



# THIRD QUARTER REPORT

AT 30 SEPTEMBER 2015



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TO ENHANCE CUSTOMER LINKING THE FUTURE SERV  
WORLDWIDE LEADER IN RENE

**Prysmian**  
Group



**Disclaimer**

*This document contains forward-looking statements, specifically in the sections entitled "Significant events after the reporting period" and "Business outlook", that relate to future events and future operating, economic and financial results of the Prysmian Group. By their nature, forward-looking statements involve risk and uncertainty because they depend on the occurrence of future events and circumstances. Actual results may differ materially from those reflected in forward-looking statements due to a variety of factors.*

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# DIRECTORS' REPORT

## DIRECTORS AND AUDITORS

Board of Directors ***	<b>Chairman</b>	Massimo Tononi <sup>(1)</sup> (2)		
	<b>Chief Executive Officer &amp; General Manager</b>	Valerio Battista		
	<b>Directors</b>	Maria Elena Cappello <sup>(1)</sup> (**)(1)	Pier Francesco Facchini	
		Monica de Virgiliis <sup>(1)</sup> (**)	Maria Letizia Mariani <sup>(1)</sup> (**)(1)	
		Claudio De Conto <sup>(1)</sup> (**)(1)(2)	Fabio Ignazio Romeo	
		Alberto Capponi <sup>(1)</sup> (**)	Giovanni Tamburi <sup>(1)</sup> (**)(2)	
		Massimo Battaini		
Board of Statutory Auditors	<b>Chairman</b>	Pellegrino Libroia		
	<b>Standing Statutory Auditors</b>	Paolo Francesco Lazzati	Maria Luisa Mosconi	
	<b>Alternative Statutory Auditors</b>	Marcello Garzia	Claudia Mezzabotta	
Independent Auditors	<b>PricewaterhouseCoopers S.p.A.</b>			

<sup>(1)</sup> Independent directors as per Italy's Unified Financial Act

<sup>(\*\*)</sup> Independent directors as per Italy's Self-Regulatory Code of Corporate Governance

<sup>(\*\*\*)</sup> Appointed by the Shareholders' Meeting on 16 April 2015

<sup>(1)</sup> Members of the Control and Risks Committee

<sup>(2)</sup> Members of the Compensation and Nominations Committee

## Introduction

This Quarterly Financial Report at 30 September 2015 (Interim management statement pursuant to art. 154-ter of Italian Legislative Decree 58/1998) has been drawn up and prepared:

- in compliance with art. 154-ter of Italian Legislative Decree 58/1998 and subsequent amendments and with the Issuer Regulations published by Consob (Italy's securities regulator);
- in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and in accordance with *IAS 34 – Interim Financial Reporting*, applying the same accounting standards and policies adopted to prepare the consolidated financial statements at 31 December 2014, except as described in the Explanatory Notes in the paragraph entitled "Accounting standards, amendments and interpretations applied from 1 January 2015".

This Quarterly Financial Report is unaudited.

From 1 January 2014 the Group embarked on a process of organisational change, which has involved redefining its segment information in keeping with the new management model adopted by the Group.

Following this change, the Group's operating segments have been redefined as follows:

- Energy Projects;
- Energy Products;
- Telecom.

Reporting systems in support of the new model were introduced in 2014 and fully implemented prior to the preparation of the 2014 Annual Financial Report. The criteria used to identify the reportable segments are therefore consistent with the new organisational model. The Board of Directors approved the adoption of the new structure for segment reporting in its meeting on 23 January 2015.

Segment information is currently structured in the same way as the report periodically prepared in order to review business performance. This report presents operating performance by macro type of business (Energy Projects, Energy Products and Telecom) and the results of operating segments primarily on the basis of Adjusted EBITDA, defined as earnings (loss) for the period before non-recurring items (eg. restructuring costs), the fair value change in metal price derivatives and in other fair value items, amortisation, depreciation and impairment, finance costs and income and taxes. It should be noted that the previously published figures for the first nine months of 2014 have been restated to reflect the redefinition of the operating segments after adopting the new organisational structure.

In order to provide users of the financial statements with clearer information, certain economic data is also reported for the following sales channels and business areas within the individual operating segments:

A) Energy Projects operating segment: encompassing the following high-tech and high value-added businesses whose focus is on projects and their execution, as well as on product customisation: High Voltage underground, Submarine and SURF, umbilical cables, flexible pipes and special DHT (Downhole Technology) cables for the oil industry.

B) Energy Products operating segment: encompassing the businesses offering a complete and innovative product portfolio designed to meet the various and many needs of the market, namely:

1. Energy & Infrastructure (E&I): which includes Trade and Installers and Power Distribution;
2. Industrial & Network Components: which comprises Specialties and OEM, Oil & Gas, Elevators, Automotive and Network Components;
3. Other: occasional sales of residual products.

C) Telecom operating segment: producing cable systems and connectivity products used in telecommunication networks. This segment is organised in the following lines of business: optical fibre, optical cables, connectivity components and accessories, OPGW (Optical Ground Wire) and copper cables.

More details can be found in the section on Alternative Performance Indicators contained in the present Directors' Report.

## SIGNIFICANT EVENTS DURING THE PERIOD

### NEW INDUSTRIAL PROJECTS AND INITIATIVES

On 3 February 2015, the Prysmian Group signed a Memorandum of Understanding with Transelectrica, a Romanian electricity transmission system operator, Unicredit Bank and the law firm Tonucci & Partners, to carry out studies and analyses on the potential development of a submarine link between Romania and Turkey. The memorandum's aim is to support further development of the region's energy sector, by offering Romanian power suppliers the opportunity to export their surplus generation to other countries such as Turkey. The Prysmian Group also announced the construction of new optical cable manufacturing facilities within Slatina's new Industrial Park; the new facilities will be capable of producing a full range of new-generation optical fibre cables to support the most advanced applications and usages by public and private, national and international operators, having obtained all the required quality certifications. Phase one of the project is due to reach completion by 2017. By the end of the project, the new plant will also have created 300 permanent jobs. The Group also plans to start production in Slatina of high voltage submarine cables for power transmission lines up to 150 kV; completion of the project and commencement of production are scheduled for July 2015. Lastly, with the goal of further developing highly skilled local human resources, Prysmian has also announced the launch of an international training programme in support of its industrial development with the recruitment of new and qualified local staff.

On 11 February 2015, Prysmian was awarded a new contract worth approximately Euro 60 million by Iberdrola Renovables Offshore Deutschland GmbH - a German subsidiary of Iberdrola, the world-leading developer and operator of wind farms - to supply and install wind turbine inter-array cables for the Wikingen offshore wind farm, located within the West of Adlergrund cluster in the German Baltic Sea. Under the Wikingen contract, Prysmian is responsible for the design, manufacture, installation, burial, termination and testing of 81 km of 33 kV submarine cables in different cross-sections to connect the 70 wind turbines and an offshore substation that form the 350 MW wind farm. Cables will be produced at Prysmian's facility in Drammen, Norway, one of the Group's centres of excellence for submarine cables. Installation work is scheduled to be complete by the end of 2016.

On 16 February 2015, the Prysmian Group was awarded two major new orders worth a total of more than Euro 50 million for projects to expand the power transmission system in Kuwait. More specifically, the contracts refer to the "MEW 06 Jaber Al Ahmed City" project, awarded directly by MEW (the Kuwait Ministry of Electricity & Water) and the "Jamal Abdel Al Nasser Street" project, awarded by ROBT (JV), a joint venture of Rizzani de Eccher-OHL under a wider contract with MPW (the Kuwait Ministry of Public Works) on behalf of MEW as end-user. The "MEW 06 Jaber Al Ahmed City" project is part of the plan to expand Kuwait's power transmission with a view to strengthening its main transmission networks and securing power supplies for industrial and residential users throughout the country. The "Jamal Abdel Al Nasser Street" project is part of the plan to upgrade and transform one of the main traffic arteries running through the middle of Kuwait City into an expressway, a process that will involve diverting an underground electricity line. The contracts involve the design, engineering, supply, construction, installation and commission of HV underground cable systems, requiring a total of 210 km of 132 kV cable and related network components for



both projects that will be executed by the Group's offices in Kuwait. Installation will start in 2015 with completion scheduled in 2016.

On 26 March 2015, the Prysmian Group announced that it would be leading a consortium of 7 companies for the construction of the new high voltage direct current (HVDC) interconnection between Italy and France. The total value of this project, awarded by Terna Rete Italia S.p.A. and RTE, the transmission system operators in Italy and France respectively, is worth more than Euro 500 million. The share of Prysmian, which in its capacity as consortium leader will coordinate the design, supply, installation – including civil works – and commissioning of the interconnection, is about Euro 200 million.

The HVDC underground cable, also known as the "Piedmont-Savoy" interconnection, will play a strategic role in enhancing energy security and enabling energy exchange between Italy and France up to 1200 MW, as a new and important step towards the creation of a single European electricity market.

The project for a turnkey  $\pm$  320 kV HVDC extruded underground cable system involves the engineering, production and installation of two 600 MW bipolar circuits along a 190 km route between the substations of Piossasco, near Turin (Italy), and Grand'Île in Savoy (France), of which approximately 95 km running through each country. Prysmian Group and Silec Cable will supply the HVDC extruded cables; Roda SpA and CEBAT srl will be responsible for civil works and installation on the Italian side, while Gauthey, Serpollet and Sobeca will be responsible for civil works and installation on the French side.

Commissioning of the system is scheduled for 2019. The overall length of the line sets a world record for HVDC extruded underground interconnections.

On 1 April 2015, the Prysmian Group was awarded a new contract by 50Hertz Offshore GmbH - a subsidiary of 50Hertz Transmission GmbH, a transmission grid operator in Germany - worth approximately Euro 230 million to design, produce and install cables to connect the West of Adlergrund offshore wind farm cluster in the Baltic Sea to mainland electricity grids in Germany.

This latest award is the result of 50Hertz exercising an option for additional grid connections contained in the existing contract for the West of Adlergrund project, signed by Prysmian in May 2014 and originally worth around Euro 480 million with options for other grid connections to be activated separately.

This project involves the design, supply and installation of multiple high voltage submarine cable systems, now including this additional connection, between offshore wind farms approximately 40 km north-east of Rügen Island, and the Lubmin substation in north-east Germany, covering a distance of some 90 km underwater and 3 km onshore.

The 220 kV HVAC 3-core extruded cables (with an integrated optical fibre system) will be produced at the Group's centres of technological and manufacturing excellence in Pikkala (Finland) and Arco Felice (Naples, Italy), which have recently been upgraded and equipped to manufacture and test large cross-section 3-core cables of up to 400 kV AC. Production of the West of Adlergrund cable systems has already started and marine installation operations are scheduled to begin in 2015 with the assistance of "Cable Enterprise", the Group's DP2 cable-laying ship.

On 14 July 2015, Prysmian Group was awarded a new contract worth around Euro 550 million for an HVDC (High Voltage Direct Current) submarine interconnector between Norway and Britain.

The project, known as NSN (North Sea Network), Link will be the first power transmission line to connect these two nations; its construction is of great strategic importance for the trading of electricity between the Norwegian and British grids and will also offer a way to share energy from renewable sources and increase the security of electricity supply. The overall project will set a new record as the longest HVDC submarine interconnector ever installed, following a route of about 740 km between the converter stations in Kvilldal (Norway) and Blyth (Britain).

All cables will be produced by the Arco Felice plant (Naples, Italy), one of the Group's centres of technological and manufacturing excellence for submarine cables. The main marine cable-laying operations will be performed by the "Giulio Verne", the Group's own cable-laying vessel with a proven capability in laying extremely long cable lengths at great depths. Delivery and commissioning of the system are due to be completed by September 2021.

On 16 July 2015, Prysmian Group was awarded a new contract that will bring electricity to Jersey in the Channel Islands from the French mainland.

The project, known as Normandie 1, involves the turnkey supply and installation of an HVAC (High Voltage Alternating Current) interconnector between France (Surville) and Jersey (Archirondel), comprising 28 km of 90 kV 3-core cable in a single length as well as related network components and specialist jointing works.

Prysmian will design, manufacture and commission the submarine and underground cable connections as part of a larger contract worth around Euro 28 million, awarded to the consortium between Prysmian and VBMS; VBMS will perform the marine cable laying operations, including landfall protection.

The submarine cable will replace the existing and now obsolete Normandie 1 interconnector, while its 100 MW capacity will be shared by both Jersey and Guernsey under the CIEG (Channel Islands Electricity Grid) partnership agreement, which is the vehicle through which the local utilities procure power from EDF in France.

The submarine cables for the Normandie 1 link will be produced by the Arco Felice plant (Naples, Italy), one of the Group's centres of technological and manufacturing excellence. The project is due to be completed by October 2016.

On 5 August 2015, the Prysmian Group signed contracts with Nobelwind NV to supply inter-array cables for the Bligh Bank 2 offshore wind farm located off the coast of Zeebrugge in Belgium.

Prysmian will be responsible for the design, manufacture and supply of 33 kV submarine cables with various cross-sections to connect the 55 individual wind turbines and the farm's Offshore High Voltage Substation (OHVS).

In addition a 33 kV coupling cable will be supplied for use as a back-up connection between wind farms in this area. Prysmian will also be responsible for offshore cable jointing and termination services as well as for commissioning. Cables will be produced at the facility in Drammen, Norway, with installation work due to be completed in the first half of 2017.

On 1 September 2015, the Prysmian Group signed an agreement to supply Fincantieri with 3,100 km of low voltage sheathed fire resistant cables for marine use. The cables, with an order value of more than Euro 6 million, will be used in the new Regent Seven Seas Explorer C 6250 and Regent Seven Seas Explorer C 6226 cruise ships being built at the Sestri Ponente shipyard (Genoa, Italy) between 2015 and 2016. This

major contract marks the Prysmian Group's official resumption of its partnership with Fincantieri for the supply of cables for both naval and marine passenger vessels.

## **FINANCE AND M&A ACTIVITIES**

### **Bond issuance**

On 10 March 2015, the Board of Directors of Prysmian S.p.A. authorised management to proceed, depending on prevailing market conditions and in any case by 30 June 2016, with the issuance and private or public placement of bonds in one or more tranches. These bonds were to be offered for sale only to institutional investors.

Consequently, on 30 March 2015 Prysmian S.p.A. completed the placement with institutional investors of an unrated bond, on the Eurobond market, for a total nominal value of Euro 750 million. The bond, with an issue price of Euro 99.002, has a 7-year maturity and will pay a fixed annual coupon of 2.50%.

The bond settlement date was 9 April 2015. The bond has been admitted to the Luxembourg Stock Exchange and is traded on the related regulated market.

Prysmian has used the bond issue proceeds to redeem the Euro 400 million Eurobond that matured on 9 April 2015 and to repay early the Term Loan Facility 2011 for Euro 400 million.

### **Acquisition of Gulf Coast Downhole Technologies (GCDT)**

The Prysmian Group signed an agreement on 24 September 2015 to acquire 100% of the privately-held US company Gulf Coast Downhole Technologies (GCDT) for an initial consideration, subject to adjustment, of approximately USD 45 million in cash. The transaction involves an earn-out determined on an average combined EBITDA in the next three years and for a maximum earn-out payment of about USD 21 million. The closing transaction was completed on 1 October 2015, meaning that its accounting effects will be reflected as from that date.

Based in Houston, GCDT is active in the design and supply of innovative downhole equipment for the Oil & Gas industry, with a turnover of approximately USD 34 million in 2014. GCDT products are installed in oil and gas wells around the world and consist of integral components in the systems that provide downhole control, injection, flow assurance and monitoring. GCDT's customer base covers a diverse range of oil and gas field service companies; GCDT products are installed in structures operated around the globe by major oil and gas producers like Chevron, ExxonMobil and Shell.

GCDT fits fully into the Group's expansion strategy in the business of Subsea Umbilicals, Risers and Flowlines (SURF) and complements its Draka-branded DHT product range.

Since a statement of the net assets of GCDT as at the date of obtaining control is not currently available, it is not possible to provide the additional information required by IFRS 3 - Business Combinations.

## **OTHER SIGNIFICANT EVENTS**

### **Antitrust investigations**

On 2 April 2014, the European Commission concluded the investigations started in January 2009 by adopting a decision under which it found that, between 18 February 1999 and 28 January 2009, the world's

largest cable producers, including Prysmian Cavi e Sistemi S.r.l., adopted anti-competitive practices in the European market for high voltage submarine and underground power cables.

The European Commission held Prysmian Cavi e Sistemi S.r.l. jointly liable with Pirelli & C. S.p.A. for the alleged infringement in the period 18 February 1999 - 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and The Goldman Sachs Group Inc. for the alleged infringement in the period 29 July 2005 - 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has appealed against this decision to the General Court of the European Union and has submitted an application to intervene in the appeals respectively lodged by Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. against the same decision. Both Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. have in turn submitted applications to intervene in the appeal brought by Prysmian against the European Commission's decision. The applications to intervene presented by Prysmian, Pirelli and The Goldman Sachs Group Inc. have all been accepted by the General Court of the European Union. Prysmian has not incurred any financial outlay as a result of this decision having elected, pending the outcome of the appeals, to provide bank guarantees as security against payment of 50% of the fine imposed by the European Commission (amounting to approximately Euro 52 million) for the alleged infringement in both periods. As far as Prysmian is aware, Pirelli & C. S.p.A. has also provided the European Commission with a bank guarantee for 50% of the value of the fine imposed for the alleged infringement in the period 18 February 1999 - 28 July 2005. Pirelli & C. S.p.A. has also filed a civil action against Prysmian Cavi e Sistemi S.r.l. in which it demands to be held harmless for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. Prysmian Cavi e Sistemi S.r.l. started legal proceedings in February 2015, requesting that the claims brought by Pirelli & C. S.p.A. be rejected in full and that it should be Pirelli & C. S.p.A. which holds harmless Prysmian Cavi e Sistemi S.r.l., with reference to the alleged infringement in the period 18 February 1999 - 28 July 2005, for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. The proceedings have since been suspended by order of the court concerned in April 2015, pending the outcome of the appeals brought against the European Commission's decision by both Prysmian and Pirelli in the European Courts. Pirelli has challenged this decision before the Court of Cassation, Italy's highest court of appeal.

Following a detailed and careful analysis of the European Commission's ruling, and nonetheless considering this has been appealed and so could be submitted to second-instance judgement, as well as the fact that the investigation initiated by the Canadian Antitrust Authority had ended without any sanctions for Prysmian, it was decided during 2014 to partially release the existing provision.

As regards the investigation by the US Department of Justice into the power cable industry, the company's legal advisors were recently contacted by this Department, which informed them that the investigation had been closed without charges; consequently, it was felt appropriate, already during the third quarter of 2015, to release the provision previously set aside.

The British operators National Grid and Scottish Power have filed claims in the High Court in London against certain cable manufacturers, including the Prysmian Group, to obtain compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in the decision adopted in April 2014. The Group companies concerned were notified of this initial court filing during

the month of May 2015 and presented their defence early in October 2015, along with the summons of other parties censured in the European Commission's decision.

The above events have led to the recognition of a net release of Euro 21 million in the income statement at 30 September 2015.

### **Western HVDC Link Contract (UK)**

The Group's nine-month income statement for 2015 has benefited from Euro 29 million in connection with the Western HVDC Link (UK) contract. This is the net effect of several factors such as the increased efficiency of the production process, in turn permitting faster execution of the project itself, as well as the agreement with the customer of stronger contractual guarantees and longer project timing.

### **Plant closures**

On 27 February 2015, Prysmian Cavi e Sistemi Italia S.r.l. informed trade union representatives of the closure of the Ascoli Piceno plant, employing 114 people, a closure dictated by the need to optimise manufacturing footprint at country level by improving production capacity utilisation, as well as overall economic performance through economies of scale.

After a series of meetings at Italy's Ministry of Economic Development, on 15 May an agreement was signed with plant union representatives and provincial and national unions that ratified the plant's closure on the same date and the contents of the social plan.

In addition to the usual voluntary redundancy packages and use of the available social safety nets, the social plan has offered employees the opportunity to relocate to the plants in Merlino and Arco Felice or, alternatively, to be included in an outplacement program within the local area, also involving a possible re-industrialisation of the site. Both these activities are being managed by a specialist advisor.

### **Dividend distribution**

On 16 April 2015, the shareholders of Prysmian S.p.A. approved the financial statements for 2014 and the distribution of a gross dividend of Euro 0.42 per share, for a total of some Euro 90 million. The dividend was paid out from 22 April 2015 to shares outstanding on the record date of 21 April 2015, with the shares going ex-dividend on 20 April 2015.

### **Share buy-back and disposal programme and Long-term incentive plan 2015-2017**

The Shareholders' Meeting held on 16 April 2015 authorised a share buy-back and disposal programme, revoking at the same time the previous authorisation under the shareholder resolution dated 16 April 2014. This programme provides the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total cannot exceed 10% of share capital, equal to 18,847,439 ordinary shares as at the date of 16 April 2015, after deducting the treasury shares already held by the Company.

The same Shareholders' Meeting also approved an incentive plan for employees of the Prysmian Group, including members of the Board of Directors of Prysmian S.p.A., and granted the Board of Directors the necessary powers to establish and implement this plan.

The reasons behind the introduction of the Plan are:

- to generate strong commitment by the Group's Management to achieving the targets for additional growth in profits and return on capital employed over the next three years;
- to align the interests of Management with those of shareholders by using share-based incentives, and promoting stable share ownership of the Company;
- to ensure the long-term sustainability of the Group's annual performance through the mechanism of co-investing part of the annual bonus and consequent retention effect.

The shareholders therefore authorised an increase in share capital by a maximum amount of Euro 536,480, through the issue of up to 5,364,800 new ordinary shares with a nominal value of Euro 0.10 each, to be allotted for no consideration to Group employees who are beneficiaries of the above incentive plan.

#### **Audit firm engagement**

On 16 April 2015, the Shareholders' Meeting approved the engagement of Reconta Ernst & Young S.p.A. to perform the statutory audit of the accounts for financial years included in the nine-year period from 2016 to 2024.

#### **Second cycle of Group employee share purchase plan (YES Plan)**

During the month of December 2014, employees were informed of the opening of the plan's second cycle in 2015. Employees had until the third week of February 2015 to sign up for the second cycle and to communicate the amount they intended to invest. The total amount collected has been used to make purchases of the Company's shares on the Milan Stock Exchange during the month of July 2015.

