

PRYSMIAN S.P.A.
SHAREHOLDERS' MEETING
16th APRIL 2013

(Report on item of the agenda of the extraordinary session of the Shareholders' Meeting)



STRONGER PLATFORM TO ENHANCE CUSTOMER SERVICE
THE ESSENCE LEADING TECHNOLOGICAL
OF THE WORLDWIDE LEADER
PRYSMIAN GROUP EXTENDED PRODUCT RANGE
IN OGP AND INDUSTRIAL

Notice of Shareholders' Meeting

Shareholders are convened to an Ordinary and Extraordinary Shareholders' Meeting to be held at the premises of Mediobanca in Via Filodrammatici 3, Milan, on:

- **Tuesday, 16 April 2013 at 14:30 CET, in single call,**

to discuss and resolve on the following

Agenda

Ordinary session

1. Financial statements at 31 December 2012; Directors' report and proposed allocation of net profit for the year; report by the Board of Statutory Auditors; report by the Independent Auditors; related resolutions.
2. Appointment of the Board of Statutory Auditors and its Chairman for the period 2013-2015.
3. Determination of the emoluments of members of the Board of Statutory Auditors.
4. Grant of authority to the Board of Directors to buy back and dispose of treasury shares pursuant to articles 2357 and 2357-ter of the Italian Civil Code; revocation of the authorisation to buy back and dispose of treasury shares under the shareholder resolution dated 18 April 2012; related resolutions.
5. Share ownership plan in favour of Prysmian Group's employees.
6. Consultation on the Prysmian Group's remuneration policies.

Extraordinary session

1. Authorization to convert, under art. 2420-bis, par.1 of the Italian Civil Code, of the equity-linked bond, resolved by the Board of Directors on 4 March 2013, reserved to Institutional Investors and with nominal value equal to Euro 300,000,000.00. Consequent increase in share capital under art. 2420-bis, par.2 of the Italian Civil Code, in a divisible form, with the exclusion of pre-emptive rights under art. 2441, par. 5 of the Italian Civil Code, serving the abovementioned convertible bond by a maximum nominal amount of Euro 1,344,411.30, by issuing up to 13.444.113 ordinary shares of the Company with a nominal value of Euro 0.10 each. Amendment of art. 6 of the By-laws. Resolutions related thereto. Granting of powers in relation to the above transaction.

Subscribed and paid-in share capital amounts to Euro 21,450,878.10, divided into 214,508,781 ordinary shares of nominal value Euro 0.10, each of which carries the right to one vote at Shareholders' Meetings. As at the present date the Company directly and indirectly owns 3,039,169 treasury shares.

Attendance at the meeting

Pursuant to art. 83-sexies of Italian Legislative Decree 58/98, all persons entitled to vote may attend the Shareholders' Meeting, or be represented according to the law, provided the Company receives a notice of

shareholding from an authorised intermediary based on their records at the close of the accounting day on Friday, 5 April 2013, being the seventh trading day before the date of the Shareholders' Meeting. Those who acquire voting rights only after this date will not be entitled to attend and vote at the Meeting. In order to facilitate confirmation of their entitlement, eligible shareholders are invited to display a copy of the notice of shareholding sent to the Company by their intermediary.

Voting by proxy

Every shareholder may be represented at the Shareholders' Meeting by giving a written power of attorney, using the proxy form available on the Company's website www.prysmiangroup.com (under Investor Relations/Shareholder Information/Shareholders' Meeting) or from the Company's registered office. The appointment of a proxy may also be notified to the Company by sending the proxy form by registered mail with proof of delivery to the registered office marked for the attention of "Prysmian S.p.A. – Corporate Affairs Office" or by sending it by email to corporate-pryspa@pec.prysmian.com.

The appointment of a proxy may be notified in an electronic document bearing an electronic signature pursuant to art. 21, par. 2, of Italian Legislative Decree 82/05.

For the meeting being convened in this notice, the Company has appointed the lawyer Mr. Dario Trevisan as the Designated Representative under art. 135-*undecies* of Italian Legislative Decree 58/98. Shareholders can appoint the Delegated Representative as their proxy, free of charge, by completing and signing the form available on the Company's website www.prysmiangroup.com (under Investor Relations/Shareholder Information/Shareholders' Meeting) or from its registered office. The duly signed and completed proxy form and voting instructions must be sent by registered mail for the attention of Mr. Dario Trevisan, Viale Majno 45 - 20122 Milan, or by certified email to rappresentante-designato@pec.it, by the close of business on Friday, 12 April 2013, being the second trading day before the date of the Shareholders' Meeting. Powers of attorney and voting instructions may be revoked within the same deadline. The power of attorney conferred upon the Company's Designated Representative cannot be exercised with regard to items on the agenda for which no voting instructions have been given.

