium was performed through the development of a trinomial model which allowed for a valuation of the fair value at the most recent date of the two implicit components of a convertible bond loan, debt instrument and call option for shares.

To that effect, the following main parameters were considered:

- Volatility: 27% – 32%;
- Dividends: dividend protection clause as per the Regulation;
- Credit spread: 310 bps;
- Zero coupon rates: 0.40% (Yr1), 0.69% (Yr3); 0.92% (Yr5);
- Indicative coupon: 1.0% – 1.5%.

Based on the above parameters, the conversion premium identified, ranging between 30% and 37.5%, gives a value of the option component of the loan (equal to 10.90% – 13.10%) consistent with that of the bond component (86.90% – 89.10%).

C. *Determination of the fundamental value of the Company by using the Discounted Cash Flow (DCF) method*

In addition, verification of the fundamental value of the Company's shares was performed through the application of the discounted cash flow, or DCF, method.

This method, commonly adopted in valuation practice to determine the economic value of businesses, has been applied on the basis of three-year projections for the period 2013-2015. The projections for the two years 2013-2014 are based on median sales and EBITDA values derived from analysts' consensus of the Company, and for the year 2015 on the estimated growth on 2014 derived from the consensus.

The following table summarises the value per share of Prysmian resulting from the application of the DCF method, based on the value ranges of the main valuation parameters applied:

DCF method			
Parameters	**Minimum**	**Mid**	**Maximum**
Weighted average cost of capital ("WACC")	7.96%	8.21%	8.46%
Long-term growth rate ("g")	1.00%	1.25%	1.50%
Value of economic capital (€/m)	3,765	4,114	4,517
Value per share (€)	**17.80**	**19.45**	**21.36**

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 valuation performed by the Board of Directors

As reported in the Explanatory Report:

- The analysis of the performance of the Prysmian share price in the period considered gives a value of the economic capital of Prysmian, expressed as value per share, equal to Euro 16.6838;

- The Board of Directors determined a conversion premium of 33.75%, 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 issues of convertible bond loans recently completed in Italy and in Europe;

- The assessment of the adequacy of the conversion premium using mathematical-financial models gave 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 17.80 to Euro 21.36, which is higher that the value per share derived from an analysis of stock market prices.

Based on the analyses performed and the book building process, in order to also take into account the demand expressed for the placement of the Bond Loan in domestic and international markets, the Board of Directors decided to set the price at Euro 22.3146 per share.

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

- A value that incorporates a premium of 33.75% over the weighted average price of Prysmian shares (equal to Euro 16.68 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 higher than the maximum value in the range determined using the DCF method;

- A value that exceeds the net book value of shareholders' equity per share as of 31 December 2012 (equal to Euro 4.1).

8. WORK PERFORMED

For the purpose of our engagement:

- we read critically the Explanatory Report and the other documents received from the Company;

- we analysed, 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 motivations of 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 for 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 carried out sensitivity analyses 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 occurring 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 analyses or on the results of the valuations;
- we analysed the documents publicly available concerning the Prysmian Group and Prysmian shares;
- we obtained formal representation from 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 the purpose of 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 analysing stock market share prices, it should be noted that:

- The valuation method based on share prices is expressly indicated in article 2441, sixth paragraph, of the Civil Code as a criterion for valuing listed companies;

- The broad coverage by analysts is an indicator of the importance of the shares: there exists extensive coverage of the shares by independent, Italian and international, analysts and a frequent revision of consensus estimates;

- The value per 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;

- Based on the evidence available to the Company, the 33.75% premium incorporated in the share price is in line with the premiums applied in comparable transactions recently completed in Italy and in Europe.

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

The method to apply 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 enjoying cost savings on the coupon, grants the possibility of converting the bonds 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 favour 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; the share price defined by the Board of Directors being higher than the maximum value in the range.

Based on the available information, the manner in which the valuation method was applied, the assumptions used for the main variables of the business plan 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.

In defining the share price, the Board of Directors, consistent with market practice for this type of transaction, also took into account the demand expressed for private placement of the Bond Loan.

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 Loan Regulation, specifically, the distribution of dividends exceeding the threshold of 0.42 euro per share.

In accordance with the provisions of the Bond Loan Regulation, and as reported in the Explanatory Report, the price per share proposed for the Share Capital Increase (Euro 22.3146) meets the requirement of being higher than the net book value of shareholders' equity per share as of 31 December 2012 (Euro 4.12).

These aspects were duly taken into consideration for the purpose of formulating this report.

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

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

We consider it appropriate to summarise certain significant aspects that emerged in the performance of the engagement:

- Stock market prices, while reflecting values expressed by the market, are subject to fluctuations that may be significant due to market volatility. However, taking into consideration average prices over sufficiently long time periods – as the Board of Directors did – makes it possible to mitigate the impact of stock price fluctuations. In the specific circumstances, the time period considered by the Board of Directors gave a share price lower than the share price;

- Due to 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.

These aspects were subjected to careful consideration for the purpose of the preparation of this report on the criteria adopted to determine the share price.

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, as they are reasonable and not arbitrary in the circumstances, and they have been applied correctly to determine the price for new Prysmian shares, equal to Euro 22.3146, for the purpose of the proposed Share Capital Increase with the exclusion of pre-emptive rights, pursuant to article 2441, sixth paragraph, of the Civil Code, for the purpose of the Bond Loan.

Milan, 15 March 2013

PricewaterhouseCoopers SpA

Signed by

Fabio Facchini
(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.