On 25 August 2015, an additional purchase window was opened for plan participants in the "Manager" category who had already bought shares in the purchase window in July 2015 and who were so entitled under the plan's regulations.

## CONSOLIDATED FINANCIAL HIGHLIGHTS\*

(in millions of Euro)

	9 months 2015	9 months 2014	% change	2014
<b>Sales</b>	5,569	5,014	11.0%	6,840
<b>Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies</b>	445	329	35.4%	466
<b>Adjusted EBITDA <sup>(1)</sup></b>	473	355	33.3%	509
<b>EBITDA <sup>(2)</sup></b>	445	383	16.2%	496
<b>Adjusted operating income <sup>(3)</sup></b>	364	249	46.2%	365
<b>Operating income</b>	284	281	1.2%	312
<b>Profit/(loss) before taxes</b>	207	173	19.4%	172
<b>Net profit/(loss) for the year</b>	139	135	2.6%	115

(in millions of Euro)

	30 September 2015	30 September 2014	Change	31 December 2014
<b>Net capital employed</b>	2,516	2,874	(358)	2,345
<b>Employee benefit obligations</b>	357	333	24	360
<b>Equity</b>	1,204	1,249	(45)	1,183
<b>of which attributable to non-controlling interests</b>	32	32	-	33
<b>Net financial position</b>	955	1,292	(337)	802

(in millions of Euro)

	9 months 2015	9 months 2014	% change	2014
<b>Capital expenditures <sup>(4)</sup></b>	126	114	10.5%	163
<b>Employees (at period end)</b>	19,662	19,778	-0.6%	19,436
<b>Earnings/(loss) per share</b>				
- basic	0.66	0.63		0.54
- diluted	0.65	0.63		0.54

<sup>(1)</sup> Adjusted EBITDA is defined as EBITDA before non-recurring income/(expenses).

<sup>(2)</sup> EBITDA is defined as earnings/(loss) for the period, before the fair value change in metal derivatives and in other fair value items, amortisation, depreciation, and impairment, finance costs and income, dividends from other companies and taxes.

<sup>(3)</sup> Adjusted operating income is defined as operating income before non-recurring income/(expenses) and the fair value change in metal derivatives and in other fair value items.

<sup>(4)</sup> Capital expenditure refers to additions to Property, plant and equipment and Intangible assets, gross of leased assets.

(\*) All percentages contained in this report have been calculated with reference to amounts expressed in thousands of Euro.



## GROUP PERFORMANCE AND RESULTS

(in millions of Euro)

	9 months 2015	9 months 2014	% change	2014
Sales	5,569	5,014	11.0%	6,840
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	445	329	35.4%	466
% of sales	8.0%	6.6%		6.8%
Adjusted EBITDA	473	355	33.3%	509
% of sales	8.5%	7.1%		7.4%
EBITDA	445	383	16.2%	496
% of sales	8.0%	7.6%		7.2%
Fair value change in metal derivatives	(29)	12		7
Fair value stock options	(16)	(3)		(3)
Amortisation, depreciation, impairment and impairment reversal	(116)	(111)		(188)
Operating income	284	281	1.2%	312
% of sales	5.1%	5.6%		4.5%
Net finance income/(costs)	(77)	(108)		(140)
Profit/(loss) before taxes	207	173		172
% of sales	3.7%	3.5%		2.5%
Taxes	(68)	(38)		(57)
Net profit/(loss) for the year	139	135		115
% of sales	2.5%	2.7%		1.7%
Attributable to:				
Owners of the parent	141	136		115
Non-controlling interests	(2)	(1)		-

### Reconciliation of Operating Income / EBITDA to Adjusted Operating Income / Adjusted EBITDA

Operating income (A)	284	281	1.2%	312
EBITDA (B)	445	383	16.2%	496
<b>Non-recurring expenses/(income):</b>				
Company reorganisation	36	16		48
Antitrust	(21)	(28)		(31)
Effect of YOFC dilution	-	-		(8)
Acquisition price adjustment <sup>(1)</sup>	-	(22)		(22)
Other net non-recurring expenses	13	6		26
<b>Total non-recurring expenses/(income) (C)</b>	<b>28</b>	<b>(28)</b>		<b>13</b>
Fair value change in metal derivatives (D)	29	(12)		(7)
Fair value stock options (E)	16	3		3
Impairment and impairment reversal of assets (F)	7	5		44
<b>Adjusted operating income (A+C+D+E+F)</b>	<b>364</b>	<b>249</b>	<b>46.2%</b>	<b>365</b>
<b>Adjusted EBITDA (B+C)</b>	<b>473</b>	<b>355</b>	<b>33.3%</b>	<b>509</b>

<sup>(1)</sup> This refers to the acquisition in November 2012 of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) from Global Marine Systems Ltd.

The Group recorded considerable growth in profitability and increase in sales volumes during the first nine months of 2015. In particular, positive performance by the Energy Projects segment, ignoring the impact of the Western HVDC Link project, was primarily thanks to good results for the SURF and Submarine businesses, while the High Voltage business was basically in line with the same period last year. The Energy Products segment reported a slight recovery by the Trade & Installers business and a good performance by



the Power Distribution business, offset by a downturn in some sectors of the Industrial business. Growth by the Telecom segment was mainly due to continued increase in demand for optical fibre cables.

The economic effects of the Western HVDC Link project, for which some technical problems in the cable manufacturing process were encountered in late April 2014, are presented in the current Quarterly Financial Report with reference to the situation expected prior to discovering these technical problems. The economic effects on the first nine months of 2015 amount to Euro 94 million on sales and Euro 15 million on Adjusted EBIDTA (Euro 81 million on sales and Euro 83 million on Adjusted EBITDA in the first nine months of 2014). The impact on nine-month Adjusted EBTDA in 2015 has been mitigated by the recognition of positive effects totalling Euro 29 million, determined by a number of factors such as the increased efficiency of the production process, in turn permitting faster execution of the project itself, as well as the agreement with the customer of stronger contractual guarantees and longer project timing.

The Group's sales in the first nine months of 2015 came to Euro 5,569 million, compared with Euro 5,014 million in the same period of 2014, posting a positive change of Euro 555 million (+11.0%). Excluding the negative impact of expected revenue from the Western HVDC Link project, the Group's sales would have been Euro 5,663 million compared with Euro 5,095 million in the first nine months of 2014, an increase of Euro 568 million (+11.1%).

The growth in sales was attributable to the following factors:

- increase of Euro 339 million (+6.7%) from organic growth; excluding the impact of the Western HVDC Link project, organic growth would have been Euro 352 million (+6.9%);
- increase of Euro 229 million (+4.5%) due to positive exchange rate effects; (+4.6% excluding impact of Western HVDC Link project);
- sales price erosion of Euro 13 million (-0.3%) following fluctuations in metal prices (copper, aluminium and lead).

The organic growth in sales of +6.7% is analysed between the three operating segments as follows:

Energy Projects;	+19.9% (+19.6% excluding adjustments for the Western HVDC Link project);
Energy Products	+2.4%;
Telecom	+10.3%.

Group Adjusted EBITDA (before Euro 28 million in non-recurring expenses) came to Euro 473 million, posting an increase of Euro 118 million on the corresponding figure in 2014 of Euro 355 million (+33.3%). Excluding the negative impact of the Western HVDC Link project, Adjusted EBITDA would have been Euro 488 million in the first nine months of 2015, versus a corresponding 2014 nine-month figure of Euro 438 million.

Nine-month Adjusted EBITDA for 2015 reflects the positive impact of Euro 21 million in higher exchange rate effects than in the same period of 2014, resulting from a stronger US Dollar, Australian Dollar, British Pound, Turkish Lira, Chinese Renminbi and Argentine Peso.

EBITDA includes Euro 28 million in net non-recurring expenses (Euro 28 million in net non-recurring income in the first nine months of 2014). The net non-recurring expenses in the first nine months of 2015 mainly comprise Euro 36 million in costs for reorganising and improving industrial efficiency and Euro 21 million in net releases from the provision for ongoing antitrust investigations.

Group operating income came to Euro 284 million in the first nine months of 2015, compared with Euro 281 million in the first nine months of 2014, posting an increase of Euro 3 million, which mainly reflects the net release from the antitrust provision, as partially offset by higher net non-recurring expenses, the fair value changes in metal derivatives and in stock options serving long-term incentive plans and the positive effects recorded for the Western HVDC Link project as described earlier.

Net finance costs came to Euro 77 million in the first nine months of 2015, down from Euro 108 million (-28.7%) in the same period last year.

The reduction of Euro 31 million is mainly attributable to positive exchange rate effects and to lower finance costs as a result of making the financial structure more efficient.

Taxes came to Euro 68 million, representing an effective tax rate of around 33%.

Net profit for the first nine months of 2015 was Euro 139 million, compared with Euro 135 million in the first nine months of 2014.

## REVIEW OF ENERGY PROJECTS OPERATING SEGMENT

(in millions of Euro)

	9 months 2015	9 months 2014	% change	2014
Sales	1,121	915	22.5%	1,355
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	173	90	92.2%	154
% of sales	15.5%	9.9%		11.4%
Adjusted EBITDA	174	90	93.3%	154
% of sales	15.5%	9.9%		11.3%
EBITDA	194	141	37.6%	195
% of sales	17.3%	15.5%		14.4%
Amortisation and depreciation	(29)	(30)		(40)
Adjusted operating income	145	60	141.7%	114
% of sales	13.0%	6.6%		8.4%

### Reconciliation of Operating Income / EBITDA to Adjusted Operating Income / Adjusted EBITDA

	194	141	37.6%	195
<b>EBITDA (A)</b>				
<b>Non-recurring expenses/(income):</b>				
Company reorganisation	4	-		1
Antitrust	(21)	(28)		(31)
Acquisition price adjustment <sup>(1)</sup>	-	(22)		(22)
Other net non-recurring expenses	(3)	(1)		11
<b>Total non-recurring expenses/(income) (B)</b>	<b>(20)</b>	<b>(51)</b>	<b>-60.8%</b>	<b>(41)</b>
<b>Adjusted EBITDA (A+B)</b>	<b>174</b>	<b>90</b>	<b>93.3%</b>	<b>154</b>

<sup>(1)</sup> This refers to the acquisition in November 2012 of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) from Global Marine Systems Ltd.

The Energy Projects Operating Segment encompasses the following high-tech businesses whose focus is on projects and their execution, as well as on product customisation: High Voltage underground, Submarine and SURF (umbilicals, flexible pipes and special DHT – Downhole Technology – solutions for the oil industry).

The Group engineers, produces and installs high and extra high voltage cables for electricity transmission both from power stations and within transmission and primary distribution grids. These highly specialised, high-tech products include cables insulated with oil or fluid-impregnated paper for voltages up to 1100 kV and extruded polymer insulated cables for voltages up to 500 kV. These are complemented by laying and post-laying services, grid monitoring and preventive maintenance services, power line repair and maintenance services, as well as emergency services, including intervention in the event of damage.

In addition, Prysmian Group engineers, produces and installs "turnkey" submarine cable systems for power transmission and distribution. The products offered include cables with different types of insulation (cables insulated with layers of oil or fluid-impregnated paper for AC and DC transmission up to 500 kV; cables insulated with extruded polymer for AC transmission up to 400 kV and DC transmission up to 300 kV). The

Group offers specific technological solutions for power transmission and distribution in underwater environments, which also satisfy the strictest international standards.

The range of products for the offshore oil industry includes not only submarine cables to link offshore platforms to mainland power grids but also solutions for use in the extraction and storage of hydrocarbons. The wide portfolio includes all the SURF (Subsea Umbilical, Riser and Flowline) products and services: multifunction umbilicals for transmitting energy and telecommunications and for hydraulic powering of wellheads by offshore platforms and/or by FPSOs (Floating, Production, Storage and Offloading vessels); high-tech flexible pipes for oil extraction; special DHT (Downhole Technology) solutions, which include cables encased in insulated tubing to control and power systems inside extraction machinery below the seabed's surface and for the flow of hydraulic power fluids to such machinery.

## **MARKET OVERVIEW**

The submarine cables business has seen market demand increase in the first nine months of 2015 compared with the previous year, with the award of two major interconnection projects in the period. This represents a spike in the market in 2015 which in the future is expected to be stable at around Euro 2-2.5 billion per year. Demand for offshore wind farm projects has confirmed the stabilising trend already commencing late in 2013 (after the boom in 2011, 2012 and part of 2013), a consequence of the high overall implementation costs of such projects and their subsequent transfer to the end consumer. The market continues to be dominated by a few large global players who have been awarded almost all of the projects up for tender. The much more fragmented medium voltage segment of the market has slowed, with every supplier exposed to the weakness in the market for inter-array connections.

Demand in the high voltage underground business has been essentially stable in the mature markets of Europe and North America. The imbalance between high production capacity and limited demand has continued to exert pressure on prices in these markets. By contrast, demand has continued to grow in the Middle and Far East, where prices and profitability have nonetheless remained well below those in mature markets due to competition from local manufacturers and importers.

The SURF business has seen a major upsurge in the umbilicals market in Brazil, as well as strong demand for flexible pipes used in pre-salt fields, in which, however, the Group is not yet present. By contrast, there has been limited demand for the post-salt products in which Prysmian competes. The DHT product segment has performed well, thanks to growth in demand by global operators for projects in both the United States and other regions, such as Central and South America, Europe, Middle and Far East.

For the time being, the decline in oil prices has had only a limited impact on business performance.

## **FINANCIAL PERFORMANCE**

Sales to third parties by the Energy Projects segment amounted to Euro 1,121 million in the first nine months of 2015, compared with Euro 915 million in the same period of 2014, posting a positive change of Euro 206 million (+22.5%). Excluding the negative impact of the Western HVDC Link project, sales to third parties would have been Euro 1,215 million, versus Euro 996 million in the first nine months of 2014 (+22.0%).

The increase in sales can be broken down into the following main factors:

- positive organic growth of Euro 182 million (+19.9%); excluding the impact of the Western HVDC Link project, organic growth would have been a positive Euro 195 million (+19.6%);
- increase of Euro 28 million (+3.0%) for exchange rate fluctuations; (+2.8% excluding impact of Western HVDC Link project);
- sales price reduction of Euro 4 million (-0.4%) for metal price fluctuations.

The organic sales growth in the first nine months of 2015 is attributable to the significant upswing in the SURF and Submarine businesses, while performance by the High Voltage business was largely in line with that in the same period of 2014.

Although High Voltage performance was positive in the United Kingdom and China, it remained weak in some of the major European markets (Italy and North European countries) because of lower demand for energy infrastructure.

The Group has increased its exposure to markets in the Middle and Far East, winning some important orders in Kuwait; however, despite their growing demand for energy infrastructure, these markets are also characterised by lower profitability. Demand in Russia is still weak due to the ongoing uncertainty of the local political situation, which has delayed the implementation of previously planned major projects.

Sales by the Submarine business were up on the prior year equivalent period thanks to the sustained level of work on existing contracts.

The main projects on which work was performed in the period were the interconnector between Greece and the Cyclades islands, the ExxonMobil contract in the United States, the Borwin3 and Dolwin3 projects in Germany, the link between Italy and Montenegro and the Western HVDC Link in the United Kingdom. The main contribution to nine-month sales largely came from cable manufacturing by the Group's industrial facilities (Pikkala in Finland, Arco Felice in Italy and Drammen in Norway) and from installation services, which benefited from seasonal factors in the last quarter.

The results of the Submarine business have benefited from Euro 29 million in connection with the Western Link contract, as the net effect of several factors such as the increased efficiency of the production process, in turn permitting faster execution of the project itself, as well as the agreement with the customer of stronger contractual guarantees and longer project timing.

The manufacture of HVDC submarine cable for the Western Link contract is proceeding as planned, with installation having started in the third quarter of the current year.

The value of the Group's Submarine order book is around Euro 2.7 billion, providing sales visibility for a period of about three years. The order book mainly consists of the following contracts: the interconnector between Greece and the Cyclades islands; the Dardanelles Strait interconnector; the link between Montenegro and Italy (Monita); the interconnector between Norway and Britain (NSN Link); the inter-array and export cables for offshore wind platforms (Deutsche Bucht and Wikinger); the links between offshore

wind farms in the North Sea and the Baltic Sea the German mainland (BorWin3, DoIWin3, 50Hertz); the interconnection of the Philippine islands of Panay and Negros; the Shannon River crossing cable in Ireland; the interconnector between England and Scotland (Western HVDC Link) and the contract for the supply and installation of submarine cables for part of the offshore operations of ExxonMobil Corporation in the United States.

The SURF business has performed well, with buoyant demand for umbilicals in Brazil expected to grow in coming months as well. Despite the decline in oil prices, DHT cables posted positive results in the North American market thanks to increased presence in the new projects segment.

The events described above have resulted in an Adjusted EBITDA for the Energy Projects operating segment of Euro 174 million (Euro 189 million without the negative impact of the Western HVDC Link project). This represents an improvement of Euro 84 million from Euro 90 million in the first nine months of 2014. Excluding the effects of the Western HVDC Link project (Euro 15 million in the first nine months of 2015 and Euro 83 million in the first nine months of 2014), Adjusted EBITDA would have improved by Euro 16 million.

## REVIEW OF ENERGY PRODUCTS OPERATING SEGMENT

(in millions of Euro)

	9 months 2015	9 months 2014	% change	2014
Sales	3,601	3,354	7.4%	4,491
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	180	176	2.3%	221
% of sales	5.0%	5.2%		4.9%
Adjusted EBITDA	193	190	1.6%	239
% of sales	5.4%	5.7%		5.3%
EBITDA	160	176	-9.1%	195
% of sales	4.5%	5.2%		4.3%
Amortisation and depreciation	(47)	(45)		(62)
Adjusted operating income	146	145	0.6%	177
% of sales	4.1%	4.3%		3.9%

### Reconciliation of Operating Income / EBITDA to Adjusted Operating Income / Adjusted EBITDA

EBITDA (A)	160	176	-9.1%	195
<b>Non-recurring expenses/(income):</b>				
Company reorganisation	25	10		38
Other net non-recurring expenses	8	4		6
<b>Total non-recurring expenses/(income) (B)</b>	<b>33</b>	<b>14</b>		<b>44</b>
<b>Adjusted EBITDA (A+B)</b>	<b>193</b>	<b>190</b>	<b>1.6%</b>	<b>239</b>

The Energy Products Operating Segment, encompassing the businesses offering a complete and innovative product portfolio for a variety of industries, is organised into the businesses of Energy & Infrastructure (including Power Distribution, Trade & Installers) and Industrial & Network Components (comprising Specialties & OEM, Oil & Gas, Elevators, Automotive and Network Components).

Sales to third parties by the Energy Products operating segment amounted to Euro 3,601 million in the first nine months of 2015, compared with Euro 3,354 million in the first nine months of 2014, posting a positive change of Euro 247 million (+7.4%), due to the combined effect of the following main factors:

- increase of Euro 80 million (+2.4%) due to organic sales growth, reflecting volume recovery in Europe and North America and growth in Asian countries, as partially offset by negative organic growth in Brazil;
- increase of Euro 178 million (+5.3%) for exchange rate fluctuations;
- sales price reduction of Euro 11 million (-0.3%) for metal price fluctuations.

Adjusted EBITDA for the first nine months of 2015 came to Euro 193 million, up Euro 3 million (+1.6%) from Euro 190 million in the same period of 2014.

The following paragraphs describe market trends and financial performance in each of the business areas of the Energy Products operating segment.



## ENERGY & INFRASTRUCTURE

(in millions of Euro)

	9 months 2015	9 months 2014	% change	% organic sales changes	2014
Sales	2,175	2,015	7.9%	4.0%	2,677
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	86	73	19.1%		91
% of sales	4.0%	3.6%			3.4%
Adjusted EBITDA	99	85	15.6%		108
% of sales	4.5%	4.2%			4.1%
Adjusted operating income	72	60	19.5%		74
% of sales	3.3%	3.0%			2.8%

Prysmian produces high and medium voltage cable systems to connect industrial and/or civilian buildings to primary distribution grids and low voltage cables and systems for *power distribution* and the wiring of buildings. All the products offered comply with international standards regarding insulation, fire resistance, smoke emissions and halogen levels. The low voltage product portfolio includes rigid and flexible cables for distributing power to and within *residential and commercial structures*. The Group concentrates product development and innovation activities on high performance cables, such as Fire-Resistant and Low Smoke zero Halogen cables, capable of guaranteeing specific safety standards. The product range has been recently expanded to satisfy cabling demands for infrastructure such as airports, ports and railway stations, by customers as diverse as international distributors, buying syndicates, installers and wholesalers.

### MARKET OVERVIEW

The reference markets have distinct geographical characteristics (despite international product standards) both in terms of customer and supplier fragmentation and the range of items produced and sold.

The first nine months of 2015 have seen some stabilisation in the construction market, uncertainty about whose future prospects had paralysed the buying plans of the industry's main players and exacerbated the pressure on sales prices during 2014.

This has translated into a slight recovery in volumes in some European markets, with demand in the rest of the continent remaining at a steady but low level accompanied by generally stable prices.

The North American market, previously affected by largely flat demand for products serving infrastructure construction, is showing its first signs of recovery in 2015. In Canada, the renewables sector (wind farms) has continued to display growth in demand.

Markets in South America, however, have remained weak, with demand in line with the previous year, caused by slowdown in the industrial and residential construction sectors and uncertainty over political stability in Brazil.

Lastly, demand has continued to stagnate on the Australian construction market, defined by strong competitive pressures from Asian operators.

The Power Distribution business line has reported a growth in demand during 2015 compared with the end of 2014.



This trend reflects generally stagnant energy consumption in the principal European countries, which in turn has adversely affected demand by the major utilities. The latter, operating in a recessionary economic environment, have either maintained an extremely cautious stance in view of the difficulties in forecasting future growth, or else they have concentrated on restructuring to improve efficiency and reduce supply-side costs. As a result, the competitive environment in terms of price and mix has remained extremely challenging almost everywhere.

However, some countries are seeing a resumption of investment, in some cases even of a sustained nature, like in Germany, the Nordic countries and Argentina.

## **FINANCIAL PERFORMANCE**

Sales to third parties by the E&I business area amounted to Euro 2,175 million in the first nine months of 2015, compared with Euro 2,015 million in the corresponding period of 2014, posting a positive change of Euro 160 million (+7.9%) due to the combined effect of the following main factors:

- positive organic growth of Euro 81 million (+4.0%);
- increase of Euro 76 million (+3.7%) for exchange rate fluctuations;
- sales price increase of Euro 3 million (+0.2%) for metal price fluctuations.