Right to submit questions before the Shareholders' Meeting:

Pursuant to art. 127-*ter* of Italian Legislative Decree 58/98, eligible voters may submit questions on the agenda even before the Meeting, by sending them by registered mail to the Company's registered office for the attention of: "Prysmian S.p.A. – Corporate Affairs Office" or by email to corporate-pryspa@pec.prysmian.com. Questions must be received by Saturday, 13 April 2013, being the third day before the date of the Shareholders' Meeting, and must be accompanied by the intermediary's notice of proof of entitlement to vote; such proof is not required if the Company has received the intermediary's notice required to attend the Meeting. Questions received before the Shareholders' Meeting will be answered at the latest during the Meeting itself. The Company may provide a single response to questions concerning the same topic. The Company will not consider questions received after 13 April 2013 or those that are not strictly relevant to matters on the Meeting's agenda.

Additions to the Agenda

Pursuant to art. 126-*bis* of Italian Legislative Decree 58/98, shareholders who, individually or jointly, represent at least one fortieth of share capital are entitled to request, within ten days of publication of the present notice convening the Shareholders' Meeting, the addition of items to the agenda, indicating in such request the proposed additional matters for discussion, or submit proposed resolutions on items already on the agenda. The request must be submitted in writing to the Company's registered office by registered mail with proof of delivery, for the attention of: "Prysmian S.p.A. – Corporate Affairs Office" or by email to corporate-pryspa@pec.prysmian.com, and must be accompanied by the intermediary's notice proving title to the number of shares required to submit the request. This is without prejudice to the possibility for eligible voters to individually submit proposed resolutions directly at the Shareholders' Meeting itself.

Within the same ten-day timeframe, a report must be submitted using the same procedures that states the reasons for the proposed resolutions on new matters being proposed for discussion or the reasons for the additional proposed resolutions relating to matters already on the agenda.

Any additions to the agenda or submission of additional proposed resolutions on matters already on the agenda, as well as the report prepared by the requesting shareholders accompanied by any opinions of the Board of Directors, will be published by the Company, in the legally required manner, at least fifteen days

before the date of the Meeting.

Additions to the agenda are not permitted for matters on which the Shareholders' Meeting adopts, by law, resolutions proposed by the Directors or resolutions based on a proposal or report prepared by the Directors, other than those envisaged by art. 125-ter, par. 1 of Italian Legislative Decree 58/98.

Appointment of the Board of Statutory Auditors

It is recalled that pursuant to art. 21 of the By-laws, the Shareholders' Meeting is required to appoint a Board of Statutory Auditors consisting of three standing members and two alternate members who remain in office for three financial years, with their mandate expiring on the date of the Shareholders' Meeting convened to approve the financial statements relating to their third financial year in office.

The appointment of members of the Board of Statutory Auditors takes place on the basis of slates.

Those shareholders who, alone or together with others, represent at least 1% of ordinary capital are entitled to present slates. Ownership of the minimum shareholding needed to present slates is determined on the basis of the shares registered to the presenting shareholders on the day the slates are filed. The related notice of shareholding can be produced even after filing, provided by 18:00 CET on Tuesday, 26 March 2013.

The slates, signed by the presenting shareholders, must be filed at least twenty-five days before the date of the Shareholders' Meeting, meaning by 18:00 CET on Friday, 22 March 2013, at the Company's registered office (Viale Sarca 222 – Milan) or sent via email to corporate-pryspa@pec.prysmian.com, within the same deadline. These slates, together with the accompanying documentation, will be made publicly available at the registered office, on the Company's website www.prysmiangroup.com and in the other ways envisaged by Consob (Italy's Stock Exchange Commission) at least twenty-one days before the date of the Shareholders' Meeting.

Each shareholder can present or contribute to the presentation of only one slate and each candidate may appear on only one slate, otherwise they will be disqualified.

Every slate presented must be accompanied by:

- (i) information concerning the identity of the shareholders who have presented the candidate slates, indicating their overall shareholding;
- (ii) a declaration if the presenting shareholders do not, individually or jointly, hold a controlling or majority interest in the Company, in which they state the absence of any connection, as defined by art. 144-quinquies of Italian Legislative Decree 58/98, with the controlling or majority shareholders. Shareholders are invited in this regard to take account of the recommendations contained in Consob Communication DEM 9017893 dated 26 February 2009 on the "Appointment of members of the board of directors and board of statutory auditors";
- (iii) a curriculum vitae containing each candidate's personal and professional details, indicating the directorships and statutory auditorships they hold in other companies, also for the purposes of art. 2400 of the Italian Civil Code. It should be noted in this regard that the office of statutory auditor cannot be assumed by persons who hold the office of statutory auditor in five issuers, or who hold a number of directorships or statutory auditorships in other companies that exceeds the overall limit established by law;
- (iv) a statement by each candidate confirming that there are no reasons of ineligibility or incompatibility for holding the position, that he/she meets the requirements for the office of statutory auditor, as set out in law and the Company's By-laws, and that he/she accepts his/her candidacy. It should be noted in this regard that each candidate must satisfy the independence requirements established for statutory auditors under art. 148, par. 3 of Italian Legislative Decree 58/98, and must also declare their eligibility to qualify as independent pursuant to art. 3 of the Self-Regulatory Code for listed companies issued by Borsa Italiana S.p.A. (the Italian Stock Exchange) and adopted by the Company. Each candidate must also declare that they satisfy the professional competence and integrity requirements established by Ministry of Justice Decree 162 dated 30 March 2000. In particular, for the purposes of art. 1, par. 2, letters B) and C) of the above Ministerial Decree, the business sectors and fields viewed as strictly pertinent to the Company are those relating to the Company's sector of operations, as well as fields relating to private and commercial law, economic disciplines and those relating to the Company's business sector.