The Prysmian Group has continued its strategy in this business area of focusing on commercial relationships with top international customers and its development of tactical actions to avoid losing sales opportunities, by differentiating its offer in the various markets and by increasing its market share in specific geographical areas. This has led to a very complex commercial strategy, not only focused where possible on improving the sales mix, but also aimed at regaining market share while seeking to minimise the impact on sales margins.

The Prysmian Group benefited from the upturn in markets not only in North America, where the volume recovery on the same period last year was mainly due to growth in renewable energy demand in Canada for the part of the business served by distributors, but also in some European countries, where demand was buoyed by renewed infrastructure investments (for example in Germany and Finland). The rest of Europe has remained largely stable with price levels in line with the previous quarter.

By contrast, the Group has suffered in South America, with demand remaining negative due to a weak construction market and political uncertainty, except in Argentina where new investment in the local electricity grid produced an uptrend in sales.

Given the factors described above, Adjusted EBITDA for the first nine months of 2015 came to Euro 99 million, up from Euro 85 million in the same period last year.

## INDUSTRIAL & NETWORK COMPONENTS

(in millions of Euro)

	9 months 2015	9 months 2014	% change	% organic sales changes	2014
Sales	1,340	1,267	5.8%	-0.9%	1,708
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	92	96	-4.0%		125
% of sales	7.0%	7.6%			7.4%
Adjusted EBITDA	92	98	-4.7%		126
% of sales	6.9%	7.7%			7.4%
Adjusted operating income	73	80	-7.6%		100
% of sales	5.4%	6.3%			5.9%

The extensive range of cables developed specially for certain *industries* is characterised by the highly specific nature of the solutions offered. In the transport market, Prysmian cables are used in the construction of ships and trains, and in the automotive and aerospace industries; in the infrastructure market, the principal applications for its cables are found in railways, docks and airports. The product range also includes cables for the mining industry, for elevators and for applications in the renewable energy field (solar and wind power), cables for military use and for nuclear power stations, able to withstand the highest radiation environments. The range of products for the Oil & Gas industry includes low and medium voltage power cables, and instrumentation and control cables for use in the oil and petrochemicals industry (offshore platforms, onshore extraction facilities, refineries, chemical plants for fertilizer production, and so on).

Lastly, the Group produces accessories and *network components*, such as joints and terminations for low, medium, high and extra high voltage cables and submarine systems, to connect cables with one another and/or connect them with other network devices, suitable for industrial, construction and infrastructure applications and for use within power transmission and distribution grids.

### MARKET OVERVIEW

Trends on Industrial cable markets in 2015 display considerable inconsistencies between the various business lines and large disparities between the different geographical areas. The common tendency is for more fragmented and erratic demand, concentrated on smaller scale but technologically more complex projects than in the past, accompanied by more exacting requirements regarding quality and after-sales service.

Within the Industrial market, some segments are showing stable or growing demand, like certain OEM sectors (such as Nuclear and Railway), and the Elevator market, while the renewable energy market is enjoying a general recovery in demand, particularly outside Europe; however, other market segments have experienced a contraction in volumes due to delays in investment projects, like the low-end mining and infrastructure ranges for the OEM market, where demand depends on specific geographical factors.

The Oil & Gas segment has experienced a highly negative trend in the first nine months of the year: in fact, the market for international projects has deteriorated, with a slowing/postponement of investments in new fields by oil companies pending more favourable market conditions. In addition, even the drilling sector

(MRO business) has been heavily impacted by lower oil prices, with a consequent reduction in operations worldwide. The extreme weakness of this market observed in the first part of the year is also expected to continue in the next quarter.

Demand in the industrial infrastructure and mining sectors continued to be weak like in previous quarters, primarily due to falling commodity prices and significant production overcapacity.

As far as applications for the transport sector are concerned, the major European players have adopted a cautious stance due to poor visibility as to when to resume investments and to recent deficit-cutting policies in the Eurozone's major economies; demand in other parts of the world has remained buoyant, especially in China and the Far East.

The Automotive market has seen competitive pressures generally worsen, especially in low-end segments particularly in North and Central America and Europe.

Lastly, the renewable energy market has reported particularly positive demand outside Europe, especially in China and North America. In Europe, however, demand has remained weak in the wake of restrictive financial policies adopted by the main governments which have either cut special incentives or made it more difficult to access credit for onshore wind projects.

## FINANCIAL PERFORMANCE

Sales to third parties by the Industrial & Network Components business area amounted to Euro 1,340 million in the first nine months of 2015, compared with Euro 1,267 million in the corresponding period of 2014, posting a positive change of Euro 73 million (+5.8%) due to the combined effect of the following main factors:

- negative organic growth in sales of Euro 11 million (-0.9%);
- increase of Euro 99 million (+7.9%) for exchange rate fluctuations;
- sales price reduction of Euro 15 million (-1.2%) for metal price fluctuations.

Overall performance in the first nine months of 2015 by the industrial applications business was partly affected by the instability of investment demand in some sectors (infrastructure), while nonetheless maintaining a necessary geographical and application differentiation in view of the wide range of specially developed products and the highly customised nature of the solutions offered by the Group.

In the OEM market, the Prysmian Group reported positive trends on Asian markets and in America (particularly North America and Argentina); there was also a gradual recovery in demand in Europe (France, Netherlands, Turkey and Danube region). As for the different sectors, good performance by Railway, Crane and Nuclear applications, with a growth in the higher value-added order book, was partly offset by weak demand for Infrastructure and Rolling Stock cables.

The Oil & Gas sector reported strong performance for onshore projects with an increase in sales, particularly in Asia, the Middle East and Caspian region. However, the business's overall profitability was adversely affected by the steep decline in higher-margin MRO volumes, particularly in Norway and the United States; this trend is directly related to the decline in oil prices.

In the renewables business, the positive trend in demand in China and North America was entirely absorbed by weakness in Northern Europe.

The strategy of technological specialisation of its solutions has allowed Prysmian Group to consolidate its Elevator market leadership in North America and to expand into the Chinese and European markets; its exposure to the European market in particular is still marginal although significantly greater than in the previous year.

The Automotive business reported a slowdown in activity as a result of the increasing competitive pressure being put on the Prysmian Group at the lower end of the market by countries with lower labour costs and by cable installers tending to intercept the market upstream. This pressure, intensifying over the year, requires the focus to shift to high-end segments of the business portfolio in order to secure margin growth over the medium term.

Lastly, the Network Components business area reported positive results on the Chinese market, supported by local production by the Suzhou plant, and an improvement in demand in North America, which were nonetheless offset by the weakness in Brazil and in the High Voltage sector in Europe.

Given the factors described above, Adjusted EBITDA for the first nine months of 2015 came to Euro 92 million, down from Euro 98 million in the previous year.

**OTHER**

(in millions of Euro)

	9 months 2015	9 months 2014	2014
Sales	86	72	106
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	2	7	5
Adjusted EBITDA	2	7	5
Adjusted operating income	1	5	3

This business area encompasses occasional sales by Prysmian Group operating units of intermediate goods, raw materials or other products forming part of the production process. These sales are normally linked to local business situations, do not generate high margins and can vary in size from period to period.

## REVIEW OF TELECOM OPERATING SEGMENT

(in millions of Euro)

	9 months 2015	9 months 2014	% change	2014
Sales	847	745	13.7%	994
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	92	63	45.8%	91
% of sales	10.8%	8.5%		9.1%
Adjusted EBITDA	106	75	42.7%	116
% of sales	12.6%	10.0%		11.7%
EBITDA	94	72	30.6%	116
% of sales	11.1%	9.7%		11.6%
Amortisation and depreciation	(33)	(31)		(42)
Adjusted operating income	73	44	69.4%	74
% of sales	8.6%	5.9%		7.4%

### Reconciliation of Operating Income / EBITDA to Adjusted Operating Income / Adjusted EBITDA

EBITDA (A)	94	72	30.6%	116
<b>Non-recurring expenses/(income):</b>		-		
Company reorganisation	4	5		6
Effect of YOFC dilution	-	-		(8)
Other net non-recurring expenses	8	(2)		2
<b>Total non-recurring expenses/(income) (B)</b>	<b>12</b>	<b>3</b>		<b>-</b>
<b>Adjusted EBITDA (A+B)</b>	<b>106</b>	<b>75</b>	<b>42.7%</b>	<b>116</b>

As partner to leading telecom operators worldwide, Prysmian Group produces and manufactures a wide range of cable systems and connectivity products used in telecommunication networks. The product portfolio includes optical fibre, optical cables, connectivity components and accessories and copper cables.

### Optical fibre

Prysmian Group is one of the leading manufacturers of the core component of every type of optical cable: optical fibre. The Group is in the unique position of being able to use all existing manufacturing processes within its plants: MCVD (Modified Chemical Vapour Deposition), OVD (Outside Vapour Deposition), VAD (Vapour Axial Deposition) and PCVD (Plasma-activated Chemical Vapour Deposition). The result is an optimised product range for different applications. With centres of excellence in Battipaglia (Italy), Eindhoven (the Netherlands) and Douvrin (France), and 5 production sites around the world, Prysmian Group offers a wide range of optical fibres, designed and manufactured to cater to the broadest possible spectrum of customer applications, such as single-mode, multimode and specialty fibres.

### Optical cables

Optical fibres are employed in the production of standard optical cables or those specially designed for challenging or inaccessible environments. The optical cables, constructed using just a single fibre or up to as many as 1,728 fibres, can be pulled (or blown) into ducts, buried directly underground or suspended on overhead devices such as telegraph poles or electricity pylons. Cables are also installed in road and rail

tunnels, gas and sewerage networks and inside various buildings where they must satisfy specific fire-resistant requirements. Prysmian Group operates in the telecommunications market with a wide range of cable solutions and systems that respond to the demand for wider bandwidth by major network operators and service providers. The product portfolio covers every area of the industry, including long-distance and urban systems, and solutions such as optical ground wire (OPGW), Rapier (easy break-out), Siroccoxs (fibres and cables for blown installation), Flextube® (extremely flexible easy-to-handle cables for indoor or outdoor installations), Airbag (dielectric direct buried cable) and many more.

### **Connectivity**

Whether deployed in outdoor or indoor applications, Prysmian Group's OAsys connectivity solutions are designed for versatility, covering all cable management needs whatever the network type. These include aerial and underground installations, as well as cabling in central offices (or exchanges) or customer premises. Prysmian Group has been designing, developing and making cable and fibre management products for more than two decades and is at the forefront of designing next-generation products specifically for Fibre-To-The-Home (FTTH) networks.

### **FTTx**

Increasing bandwidth requirements, by both business and residential customers, are having a profound effect upon the optical network performance level required, which in turn demands high standards of fibre management. Optimal fibre management in every section of the network is increasingly a matter of priority in order to minimise power loss and overcome the problems caused by ever greater space limitations. The Group has developed the suite of xsNet products for "last mile" access networks, which is also very suited to optical fibre deployment in sparsely populated rural areas. Most of the cables used in FTTx/FTTH systems feature Prysmian's bend-insensitive BendBrightxs optical fibre, which has been specially developed for this application.

### **FTTA (Fibre-To-The-Antenna)**

xsMobile, which offers Fibre-To-The-Antenna (FTTA) solutions, is an extensive passive portfolio which enables mobile operators to upgrade their networks easily and quickly. Incorporating Prysmian's experience in Fibre-to-the-Home (FTTH) and its unique fibre innovations, xsMobile provides different product solutions for three applications: antenna towers, roof-top antennas and Distributed Antenna Systems (DAS) for small cell deployment. The technology offers three access types for outdoor and indoor FTTA deployment, as well as backhaul solutions – incorporating the latest fibre technologies.

### **Copper cables**

Prysmian Group also produces a wide range of copper cables for underground and overhead cabling solutions and for both residential and commercial buildings. The product portfolio comprises cables of different capacity, including broadband xDSL cables and those designed for high transmission, low interference and electromagnetic compatibility.

## Multimedia Solutions

The Group also produces cable solutions serving communication needs in infrastructure, industry and transport, for a diverse range of applications: cables for television and film studios, cables for rail networks such as underground cables for long-distance telecommunications, light-signalling cables and cables for track switching devices, as well as cables for mobile telecommunications antennae and for data centres.

## MARKET OVERVIEW

Forecasts for the optical fibre cables market made at the start of the year predict that the size of the global market will grow although with large regional differences. In fact, the first nine months of 2015 have seen demand grow in fast-developing markets (China and Asia) and in those with high communication infrastructure needs (India), along with a volume recovery in North America and Europe. In France and Italy, projects to extend residential broadband access, in accordance with the European Digital Agenda's targets, have played a crucial role in this positive turn of events. Even in Central Europe the distribution of bandwidth via xDSL and G.FAST technologies, using the last metres of the existing copper network, entails a modification of the distribution network that requires huge volumes of optical cables. In Brazil, uncertainty about the country's macroeconomic performance and growth prospects has led to a slowdown in investments by major telecom operators. North America has recorded a steady increase in domestic demand, in line with the positive trend during the last part of 2014.

In parallel with the traditional activities of developing the fixed network, the first nine months of 2015 have been marked by the consolidation of wireless technologies (4G, LTE) which require the installation of optical backbones to power antennae located across the territory. Mobile technology is experiencing a period of significant growth both in developing countries, pending highly expensive investments in fixed network infrastructure, and in mature countries where demand for broadband on portable devices is constantly growing.

The Access/Broadband/FTTx market grew in the first nine months of 2015, mainly in Europe, North America and Australia, with demand driven by the development of optical fibre communication infrastructure. In addition to cables, this segment comprises a varied portfolio of accessories for fibre connection. However, the still relatively low maturity of these products implies wide market differences between the various geographical areas.

The copper cables market has continued to slow not only because of the economic downturn in the past two years, causing some major operators to scale back their larger investment projects, but also because of product maturity. The downturn in this market was increasingly evident in the first nine months of 2015, with high demand for internet access leading the major operators to opt to renew their networks using optical fibre, rather than perform maintenance or upgrade work on existing networks.

The MMS cable market has posted a slight global growth, with Asia and South America making a larger contribution than Europe in both the copper and optical cable segments. Demand growth is being generated by the need for ever greater bandwidth capacity in professional and office environments and data centres. Interestingly, this phenomenon occurs both in new buildings, and in projects to renovate existing ones. An important contribution to this growth is coming from industrial applications that require new highly specialised



products. Another important channel is represented by HDTV cables used for the broadcast of digital content such as sports events or other events of media interest.

## FINANCIAL PERFORMANCE

Sales to third parties by the Telecom operating segment amounted to Euro 847 million in the first nine months of 2015, compared with Euro 745 million in the first nine months of 2014, posting a positive change of Euro 102 million (+13.7%).

This change is attributable to the following factors:

- organic sales growth of Euro 77 million (+10.3%), thanks to volume recovery for optical fibre cables;
- increase of Euro 23 million (+3.1%) for exchange rate fluctuations;
- positive change of Euro 2 million (+0.3%) in sales prices due to fluctuations in metal prices.

The organic growth in 2015 nine-month sales was mainly driven by the recovery in demand for optical fibre cables and OPGW cables, following development of the main investment projects in the EMEA region, which more than offset lower demand for copper cables. The only positive exception for copper cables is the Australian market which is experiencing a period of growth linked to the implementation of the NBN broadband network. This network is distinctive for the coexistence of different technologies, some of which use copper cable for the last mile.

Optical cables have enjoyed a strong increase in demand in all the major markets, while the general price pressure seen in the first part of the previous year seems to have stabilised, also thanks to US dollar appreciation. In Europe, in particular, the Group has won contracts for work on major projects to realise backhaul links and FTTH connections for leading operators, such as Orange and Free in France and Telecom Italia in Italy. In North America, the development of new ultra-broadband networks and new FTTx networks, which provide 1Gbps services to residential users, has stimulated a continuous increase in domestic demand. In Brazil, the slowdown in investments by major telecom operators has caused volumes to fall compared with the same period last year. Lastly, the Asia Pacific region has seen growth in activities associated with the NBN (National Broadband Network) project compared with the previous period, albeit at a slower pace in the third quarter of 2015; in addition, a positive trend in demand has been recorded in Southeast Asia.

The high value-added connectivity business has enjoyed a positive trend, thanks to the development of new FTTx networks (for last mile broadband access) in Europe and North America.

Lastly, copper cables have continued their steady decline due to the retirement of traditional networks in favour of next-generation ones.

Adjusted EBITDA for the first nine months of 2015 came to Euro 106 million, reporting an increase of Euro 31 million (+42.7%) from Euro 75 million in the corresponding period of 2014, also thanks to the contribution of Yangtze Optical Fibre and Cable Joint Stock Limited Company in China.

## GROUP STATEMENT OF FINANCIAL POSITION

### RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)	30 September 2015	30 September 2014	Change	31 December 2014
Net fixed assets	2,224	2,255	(31)	2,219
Net working capital	571	900	(329)	407
Provisions	(279)	(281)	2	(281)
<b>Net capital employed</b>	<b>2,516</b>	<b>2,874</b>	<b>(358)</b>	<b>2,345</b>
Employee benefit obligations	357	333	24	360
Total equity	1,204	1,249	(45)	1,183
of which attributable to non-controlling interests	32	32	-	33
Net financial position	955	1,292	(337)	802
<b>Total equity and sources of funds</b>	<b>2,516</b>	<b>2,874</b>	<b>(358)</b>	<b>2,345</b>

### NET FIXED ASSETS

(in millions of Euro)	30 September 2015	30 September 2014	Change	31 December 2014
Property, plant & equipment	1,418	1,430	(12)	1,414
Intangible assets	545	586	(41)	561
Equity-accounted investments	246	221	25	225
Available-for-sale financial assets	12	12	-	12
Assets held for sale (*)	3	6	(3)	7
<b>Net fixed assets</b>	<b>2,224</b>	<b>2,255</b>	<b>(31)</b>	<b>2,219</b>

(\*) This includes the value of Land and Buildings classified as held for sale.

Net fixed assets amounted to Euro 2,224 million at 30 September 2015, compared with Euro 2,219 million at 31 December 2014, posting an increase of Euro 5 million mainly due to the combined effect of the following factors:

- Euro 124 million in net capital expenditure on property, plant and equipment and intangible assets;
- Euro 116 million in depreciation, amortisation and impairment charges for the period;
- Euro 18 million in negative currency translation differences;
- Euro 21 million for the net increase in equity-accounted investments, comprising Euro 27 million for the share of net profit/(loss) of equity-accounted companies, less Euro 15 million in dividend receipts, plus Euro 9 million for the positive effect of currency translation differences;
- Euro 7 million in disposals of assets held for sale.

## NET WORKING CAPITAL

The following table analyses the main components of net working capital:

(in millions of Euro)				
	30 September 2015	30 September 2014	Change	31 December 2014
Inventories	982	1,126	(144)	981
Trade receivables	1,140	1,095	45	952
Trade payables	(1,392)	(1,492)	100	(1,415)
Other receivables/(payables)	(123)	180	(303)	(95)
<b>Net operating working capital</b>	<b>607</b>	<b>909</b>	<b>(302)</b>	<b>423</b>
Derivatives	(36)	(9)	(27)	(16)
<b>Net working capital</b>	<b>571</b>	<b>900</b>	<b>(329)</b>	<b>407</b>

Net working capital of Euro 571 million at 30 September 2015 was Euro 164 million higher than the corresponding figure of Euro 407 million at 31 December 2014. Net operating working capital amounted to Euro 607 million (10.9% of sales) at 30 September 2015, an increase of Euro 184 million from Euro 423 million (6.2% of sales) at 31 December 2014, reflecting the following factors:

- a significant increase in working capital employed in multi-year Submarine projects, linked to their stage of completion with respect to contractual deadlines;
- a decrease for completion of SURF projects, which saw a major growth in activities, especially in Brazil;
- a reduction of Euro 14 million in without-recourse factoring transactions;
- a containment of the level of inventories of finished goods, raw materials and semi-finished products and of the level of past due trade receivables in relation to the increased level of activity;
- an increase of Euro 5 million for exchange rate differences.

## NET FINANCIAL POSITION

The following table provides a detailed breakdown of the net financial position:

(in millions of Euro)	30 September 2015	30 September 2014	Change	31 December 2014
<b>Long-term financial payables</b>				
- Term Loan facility 2011	-	400	(400)	400
- Bank fees	-	(2)	2	(2)
EIB Loan	75	92	(17)	92
Non-convertible bond	740	-	740	-
Convertible bond	277	270	7	271
Derivatives	-	4	(4)	3
Other financial payables	45	45	-	56
<b>Total long-term financial payables</b>	<b>1,137</b>	<b>809</b>	<b>328</b>	<b>820</b>
<b>Short-term financial payables</b>				
- Revolving Facility	-	150	(150)	-
- Syndacate Revolving Credit Facility 2014	-	150	(150)	-
EIB Loan	17	8	9	9
Non-convertible bond	9	409	(400)	415
Convertible bond	-	-	-	1
Revolving credit facility 2014	50	30	20	30
Derivatives	5	13	(8)	8
Other financial payables	95	131	(36)	113
<b>Total short-term financial payables</b>	<b>176</b>	<b>891</b>	<b>(715)</b>	<b>576</b>
<b>Total financial liabilities</b>	<b>1,313</b>	<b>1,700</b>	<b>(387)</b>	<b>1,396</b>
<b>Long-term financial receivables</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>2</b>
Long-term bank fees	4	6	(2)	5
Short-term derivatives	12	6	6	5
Short-term financial receivables	13	8	5	9
Short-term bank fees	2	3	(1)	3
Financial assets held for trading	78	73	5	76
Cash and cash equivalents	247	311	(64)	494
<b>Total financial assets</b>	<b>358</b>	<b>408</b>	<b>(50)</b>	<b>594</b>
<b>Net financial position</b>	<b>955</b>	<b>1,292</b>	<b>(337)</b>	<b>802</b>

The net financial position of Euro 955 million at 30 September 2015 has increased by Euro 153 million from Euro 802 million at 31 December 2014. The main factors affecting the period-end balance were:

- generation of Euro 377 million in cash from operating activities (before changes in net working capital);
- negative impact of Euro 198 million from changes in net working capital (much improved on the same period in 2014, particularly due to better management of industrial planning and of stock to containment of working capital levels relating to Energy Project);;
- payment of Euro 39 million in taxes;
- receipt of Euro 15 million in dividends from investments in equity-accounted companies;
- net operating capital expenditure of Euro 117 million;
- payment of Euro 88 million in net finance costs;
- payment of Euro 91 million in dividends in the period.



## STATEMENT OF CASH FLOWS

(in millions of Euro)	9 months 2015	9 months 2014	Change	2014
<b>EBITDA</b>	<b>445</b>	<b>383</b>	<b>62</b>	<b>496</b>
Changes in provisions (including employee benefit obligations)	(41)	(42)	1	(23)
(Gains)/losses on disposal of property, plant and equipment, intangible assets and non-current assets	-	(1)	1	(8)
Share of net profit/(loss) of equity-accounted companies	(27)	(26)	(1)	(43)
Acquisition price adjustment (1)	-	(22)	22	(22)
<b>Net cash flow provided by operating activities (before changes in net working capital)</b>	<b>377</b>	<b>292</b>	<b>85</b>	<b>400</b>
Changes in net working capital	(198)	(472)	274	(1)
Taxes paid	(39)	(46)	7	(72)
Dividends from investments in equity-accounted companies	15	12	3	36
<b>Net cash flow provided/(used) by operating activities</b>	<b>155</b>	<b>(214)</b>	<b>369</b>	<b>363</b>
Acquisitions	-	9	(9)	9
Net cash flow used in operational investing activities	(117)	(106)	(11)	(155)
<b>Free cash flow (unlevered)</b>	<b>38</b>	<b>(311)</b>	<b>349</b>	<b>217</b>
Net finance costs	(88)	(88)	-	(110)
<b>Free cash flow (levered)</b>	<b>(50)</b>	<b>(399)</b>	<b>349</b>	<b>107</b>
Capital contribution and other equity movements	3	-	3	(20)
Dividend distribution	(91)	(90)	(1)	(90)
<b>Net cash flow provided/(used) in the period</b>	<b>(138)</b>	<b>(489)</b>	<b>351</b>	<b>(3)</b>
<b>Opening net financial position</b>	<b>(802)</b>	<b>(805)</b>	<b>3</b>	<b>(805)</b>
Net cash flow provided/(used) in the period	(138)	(489)	351	(3)
Other changes	(15)	2	(17)	6
<b>Closing net financial position</b>	<b>(955)</b>	<b>(1,292)</b>	<b>337</b>	<b>(802)</b>

<sup>(1)</sup> This refers to the acquisition in November 2012 of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) from Global Marine Systems Ltd.

Net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 377 million in the first nine months of 2015.

This cash flow was absorbed by the increase of Euro 198 million in net working capital described earlier. After Euro 39 million in tax payments and Euro 15 million in dividend receipts, net cash flow from operating activities in the nine-month period was therefore a positive Euro 156 million.

Net operating capital expenditure amounted to Euro 117 million in the first nine months of 2015, a large part of which relating to projects to increase, rationalise and technologically upgrade production capacity and to develop new products.

In addition, a total of Euro 88 million in net finance costs were paid during the nine-month period.

## ALTERNATIVE PERFORMANCE INDICATORS

In addition to the standard financial reporting formats and indicators required under IFRS, this document contains a number of reclassified statements and alternative performance indicators. The purpose is to help users better evaluate the Group's economic and financial performance. However, these statements and indicators should not be treated as a substitute for the standard ones required by IFRS.

The alternative indicators used for reviewing the income statement include:

- **Adjusted net profit/(loss):** net profit/(loss) before non-recurring income and expenses, the fair value change in metal derivatives and in other fair value items, the effect of currency and interest rate derivatives, exchange rate differences, non-monetary interest on the convertible bond and the related tax effects;
- **Adjusted operating income:** operating income before non-recurring income and expenses and the fair value change in metal derivatives and in other fair value items, as reported in the consolidated income statement. The purpose of this indicator is to present the Group's operating profitability without the effects of events considered to be outside its recurring operations;
- **EBITDA:** operating income before the fair value change in metal price derivatives and in other fair value items and before amortisation, depreciation and impairment. The purpose of this indicator is to present the Group's operating profitability before the main non-monetary items;
- **Adjusted EBITDA:** EBITDA as defined above calculated before non-recurring income and expenses, as reported in the consolidated income statement. The purpose of this indicator is to present the Group's operating profitability before the main non-monetary items, without the effects of events considered to be outside the Group's recurring operations;
- **Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies:** Adjusted EBITDA as defined above calculated before the share of net profit/(loss) of equity-accounted companies;
- **Organic growth:** growth in sales calculated net of changes in the scope of consolidation, changes in metal prices and exchange rate effects.

The alternative indicators used for reviewing the reclassified statement of financial position include:

- **Net fixed assets:** sum of the following items contained in the statement of financial position:
  - Intangible assets
  - Property, plant and equipment
  - Equity-accounted investments
  - Available-for-sale financial assets, net of non-current securities classified as long-term financial receivables in the net financial position
  - Assets held for sale with regard to Land and Buildings

- **Net working capital:** sum of the following items contained in the statement of financial position:
  - Inventories
  - Trade receivables
  - Trade payables
  - Other non-current receivables and payables, net of long-term financial receivables classified in the net financial position
  - Other current receivables and payables, net of short-term financial receivables classified in the net financial position
  - Derivatives net of financial instruments for hedging interest rate and currency risks relating to financial transactions, classified in the net financial position
  - Current tax payables
  - Assets and Liabilities held for sale with regard to current assets and liabilities
- **Net operating working capital:** sum of the following items contained in the statement of financial position:
  - Inventories
  - Trade receivables
  - Trade payables
  - Other non-current receivables and payables, net of long-term financial receivables classified in the net financial position
  - Other current receivables and payables, net of short-term financial receivables classified in the net financial position
  - Current tax payables
- **Provisions:** sum of the following items contained in the statement of financial position:
  - Provisions for risks and charges – current portion
  - Provisions for risks and charges – non-current portion
  - Provisions for deferred tax liabilities
  - Deferred tax assets
- **Net capital employed:** sum of Net fixed assets, Net working capital and Provisions.
- **Employee benefit obligations and Total equity:** these indicators correspond to Employee benefit obligations and Total equity reported in the statement of financial position.
- **Net financial position:** sum of the following items:
  - Borrowings from banks and other lenders – non-current portion
  - Borrowings from banks and other lenders – current portion
  - Derivatives for financial transactions recorded as Non-current derivatives and classified under Long-term financial receivables
  - Derivatives for financial transactions recorded as Current derivatives and classified under Short-term financial receivables
  - Derivatives for financial transactions recorded as Non-current derivatives and classified under Long-term financial payables

- Derivatives for financial transactions recorded as Current derivatives and classified under Short-term financial payables
- Medium/long-term financial receivables recorded in Other non-current receivables
- Bank fees on loans recorded in Other non-current receivables
- Short-term financial receivables recorded in Other current receivables
- Bank fees on loans recorded in Other current receivables
- Short/long-term available-for-sale financial assets, not instrumental to the Group's activities
- Financial assets held for trading
- Cash and cash equivalents



**Reconciliation between the Reclassified Statement of Financial Position presented in the Directors' Report and the Statement of Financial Position contained in the Consolidated Financial Statements and Explanatory Notes at 30 September 2015**

(in millions of Euro)

	Note	30 September 2015		31 December 2014	
		Partial amounts from financial statements	Total amounts from financial statements	Partial amounts from financial statements	Total amounts from financial statements
<b>Property, plant and equipment</b>		<b>1,418</b>	<b>1,418</b>		<b>1,414</b>
Intangible assets		545	545		561
Equity-accounted investments		246	246		225
Available-for-sale financial assets		12	12		12
Assets held for sale (*)		3	8		7
<b>Total net fixed assets</b>	<b>A</b>	<b>2,224</b>	<b>2,229</b>		<b>2,219</b>
<b>Net working capital</b>					
<b>Inventories</b>	<b>B</b>		<b>982</b>		<b>981</b>
Trade receivables	C		1,140		952
Trade payables	D		(1,392)		(1,415)
Other receivables/payables - net	E		(123)		(95)
of which:					
Other receivables - non-current	3	19		20	
<i>Tax receivables</i>	3	8		14	
<i>Receivables from employees</i>	3	1		2	
<i>Other</i>	3	10		4	
Other receivables - current	3	726		754	
<i>Tax receivables</i>	3	149		157	
<i>Receivables from employees and pension plans</i>	3	9		5	
<i>Advances to suppliers</i>	3	28		19	
<i>Other (*)</i>	3	108		126	
<i>Construction contracts</i>	3	432		447	
Other payables - non-current	11	(10)		(13)	
<i>Tax and social security payables</i>	11	(3)		(7)	
<i>Accrued expenses</i>	11	-		-	
<i>Other</i>	11	(7)		(6)	
Other payables - current	11	(844)		(827)	
<i>Tax and social security payables</i>	11	(122)		(144)	
<i>Advances from customers</i>	11	(362)		(381)	
<i>Payables to employees</i>	11	(74)		(64)	
<i>Accrued expenses</i>	11	(139)		(100)	
<i>Other (*)</i>	11	(147)		(138)	
<b>Current tax payables</b>		<b>(18)</b>		<b>(29)</b>	
<b>Total net operating working capital</b>	<b>F = B+C+D+E</b>		<b>607</b>		<b>423</b>
<b>Derivatives</b>	<b>G</b>	<b>(36)</b>		<b>(16)</b>	
of which:					
<i>Forward currency contracts on commercial transactions (cash flow hedges) - non-current</i>	5	(1)		(2)	
<i>Forward currency contracts on commercial transactions (cash flow hedges) - current</i>	5	(4)		(7)	
<i>Forward currency contracts on commercial transactions - non-current</i>	5	-		-	
<i>Forward currency contracts on commercial transactions - current</i>	5	4		(2)	
<i>Metal derivatives - non-current</i>	5	(14)		1	
<i>Metal derivatives - current</i>	5	(21)		(6)	
<b>Total net working capital</b>	<b>H = F+G</b>		<b>571</b>		<b>407</b>

(\*) Other assets held for sale (Euro 5 million) have been classified in Other receivables; liabilities held for sale are classified in Other payables (Euro 1 million).



(in millions of Euro)

	Note	30 September 2015		31 December 2014	
		Partial amounts from financial statements	Total amounts from financial statements	Partial amounts from financial statements	Total amounts from financial statements
Provisions for risks and charges - non-current	12		(64)		(74)
Provisions for risks and charges - current	12		(246)		(269)
Deferred tax assets			93		115
Deferred tax liabilities			(62)		(53)
<b>Total provisions</b>	<b>I</b>		<b>(279)</b>		<b>(281)</b>
<b>Net capital employed</b>	<b>L = A+H+I</b>		<b>2,516</b>		<b>2,345</b>
Employee benefit obligations	M	13	357		360
<b>Total equity</b>	<b>N</b>	<b>9</b>	<b>1,204</b>		<b>1,183</b>
Equity attributable to non-controlling interests			32		33
<b>Net financial position</b>					
<b>Total long-term financial payables</b>	<b>O</b>		<b>1,137</b>		<b>820</b>
Term loan facility	10		-	400	
Bank fees	10		-	(2)	
Credit Agreements	10		-	398	
EIB loan	10		75	92	
Non-convertible bond	10		740	-	
Convertible bond	10		277	271	
Derivatives			-	3	
of which:					
Interest rate swaps	5		-	3	
Other payables			45	56	
of which:					
Finance lease obligations	10		15	16	
Other financial payables	10		30	40	
<b>Total short-term financial payables</b>	<b>P</b>		<b>176</b>		<b>576</b>
Term loan facility	10		-	-	
Revolving Credit Facility 2014	10		-	-	
EIB loan	10		17	9	
Non-convertible bond	10		9	415	
Convertible bond	10		-	1	
Revolving facility - Credit Agreement	10		-	-	
Revolving Credit Facility 2014	10		50	30	
Derivatives			5	8	
of which:					
Interest rate swaps	5		1	-	
Forward currency contracts on financial transactions	5		4	8	
Other payables			95	113	
of which:					
Finance lease obligations	10		1	2	
Other financial payables	10		94	111	
<b>Total financial liabilities</b>	<b>Q = O+P</b>		<b>1,313</b>		<b>1,396</b>
Long-term financial receivables	R	3	(2)	(2)	
Long-term bank fees	R	3	(4)	(5)	
Short-term financial receivables	R	3	(13)	(9)	
Short-term derivatives	R		(12)	(5)	
of which:					
Forward currency contracts on financial transactions (current)	5		(12)	(5)	
Short-term bank fees	R	3	(2)	(3)	
Available-for-sale financial assets (current)	S		0	0	
Financial assets held for trading	T		(78)	(76)	
Cash and cash equivalents	U		(247)	(494)	
<b>Total financial assets</b>	<b>V = R+S+T+U</b>		<b>(358)</b>		<b>(594)</b>
<b>Total net financial position</b>	<b>W = Q+V</b>		<b>955</b>		<b>802</b>
<b>Total equity and sources of funds</b>			<b>2,516</b>		<b>2,345</b>

**Reconciliation between the principal income statement indicators and the Income Statement contained in the Consolidated Financial Statements and Explanatory Notes at 30 September 2015**

(in millions of Euro)

	Note	9 months 2015 Amounts from income statement	9 months 2014 Amounts from income statement
Sales of goods and services	A	5,569	5,014
Change in inventories of work in progress, semi-finished and finished goods		27	100
Other income		41	94
Raw materials, consumables used and goods for resale		(3,502)	(3,237)
Personnel costs		(745)	(688)
Other expenses		(988)	(929)
<b>Operating costs</b>	<b>B</b>	<b>(5,167)</b>	<b>(4,660)</b>
Share of net profit/(loss) of equity-accounted companies	C	27	26
Fair value stock options	D	16	3
<b>EBITDA</b>	<b>E = A+B+C+D</b>	<b>445</b>	<b>383</b>
Non-recurring other income	F	7	27
Non-recurring personnel costs	G	(25)	(14)
Non-recurring other expenses and releases	H	(10)	15
<b>Adjusted EBITDA</b>	<b>I = E-F-G-H</b>	<b>473</b>	<b>355</b>
Share of net profit/(loss) of equity-accounted companies	L	27	26
<b>Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies</b>	<b>M = I-L</b>	<b>445</b>	<b>329</b>

(in millions of Euro)

	Note	9 months 2015 Amounts from income statement	9 months 2014 Amounts from income statement
<b>Operating income</b>	<b>A</b>	<b>284</b>	<b>281</b>
Non-recurring other income		7	27
Non-recurring personnel costs		(25)	(14)
Non-recurring other expenses and releases		(10)	15
Change in inventories of work in progress, semi-finished and finished goods		-	-
<b>Total non-recurring expenses</b>	<b>B</b>	<b>(28)</b>	<b>28</b>
Fair value change in metal derivatives	C	(29)	12
Fair value stock options	D	(16)	(3)
Non-recurring impairment and impairment reversals	E	(7)	(5)
<b>Adjusted operating income</b>	<b>F=A-B-C-D-E</b>	<b>364</b>	<b>249</b>



Following adoption of the new organisational structure, the alternative performance indicators for the first nine months of 2014 have been restated as follows:

**Alternative performance indicators at 30 September 2014**

		9 months 2014						
		Published	Restated				Energy - Projects	Totale Energia
			E&I	Industrial & NWC	Other	Totale Products		
Utilities	Sales	1,535	581	102	-	683	852	1,535
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	130	28	18	-	46	84	130
	Adjusted EBITDA	135	33	18	-	51	84	135
	Adjusted operating income	105	25	16	-	41	64	105
Trade & Installers	Sales	1,434	1,434	-	-	1,434	-	1,434
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	45	45	-	-	45	-	45
	Adjusted EBITDA	52	52	-	-	52	-	52
	Adjusted operating income	35	35	-	-	35	-	35
Industrial	Sales	1,228	-	1,165	-	1,165	63	1,228
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	84	-	78	-	78	6	84
	Adjusted EBITDA	86	-	80	-	80	6	86
	Adjusted operating income	60	-	64	-	64	(4)	60
Other	Sales	72	-	-	72	72	-	72
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	7	-	-	7	7	-	7
	Adjusted EBITDA	7	-	-	7	7	-	7
	Adjusted operating income	5	-	-	5	5	-	5
ENERGY	Sales	4,269	2,015	1,267	72	3,354	915	4,269
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	266	73	96	7	176	90	266
	Adjusted EBITDA	280	85	98	7	190	90	280
	Adjusted operating income	205	60	80	5	145	60	205

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

### **Finalisation of the acquisition of Gulf Coast Downhole Technologies**

On 1 October 2015, following the satisfaction of the conditions precedent contained in the agreement entered into on 24 September 2015, Prysmian completed the acquisition of the entire shareholding in Gulf Coast Downhole Technologies (GCDT).

### **First submarine cable project in People's Republic of China**

On 26 October 2015, Prysmian was awarded a contract worth a total of more than USD 140 million by Hainan Second Cross-Sea Interconnection Tie Project Management Co., Ltd. (a subsidiary of China Southern Power Grid, the grid operator in South China) for the design, supply, installation, and commissioning of a submarine power line for the second interconnection between Hainan island and the Chinese mainland.

The new submarine power line will complement the existing 500 kV circuit and connect the Guangdong and Hainan power grids, thereby improving the efficiency and quality of electricity supply between the two provinces. One of the island's key customers to benefit from the extra power will be a 1300 MW nuclear power plant being built in Changjiang county. The combined capacity of the new submarine power line and the nuclear power plant will help boost Hainan's efforts to become an international tourist destination.

### **Antitrust investigation - USA**

The investigation by the US Department of Justice into the power cables industry was closed without charges. For more details about the investigation, which was initiated in 2009, please refer to the note on Provisions for Risks contained in the Explanatory Notes. Furthermore, it was felt appropriate, already during the third quarter of 2015, to release the provision previously set aside.

## BUSINESS OUTLOOK

The macro environment in the first few months of 2015 saw signs of stabilisation and slight improvement in Europe, supported by the quantitative easing programme launched by the European Central Bank, while remaining sturdy in the United States. The European negotiations to refinance Greek debt, a source of financial market volatility, have created turmoil in the economic environment in Europe and internationally. The current geopolitical tensions in the Middle East and Russia, together with the slowdown by some economies like China and Brazil continue to raise uncertainties over the contribution of these regions to world economic growth, with implications for the related exchange rates.

In such an economic context, the Group's expectation for FY 2015 is that demand in the cyclical businesses of medium voltage cables for utilities and building wires will record a slight volume recovery on the previous year with signs of price stabilisation. In the Energy Projects segment, the Group confirms an improving trend with growth in the Submarine and SURF businesses, and general stability in the High Voltage underground business. With reference to the Submarine cables business, the plan initiated in response to the problems emerging in performance of the Western Link project is proceeding as expected, enabling a faster execution schedule having regained all the available capacity and improved the efficiency of the production process. Thanks to these actions, as well as the strengthening of contractual guarantees and longer project timing agreed with the customer, the overall result in terms of Adjusted EBITDA is expected to improve by Euro 35 million compared with the original estimate, reducing the negative impact from Euro 167 million originally estimated to Euro 132 million. As far as 2015 is concerned, Western HVDC Link is forecast to have a negative impact on Adjusted EBITDA of Euro 26 million compared with the original estimate of Euro 56 million. In the Oil & Gas cables business, the drop in oil prices and consequent reduction in oil industry investments are likely to have a negative impact on the Group's activities, also in the last quarter of the year. The Telecom business is expected to see continued recovery in demand for optical fibre cables in the coming quarters albeit at a slower pace than in the first six months of 2015.

In addition, exchange rate effects are forecast to have a positive impact on the FY 2015 results, assuming constancy of the current rates, purely as a result of translating profits expressed in other currencies into the Group's reporting currency.

Based on the existing order book and considering the factors mentioned above, the Group is forecasting Adjusted EBITDA for FY 2015 in the range of Euro 590–640 million (Euro 616–666 million excluding the negative impact of the Western Link project), marking a significant improvement from the Euro 509 million reported in 2014.

Lastly, the Prysmian Group will carry on during 2015 to rationalise its activities with the objective of achieving the projected cost efficiencies and greater competitiveness in all areas of the business.

## FORESEEABLE RISKS IN 2015\*

The Prysmian Group is exposed in the normal conduct of its business to a number of financial and non-financial risk factors which, if they should occur, could also have a material impact on its results of operations and financial condition. The Group has always worked to maximise value for its shareholders by putting in place all necessary measures to prevent or mitigate the risks inherent in the Group's business, which is why it adopts specific procedures to manage the risk factors that could influence its business results. Given operating performance in the first nine months of the year and the specific macroeconomic context, the principal risk factors currently foreseeable for the last quarter of 2015 are described below according to their nature.

### **Risks associated with the competitive environment**

Many of the products offered by the Prysmian Group, primarily in the Trade & Installers and Power Distribution businesses, are made in conformity with specific industrial standards and so are interchangeable with those offered by major competitors. Price is therefore a key factor in customer choice of supplier. The entry into mature markets (eg. Europe) of non-traditional competitors, meaning small to medium manufacturing companies with low production costs and the need to saturate production capacity, together with a possible contraction in market demand, translate into strong competitive pressure on prices with possible consequences for the Group's expected margins.

In addition, although barriers to entry, linked to difficult-to-replicate ownership of technology, know-how and track record, limit the number of operators able to compete effectively on a global scale in high value-added segments like High Voltage underground cables, Optical Cables, and, albeit to a much lesser extent, Submarine cables, it is not possible to rule out potential new entrants in these market segments or an escalation in competition from operators already on the market, with potentially negative impacts on both sales volumes and sales prices.

The strategy of rationalising production facilities currently in progress, the consequent optimisation of cost structure, the policy of geographical diversification and, last but not least, the ongoing pursuit of innovative technological solutions, all help the Group to address the potential effects arising from the competitive environment.

### **Risks associated with changes in the macroeconomic environment and in demand**

Factors such as changes in GDP and interest rates, the ease of getting credit, the cost of raw materials, and the overall level of energy consumption, significantly affect the energy demand of countries which, faced with persistent economic difficulties, then reduce their investments for market development.

(\* The risks described in this section are those that, at the date of the present document, the Group believes, if they were to occur, could have a material adverse near-term impact on its business, financial condition, earnings and future prospects. The Group is also exposed to other risk factors and uncertainties that, at the date of the present document, nonetheless appear to be of limited significance; these risks are described more fully in the Annual Report.