Every slate must have two sections: one for the appointment of standing statutory auditors and the other for the appointment of alternate statutory auditors. The first candidate in each section must be a member

of the special register of statutory auditors. The number of candidates on each slate cannot exceed the number of statutory auditors requiring election; each slate lists the candidates with a sequential number. Every shareholder entitled to vote may vote for only one slate.

Slates with a total number of candidates equal to, or greater than, three must comprise candidates from both genders, so that at least one third (rounded upwards) of the candidates for the office of standing statutory auditor and at least one third (rounded upwards) of the candidates for the office of alternate statutory auditor belong to the less well represented gender in that slate.

On completion of voting, the following will be declared as elected:

- two standing statutory auditors and one alternate statutory auditor, from the slate with the highest number of votes, based on the numerical order in which they are listed in the respective sections of that slate;
- the third standing statutory auditor and the other alternate statutory auditor, from the slate with the second highest number of votes, based on the numerical order in which they are listed in the respective sections of that slate. In the event of a tie between two or more slates, the most senior candidates in age are elected until all the positions have been filled.

If the above procedures do not ensure that the composition of the standing members of the Board of Statutory Auditors complies with the regulations on gender balance, the necessary replacements will be made from among the standing statutory auditor candidates on the slate with the highest number of votes, in accordance with the numerical order in which candidates are listed.

For more details on how to vote for the slates presented and the candidate election mechanisms that comply with regulations to safeguard minority shareholders and gender equality, please refer to art. 21 of the By-laws, available on the Company's website www.prysmiangroup.com (under Investor Relations/Corporate Governance) or at the registered office.

In the event that by 22 March 2013 only one slate has been filed, or only slates presented by shareholders connected to each other, the deadline for submitting slates will be extended by three days following that date, meaning until 18:00 CET on Monday, 25 March 2013, and the minimum shareholding required for slate presentation will be reduced to 0.5% of share capital.

Any changes that occur up to the date of the Shareholders' Meeting must be promptly notified to the Company.

Slates submitted without complying with the foregoing provisions will be disregarded.

Lastly, candidates are advised to authorise the publication of their curriculum vitae on the Company's website.

Documentation

Will be publicly available from the Company's registered office (Viale Sarca 222 – 20126 Milan), from Borsa Italiana S.p.A. and on the Company's website at www.prysmiangroup.com (under Investor Relations/Shareholder Information/Shareholders' Meeting):

- as of today's date, the Board of Directors' proposals relating to items on the ordinary session of the agenda along with the relevant reports,
- by 26 March 2013 the Board of Directors' proposal relating to item on the extraordinary session of the agenda along with the relevant report,
- by 26 March 2013, the financial statements, corporate governance report and remuneration report.

Shareholders are entitled to examine them and obtain a copy upon request.

Milan, 7 March 2013

By order of the Board of Directors
Massimo Tononi
(Chairman)

Extraordinary Session

- 1) Authorization to convert, under art. 2420-bis, par.1 of the Italian Civil Code, of the equity-linked bond, resolved by the Board of Directors on 4 March 2013, reserved to Institutional Investors and with nominal value equal to Euro 300,000,000.00. Consequent increase in share capital under art. 2420-bis, par.2 of the Italian Civil Code, in a divisible form, with the exclusion of pre-emptive rights under art. 2441, par. 5 of the Italian Civil Code, serving the abovementioned convertible bond by a maximum nominal amount of Euro 1,344,411.30, by issuing up to 13.444.113 ordinary shares of the Company with a nominal value of Euro 0.10 each. Amendment of art. 6 of the By-laws. Resolutions related thereto. Granting of powers in relation to the above transaction.