Similarly, government incentives for alternative energy sources are also being reduced. The Prysmian Group's transmission business (high voltage submarine cables) and Power Distribution business, both highly concentrated in the European market, are being affected by the contraction of demand in this market resulting from the region's prolonged economic downturn.

To counter this risk, the Group is pursuing, on the one hand, a policy of geographical diversification in non-European countries (eg. Vietnam, Philippines, etc.) and, on the other, a strategy to reduce costs by rationalising its production structure globally in order to mitigate possible negative effects on the Group's performance from reduced sales and shrinking margins.

#### **Risks associated with dependence on key customers**

In the SURF business, the Prysmian Group has a significant business relationship with Petrobras, a Brazilian oil company, for the supply of umbilical cables and flexible pipes, developed and manufactured at the factory in Vila Velha, Brazil. A possible decline in demand for umbilical cables and/or a change in technological demand for flexible pipes by Petrobras could, in the short to medium term, have an impact on the sustainability, even in part, of the business in Brazil.

While committed to maintaining and strengthening its business relationship with this customer over time, the Group has initiated a progressive diversification of its customer portfolio by evaluating the possibility of opening up to the export market.

#### **Risk of instability in emerging market countries where the Group operates**

The Prysmian Group operates and has production facilities and/or companies in Asia, Latin America, the Middle East and Eastern Europe. The Group's activities in these countries are exposed to different risks linked to local regulatory and legal systems, the imposition of tariffs or taxes, political and economic instability, and exchange rate risks.

Significant changes in the macroeconomic, political, tax or legislative environment of such countries could have an adverse impact on the Group's business, results of operations and financial condition.

#### **Risks associated with acquisitions**

The Group's development strategy is based not only on organic growth of the business, but also on possible acquisitions. The Group is continuously on the lookout for possible acquisition targets and, in the event of finalising acquisitions, it may have to increase its debt to finance such acquisitions. If the Group completes new acquisitions in the near future, it could also face risks associated with the integration process.

#### **Risks relating to changes in the legal and regulatory framework**

The Prysmian Group, as a manufacturer and distributor of cables, is subject to numerous legal and regulatory requirements in the various countries where it operates, as well as technical regulations, both national and international, applicable to companies operating in the same sector and to products manufactured and marketed by the Group; environmental protection legislation is particularly important in this regard. Although the Group is constantly engaged in reducing its exposure to environmental risks and has taken out insurance against potential liabilities arising from third-party environmental damage, it is

nonetheless possible that not all environmental risks have been adequately identified and that not all the insurance coverage is fully effective. In particular, the enactment of additional regulations applicable to the Group or its products, or changes in the current national and international laws in the segments in which the Group operates, could require the Group to adopt stricter standards or could limit its freedom of action in its specific areas of business. These factors could involve compliance costs, even of significant amount, for its manufacturing facilities or product specifications.

### **Risks associated with availability of financial resources and their cost**

The volatility of the international banking and financial system could represent a potential risk factor in terms of raising finance and its associated cost. Prysmian Group believes that it has significantly mitigated such a risk insofar as, in recent years, it has always been able to raise sufficient financial resources, and at a competitive cost.

The Group's main sources of finance are:

- Credit Agreement 2014: this is a five-year revolving credit facility for Euro 1,000 million, finalised in June 2014. This agreement was notable not only for the significant sum secured thanks to strong interest by the lenders involved, but also for its more competitive cost than existing facilities. The lighter financial covenants already applied to the Group's other credit agreements were confirmed for this facility. The annual interest rate is equal to the sum of Euribor and an annual spread determined on the basis of the ratio between consolidated net financial position and consolidated EBITDA. This facility was not drawn down as at 30 September 2015;
- Revolving Credit Facility 2014: this credit facility for Euro 100 million has been granted by Mediobanca - Banca di Credito Finanziario S.p.A. This five-year facility had been drawn down by Euro 50 million as at 30 September 2015;
- EIB Loan: this loan for Euro 100 million, provided in February 2014 by the European Investment Bank (EIB), is intended to fund the Group's European R&D plans over the period 2013-2016. The outstanding amount of the loan at 30 September 2015 was Euro 92 million, having made the first repayment in August 2015;
- Convertible bond: a convertible bond for Euro 300 million was placed with institutional investors in March 2013; it carries a 1.25% coupon and matures in March 2018;
- Non-convertible bond 2015: on 10 March 2015, the Board of Directors of Prysmian S.p.A. authorised management to proceed, depending on prevailing market conditions and in any case by 30 June 2016, with the issuance and private or public placement of bonds in one or more tranches. These bonds were to be offered for sale only to institutional investors. Consequently, on 30 March 2015 Prysmian S.p.A. completed the placement with institutional investors of an unrated bond, on the Eurobond market, for a total nominal value of Euro 750 million. The bond, with an issue price of Euro 99.002, has a 7-year maturity and will pay a fixed annual coupon of 2.50%. The bond settlement

date was 9 April 2015. The bond has been admitted to the Luxembourg Stock Exchange and is traded on the related regulated market. Prysmian has used the bond issue proceeds to redeem its Euro 400 million Eurobond maturing on 9 April 2015 and to make an early repayment of the Term Loan Facility 2011 for Euro 400 million.

As at 30 September 2015, the Group's total financial resources, comprising cash and cash equivalents and undrawn committed credit lines, came to in excess of Euro 1 billion.

A detailed analysis of "Borrowings from banks and other lenders" can be found in the Explanatory Notes to the Consolidated Financial Statements.

### **Financial covenants**

The credit agreements mentioned in the preceding paragraph contain a number of financial covenants with which the Group must comply. These covenants could restrict the Group's ability to increase its net debt, other conditions remaining equal; should it fail to satisfy one of the covenants, this would lead to a default event which, unless resolved under the terms of the respective agreements, could lead to their termination and/or an early repayment of any amounts drawn down. In such an eventuality, the Group might be unable to repay the amounts demanded early, which in turn would give rise to a liquidity risk.

The financial covenants are measured at the half-year close on 30 June and at the full-year close on 31 December. All covenants were fully observed at 30 June 2015.

In particular:

- (i) the ratio between EBITDA and Net finance costs, as defined in the credit agreements, was 8.19x (against a required covenant of not less than 5.50x for the credit agreements signed before December 2013 and 4.00x for those signed in 2014);
- (ii) the ratio between Net Financial Position and EBITDA, as defined in the credit agreements, was 1.51x (against a required covenant of below 2.50x for the credit agreements signed before December 2013 and 3.00x for those signed in 2014).

As things stand and in view of the level of the financial covenants reported above, Prysmian Group believes that it will not have to face this risk in the near future.

### **Exchange rate fluctuation**

The Prysmian Group operates internationally and is therefore exposed to exchange rate risk for the various currencies in which it operates (principally the US Dollar, British Pound, Brazilian Real, Turkish Lira and Chinese Renminbi). Exchange rate risk occurs when future transactions or assets and liabilities recognised in the statement of financial position are denominated in a currency other than the functional currency of the company which undertakes the transaction.

To manage exchange rate risk arising from future trade transactions and from the recognition of foreign currency assets and liabilities, most Prysmian Group companies use forward contracts arranged by Group Treasury, which manages the various positions in each currency.

However, since Prysmian prepares its consolidated financial statements in Euro, fluctuations in the exchange rates used to translate the financial statements of subsidiaries, originally expressed in a foreign currency, could affect the Group's results of operations and financial condition.

### **Interest rate fluctuation**

Changes in interest rates affect the market value of the Prysmian Group's financial assets and liabilities as well as its net finance costs. The interest rate risk to which the Group is exposed is mainly on long-term financial liabilities, carrying both fixed and variable rates.

Fixed rate debt exposes the Group to a fair value risk. The Group does not operate any particular hedging policies in relation to the risk arising from such contracts since it considers this risk to be immaterial. Variable rate debt exposes the Group to a rate volatility risk (cash flow risk). The Group uses interest rate swaps (IRS) to hedge this risk, which transform variable rates into fixed ones, thus reducing the rate volatility risk. Under such IRS contracts, the Group agrees with the other parties to swap on specific dates the difference between the contracted fixed rates and the variable rate calculated on the loan's notional value. A potential rise in interest rates, from the record lows reached in recent years, is a risk factor in the coming quarter.

### **Risks associated with fluctuations in commodity prices**

The main commodities purchased by the Prysmian Group are copper and aluminium, accounting for more than 50% of the total raw materials used to manufacture its products. The Group neutralises the impact of possible rises in the price of copper and its other principal raw materials through hedging activities and automatic sales price adjustment mechanisms. Hedging activities are based on sales contracts or sales forecasts, which if not met, could expose the Group to risks of fluctuations in commodity prices.

A dedicated team within the Group Purchasing department centrally monitors sales transactions requiring the purchase of raw materials and the related hedging activities carried out by each subsidiary.

In addition, if the oil price were to stabilise at current levels, this could make the extraction market less appealing, which in turn could adversely affect revenues from the SURF and Oil & Gas businesses, although without a significant impact on the Group. In fact, these businesses account for only 5% of the Group's Sales and Adjusted EBITDA.

### **Contract performance/liability - Risks associated with delivery dates, product quality and execution of turnkey contracts**

Projects relating to submarine or underground connections with high/medium voltage cables feature contractual forms that entail "turnkey" project management and so require compliance with deadlines and quality standards, guaranteed by penalties calculated as an agreed percentage of the contract value and even involving the possibility of contract termination.

The application of such penalties, the obligation to compensate any damages as well as indirect effects on the supply chain in the event of late delivery or production problems, could significantly affect project performance and hence the Group's margins (for example, the Western HVDC Link project). Possible damage to market reputation cannot be ruled out.

Given the complexity of "turnkey" projects, Prysmian has implemented a quality management process involving extensive testing of cables and accessories before delivery and installation, as well as specific ad

hoc insurance coverage, often through a pool of insurers, able to mitigate exposure to risks arising from production through to delivery.

Moreover, the ERM findings for this particular risk have led the Risk Management department, with the support of the Commercial area, to implement a systematic process of risk assessment for "turnkey" projects from as early as the bidding stage, with the aim of identifying, assessing and monitoring over time the Group's exposure to specific risks and of taking the necessary mitigation actions. The decision to present a bid proposal to the customer therefore also depends on the results of risk assessment.

### **Business interruption/Catastrophic events - Risks relating to the operation of industrial facilities**

The submarine cables business is heavily dependent on certain key assets, such as the Arco Felice plant in Italy for the production of a particular type of cable and the cable-laying ships, the "Giulio Verne" and the "Cable Enterprise", some of whose technical capabilities are hard to find on the market. The loss of one of these assets due to unforeseen natural disasters (eg. earthquakes, storms, etc.) or other accidents (eg. fire, terrorist attacks, etc.) and the consequent prolonged business interruption could have a critical economic impact on the Group's performance.

Prysmian addresses this risk through its systematic Loss Prevention program, under which specific inspections of the above assets allow it to identify the level of local risk and define actions that could be necessary to mitigate such risk.

As at 31 December 2014, all of the plants inspected were classified as "Excellent HPR", "Good HPR" or "Good not HPR"; no plant was classified as medium or high risk. In addition, specific disaster recovery plans have been developed that, by predetermining loss scenarios, allow all the appropriate countermeasures to be activated as soon as possible in order to minimise the impact of a catastrophic event.

Lastly, specific insurance cover for damage to assets and loss of associated contribution margin helps minimise the risk's financial impact on cash flow.

### **Compliance risks associated with laws, regulations, Code of Ethics, Policies and Procedures**

Compliance risk is the risk of incurring legal or administrative sanctions, material financial losses or reputational damage as a result of violations of laws, regulations, procedures, codes of conduct and best practices. Right at its inception, the Prysmian Group approved a Code of Ethics, a document which contains ethical standards and guidelines for conduct to be observed by all those engaged in activities on behalf of Prysmian or its subsidiaries, including managers, officers, employees, agents, representatives, contractors, suppliers and consultants. In particular, the Code of Ethics requires full compliance with current regulations and the avoidance of any kind of misconduct or illegal behaviour. The Group adopts organisational procedures designed to prevent violation of the principles of legality, transparency, fairness and honesty and is committed to ensuring their observance and practical application. Although the Group is committed to ongoing compliance with applicable regulations and to close supervision to identify any misconduct, it is not possible to rule out episodes in the future of non-compliance or violations of laws, regulations, procedures or codes of conduct by those engaged in performing activities on Prysmian's behalf, which could result in legal sanctions, fines or reputational damage, even on a material scale.

**Risks relating to legal and tax proceedings**

Prysmian S.p.A. and some Prysmian Group companies are currently involved in tax and legal proceedings in connection with their business, involving civil and administrative actions. In some of these cases, the company might not be able to accurately quantify the potential losses or penalties associated with such proceedings. In the event of an adverse outcome to such proceedings, the Group cannot rule out an impact, even for a material amount, on its business, results of operations and financial condition, as well as reputational damages that are hard to estimate.

In recent months, the Group has also become aware of an investigation in progress in Brazil in relation to alleged offences committed by public officials to the detriment of the Brazilian subsidiary.

**Risks of non-compliance with Antitrust law**

Its strong international presence in more than 50 countries means the Group is subject to antitrust law in Europe and every other country in the world in which it operates, each with more or less strict rules on the civil, administrative and criminal liability of the perpetrators of anti-competitive practices. In the last decade, local Antitrust Authorities have shown increasing attention to commercial activities by market players, also involving a tendency for international collaboration between authorities themselves.

The geographical dispersion of its employees, the lack of knowledge at times of local regulations as well as market dynamics, make it difficult to monitor anti-competitive conduct by third parties like suppliers and competitors, exposing the Group to the risk of incurring economic sanctions with extremely high negative repercussions for the reputation and credibility of the Group's system of governance.

In line with the priorities identified by the ERM process, the Corporate Affairs office has taken steps, with the support of Group Compliance, to raise awareness of the issues at stake through the adoption of an Antitrust Code of Conduct that all Group employees, directors and managers are required to know and observe in the conduct their duties and in their dealings with third parties. These activities represent a first step in establishing an "antitrust culture" within the Group by stimulating pro-competitive conduct and by heightening individual accountability for professional conduct.

More specifically, the European Commission, the US Department of Justice and the Japanese antitrust authority started investigations in late January 2009 into several European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive practices in the high voltage underground and submarine cables markets. Subsequently, the Australian Competition and Consumers Commission ("ACCC") and the New Zealand Commerce Commission also started similar investigations. During 2011, the Canadian antitrust authority also started an investigation into a high voltage submarine project dating back to 2006. The investigations in Japan, New Zealand and Canada have ended without any sanctions for Prysmian. Recently, the company's legal advisors were contacted by the Antitrust Division of the US Department of Justice which informed them that its investigation into the power cables industry had been closed without charges; consequently, it was felt appropriate, already during the third quarter of 2015, to release the provision previously set aside.

The other investigations are still in progress, except for the one by the European Commission, which has ended with the adoption of the decision described below.

In Australia, the ACCC has filed a case before the Federal Court arguing that Prysmian Cavi e Sistemi S.r.l. and two other companies violated antitrust rules in connection with a high voltage underground cable project awarded in 2003. Prysmian Cavi e Sistemi S.r.l. has presented its defence and the hearing to discuss the case was held recently.

In Brazil, the local antitrust authority has started an investigation into several cable manufacturers, including Prysmian, that operate in the high voltage underground and submarine cables market. Prysmian has presented its preliminary defence, which has been rejected by the local competition authorities in a statement issued during the month of February 2015. The preliminary stage of the proceedings will now ensue, at the end of which the authorities will publish their concluding observations, to which the parties may respond with all their arguments in defence before a final decision is taken.

On 2 April 2014, the European Commission adopted a decision under which it found that, between 18 February 1999 and 28 January 2009, the world's largest cable producers, including Prysmian Cavi e Sistemi S.r.l., adopted anti-competitive practices in the European market for high voltage submarine and underground power cables. The European Commission held Prysmian Cavi e Sistemi S.r.l. jointly liable with Pirelli & C. S.p.A. for the alleged infringement in the period 18 February 1999 - 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and The Goldman Sachs Group Inc. for the alleged infringement in the period 29 July 2005 - 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has filed an appeal against this decision with the General Court of the European Union along with an application to intervene in the appeals respectively lodged by Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. against the same decision. Both Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. have in turn submitted applications to intervene in the appeal brought by Prysmian against the European Commission's decision. The applications to intervene presented by Prysmian, Pirelli and The Goldman Sachs Group Inc. have been accepted by the General Court of the European Union. Prysmian has not incurred any financial outlay as a result of this decision having elected, pending the outcome of the appeals, to provide bank guarantees as security against payment of 50% of the fine imposed by the European Commission (amounting to approximately Euro 52 million) for the alleged infringement in both periods. As far as Prysmian is aware, Pirelli & C. S.p.A. has also provided the European Commission with a bank guarantee for 50% of the value of the fine imposed for the alleged infringement in the period 18 February 1999 - 28 July 2005. Pirelli & C. S.p.A. has also filed a civil action against Prysmian Cavi e Sistemi S.r.l. in which it demands to be held harmless for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. Prysmian Cavi e Sistemi S.r.l. started legal proceedings in February 2015, requesting that the claims brought by Pirelli & C. S.p.A. be rejected in full and that it should be Pirelli & C. S.p.A. which holds harmless Prysmian Cavi e Sistemi S.r.l., with reference to the alleged infringement in the period 18 February 1999 - 28 July 2005, for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation.

The proceedings have since been suspended by order of the court concerned in April 2015, pending the outcome of the appeals brought against the European Commission's decision by both Prysmian and Pirelli in the European Courts. Pirelli has challenged this decision before the Court of Cassation, Italy's highest court of appeal.



It also reported that the Australian and Spanish antitrust authorities have respectively initiated proceedings to verify the existence of anti-competitive practices by local cable manufacturers and distributors, including the Group's foreign subsidiaries based in these countries. As regards the proceedings initiated by the Australian antitrust authorities, the hearing will begin at the end of November 2015. The Directors are of the opinion not to make any provision for the risks arising from these proceedings.

Lastly, the British operators National Grid and Scottish Power have filed claims in the High Court in London against certain cable manufacturers, including the Prysmian Group, to obtain compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in the decision adopted in April 2014. The Group companies concerned were notified of this initial court filing during the month of May 2015 and presented their defence early in October 2015, along with the summons of other parties censured in the European Commission's decision.

As at 30 September 2015, the amount of the provision is approximately Euro 151 million.

Despite the uncertainty of the outcome of the investigations in progress and potential legal action by customers as a result of the European Commission's decision, the amount of this provision is considered to represent the best estimate of the liability based on the information now available.

## STOCK OPTION PLANS

Information about the evolution of existing stock option plans can be found in Note 24 of the Explanatory Notes.

## RELATED PARTY TRANSACTIONS

Related party transactions do not qualify as either atypical or unusual but fall into the normal course of business by Group companies. Such transactions take place under market terms and conditions, according to the type of goods and services provided.

Information about related party transactions, including that required by the Consob Communication dated 28 July 2006, is presented in Note 21 of the Explanatory Notes.

Milan, 5 November 2015

ON BEHALF OF THE BOARD OF DIRECTORS

THE CHAIRMAN

Massimo Tononi

CONSOLIDATED  
FINANCIAL  
STATEMENTS AND  
EXPLANATORY NOTES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	Note	30 September 2015	of which related parties (Note 21)	31 December 2014	of which related parties (Note 21)
<b>Non-current assets</b>					
Property, plant and equipment	1	1,418		1,414	
Intangible assets	1	545		561	
Equity-accounted investments	2	246	246	225	225
Available-for-sale financial assets		12		12	
Derivatives	5	-		1	
Deferred tax assets		93		115	
Other receivables	3	25		27	
<b>Total non-current assets</b>		<b>2,339</b>		<b>2,355</b>	
<b>Current assets</b>					
Inventories	4	982		981	
Trade receivables	3	1,140	13	952	7
Other receivables	3	741	3	766	3
Financial assets held for trading	6	78		76	
Derivatives	5	34		29	
Cash and cash equivalents	7	247		494	
<b>Total current assets</b>		<b>3,222</b>		<b>3,298</b>	
Assets held for sale	8	8		7	
<b>Total assets</b>		<b>5,569</b>		<b>5,660</b>	
<b>Equity attributable to the Group:</b>					
Share capital	9	22		21	
Reserves	9	1,009		1,014	
Net profit/(loss) for the period		141		115	
<b>Equity attributable to non-controlling interests:</b>					
Share capital and reserves		34		33	
Net profit/(loss) for the period		(2)		-	
<b>Total equity</b>		<b>1,204</b>		<b>1,183</b>	
<b>Non-current liabilities</b>					
Borrowings from banks and other lenders	10	1,137		817	
Other payables	11	10		13	
Provisions for risks and charges	12	64		74	
Derivatives	5	15		5	
Deferred tax liabilities		62		53	
Employee benefit obligations	13	357		360	
<b>Total non-current liabilities</b>		<b>1,645</b>		<b>1,322</b>	
<b>Current liabilities</b>					
Borrowings from banks and other lenders	10	171		568	
Trade payables	11	1,392	3	1,415	4
Other payables	11	844	5	827	4
Derivatives	5	48		47	
Provisions for risks and charges	12	246		269	
Current tax payables		18		29	
Liabilities held for sale		1		-	
<b>Total current liabilities</b>		<b>2,720</b>		<b>3,155</b>	
<b>Total liabilities</b>		<b>4,365</b>		<b>4,477</b>	
<b>Total equity and liabilities</b>		<b>5,569</b>		<b>5,660</b>	

## CONSOLIDATED INCOME STATEMENT

(in millions of Euro)

	Note	9 months 2015	of which related parties (Note 21)	9 months 2014	of which related parties (Note 21)
Sales of goods and services		5,569	42	5,014	32
Change in inventories of work in progress, semi-finished and finished goods		27		100	
Other income		41	3	94	2
<i>of which non-recurring other income</i>		7		27	
Raw materials, consumables used and goods for resale		(3,502)	(16)	(3,237)	(15)
Fair value change in metal derivatives		(29)		12	
Personnel costs		(745)	(8)	(688)	(5)
<i>of which non-recurring personnel costs</i>		(25)		(14)	
<i>of which personnel costs for stock option fair value</i>		(16)		(3)	
Amortisation, depreciation, impairment and impairment reversals		(116)		(111)	
<i>of which non-recurring (impairment) and impairment reversals</i>		(7)		(5)	
Other expenses		(988)	(1)	(929)	-
<i>of which non-recurring (other expenses) and releases</i>		(10)		15	
Share of net profit/(loss) of equity-accounted companies		27	27	26	26
<b>Operating income</b>	14	<b>284</b>		<b>281</b>	
Finance costs	15	(441)		(300)	
<i>of which non-recurring finance costs</i>		(4)		(13)	
Finance income	15	364		192	
<i>of which non-recurring finance income</i>		-		-	
<b>Profit/(loss) before taxes</b>		<b>207</b>		<b>173</b>	
Taxes	16	(68)		(38)	
<b>Net profit/(loss) for the period</b>		<b>139</b>		<b>135</b>	
Attributable to:					
Owners of the parent		141		136	
Non-controlling interests		(2)		(1)	
Basic earnings/(loss) per share (in Euro)	17	0.66		0.63	
Diluted earnings/(loss) per share (in Euro)	17	0.65		0.63	



## CONSOLIDATED INCOME STATEMENT – 3RD QUARTER

(in millions of Euro)

	3rd quarter 2015	3rd quarter 2014
Sales of goods and services	1,832	1,727
Change in inventories of work in progress, semi-finished and finished goods	(15)	38
Other income	8	50
<i>of which non-recurring other income</i>	(7)	5
Raw materials, consumables used and goods for resale	(1,105)	(1,111)
Fair value change in metal derivatives	(28)	6
Personnel costs	(236)	(227)
<i>of which non-recurring personnel costs</i>	(2)	(7)
<i>of which personnel costs for stock option fair value</i>	(8)	-
Amortisation, depreciation, impairment and impairment reversals	(37)	(40)
<i>of which non-recurring (impairment) and impairment reversals</i>	-	(5)
Other expenses	(317)	(349)
<i>of which non-recurring (other expenses) and releases</i>	34	(10)
Share of net profit/(loss) of equity-accounted companies	9	11
<b>Operating income</b>	<b>111</b>	<b>105</b>
Finance costs	(135)	(103)
<i>of which non-recurring finance costs</i>	(1)	-
Finance income	111	69
<b>Profit/(loss) before taxes</b>	<b>87</b>	<b>71</b>
Taxes	(26)	(16)
<b>Net profit/(loss) for the period</b>	<b>61</b>	<b>55</b>
Attributable to:		
Owners of the parent	61	56
Non-controlling interests	-	(1)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Euro)

	9 months 2015	9 months 2014
<b>Net profit/(loss) for the period</b>	<b>139</b>	<b>135</b>
<b>Comprehensive income/(loss) for the period:</b>		
<i>- items that may be reclassified subsequently to profit or loss:</i>		
Fair value gains/(losses) on cash flow hedges - gross of tax	(2)	(4)
Fair value gains/(losses) on cash flow hedges - tax effect	1	1
Release of cash flow hedge reserve after discontinuing cash flow hedging - gross of tax	3	4
Release of cash flow hedge reserve after discontinuing cash flow hedging - tax effect	(1)	(1)
Currency translation differences	(52)	41
<b>Total items that may be reclassified, net of tax</b>	<b>(51)</b>	<b>41</b>
<i>- items that will NOT be reclassified subsequently to profit or loss:</i>		
Actuarial gains/(losses) on employee benefits - gross of tax	4	(21)
Recognition of pension plan asset ceiling	-	-
Actuarial gains/(losses) on employee benefits - tax effect	1	4
<b>Total items that will NOT be reclassified, net of tax</b>	<b>5</b>	<b>(17)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>93</b>	<b>159</b>
<b>Attributable to:</b>		
Owners of the parent	95	158
Non-controlling interests	(2)	1

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – 3RD QUARTER

(in millions of Euro)

	3rd quarter 2015	3rd quarter 2014
<b>Net profit/(loss) for the period</b>	<b>61</b>	<b>55</b>
<b>Comprehensive income/(loss) for the period:</b>		
<i>- items that may be reclassified subsequently to profit or loss:</i>		
Fair value gains/(losses) on cash flow hedges - gross of tax	7	(3)
Fair value gains/(losses) on cash flow hedges - tax effect	(2)	1
Release of cash flow hedge reserve after discontinuing cash flow hedging - gross of tax	-	-
Release of cash flow hedge reserve after discontinuing cash flow hedging - tax effect	-	-
Currency translation differences	(85)	25
<b>Total items that may be reclassified, net of tax</b>	<b>(80)</b>	<b>23</b>
<i>- items that will NOT be reclassified subsequently to profit or loss:</i>		
Actuarial gains/(losses) on employee benefits - gross of tax	-	-
Recognition of pension plan asset ceiling	-	-
Actuarial gains/(losses) on employee benefits - tax effect	1	-
<b>Total items that will NOT be reclassified, net of tax</b>	<b>1</b>	<b>-</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>(18)</b>	<b>78</b>
<b>Attributable to:</b>		
Owners of the parent	(17)	77
Non-controlling interests	(1)	1



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of Euro)

	Share capital	Cash flow hedge reserve	Currency translation reserve	Other reserves	Net profit / (loss) for the period	Equity attributable to the Group	Non-controlling interests	Total
Balance at 31 December 2013 (*)	21	(8)	(156)	1,141	149	1,147	36	1,183
Allocation of prior year net result	-	-	-	149	(149)	-	-	-
Fair value - stock options	-	-	-	3	-	3	-	3
Dividend distribution	-	-	-	(89)	-	(89)	(1)	(90)
Purchase of non-controlling interests in subsidiaries	-	-	-	(2)	-	(2)	(4)	(6)
Total comprehensive income/(loss) for the period	-	-	39	(17)	136	158	1	159
Balance at 30 September 2014	21	(8)	(117)	1,185	136	1,217	32	1,249

(in millions of Euro)

	Share capital	Cash flow hedge reserve	Currency translation reserve	Other reserves	Net profit / (loss) for the period	Equity attributable to the Group	Non-controlling interests	Total
Balance at 31 December 2014	21	(11)	(126)	1,151	115	1,150	33	1,183
Allocation of prior year net result	-	-	-	115	(115)	-	-	-
Capital increase	1	-	-	-	-	1	2	3
Dividend distribution	-	-	-	(90)	-	(90)	(1)	(91)
Fair value - stock options	-	-	-	16	-	16	-	16
Total comprehensive income/(loss) for the period	-	1	(52)	5	141	95	(2)	93
Balance at 30 September 2015	22	(10)	(178)	1,197	141	1,172	32	1,204

(\*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 10 and IFRS 11.

## CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Euro)	9 months 2015	of which related parties (Note 21)	9 months 2014	of which related parties (Note 21)
Profit/(loss) before taxes	207		173	
Depreciation, impairment and impairment reversals of property, plant and equipment	87		89	
Amortisation and impairment of intangible assets	22		22	
Impairment of assets	7		-	
Net gains on disposal of property, plant and equipment, intangible assets and acquisition purchase price adjustment	-		(23)	
Share of net profit/(loss) of equity-accounted companies	(27)	(27)	(26)	(26)
Share-based payments	16		3	
Fair value change in metal derivatives and other fair value items	29		(12)	
Net finance costs	77		108	
Changes in inventories	(12)		(216)	
Changes in trade receivables/payables	(204)	(7)	(83)	2
Changes in other receivables/payables	18	1	(175)	(13)
Changes in receivables/payables for derivatives	-		2	
Taxes paid	(39)		(46)	
Dividends received from equity-accounted companies	15	15	12	12
Utilisation of provisions (including employee benefit obligations)	(84)		(93)	
Increases in provisions (including employee benefit obligations)	43		51	
<b>A. Net cash flow provided by/(used in) operating activities</b>	<b>155</b>		<b>(214)</b>	
Acquisitions	-		9	
Investments in property, plant and equipment	(121)		(99)	
Disposals of property, plant and equipment and assets held for sale	9		8	
Investments in intangible assets	(5)		(15)	
Investments in financial assets held for trading	(38)		(5)	
Disposals of financial assets held for trading	11		28	
<b>B. Net cash flow provided by/(used in) investing activities</b>	<b>(144)</b>		<b>(74)</b>	
Capital contributions and other changes in equity	3		-	
Dividend distribution	(91)		(90)	
Repayment of non-convertible bond - 2010	(400)		-	
EIB loan	(9)		100	
Issuance of non-convertible bond - 2015	739		-	
Early repayment of credit agreement	(400)		(184)	
Finance costs paid <sup>(1)</sup>	(430)		(277)	
Finance income received <sup>(2)</sup>	342		189	
Changes in other net financial payables	2		349	
<b>C. Net cash flow provided by/(used in) financing activities</b>	<b>(244)</b>		<b>87</b>	
D. Currency translation gains/(losses) on cash and cash equivalents	(14)		2	
<b>E. Total cash flow provided/(used) in the period (A+B+C+D)</b>	<b>(247)</b>		<b>(199)</b>	
<b>F. Net cash and cash equivalents at the beginning of the period</b>	<b>494</b>		<b>510</b>	
<b>G. Net cash and cash equivalents at the end of the period (E+F)</b>	<b>247</b>		<b>311</b>	

<sup>(1)</sup> Finance costs paid of Euro 430 million include Euro 45 million in interest payments in the first nine months of 2015 (Euro 41 million in the first nine months of 2014).

<sup>(2)</sup> Finance income received of Euro 342 million includes Euro 8 million in interest income (Euro 5 million in the first nine months of 2014).

# EXPLANATORY NOTES

## A. GENERAL INFORMATION

Prysmian S.p.A. ("the Company") is a company incorporated and domiciled in Italy and organised under the laws of the Republic of Italy.

The Company has its registered office in Viale Sarca, 222 - Milan (Italy).

Prysmian S.p.A. has been listed on the Italian Stock Exchange since 3 May 2007 and has been included since September 2007 in the FTSE MIB index, comprising the top 40 Italian companies by capitalisation and stock liquidity.

The Company and its subsidiaries (together "the Group" or "Prysmian Group") produce, distribute and sell cables and systems and related accessories for the energy and telecommunications industries worldwide.

### A.1 SIGNIFICANT EVENTS IN 2015

#### Finance Activities

##### Bond issuance

On 10 March 2015, the Board of Directors of Prysmian S.p.A. authorised management to proceed, depending on prevailing market conditions and in any case by 30 June 2016, with the issuance and private or public placement of bonds in one or more tranches. These bonds were to be offered for sale only to institutional investors.

Consequently, on 30 March 2015 Prysmian S.p.A. completed the placement with institutional investors of an unrated bond, on the Eurobond market, for a total nominal value of Euro 750 million. The bond, with an issue price of Euro 99.002, has a 7-year maturity and will pay a fixed annual coupon of 2.50%.

The bond settlement date was 9 April 2015. The bond has been admitted to the Luxembourg Stock Exchange and is traded on the related regulated market.

Prysmian has used the bond issue proceeds to redeem the Euro 400 million Eurobond that matured on 9 April 2015 and to repay early the Term Loan Facility 2011 for Euro 400 million.

#### Mergers & Acquisitions

##### Acquisition of Gulf Coast Downhole Technologies (GCDT)

The Prysmian Group signed an agreement on 24 September 2015 to acquire 100% of the privately-held US company Gulf Coast Downhole Technologies (GCDT) for an initial consideration, subject to adjustment, of approximately USD 45 million in cash. The transaction involves an earn-out determined on an average combined EBITDA in the next three years and for a maximum earn-out payment of about USD 21 million.

The closing transaction was completed on 1 October 2015, meaning that its accounting effects will be reflected as from that date.

Based in Houston, GCDT is active in the design and supply of innovative downhole equipment for the Oil & Gas industry, with a turnover of approximately USD 34 million in 2014. GCDT products are installed in oil and gas wells around the world and consist of integral components in the systems that provide downhole control, injection, flow assurance and monitoring. GCDT's customer base covers a diverse range of oil and gas field service companies; GCDT products are installed in structures operated around the globe by major oil and gas producers like Chevron, ExxonMobil and Shell.

GCDT fits fully into the Group's expansion strategy in the business of Subsea Umbilicals, Risers and Flowlines (SURF) and complements its Draka-branded DHT product range.

Since a statement of the net assets of GCDT as at the date of obtaining control is not currently available, it is not possible to provide the additional information required by *IFRS 3 – Business Combinations*.

## **Other significant events**

### **Antitrust investigation**

On 2 April 2014, the European Commission concluded the investigations started in January 2009 by adopting a decision under which it found that, between 18 February 1999 and 28 January 2009, the world's largest cable producers, including Prysmian Cavi e Sistemi S.r.l., adopted anti-competitive practices in the European market for high voltage submarine and underground power cables.

The European Commission held Prysmian Cavi e Sistemi S.r.l. jointly liable with Pirelli & C. S.p.A. for the alleged infringement in the period 18 February 1999 - 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and The Goldman Sachs Group Inc. for the alleged infringement in the period 29 July 2005 - 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has appealed against this decision to the General Court of the European Union and has submitted an application to intervene in the appeals respectively lodged by Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. against the same decision. Both Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. have in turn submitted applications to intervene in the appeal brought by Prysmian against the European Commission's decision. The applications to intervene presented by Prysmian, Pirelli and The Goldman Sachs Group Inc. have all been accepted by the General Court of the European Union. Prysmian has not incurred any financial outlay as a result of this decision having elected, pending the outcome of the appeals, to provide bank guarantees as security against payment of 50% of the fine imposed by the European Commission (amounting to approximately Euro 52 million) for the alleged infringement in both periods. As far as Prysmian is aware, Pirelli & C. S.p.A. has also provided the European Commission with a bank guarantee for 50% of the value of the fine imposed for the alleged infringement in the period 18 February 1999 - 28 July 2005. Pirelli & C. S.p.A. has also filed a civil action against Prysmian Cavi e Sistemi S.r.l. in which it demands to be held harmless for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. Prysmian Cavi e Sistemi S.r.l. started legal proceedings in February 2015, requesting that the claims brought by Pirelli & C. S.p.A. be rejected in full and that it should be Pirelli & C. S.p.A. which holds harmless Prysmian Cavi e Sistemi S.r.l., with reference to the alleged infringement in the period 18 February 1999 - 28

July 2005, for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. The proceedings have since been suspended by order of the court concerned in April 2015, pending the outcome of the appeals brought against the European Commission's decision by both Prysmian and Pirelli in the European Courts. Pirelli has challenged this decision before the Court of Cassation, Italy's highest court of appeal.

Following a detailed and careful analysis of the European Commission's ruling, and nonetheless considering this has been appealed and so could be submitted to second-instance judgement, as well as the fact that the investigation initiated by the Canadian Antitrust Authority had ended without any sanctions for Prysmian, it was decided during 2014 to partially release the existing provision.

As regards the investigation by the US Department of Justice into the power of cable industry, the company's legal advisors were recently contacted by this Department, which informed them that the investigation had been closed without charges; consequently, it was felt appropriate, already during the third quarter of 2015, to release the provision previously set aside.

The British operators National Grid and Scottish Power have filed claims in the High Court in London against certain cable manufacturers, including the Prysmian Group, to obtain compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in the decision adopted in April 2014. The Group companies concerned were notified of this initial court filing during the month of May 2015 and presented their defence early in October 2015, along with the summons of other parties censured in the European Commission's decision.

The above events have led to the recognition of a net release of Euro 21 million in the income statement at 30 September 2015.

### **Western HVDC Link Contract (UK)**

The Group's nine-month income statement for 2015 has benefited from Euro 29 million in connection with the Western HVDC Link (UK) contract. This is the net effect of several factors such as the increased efficiency of the production process, in turn permitting faster execution of the project itself, as well as the agreement with the customer of stronger contractual guarantees and longer project timing.

### **Plant closures**

On 27 February 2015, Prysmian Cavi e Sistemi Italia S.r.l. informed trade union representatives of the closure of the Ascoli Piceno plant, employing 114 people, a closure dictated by the need to optimise manufacturing footprint at country level by improving production capacity utilisation, as well as overall economic performance through economies of scale.

After a series of meetings at Italy's Ministry of Economic Development, on 15 May an agreement was signed with plant union representatives and provincial and national unions that ratified the plant's closure on the same date and the contents of the social plan.

In addition to the usual voluntary redundancy packages and use of the available social safety nets, the social plan has offered employees the opportunity to relocate to the plants in Merlino and Arco Felice or, alternatively, to be included in an outplacement program within the local area, also involving a possible re-industrialisation of the site. Both these activities are being managed by a specialist advisor.

**Dividend distribution**

On 16 April 2015, the shareholders of Prysmian S.p.A. approved the financial statements for 2014 and the distribution of a gross dividend of Euro 0.42 per share, for a total of some Euro 90 million. The dividend was paid out from 22 April 2015 to shares outstanding on the record date of 21 April 2015, with the shares going ex-dividend on 20 April 2015.

**Share buy-back and disposal programme and Long-term incentive plan 2015-2017**

The Shareholders' Meeting held on 16 April 2015 authorised a share buy-back and disposal programme, revoking at the same time the previous authorisation under the shareholder resolution dated 16 April 2014. This programme provides the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total cannot exceed 10% of share capital, equal to 18,847,439 ordinary shares as at the date of 16 April 2015, after deducting the treasury shares already held by the Company.

The same Shareholders' Meeting also approved an incentive plan for employees of the Prysmian Group, including members of the Board of Directors of Prysmian S.p.A., and granted the Board of Directors the necessary powers to establish and implement this plan.

The reasons behind the introduction of the Plan are:

- to generate strong commitment by the Group's Management to achieving the targets for additional growth in profits and return on capital employed over the next three years;
- to align the interests of Management with those of shareholders by using share-based incentives, and promoting stable share ownership of the Company;
- to ensure the long-term sustainability of the Group's annual performance through the mechanism of co-investing part of the annual bonus and consequent retention effect.

During the extraordinary session of the above meeting, the shareholders authorised an increase in share capital by a maximum amount of Euro 536,480, through the issue of up to 5,364,800 new ordinary shares with a nominal value of Euro 0.10 each, to be allotted for no consideration to Group employees who are beneficiaries of the above incentive plan.

**Audit firm engagement**

On 16 April 2015, the Shareholders' Meeting approved the engagement of Reconta Ernst & Young S.p.A. to perform the statutory audit of the accounts for financial years included in the nine-year period from 2016 to 2024.

**Second cycle of Group employee share purchase plan (YES Plan)**

During the month of December 2014, employees were informed of the opening of the plan's second cycle in 2015. Employees had until the third week of February 2015 to sign up for the second cycle and to communicate the amount they intended to invest. The total amount collected has been used to make purchases of the Company's shares on the Milan Stock Exchange during the month of July 2015.



On 25 August 2015, an additional purchase window was opened for plan participants in the "Manager" category who had already bought shares in the purchase window in July 2015 and who were so entitled under the plan's regulations.

The consolidated financial statements contained herein were approved by the Board of Directors of Prysmian S.p.A. on 5 November 2015.

Note: all amounts shown in the tables in the following Notes are expressed in millions of Euro, unless otherwise stated.

## **B. FORM AND CONTENT**

The present Quarterly Financial Report has been prepared on a going concern basis, since the Directors have assessed that there are no financial, operating or other kind of indicators that might provide evidence of the Group's inability to meet its obligations in the foreseeable future and particularly in the next 12 months.

In particular, the Group's estimates and projections take account of the possible risk factors described in the Directors' Report, and confirm the Prysmian Group's ability to operate as a going concern and to comply with its financial covenants.

The Company has prepared the present document in compliance with the International Financial Reporting Standards (IFRS) issued by the IASB and recognised by the European Union in Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002, and specifically in accordance with *IAS 34 – Interim Financial Reporting*, and the instructions issued in implementation of art. 9 of Italian Legislative Decree 38/2005. As permitted by IAS 34, the Group has decided to publish its quarterly consolidated financial statements and associated explanatory notes in a condensed format.

The information contained in these Explanatory Notes must be read in conjunction with the Directors' Report, an integral part of the Quarterly Financial Report, and the annual IFRS Consolidated Financial Statements at 31 December 2014.

### **B.1 FINANCIAL STATEMENTS AND DISCLOSURES**

The Group has elected to present its income statement according to the nature of expenses, whereas assets and liabilities in the statement of financial position are classified as current or non-current. The statement of cash flows has been prepared using the indirect method. The Group has also applied the provisions of Consob Resolution 15519 dated 27 July 2006 concerning financial statement formats and the requirements of Consob Communication 6064293 dated 28 July 2006 regarding disclosures.

When preparing the Quarterly Financial Report, management has made judgements, estimates and assumptions that affect the value of revenues, costs, assets and liabilities and the disclosures relating to contingent assets and liabilities at the reporting date. As estimates, these may differ from the actual results attained in the future. Some valuation processes, particularly more complex ones such as the determination of any impairment losses against the value of property, plant and equipment and intangible assets, are



carried out fully only at year end, when all the necessary information is available, unless there are indicators of impairment that require the immediate recognition of a loss.

## B.2 ACCOUNTING STANDARDS

### Accounting standards used to prepare the Quarterly Financial Report

The basis of consolidation, the methods used to translate financial statements into the presentation currency, the accounting standards and the accounting estimates and policies adopted are the same as those used for the consolidated financial statements at 31 December 2014, to which reference should be made for more details, except for:

1. income taxes, which have been recognised using the best estimate of the Group's weighted average tax rate expected for the full year;
2. the accounting standards and amendments discussed below, which have been mandatorily applied with effect from 1 January 2015 after receiving endorsement from the competent authorities.

### Accounting standards, amendments and interpretations applied from 1 January 2015

No new accounting standards, amendments or interpretations became applicable during the period except for:

- *IFRIC 21 - Levies*, an interpretation of *IAS 37 - Provisions, Contingent Liabilities and Contingent Assets*. The interpretation, which addresses the recognition of liabilities for the payment of taxes other than income taxes, provides guidance on identifying the event that gives rise to the obligation and when to recognise the liability. Its application has not entailed any significant changes for the Group.
- *Annual Improvements 2011-2013*, part of the programme of annual improvements to standards, effective from 1 January 2015.

### New standards, amendments and interpretations of existing standards, not yet mandatory and not adopted early by the Group.

On 21 November 2013, the IASB published an amendment to *IAS 19 - Employee Contributions* with the aim of providing more information about the accounting treatment of pension plans which require plan participants to pay in contributions. This amendment is applicable to financial years beginning on or after 1 February 2015.