EXPLANATORY REPORT PREPARED BY THE BOARD OF DIRECTORS REGARDING THE ITEM ON THE AGENDA OF THE EXTRAORDINARY SHAREHOLDERS' MEETING OF PRYSMIAN S.P.A. SCHEDULED FOR 16 APRIL 2013, PURSUANT TO ART. 2441, PAR. 6 OF THE ITALIAN CIVIL CODE, ART. 72 OF CONSOB RESOLUTION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY INTEGRATED AND AMENDED AND ART. 125-TER OF LEGISLATIVE DECREE NO.58 OF 24 FEBRUARY 1998 AS SUBSEQUENTLY INTEGRATED AND AMENDED

Dear Shareholders,

The Board of Directors has decided to convene an Extraordinary Shareholders' Meeting to submit for your approval the proposal to authorize the conversion into Company's shares of the Euro 300 million equity linked bond due on 8 March 2018, which is restricted to qualified investors, is named "*€300,000,000 1.25 per cent. Equity Linked Bonds due 2018*," and was issued on 8 March 2013 (the "**Bond Loan**") and to approve, for the purposes of the conversion, a share capital increase against payment in cash, through installments, without option rights pursuant to art. 2441, par. 5 of the Italian Civil Code, for a maximum nominal amount of Euro 1,344,411.30 to be paid in one or more installments, through the issue of a maximum of 13,444,113 Company's ordinary shares with the same characteristics as the outstanding ordinary shares (the "**Share Capital Increase**").

The purpose of the proposed share capital increase is to allow the Company to convert the Bond Loan, if so authorized by the Extraordinary Shareholders' Meeting, into newly issued shares and, at its option, treasury shares owned by the Company.

This report aims to describe the share capital increase proposal pursuant to article 2441, paragraph 6 of the Italian Civil Code, art. 72 of the regulation adopted with CONSOB resolution no. 11971 of 14 May 1999, as subsequently amended and art. 125-ter of Legislative Decree no. 58 of 24 February 1998, as subsequently amended.

1. Transaction details

1.1 Reasons for the Share Capital Increase and allocation thereof

The proposed share capital increase transaction under the aforesaid terms is part of the Bond issue transaction restricted to qualified Italian and foreign investors, except investors from the United States, Australia, Canada, Japan, South Africa and in any case with exclusion of the general public. Issue was resolved by the Board of Directors on 4 March 2013, with pricing defined by the Board on 5 March 2013.

The main features and objectives of the Bond Loan are listed below.

Features and objectives of the Bond Loan issue

On 4 March 2013, the Board of Directors approved the issue of the Bonds and the main terms and features of the Bond Loan. The placement took place on 5 March 2013 and on the same date the Board of Directors set the transaction pricing. The transaction was settled through the issue of securities and payment of the subscription price on 8 March 2013.

The amount of the Bond Loan is Euro 300 million.

The Bond Loan was placed on the domestic and international market of qualified investors (as defined by applicable regulations) and consisted of equity-linked instruments due to the complexity of the instruments offered and the desire to ensure the successful outcome of the transaction in a short time. The Bond Loan 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 features of the equity-linked Bond Loan. The Board of Directors believes that the Bond Loan issue is in the interests of the Company which has completed its fund raising on the medium-term securities market at favorable terms and conditions.

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 Bonds;
- a broader diversification of financial resources;
- increased financial flexibility for the Company;
- extension of the average bond maturity.

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

Purposes of the Share Capital Increase relating to the conversion of the Bond Loan

The Bond Loan Regulation (the "Regulation") provides for that, should the Shareholders' Meeting not approve the Share Capital Increase relating to the conversion of the Bonds by 31 July 2013 (the "**Long-Stop Date**"), within a limited period of time – not exceeding 10 trading days after the Long-Stop Date, the Company may issue a specific notice addressed to the holders (the "**Shareholder Event Notice**") and proceed to the early redemption of the entire Bond Loan by paying in cash an amount equal to the higher of (i) 102% of the principal and (ii) 102% of the average of the bond market prices recorded over the time period subsequent to the announcement of the redemption (plus, in each case, the interests accrued).

However if, subsequently to the failure to approve the Share Capital Increase, the Company has not issued the Shareholder Event Notice within the deadlines established in the Bond Loan Regulation (and in specific circumstances even before that date), each bondholder may, within the deadlines established in the Regulation, request early redemption in cash of the 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 the Extraordinary Shareholders' Meeting decides to authorize the conversion of the Bond Loan and to consequently increase the share capital with exclusion of the option right pursuant to art. 2441, par. 5 of the Italian Civil Code for the conversion of the Bond Loan, the Company shall be required to send, within 5 business days from recording the shareholders' meeting resolution with the Companies' Register, a specific notice to the bondholders (the "**Physical Settlement Notice**") based on which the bondholders shall receive on a set date (the "**Physical Settlement Date**") the right to convert their bonds into outstanding and/or newly issued ordinary shares of the Company.