On 12 December 2013, the IASB published the documents *Annual Improvements 2010-2012* and *Annual Improvements 2011-2013* as part of its programme of annual improvements to its standards; most of the changes involve clarifications or corrections to existing IFRSs or amendments resulting from other changes previously made to the IFRSs. The *Annual Improvements 2010-2012* are applicable retrospectively to financial years beginning on or after 1 February 2015.

On 6 May 2014, the IASB issued amendments to *IFRS 11 - Joint Arrangements* to provide guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. These amendments are applicable retrospectively to financial years beginning on or after 1 January 2016.

On 13 May 2014, the IASB published amendments to *IAS 16 - Property, Plant and Equipment* and *IAS 38 - Intangible Assets* to provide guidance on acceptable methods of depreciation and amortisation. In particular, the amendments clarify that revenue-based methods to calculate depreciation or amortisation are applicable only in limited circumstances. These amendments are applicable retrospectively to financial years beginning on or after 1 January 2016.

On 29 May 2014, the IASB issued *IFRS 15 - Revenue from Contracts with Customers* with the aim of improving the quality and uniformity of revenue reporting. The publication of this standard is part of the convergence project with the FASB to improve the comparability of financial statements.

The objective of the standard is to provide a framework for determining when to recognise revenue and how much revenue to recognise. The standard therefore defines the following steps to follow for the recognition of revenue:

- 1) Identify the contract with the customer;
- 2) Identify the performance obligations in the contract;
- 3) Determine the transaction price;
- 4) Allocate the transaction price to the performance obligations in the contract;
- 5) Recognise revenue when (or as) the entity satisfies a performance obligation.

This standard applies to financial years beginning on or after 1 January 2018.

On 24 July 2014, the IASB issued *IFRS 9 - Financial Instruments*, which is divided into the following sections:

- classification and measurement of derivative instruments;
- impairment methodology for financial instruments;
- rules for the application of hedge accounting;
- accounting for changes in the reporting entity's own credit when measuring the fair value of liabilities.

This standard will apply to financial years beginning on or after 1 January 2018.

On 12 August 2014, the IASB published some amendments to *IAS 27 - Separate Financial Statements*. The purpose is to allow entities to use the equity method to account for investments in associates and joint ventures even in their separate financial statements. These amendments are applicable to financial years beginning on or after 1 January 2016.

On 11 September 2014, the IASB published amendments to *IFRS 10 - Consolidated Financial Statements* and to *IAS 28 - Investments in Associates and Joint Ventures*. The purpose is to clarify how to account for the results of a sale or contribution of assets between group companies and their associates and joint ventures. These amendments are applicable to financial years beginning on or after 1 January 2016.

On 25 September 2014, the IASB published *Annual Improvements 2012-2014* as an integral part of its programme of annual improvements to its standards; most of the changes are clarifications of existing IFRSs. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of these amendments.

On 18 December 2014, the IASB published amendments to *IAS 1 - Presentation of Financial Statements*, designed to clarify how to apply the concept of materiality. The amendments make clear that materiality applies to the financial statements as a whole and that information must be disclosed only if it is material. If information exists that is necessary for the reader to understand the financial statements as a whole, such additional information must be presented in the financial disclosures even if not required by international accounting standards. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of these amendments.

On 18 December 2014, the IASB also published amendments to *IFRS 10*, *IFRS 12* and *IAS 28* with the aim of clarifying the consolidation rules applying to investment entities. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of these amendments.

### **B.3 CHANGES IN THE SCOPE OF CONSOLIDATION**

The Group's scope of consolidation includes the financial statements of Prysmian S.p.A. (the Parent Company) and of the companies over which it exercises direct or indirect control, which are consolidated from the date when control is obtained until the date when such control ceases.

The following changes took place in the scope of consolidation during the first nine months of 2015:

#### **Mergers**

On 1 January 2015, the merger was completed of Prysmian Treasury (The Netherlands) B.V. into Draka Holding B.V.

On 12 January 2015, the merger was completed of Draka Denmark Holding A/S into Prysmian Denmark A/S.

On 5 May 2015, the merger was completed of Draka Comteq Iberica, S.L. (Sociedad Unipersonal) into Prysmian Spain, S.A. (Sociedad Unipersonal).

#### **Name changes**

On 5 January 2015, the Australian company Prysmian Power Cables and Systems Australia Pty Ltd. changed its name to Prysmian Australia Pty Ltd.

On 5 January 2015, the New Zealand company Prysmian Power Cables and Systems New Zealand Ltd. changed its name to Prysmian New Zealand Ltd.

### **Liquidations**

On 7 January 2015, the process of winding up Prysmian Angel Tianjin Cable Co. Ltd was completed with its removal from the local company registry.

On 28 May 2015, the process of winding up Prysmian Instalaciones Chile S.A. was completed with its removal from the local company registry.

### **New company formations**

Prysmian PowerLink Asia Company Limited was formed on 9 July 2015. The company is wholly owned by Prysmian (China) Investment Company Ltd.

Appendix A to these notes contains a list of the companies included in the scope of consolidation at 30 September 2015.

## C. FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to various forms of risk: market risk (including exchange rate, interest rate and price risks), credit risk and liquidity risk.

This Quarterly Financial Report does not contain all the information about financial risks presented in the Annual Financial Report at 31 December 2014, which should be consulted for more detailed analysis.

With reference to the risks described in the Annual Financial Report at 31 December 2014, there have been no changes in the types of risks to which the Group is exposed or in its policies for managing such risks.

### (a) Fair value estimation

With reference to assets and liabilities recognised in the statement of financial position, IFRS 13 requires such amounts to be classified according to a hierarchy that reflects the significance of the inputs used in determining fair value.

Financial instruments are classified according to the following fair value hierarchy:

**Level 1:** fair value is determined with reference to quoted prices (unadjusted) in active markets for identical financial instruments;

**Level 2:** fair value is determined using valuation techniques where the input is based on observable market data;

**Level 3:** fair value is determined using valuation techniques where the input is not based on observable market data.

(in millions of Euro)

				30 September 2015
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value				
through profit or loss:				
Derivatives	1	24	-	25
Financial assets held for trading	68	10	-	78
Hedging derivatives	-	9	-	9
Available-for-sale financial assets	-	-	12	12
<b>Total assets</b>	<b>69</b>	<b>43</b>	<b>12</b>	<b>124</b>
<b>Liabilities</b>				
Financial liabilities at fair value				
through profit or loss:				
Derivatives	5	43	-	48
Hedging derivatives	-	15	-	15
<b>Total liabilities</b>	<b>5</b>	<b>58</b>	<b>-</b>	<b>63</b>

Financial assets classified in fair value Level 3 have reported no significant movements in the period.

Given the short-term nature of trade receivables and payables, their book values, net of any allowance for doubtful accounts, are treated as a good approximation of fair value.

During the first nine months of 2015 there were no transfers of financial assets and liabilities between the different levels of the fair value hierarchy.

#### **(b) Valuation techniques**

*Level 1:* The fair value of financial instruments quoted in an active market is based on market price at the reporting date. The market price used for derivatives is the bid price, while for financial liabilities the ask price is used.

*Level 2:* Derivative financial instruments classified in this category include interest rate swaps, forward currency contracts and metal derivative contracts that are not quoted in active markets. Fair value is determined as follows:

- for interest rate swaps, it is calculated on the basis of the present value of forecast future cash flows;
- for forward currency contracts, it is determined using the forward exchange rate at the reporting date, appropriately discounted;
- for metal derivative contracts, it is determined using the prices of such metals at the reporting date, appropriately discounted.

*Level 3:* The fair value of instruments not quoted in an active market is mainly determined using valuation techniques based on estimated discounted cash flows.

## **D. SEGMENT INFORMATION**

From 1 January 2014 the Group embarked on a process of organisational change, which has involved redefining its segment information in keeping with the new management model adopted by the Group.

Following this change, the Group's operating segments have been redefined as follows:

- Energy Projects;
- Energy Products;
- Telecom.

Reporting systems in support of the new model were introduced in 2014 and fully implemented prior to the preparation of the 2014 Annual Financial Report. The criteria used to identify the reportable segments are therefore consistent with the new organisational model. The Board of Directors approved the adoption of the new structure for segment reporting in its meeting on 23 January 2015.

Segment information is currently structured in the same way as the report periodically prepared in order to review business performance. This report presents operating performance by macro type of business (Energy Projects, Energy Products and Telecom) and the results of operating segments primarily on the basis of Adjusted EBITDA, defined as earnings (loss) for the period before non-recurring items (eg. restructuring costs), the fair value change in metal price derivatives and in other fair value items, amortisation, depreciation and impairment, finance costs and income and taxes. This report also provides information about the statement of financial position for the Group as a whole and not by operating segment.

In order to provide users of the financial statements with clearer information, certain economic data is also reported for the following sales channels and business areas within the individual operating segments:

A) Energy Projects operating segment: encompassing the following high-tech and high value-added businesses whose focus is on projects and their execution, as well as on product customisation: High Voltage underground, Submarine and SURF (umbilical cables, flexible pipes and special DHT (Downhole Technology) cables for the oil industry).

B) Energy Products operating segment: encompassing the businesses offering a complete and innovative product portfolio designed to meet the various and many needs of the market, namely:

1. Energy & Infrastructure (E&I): which includes Trade and Installers and Power Distribution;
2. Industrial & Network Components: which comprises Specialties and OEM, Oil & Gas, Elevators, Automotive and Network Components;
3. Other: occasional sales of residual products.

C) Telecom operating segment: producing cable systems and connectivity products used in telecommunication networks. This segment is organised in the following lines of business: optical fibre, optical cables, connectivity components and accessories, OPGW (Optical Ground Wire) and copper cables.

All Corporate fixed costs are allocated to the Energy Projects, Energy Products and Telecom operating segments. Revenues and costs are allocated to each operating segment by identifying all revenues and costs directly attributable to that segment and by allocating indirect costs on the basis of Corporate resources (personnel, space used, etc.) absorbed by the operating segments.

Group operating activities are organised and managed separately according to the nature of the products and services provided: each segment offers different products and services to different markets. Sales of goods and services are analysed geographically on the basis of the location of the registered office of the company that issues the invoices, regardless of the geographic destination of the products sold. This type of presentation does not produce significantly different results from analysing sales of goods and services by destination of the products sold. All transfer prices are set using the same conditions applied to other transactions between Group companies and are generally determined by applying a mark-up to production costs.

It should be noted that the previously published comparative figures have been restated to reflect the redefined operating segments resulting from adoption of the new organisational structure.



## D.1 OPERATING SEGMENTS

The following tables present information by operating segment:

	Energy Products				Energy Projects	Telecom	Corporate	Group Total
	E&I	Industrial & NWC	Other	Totale Products				
9 months 2015								
Sales <sup>(1)</sup>	2,175	1,340	86	3,601	1,121	847	-	5,569
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	86	92	2	180	173	92	-	445
% of sales	4.0%	7.0%		5.0%	15.5%	10.8%		8.0%
Adjusted EBITDA (A)	99	92	2	193	174	106	-	473
% of sales	4.5%	6.9%		5.4%	15.5%	12.6%		8.5%
EBITDA	88	75	(3)	160	194	94	(3)	445
% of sales	4.1%	5.7%		4.5%	17.3%	11.1%		8.0%
Amortisation and depreciation	(27)	(19)	(1)	(47)	(29)	(33)	-	(109)
Adjusted operating income (A+C)	72	73	1	146	145	73	-	364
% of sales	3.3%	5.4%		4.1%	13.0%	8.6%		6.5%
Fair value change in metal derivatives (D)								(29)
Fair value stock options (E)								(16)
Impairment of assets (F)	(1)	(4)		(5)		(2)		(7)
Operating income (B+C+D+E+F)								284
% of sales								5.1%
Finance costs								364
Finance income								(441)
Taxes								(68)
Net profit/(loss) for the year								139
% of sales								2.5%
Attributable to:								
Owners of the parent								141
Non-controlling interests								(2)
<b>Reconciliation of EBITDA to Adjusted EBITDA</b>								
EBITDA (A)	88	75	(3)	160	194	94	(3)	445
<b>Non-recurring expenses/(income):</b>								
Company reorganisation	9	14	2	25	4	4	2	36
Antitrust	-	-	-	-	(21)	-	-	(21)
Other net non-recurring expenses	2	3	3	8	(3)	9	0	13
Total non-recurring expenses/(income) (B)	11	17	5	33	(20)	12	3	28
Adjusted EBITDA (A+B)	99	92	2	193	174	106	(0)	473

<sup>(1)</sup> Sales of the operating segments and business areas are reported net of intercompany transactions, consistent with the presentation adopted in the regularly reviewed reports.

	9 months 2014							Group Total
	Energy Products				Energy Projects	Telecom	Corporate	
	E&I	Industrial & NWC	Other	Totale Products				
Sales <sup>(1)</sup>	2,015	1,267	72	3,354	915	745	-	5,014
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	73	96	7	176	90	63	-	329
% of sales	3.6%	7.6%		5.2%	9.9%	8.5%		6.6%
Adjusted EBITDA (A)	85	98	7	190	90	75	-	355
% of sales	4.2%	7.7%		5.7%	9.9%	10.0%		7.1%
EBITDA (B)	80	91	5	176	141	72	(6)	383
% of sales	3.9%	7.2%		5.2%	15.5%	9.7%		7.6%
Amortisation and depreciation	(25)	(18)	(2)	(45)	(30)	(31)	-	(106)
Adjusted operating income (A+C)	60	80	5	145	60	44	-	249
% of sales	3.0%	6.3%		4.3%	6.6%	5.9%		5.0%
Fair value change in metal derivatives								12
Fair value stock options								(3)
Impairment of assets (F)								(5)
Operating income (B+C+D+E+F)								281
% of sales								5.6%
Finance costs								192
Finance income								(300)
Taxes								(38)
Net profit/(loss) for the year								135
% of sales								2.7%
Attributable to:								
Owners of the parent								136
Non-controlling interests								(1)
<b>Reconciliation of EBITDA to Adjusted EBITDA</b>								
EBITDA (A)	80	91	5	176	141	72	(6)	383
<b>Non-recurring expenses/(income):</b>								
Company reorganisation	7	3		10	-	5	1	16
Antitrust				-	(28)	-	-	(28)
Acquisition price adjustment <sup>(2)</sup>				-	(22)	-	-	(22)
Other net non-recurring expenses	(2)	4	2	4	(1)	(2)	5	6
Total non-recurring expenses/(income) (B)	5	7	2	14	(51)	3	6	(28)
Adjusted EBITDA (A+B)	85	98	7	190	90	75	-	355

<sup>(1)</sup> Sales of the operating segments and business areas are reported net of intercompany transactions, consistent with the presentation adopted in the regularly reviewed reports.

<sup>(2)</sup> This refers to the acquisition in November 2012 of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) from Global Marine Systems Ltd.

**D.2 GEOGRAPHICAL AREAS**

The following table presents sales of goods and services by geographical area:

(in millions of Euro)	9 months 2015	9 months 2014
<b>Sales of goods and services</b>	<b>5,569</b>	<b>5,014</b>
<b>EMEA*</b>	<b>3,470</b>	<b>3,250</b>
(of which Italy)	786	637
<b>North America</b>	<b>901</b>	<b>746</b>
<b>Latin America</b>	<b>438</b>	<b>393</b>
<b>Asia Pacific</b>	<b>760</b>	<b>625</b>

\* EMEA = Europe, Middle East and Africa



## 1. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Details of these balances and related movements are as follows:

(in millions of Euro)			
	Property, plant and equipment	Intangible assets	of which Goodwill
<b>Balance at 31 December 2014</b>	<b>1,414</b>	<b>561</b>	<b>380</b>
<b>Movements in 2015:</b>			
- Investments	121	5	-
- Disposals	(2)	-	-
- Depreciation and amortisation	(87)	(22)	-
- Impairment	(7)	-	-
- Currency translation differences	(18)	-	1
- Other	(3)	1	-
<b>Total movements</b>	<b>4</b>	<b>(16)</b>	<b>1</b>
<b>Balance at 30 September 2015</b>	<b>1,418</b>	<b>545</b>	<b>381</b>
<b>Of which:</b>			
- Historical cost	2,433	819	401
- Accumulated depreciation/amortisation and impairment	(1,015)	(274)	(20)
<b>Net book value</b>	<b>1,418</b>	<b>545</b>	<b>381</b>

(in millions of Euro)			
	Property, plant and equipment	Intangible assets	of which Goodwill
<b>Balance at 31 December 2013 (*)</b>	<b>1,390</b>	<b>588</b>	<b>377</b>
<b>Movements in 2014:</b>			
- Business combinations	-	-	-
- Investments	99	15	-
- Disposals	-	-	-
- Depreciation and amortisation	(84)	(22)	-
- Impairment	(5)	-	-
- Currency translation differences	30	5	3
- Other	-	-	-
<b>Total movements</b>	<b>40</b>	<b>(2)</b>	<b>3</b>
<b>Balance at 30 September 2014</b>	<b>1,430</b>	<b>586</b>	<b>380</b>
<b>Of which:</b>			
- Historical cost	2,344	809	400
- Accumulated depreciation/amortisation and impairment	(914)	(223)	(20)
<b>Net book value</b>	<b>1,430</b>	<b>586</b>	<b>380</b>

(\*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 10 and IFRS 11.

A total of Euro 121 million has been invested in property, plant and equipment in the first nine months of 2015.

This expenditure is analysed as follows:

- 50%, or Euro 60 million, for projects to increase, rationalise and technologically upgrade production capacity and develop new products;
- 27%, or Euro 33 million, for projects to improve industrial efficiency;
- 23%, or Euro 28 million, for structural projects, mainly involving the purchase of land and buildings and the conversion of the Cable Enterprise cable ship.

Machinery is subject to Euro 6 million in liens in connection with long-term loans (mainly in relation to the Brazilian subsidiaries).

Investments in intangible assets amount to Euro 5 million, mainly in connection with the "SAP Consolidation" project aimed at harmonising the information system across the Group.

Indicators of impairment were observed at 30 September 2015 in relation to particular market conditions, leading to the recognition in the first nine months of 2015 of Euro 7 million in impairment losses against the value of Land and Buildings, primarily in the Italy and China CGUs. The impairment loss was determined so as to reduce the value of the assets to recoverable amount, defined as the higher of their fair value, less costs to sell, and their value in use.

## 2. EQUITY-ACCOUNTED INVESTMENTS

These are detailed as follows:

(in millions of Euro)	30 September 2015	31 December 2014
Investments in associates	241	219
Investments in joint ventures	5	6
<b>Total equity-accounted investments</b>	<b>246</b>	<b>225</b>

### Investments in associates

Information about the nature of the main investments in associates:

Company name	Registered office	% owned
Yangtze Optical Fibre and Cable Joint Stock Limited Company	China	28,12%
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd	China	46,09%
Oman Cables Industry (SAOG)	Sultanate of Oman	34,78%
Kabeltrommel GmbH & Co.K.G.	Germany	43,18%
Elkat Ltd.	Russia	40,00%

Yangtze Optical Fibre and Cable Joint Stock Limited Company, a Chinese company formed in 1988, is one of the industry's most important manufacturers of optical fibre and cables. The company's products and solutions are sold in more than 50 countries, including the United States, Japan, the Middle East and Africa. During 2014 the company was listed on the Main Board of the Hong Kong Stock Exchange. The listing involved an increase in the company's share capital, with a consequent dilution of the Prysmian Group's holding to 28.12%.

Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd, a company formed in 2002 by Yangtze Optical Fibre & Cable Joint Stock Limited Company and the Prysmian Group, is based in Shanghai (China). The company specialises in the manufacture and sale of optical fibre and cables, offering a wide range of optical fibre cables and accessories, services and FTTx solutions.

Oman Cables Industry (SAOG) is based in the Sultanate of Oman and is listed on the local stock exchange. The company and its subsidiaries manufacture and sell power cables and conductors and operate mainly in the local market, the Middle East and North Africa.

Kabeltrommel Gmbh & Co. K.G. is a German company that heads a consortium for the production, procurement, management and sale of disposable and reusable cable carrying devices (drums). The services offered by the company include both the sale of cable drums, and the complete management of logistics services such as drum shipping, handling and subsequent retrieval. The company operates primarily in the German market.

Elkat Ltd. is based in Russia and manufactures and sells copper conductors; it is the only company certified by the LME to test copper cathodes for the local market.

### Investments in joint ventures

Information about the nature of the main investments in joint ventures:

Company name	Registered office	% owned
Power Cables Malaysia Sdn Bhd	Malaysia	40,00%
Precision Fiber Optics Ltd	Japan	50,00%

Power Cables Malaysia Sdn Bhd is a joint venture based in Malaysia between the Prysmian Group and the Armed Forces Fund Board (LTAT), a Malaysian government retirement benefits fund. The company, a leader in the local market, manufactures and sells power cables and conductors and is mainly specialised in high voltage products.

Lastly, Precision Fiber Optics Ltd., based in Japan, manufactures and sells optical fibre cables in the local market.

### 3. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in millions of Euro)

	30 September 2015		
	Non-current	Current	Total
Trade receivables	-	1,197	1,197
Allowance for doubtful accounts	-	(57)	(57)
<b>Total trade receivables</b>	-	<b>1,140</b>	<b>1,140</b>
<b>Other receivables:</b>			
Tax receivables	8	149	157
Financial receivables	2	13	15
Prepaid finance costs	4	2	6
Receivables from employees	1	7	8
Pension plan receivables	-	2	2
Construction contracts	-	432	432
Advances to suppliers	-	28	28
Other	10	108	118
<b>Total other receivables</b>	<b>25</b>	<b>741</b>	<b>766</b>
<b>Total</b>	<b>25</b>	<b>1,881</b>	<b>1,906</b>

(in millions of Euro)

	31 December 2014		
	Non-current	Current	Total
Trade receivables	-	1,010	1,010
Allowance for doubtful accounts	-	(58)	(58)
<b>Total trade receivables</b>	-	<b>952</b>	<b>952</b>
<b>Other receivables:</b>			
Tax receivables	14	157	171
Financial receivables	2	9	11
Prepaid finance costs	5	3	8
Receivables from employees	2	3	5
Pension plan receivables	-	2	2
Construction contracts	-	447	447
Advances to suppliers	-	19	19
Other	4	126	130
<b>Total other receivables</b>	<b>27</b>	<b>766</b>	<b>793</b>
<b>Total</b>	<b>27</b>	<b>1,718</b>	<b>1,745</b>



#### 4. INVENTORIES

These are detailed as follows:

(in millions of Euro)	30 September 2015	31 December 2014
Raw materials	279	292
<i>of which allowance for obsolete and slow-moving raw materials</i>	<i>(40)</i>	<i>(47)</i>
Work in progress and semi-finished goods	276	241
<i>of which allowance for obsolete and slow-moving work in progress and semi-finished goods (**)</i>	<i>(10)</i>	<i>(5)</i>
Finished goods (**)	427	448
<i>of which allowance for obsolete and slow-moving finished goods</i>	<i>(47)</i>	<i>(50)</i>
<b>Total</b>	<b>982</b>	<b>981</b>

(\*\*) Finished goods also include goods for resale.