The conversion of the Bonds into newly issued shares shall allow the Company to strengthen equity and diversify its financial position, while limiting the related cash outflow for financial expenses and the projected capital, as well as to expand its ownership structure thanks to qualified investors.

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

As indicated above, the reasons for the exclusion of the option right, pursuant to art. 2441, par. 5 of the Italian Civil Code insofar as the proposed share capital increase, are those that led to the Bond Loan issue, also taking into account the strengthening of the equity position and the expansion of the ownership structure that the conversion of bonds into shares would allow.

The Board of Directors therefore believes that the exclusion of the option right pursuant to art. 2441, par. 5 of the Italian Civil Code is fully justified in light of the features, timescales and objectives of the Bond Loan transaction.

1.2 Bond features

Pursuant to the resolutions of the Board of Directors and the Regulation's terms and conditions, the Bond Loan features are as follows:

- **Bond Loan type:** equity-linked bond loan, with the possibility of conversion into Company's ordinary shares (newly issued or treasury shares) subject to authorization by the Extraordinary Shareholders' Meeting and approval of a related share capital increase excluding the option rights, as indicated herein (reference should be made to "Conversion right");

- **amount:** Euro 300 million;
- **duration:** five years maturing on 8 March 2018;
- **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 exclusion of any offer to the public;
- **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 their nominal value;
- **interest rate:** fixed rate equal to 1.25% on an annual base;
- **interest payments:** every six months. First coupon due on 8 September 2013;
- **Redemption:** the principal shall be repaid in a single installment equal to the nominal amount, upon maturity of the Bond Loan.

The Company shall be entitled to early and full redemption of Bonds in the cases detailed in the Bond Loan Regulation, in line with market practices, including:

- (i) at a value indexed to the underlying shares' market price, if the Share Capital Increase relating to the conversion is not approved by the Long-Stop date (i.e. by 31 July 2013). Reference should also be made to "Conversion Right" herein;
- (ii) at the nominal value (in addition to accrued interests), starting from 23 March 2016, if the trading price of the Company's ordinary shares increases over 130% of the conversion price within a specified time period;
- (iii) at the nominal value (in addition to accrued interests) in the event of conversion, redemption and/or repurchase of the bonds of at least 85% of the original nominal amount of the Bond Loan;
- (iv) at the nominal value (in addition to accrued interests), if specific changes in the tax regime take place which affect the Bonds.

Furthermore, in the event of a change in control, each bondholder shall be entitled to request early redemption at the nominal value plus accrued interests. 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 Bonds 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 Bonds into outstanding and/or newly issued ordinary shares of the Company. If the Extraordinary Shareholders' Meeting does not 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 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 period of time following the Long-Stop Date, to early redemption of the entire loan 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 of the market prices of the bonds recorded over a time period subsequent to the announcement of the redemption (plus, in each case, accrued interests).
- The initial conversion price of the Bonds into outstanding and/or newly issued ordinary shares of the Company is Euro 22.3146 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 Bonds 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 conversion shall be determined by dividing the nominal amount of the Bonds, for which the conversion right shall be 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 aforesaid parameters and pursuant to approval by the Extraordinary Shareholders' Meeting, by way of example, the initial conversion ratio shall be equal to 4481 shares for each Bond.
- **adjustments to the conversion price:** the Bond Loan Regulation provides for that the initial conversion price shall be adjusted pursuant to the market practices applicable to this type of debt instrument upon occurrence, among other factors, 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 subscription/acquisition rights of shares or financial instruments to the shareholders, issue of shares or assignment of options, warrants or other subscription rights, issue of convertible financial instruments or instruments that are exchangeable with shares, change to

the conversion/exchange rights connected to other financial instruments, change of control or other material events indicated within the Bond Loan Regulation. In particular, if the Company distributes dividends during the life of the Bond Loan 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 Loan Regulation is governed by English law.

*The documentation relating to the Bond offer shall not be subject to approval by CONSOB pursuant to applicable law and therefore, the Bonds may not be offered, sold or distributed to the public within the territory of the Republic of Italy, except to qualified investors as defined by art. 100 of Legislative Decree no. 58 of 24 February 1998 as subsequently amended (hereinafter the “**Consolidated Finance Law**”) and art. 34-ter, par. 1.b of the CONSOB Regulation no. 11971 of 14 May 1999 as subsequently amended (hereinafter the “**Consob Regulation**”).*

There shall be no sale to the public of the financial instruments or invitation to the purchase of financial instruments in countries in which this sale or invitation is prohibited by the law. The financial instruments were not and shall not be registered pursuant to the U.S. Securities Act of 1933 and they shall not be offered or sold in the United States of America if they are not registered or if they have not been specifically exempted from registration pursuant to the U.S. Securities Act of 1933. No sale shall be made to the public of these financial instruments within the United States or in any other country.

*The bonds are offered only to qualified investors (“**Qualified Investors**”) as defined by 2003/71/EC Directive, as subsequently amended by 2010/73/EU Directive (“**Prospectus Directive**”) and, pursuant to the relevant laws of each of the countries in which the Bonds shall be offered.*

It is hereby noted that if the Bonds are offered to an investor who is a financial intermediary, as defined in article 3(2) of the Prospectus Directive, this investor is deemed to have declared that it accepts not to acquire the Bonds in the name and on behalf of individuals within the European Economic Area who are other than the Qualified Investors, or citizens of the United Kingdom or other Member States (in which a similar law is in force) for whom the investor has the power to make discretionary decisions or not to purchase the Bonds in order to offer or resell them within the European Economic Area where this requires the publication by the Company, the Joint Bookrunners or any other director of a prospectus in compliance with art. 3 of the Prospectus Directive.

2. Breakdown of the financial debt

The funds collected through the Bond issue, which shall be used for the optimization of the Company’s financial position and cost of capital and also to finance business operations, shall also affect the breakdown of the Company’s financial debt.

The net financial position as at 31 December 2012 amounted to Euro 918 million. If the impact of the Bond Loan had been taken into account, this Net Financial Position would have been affected by a positive cash effect of Euro 300 million and a liability of Euro 261 million given the “split accounting” of the “debt” component and the “equity” component. Consequently, the Net Financial Position would have improved by approximately Euro 39 million, reaching Euro 879 million.

It is hereby noted that the above is provided merely as an indication since it is based on values which could vary significantly on the redemption date of the Bonds. Therefore, this example should not be considered as the real impact of the transaction on the financial and equity position of the Group and the Company.

3. Business outlook

During 2012, the global economy continued the slowdown that began in the second half of 2011, following the growing concerns on the sustainability of the debt levels of the Euro area countries and the United States. This resulted in a gradual deterioration in the confidence of consumers and businesses which consequently reduced their industrial production and investments at international level.

In this economic environment, the Group foresees that for 2013 the demand in the medium voltage cable business for utilities, and cables for constructions and products for the industrial segment which are more exposed to the market cycles will remain weak for at least the first part of the year. Conversely, the performance of demand in the high added value businesses of power transmission and oil and gas offshore continued to be positive. Optical fiber cables are expected to recover in the second half of the year. Finally, the Prysmian Group will continue to integrate and streamline operations, in order to reach the targeted cost synergies and further strengthen its presence in all business segments.

4. Existence of guarantee and/or placement consortia, and relevant composition, terms and conditions

No placement and/or guarantee consortium is envisaged for the Share Capital Increase, as it is exclusively destined to the possible conversion of Bonds. However, the Bond placement has been handled by BNP Paribas, HSBC Bank Plc, J.P. Morgan Securities Plc and Mediobanca – Banca di Credito Finanziario S.p.A., in their capacities as Joint Bookrunners who also guaranteed the subscription pursuant to the Subscription Agreement entered into with the Company.

5. Other forms of placement

No other forms of placement are envisaged.

6. Criteria for the determination of the issue price for new shares

On 5 March 2013, the Company's Board of Directors - in consideration of both the Bonds and the capital increase for the Bond Loan conversion - resolved to propose to the Shareholders' Meeting that the issue price for the new shares from this capital increase be equal to the conversion price of Bonds, provided that the former shall in any case be no lower than the price determined based on the shareholders' equity recognized in the Company's most recently approved financial statements, taking also into account the performance of Prysmian shares on the MTA market (*Mercato Telematico Azionario*, electronic stock exchange) over the last six months. On that date, the Board also determined the initial conversion price of Bonds, based on the criteria used for equivalent transactions which are in line with market practices for such securities.

In particular, regarding the valuation criteria adopted, the Board of Directors carried out the following analyses:

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

Given the nature of the instrument which will become convertible into shares based on the fulfillment of the Bond Loan conditions and, in any case, subject to conversion authorization and approval of the Share Capital Increase by the Extraordinary Shareholders' Meeting, the initial conversion price was defined upon the transaction end based on the Prysmian shares' market value and by applying a conversion premium within a pre-set range, based on the quantity and quality of the demand which arose during the Bond Loan placement restricted to qualified investors on the domestic and international market.

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 16.6838.

A conversion premium of 33.75% 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 30 to 37.5% and it is in line with the average conversion premium applied in recent comparable

transactions involving convertible bond loans 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 6 months | | | |
|---|-----------------------------------|-----------------------------------|----------------------------|
| Panel of transaction | Average of minimum figures | Average of maximum figures | Average of averages |
| All the 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 concluded in Europe from 01.09.2012 to 27.02.2013 (**) Between 5 years and 5 years and 3 months (***) amount issued between €275mln and €400mln | | | |

By applying the aforementioned criteria, the initial conversion premium established by the Board of Directors and therefore the issue price of the shares relating to the conversion of the Bond Loan equals Euro 22.3146 per share.

In compliance with the provisions of Art. 2441, par. 6, 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, par. 6, 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 4 March 2013 (when the Bond Loan was approved) is equal to Euro 14.912 per share. The share issue price as determined above, equal to Euro 22.3146 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 31 December 2012, equal to Euro 4.12.

Pursuant to the Bond Loan 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 par. 1.2 above, to which reference should be made.

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

The determination of the conversion premium value is supported by further analysis carried out by the Company, through the development of mathematical and financial models, aiming at checking the suitability of the conversion premium.

A convertible bond loan is a financial instrument incorporating the features of both ordinary bonds and risk capital, with bondholders being entitled with the right to convert their 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 implicit components of a convertible bond loan – bond and share purchase option – through the creation of a trinomial model.

To this end, the following main parameters were considered:

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

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

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

Furthermore, 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 2013-2015 three-year projections. In particular, the projections for the 2013-2014 two-year period are based on average sales values and Ebitda from the consensus of the Company's analysts and for 2015 on estimated growth rates compared to 2014 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 | Minimum | Central | Maximum |
| Wacc | 7.96% | 8.21% | 8.46% |
| "g" rate | 1.00% | 1.25% | 1.50% |
| Capital Value (€/mln) | 3.765 | 4.114 | 4.517 |
| Value per share(€) | 17.80 | 19.45 | 21.36 |

* * *

Based on the analyses carried out and, in particular, on the conversion premium suitability analysis, the Board of Directors believes that the criteria adopted for the initial conversion price of Bonds and therefore the issue price of conversion shares (and relevant conversion ratio) comply with the criteria provided for by Art. 2441, par. 6 of the Italian Civil Code and are therefore appropriate to determine a price that will protect the interests of the Company's shareholders in terms of equity, considering the option right exclusion.

7. Shareholders willing to subscribe newly issued shares and any option right not exercised based on the stake owned

As indicated above, the Board of Directors submitted to the Company's Extraordinary Shareholders' Meeting the approval of a share capital increase exclusively to convert the Bonds into newly issued shares.

Therefore, for the reasons set forth above, the shareholders' right to exercise their option is excluded.

8. Transaction execution period

The proposed Share Capital Increase will be handled by the Board of Directors in regard to the conversion of Bonds as provided by the Bond Loan Regulation. If, on the last conversion date pursuant to the terms of the Bond Loan Regulation, the Share Capital Increase is not entirely subscribed, the Company's share capital shall increase by the amount raised from the subscriptions carried out up to that time.

Finally, starting from the date of the Extraordinary Shareholders' Meeting, the Company shall be required to send a notice to the Bondholders, specifying the date from which they will be entitled to convert their Bonds into existing and/or newly issued ordinary shares.

9. Newly issued shares' effective date

The Bonds shall be converted into cum-coupon shares therefore attributing to their holders the same rights as those provided by the shares outstanding upon issue.

10. Pro-forma income, equity and financial effects –effects on the value per share

Since the Share Capital Increase transaction involves a significant amount (as a percentage on the shareholders' equity of the Company), some disclosure is provided regarding the effects of the proposed Share Capital Increase on the income and equity position of the Company and the Group and on the value per share.

Since at the date of this Explanatory Report neither the number of the bonds which will be converted nor the conversion time is known, the following assumptions are required:

- number of Bonds converted: all;
- conversion price: Euro 22.3146;
- conversion time: upon maturity for the total amount;
- pro-forma data used: shareholders' equity as at 31 December 2012.

| | Prysmian Group data as at 31 December 2012 | Prysmian S.p.A. data as at 31 December 2012 |
|--|---|--|
| Shareholders' equity | Euro 1,111,742 thousand | Euro 871,588 thousand |
| Current number of shares | 211,469,612 | 211,480,281 |
| Current shareholders' equity per share | Euro 5.26 | Euro 4.12 |
| The number of shares subscribed (*) | 13,444,113 | 13,444,113 |
| Subscription price per share | Euro 22.3146 | Euro 22.3146 |
| Amount subscribed | Euro 300,000 thousand | Euro 300,000 thousand |
| Pro-forma projected shareholders' equity | Euro 1,411,742 thousand | Euro 1,171,588 thousand |
| Number of shares after the increase | 224,913,725 | 224,924,394 |
| Pro-forma shareholders' equity per share | Euro 6.28 | Euro 5.21 |

| | |
|---|-----------------------|
| Number of shares issued (*) | 13,444,113 |
| Current share capital | Euro 21,451 thousand |
| Projected share capital | Euro 22,795 thousand |
| Book value of the shareholders' equity increase | Euro 300,000 thousand |

(*) The number of shares issued for the Bond Loan and the projected share capital have been calculated on the assumption that the Bond Loan is completely converted on the basis of the initial conversion price.

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A copy of this Board of Directors' Explanatory Report as written above has been provided to the Independent Auditors, pursuant to Art. 158 of the Consolidated Law on Finance, and to CONSOB, pursuant to Art. 72 of the CONSOB regulation.

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If you agree with the foregoing, we kindly ask you to pass the following resolutions.

The Shareholders' Meeting

- having heard the Board of Directors' Explanatory Report prepared pursuant to Art. 2441, par. 6 of the Italian Civil Code and Art. 72 of the Consob Resolution no. 11971 of 14 May 1999 as subsequently integrated and amended;
- having acknowledged the main terms and conditions of the Bond Loan provided in the Board of Directors' Explanatory Report;
- having acknowledged the opinion on the issue price suitability provided by the Independent Auditors, PricewaterhouseCoopers S.p.A.;
- and having ascertained the possibility of pursuing the objectives and procedures as indicated above,

hereby resolves

- to envisage and authorize pursuant to Art. 2420-bis of the Italian Civil Code and the Regulation provisions, the convertibility of the equity linked Bond Loan and therefore to approve the proposal to increase the share capital in cash, to be paid through installments without option rights pursuant to Art. 2441, par. 5 of the Italian Civil Code, for a maximum nominal amount of Euro 1,344,411.30, to be paid in one or more installments through the issue of a maximum number of 13,444,113 Company's ordinary shares having the same characteristics as the outstanding ordinary shares, to be reserved exclusive-

ly and irrevocably for the conversion of the equity-linked Bond Loan of Euro 300,000,000, maturing on 8 March 2018 which is restricted to qualified investors and named “€300,000,000 1.25 per cent. Equity Linked Bonds due 2018”, pursuant to the terms of the relevant regulation. These shares relating to the conversion are issued at a price equal to Euro 22.3146 per share and therefore with a premium equal to Euro 22.2146, notwithstanding any adjustments to the conversion price as foreseen in the loan regulation; the number of shares relating to each requested conversion will be determined by dividing the nominal amount of the bonds, in relation to which the conversion right will be exercised, by the conversion price above (or the effective price on the relevant conversion date, if applicable), rounded down to the nearest whole number of ordinary shares. No fractions of shares will be issued or delivered and no payment in cash or adjustment will be carried out for such fractions;

- to approve that the Chairman and the Chief Executive Officer, including separately and with the power to delegate to other parties, send a notice to the bondholders entitling the latter to convert the bonds into already existing and/or newly issued ordinary shares of the Company;
- to establish that the last deadline to subscribe the newly issued shares is 8 March 2018, i.e. the end of the fifth year following the issue of the Bond Loan named “€300,000,000 1.25 per cent. Equity Linked Bonds due 2018”, without prejudice to the fact that the share capital increase is irrevocable until the last bond conversion deadline and, if on that date, the share capital increase is not entirely subscribed, it shall nevertheless be considered as increased by an amount equal to the subscriptions made and from the time of such subscriptions, provided they are subsequent to the registration of this resolution with the Companies Register;
- to consequently amend Art. 6 of the By-Laws in order to take into account the resolutions made today, adding the following new fourth paragraph:

“The Extraordinary Shareholders’ Meeting held on 16 April 2013 resolved to increase the share capital against payment, in cash and through installments with exclusion of the option right pursuant to Art. 2441, par. 5 of the Italian Civil Code, for a maximum nominal amount of Euro 1,344,411.30, to be paid in one or more installments through the issue of a maximum number of 13,444,113 Company’s ordinary shares having the same characteristics as the outstanding ordinary shares, to be reserved exclusively and irrevocably for the conversion of the “€300,000,000 1.25 per cent. Equity Linked Bonds due 2018” Bond Loan, without prejudice to the fact that the last subscription deadline for the newly issued shares is 8 March 2018 and, if on that date the capital increase is not entirely subscribed, it shall be considered as increased by an amount equal to the subscriptions made”;

and to empower the Chairman and Chief Executive Officer, including separately and with the power to delegate to other parties, to update the figures mentioned in Art. 6 of the By-Laws, as amended, following the partial and/or total exercise of the conversion rights by the bondholders and the consequent partial and/or total execution of the capital in-

crease for the Bond Loan, while also ensuring that appropriate registration is made with the Companies Register;

- to provide the Chairman and Chief Executive Officer with the widest power, including through special powers of attorney, to (i) enforce the resolutions passed with the right to make any amendments required by the relevant Authorities, and any amendments required upon registration with the Companies Register, while also filing the updated text of the By-Laws upon completion of the transaction which is the object of this resolution and (ii) carry out all that is required, necessary and useful to fully implement the resolution.

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Milan, 15 March 2013

By order of the Board of Directors
Chief Executive Officer
Valerio Battista