#### 5. DERIVATIVES

These are detailed as follows:

(in millions of Euro)	30 September 2015	
	Asset	Liability
<b>Non-current</b>		
Interest rate swaps (cash flow hedges)	-	-
Forward currency contracts on commercial transactions (cash flow hedges)	-	1
<b>Total hedging derivatives</b>	<b>-</b>	<b>1</b>
Forward currency contracts on commercial transactions	-	-
Forward currency contracts on financial transactions	-	-
Interest rate swaps	-	-
Metal derivatives	-	14
<b>Total other derivatives</b>	<b>-</b>	<b>14</b>
<b>Total non-current</b>	<b>-</b>	<b>15</b>
<b>Current</b>		
Interest rate swaps (cash flow hedges)	-	-
Forward currency contracts on financial transactions (cash flow hedges)	-	-
Forward currency contracts on commercial transactions (cash flow hedges)	9	13
<b>Total hedging derivatives</b>	<b>9</b>	<b>13</b>
Forward currency contracts on commercial transactions	9	5
Forward currency contracts on financial transactions	12	4
Interest rate swaps	-	1
Metal derivatives	4	25
<b>Total other derivatives</b>	<b>25</b>	<b>35</b>
<b>Total current</b>	<b>34</b>	<b>48</b>
<b>Total</b>	<b>34</b>	<b>63</b>

(in millions of Euro)

	31 December 2014	
	Asset	Liability
<b>Non-current</b>		
Interest rate swaps (cash flow hedges)	-	3
Forward currency contracts on commercial transactions (cash flow hedges)	-	2
<b>Total hedging derivatives</b>	-	<b>5</b>
Metal derivatives	1	-
<b>Total other derivatives</b>	<b>1</b>	-
<b>Total non-current</b>	<b>1</b>	<b>5</b>
<b>Current</b>		
Forward currency contracts on financial transactions (cash flow hedges)	-	1
Forward currency contracts on commercial transactions (cash flow hedges)	11	18
<b>Total hedging derivatives</b>	<b>11</b>	<b>19</b>
Forward currency contracts on commercial transactions	8	10
Forward currency contracts on financial transactions	5	7
Interest rate swaps	-	-
Metal derivatives	5	11
<b>Total other derivatives</b>	<b>18</b>	<b>28</b>
<b>Total current</b>	<b>29</b>	<b>47</b>
<b>Total</b>	<b>30</b>	<b>52</b>

## 6. FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading basically refer to units in funds that mainly invest in short and medium-term government securities. These assets are mostly held by subsidiaries in Brazil and Argentina which invest temporarily available liquidity in such funds.

## 7. CASH AND CASH EQUIVALENTS

These are detailed as follows:

(in millions of Euro)

	30 September 2015	31 December 2014
Cash and cheques	8	1
Bank and postal deposits	239	493
<b>Total</b>	<b>247</b>	<b>494</b>

Cash and cash equivalents, deposited with major financial institutions, are managed through the Group's treasury company and in its various operating units.

Cash and cash equivalents managed by the Group's treasury company amount to Euro 82 million at 30 September 2015, compared with Euro 226 million at 31 December 2014.

**8. ASSETS HELD FOR SALE**

These are detailed as follows:

<b>(in millions of Euro)</b>		
	<b>30 September 2015</b>	<b>31 December 2014</b>
<b>Land</b>	-	7
<b>Buildings</b>	3	-
<b>Other assets</b>	5	-
<b>Total</b>	<b>8</b>	<b>7</b>

The following movements took place during the first nine months of 2015:

- Sale of the land in Bishopstoke (Great Britain), involving a reduction of Euro 4 million in this line item, and sale of part of the Wuppertal site (Germany), for Euro 1 million, and of part of the Nuremberg site (Germany) for Euro 2 million;
- Reclassification of Euro 3 million in land and buildings at the sites in Colusa (USA) and Abevoye (France);
- Reclassification of the assets of NK Wuhan Cable Co. Ltd for which sale agreements have been signed and will be finalised during the current year. These agreements have resulted in the recognition of Euro 9 million in impairment, of which Euro 1 million against property, plant and equipment and Euro 8 million against items classified in current assets. This impairment has been recorded in the following lines of the income statement: Amortisation, depreciation, impairment and impairment reversals (Euro 1 million) and Non-recurring other expenses (Euro 8 million).

## 9. SHARE CAPITAL AND RESERVES

Consolidated equity has recorded an increase of Euro 21 million since 31 December 2014, mainly reflecting the net effect of:

- negative currency translation differences of Euro 52 million;
- the positive change of Euro 5 million in the reserve for actuarial gains on employee benefits;
- the positive post-tax change of Euro 1 million in the fair value of derivatives designated as cash flow hedges;
- the positive change of Euro 16 million in the share-based compensation reserve linked to the stock option plans;
- Euro 2 million in payments by non-controlling interests for capital increases by subsidiary companies and Euro 1 million from the allocation of costs for the employee incentive plan;
- the net profit for the period of Euro 139 million;
- the distribution of Euro 91 million in dividends.

At 30 September 2015, the share capital of Prysmian S.p.A. comprises 216,720,922 shares with a total value of Euro 21,672,092.20.

Movements in the ordinary shares of Prysmian S.p.A. are as follows:

	Ordinary shares	Treasury shares	Total
<b>Balance at 31 December 2013</b>	<b>214,591,710</b>	<b>(3,039,169)</b>	<b>211,552,541</b>
Capital increase <sup>(1)</sup>	2,120,687	-	2,120,687
Treasury shares <sup>(2)</sup>	-	208,851	208,851
<b>Balance at 31 December 2014</b>	<b>216,712,397</b>	<b>(2,830,318)</b>	<b>213,882,079</b>
	Ordinary shares	Treasury shares	Total
<b>Balance at 31 December 2014</b>	<b>216,712,397</b>	<b>(2,830,318)</b>	<b>213,882,079</b>
Capital increase	8,525	-	8,525
Treasury shares	-	112,866	112,866
<b>Balance at 30 September 2015</b>	<b>216,720,922</b>	<b>(2,717,452)</b>	<b>214,003,470</b>

<sup>(1)</sup> Capital increase following exercise of the options under the Long-term incentive plan 2011-2013.

<sup>(2)</sup> The movement in treasury shares reflects the allotment of 187,299 shares under the Group employee share purchase plan (YES Plan), the allotment of 1,411,552 shares under the Long-term incentive plan 2011-2013, and the buy-back of 1,390,000 shares.

<sup>(3)</sup> Allotment of 5,665 treasury shares under the Long-term incentive plan 2011-2013 and of 107,201 treasury shares under the Group employee share purchase plan (YES Plan).



## Treasury shares

Treasury shares have recorded the following movements:

Purchases:

- in 2014, the Parent Company purchased 1,390,000 shares under a buy-back programme authorised by the shareholders.

Allotments for stock option plans:

- During 2014, the number of treasury shares recorded decreases of 187,299 for allotments to employees who had signed up to the first window of the YES employee share purchase plan, and of 1,411,552 for allotments under the Long-term incentive plan 2011-2013.

Movements in treasury shares are shown in the following table:

	Number of shares	Total nominal value (in Euro)	% of share capital	Average unit value (in Euro)	Total carrying value (in Euro)
<b>At 31 December 2013</b>	<b>3,039,169</b>	<b>303,917</b>	<b>1.42%</b>	<b>9.963</b>	<b>30,279,078</b>
- Purchases	1,390,000	139,000	-	14.356	19,954,278
- Allotments under stock option plans <sup>(1)</sup>	(1,598,851)	(159,885)	-	10.139	(16,209,987)
<b>At 31 December 2014</b>	<b>2,830,318</b>	<b>283,032</b>	<b>1.31%</b>	<b>12.021</b>	<b>34,023,369</b>
- Purchases	-	-	-	-	-
- Allotments under stock option plans	(112,866)	(11,287)	-	12.031	(1,357,895)
<b>At 30 September 2015</b>	<b>2,717,452</b>	<b>271,745</b>	<b>1.30%</b>	<b>12.021</b>	<b>32,665,474</b>

<sup>(1)</sup> This consists of the allotment of 162,650 shares under the Group employee share purchase plan (YES Plan), the sale of 24,649 shares to employees under the same plan and the allotment of 1,411,552 shares under the Long-term incentive plan 2011-2013.

<sup>(2)</sup> This consists of the allotment of 5,665 shares under the Group employee share purchase plan (YES Plan) and the allotment of 107,201 shares under the Long-term incentive plan 2011-2013.

## Share buy-back and disposal programmes

The Shareholders' Meeting held on 16 April 2014 authorised a share buy-back and disposal programme, and revoked the previous programme at the same time. The programme provided the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total could not exceed 10% of share capital, equal to 18,420,002 ordinary shares as at the date of the Shareholders' Meeting, after deducting the treasury shares already held by the Company. Purchases could not exceed the amount of undistributed earnings and available reserves reported in the most recently approved annual financial statements of the Parent Company. The authorisation to buy back treasury shares was for 18 months commencing from the date of the Shareholders' Meeting; the authorisation to dispose of treasury shares had no time limit.

The Shareholders' Meeting held on 16 April 2015 authorised a new share buy-back and disposal programme, and revoked the previous programme at the same time.

The new programme provides the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total must not exceed, at any time, 10% of share capital, equating to 18,847,439 ordinary shares as at the date of the Shareholders' Meeting, after deducting the treasury shares already held

by the Company. Purchases may not exceed the amount of undistributed earnings and available reserves reported in the most recently approved annual financial statements of the Parent Company. The authorisation to buy back treasury shares will last for 18 months commencing from the date of the Shareholders' Meeting; the authorisation to dispose of treasury shares has no time limit.

## 10. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

(in millions of Euro)

	30 September 2015		
	Non-current	Current	Total
Borrowings from banks and other financial institutions	105	161	266
Non-convertible bond	740	9	749
Convertible bond	277	-	277
Finance lease obligations	15	1	16
<b>Total</b>	<b>1,137</b>	<b>171</b>	<b>1,308</b>

(in millions of Euro)

	31 December 2014		
	Non-current	Current	Total
Borrowings from banks and other financial institutions	530	150	680
Non-convertible bond	-	415	415
Convertible bond	271	1	272
Finance lease obligations	16	2	18
<b>Total</b>	<b>817</b>	<b>568</b>	<b>1,385</b>

Borrowings from banks and other financial institutions and Bonds are analysed as follows:

(in millions of Euro)

	30 September 2015	31 December 2014
<b>Credit Agreements:</b>		
- Term Loan Facility 2011	-	398
- Revolving Credit Facility 2014 in pool	-	-
EIB Loan	92	101
Revolving Credit Facility 2014	50	30
Other borrowings	124	151
<b>Borrowings from banks and other financial institutions</b>	<b>266</b>	<b>680</b>
Non-convertible bond	749	415
Convertible bond	277	272
<b>Total</b>	<b>1,292</b>	<b>1,367</b>

### Credit Agreements:

The Prysmian Group has the following Credit Agreements in place as at 30 September 2015:

#### Credit Agreement 2011

The Credit Agreement 2011, originally entered into on 7 March 2011, was extinguished early on 29 May 2015.



#### Syndicated Revolving Credit Facility 2014

On 27 June 2014, Prysmian S.p.A. signed an agreement (the "Credit Agreement 2014") under which a syndicate of premier banks made available a long-term credit facility for Euro 1,000 million (the "Syndicated Revolving Credit Facility 2014"). The facility, which expires on 27 June 2019, can also be used for the issue of guarantees. The new revolving facility was intended to refinance the existing facilities and the Group's other operating activities. As at 30 September 2015, this facility was not drawn down.

In addition to the Credit Agreement described above, the Group's other major credit agreements are as follows:

#### Revolving Credit Facility 2014

On 19 February 2014, Prysmian S.p.A. signed a credit agreement for Euro 100 million (the "Revolving Credit Facility 2014") with Mediobanca - Banca di Credito Finanziario S.p.A.. Under this five-year agreement, Mediobanca has provided the Group with a line of credit intended to refinance existing debt and working capital requirements.

As at 30 September 2015, the Revolving Credit Facility 2014 had been drawn down by Euro 50 million.

#### EIB Loan

On 18 December 2013, Prysmian S.p.A. entered into a loan agreement with the European Investment Bank (EIB) for Euro 100 million, to fund the Group's European research & development (R&D) programmes over the period 2013-2016.

The EIB Loan is particularly intended to support projects developed in the Group's R&D centres in six countries (France, Great Britain, the Netherlands, Spain, Germany and Italy) and represents about 50% of the Prysmian Group's planned investment expenditure in Europe during the period concerned.

The EIB Loan was received on 5 February 2014; it will be repaid in 12 equal half-yearly instalments starting on 5 August 2015 and ending on 5 February 2021. Following repayment of the first instalment in August 2015, the outstanding amount of the loan at 30 September 2015 was Euro 92 million.

The fair value of the EIB Loan at 30 September 2015 approximates the related carrying amount. Fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

The following tables summarise the committed lines available to the Group at 30 September 2015 and 31 December 2014:

(in millions of Euro)

	30 September 2015		
	Total lines	Used	Unused
<b>Credit Agreements:</b>			
Term Loan Facility 2011	-	-	-
Revolving Credit Facility 2011	-	-	-
Syndicated Revolving Credit Facility 2014	1,000	-	1,000
<b>Total Credit Agreements</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>
EIB Loan	92	(92)	-
Revolving Credit Facility 2014	100	(50)	50
<b>Total</b>	<b>1,192</b>	<b>(142)</b>	<b>1,050</b>

(in millions of Euro)			31 December 2014
	Total lines	Used	Unused
<b>Credit Agreements:</b>			
Term Loan Facility 2011	400	(400)	-
Revolving Credit Facility 2011	400	-	400
Syndicated Revolving Credit Facility 2014	1,000	-	1,000
<b>Total Credit Agreements</b>	<b>1,800</b>	<b>(400)</b>	<b>1,400</b>
EIB Loan	100	(100)	-
Revolving Credit Facility 2014	100	(30)	70
<b>Total</b>	<b>2,000</b>	<b>(530)</b>	<b>1,470</b>

The Revolving Credit Facilities are intended to finance ordinary working capital requirements.

## Bonds

The Prysmian Group has the following bonds outstanding as at 30 September 2015:

### Non-convertible bond issued in 2015

On 10 March 2015, the Board of Directors of Prysmian S.p.A. authorised management to proceed, depending on prevailing market conditions and in any case by 30 June 2016, with the issuance and private or public placement of bonds in one or more tranches. These bonds were to be offered for sale only to institutional investors.

Consequently, on 30 March 2015 Prysmian S.p.A. completed the placement with institutional investors of an unrated bond, on the Eurobond market, for a total nominal value of Euro 750 million. The bond, with an issue price of Euro 99.002, has a 7-year maturity and will pay a fixed annual coupon of 2.50%. The bonds, maturing on 11 April 2022, have minimum denominations of Euro 100,000, plus integral multiples of Euro 1,000.

The bond settlement date was 9 April 2015. The bond has been admitted to the Luxembourg Stock Exchange and is traded on the related regulated market.

The fair value of the non-convertible bond is Euro 729 million at 30 September 2015. Fair value has been determined with reference to the quoted price in the relevant markets (Level 1 of the fair value hierarchy).

### Convertible bond

On 4 March 2013, the Board of Directors approved the placement of an Equity Linked Bond, referred to as "€300,000,000 1.25 per cent. Equity Linked Bonds due 2018", maturing on 8 March 2018 and reserved for qualified investors.

On 16 April 2013, the Shareholders' Meeting authorised the convertibility of the Bond at a value of Euro 22.3146 per share. As a result, the shareholders approved the proposal to increase share capital for cash, in single or multiple issues, with the exclusion of pre-emptive rights under art. 2441, par. 5 of the Italian Civil Code, by a maximum nominal amount of Euro 1,344,411.30, by issuing, in single or multiple instalments, up to 13,444,113 ordinary shares of the Company with the same characteristics as its other outstanding ordinary shares.

The Company will be entitled to redeem the bonds early and in full in the cases detailed in the Bond Regulations, in line with market practice, including:

- (i) at nominal value (plus accrued interest), starting from 23 March 2016, if the trading price of the Company's ordinary shares rises to more than 130% of the conversion price in a given period of time;
- (ii) at nominal value (plus accrued interest), if at least 85% of the original nominal amount of the Bond is converted, redeemed and/or repurchased;
- (iii) at nominal value (plus accrued interest), if specific changes take place in the tax regime applying to the Bonds.

In the event of a change of control, every bondholder will be entitled to request early redemption at nominal value plus accrued interest.

The convertible Bond has a 5-year maturity ending on 8 March 2018 and pays a fixed annual coupon of 1.25%. The placement of the Bonds was completed on 8 March 2013, while their settlement took place on 15 March 2013.

On 3 May 2013, the Company sent a physical settlement notice to holders of the Bonds, granting them the right, with effect from 17 May 2013, to convert them into the Company's existing or new ordinary shares.

On 24 May 2013, the securities were admitted to trading on the unregulated Third Market (a multilateral trading facility or MTF) on the Vienna Stock Exchange.

The accounting treatment for the convertible Bond has resulted in the recognition of an equity component of Euro 39 million and a debt component of Euro 261 million, determined at the bond issue date.

(in millions of Euro)	
Issue value of convertible bond	300
Equity reserve for convertible bond	(39)
<b>Issue date net balance</b>	<b>261</b>
Interest - non-monetary	19
Interest - monetary accrued	10
Interest - monetary paid	(9)
Related costs	(4)
<b>Balance at 30 September 2015</b>	<b>277</b>

The fair value of the convertible bond (equity component and debt component) is Euro 323 million at 30 September 2015 (Euro 306 million at 31 December 2014), of which the fair value of the debt component was Euro 287 million (Euro 264 million at 31 December 2014). In the absence of trading on the relevant market, fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

In addition, during the first nine months of 2015 the following bond was redeemed at maturity:

Non-convertible bond issued in 2010

On 31 March 2010, Prysmian S.p.A. completed the placement of an unrated bond with institutional investors on the Eurobond market for a total nominal amount of Euro 400 million. The bond, with an issue price of

Euro 99.674, had a 5-year term and paid a fixed annual coupon of 5.25%. The bond settlement date was 9 April 2010. The bond was admitted to the Luxembourg Stock Exchange's official list and traded on the related regulated market.

The 2010 bond was redeemed at its maturity on 9 April 2015.

### Other borrowings from banks and financial institutions and Finance lease obligations

The following tables report movements in borrowings from banks and other lenders:

(In millions of Euro)

	Credit Agreements <sup>(1)</sup>	EIB Loan	Non-convertible bond <sup>(2)</sup>	Convertible bond	Other borrowings / Finance lease obligations <sup>(3)</sup>	Total
<b>Balance at 31 December 2014</b>	<b>398</b>	<b>101</b>	<b>415</b>	<b>272</b>	<b>199</b>	<b>1,385</b>
Currency translation differences	-	-	-	-	(18)	(18)
New funds	-	-	739	-	26	765
Repayments	(400)	(8)	(400)	-	(37)	(845)
Drawdown of revolving facilities	-	-	-	-	20	20
Amortisation of bank and financial fees and other expenses	2	-	1	-	-	3
Interest and other movements	-	(1)	(6)	5	-	(2)
<b>Total movements</b>	<b>(398)</b>	<b>(9)</b>	<b>334</b>	<b>5</b>	<b>(9)</b>	<b>(77)</b>
<b>Balance at 30 September 2015</b>	<b>-</b>	<b>92</b>	<b>749</b>	<b>277</b>	<b>190</b>	<b>1,308</b>

(In millions of Euro)

	Credit Agreements (1)	EIB Loan	Non-convertible bond (2)	Convertible bond	Other borrowings / Finance lease obligations (3)	Total
<b>Balance at 31 December 2013 (*)</b>	<b>583</b>	<b>-</b>	<b>414</b>	<b>264</b>	<b>150</b>	<b>1,411</b>
Currency translation differences	-	-	-	-	6	6
New funds	-	100	-	-	51	151
Repayments	(184)	-	-	-	(34)	(218)
Drawdown of revolving facilities	297	-	-	-	33	330
Amortisation of bank and financial fees and other expenses	2	-	-	-	-	2
Interest and other movements	-	-	(5)	6	-	1
<b>Total movements</b>	<b>115</b>	<b>100</b>	<b>(5)</b>	<b>6</b>	<b>56</b>	<b>272</b>
<b>Balance at 30 September 2014</b>	<b>698</b>	<b>100</b>	<b>409</b>	<b>270</b>	<b>206</b>	<b>1,683</b>

(\*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 10 and IFRS 11.

(1) "Credit Agreements" in the first nine months of 2014 report movements in the Term Loan Facilities 2010 and 2011, the Revolving Credit Facilities 2010 and 2011 and the Syndicated Revolving Credit Facility 2014; this same item in the first nine months of 2015 reports movements in the Term Loan Facility 2011, the Revolving Credit Facility 2011 and the Syndicated Revolving Credit Facility 2014.

(2) "New funds" pertaining to the non-convertible bond are stated net of transaction costs and issue discount totalling Euro 11 million.

(3) Includes the Revolving Credit Facility 2014.



**NET FINANCIAL POSITION**

(in millions of Euro)			
	Note	30 September 2015	31 December 2014
<b>Long-term financial payables</b>			
- Term Loan Facility 2011		-	400
- Bank fees		-	(2)
<b>Credit Agreements</b>	10	-	398
EIB Loan	10	75	92
Non-convertible bond	10	740	-
Convertible bond	10	277	271
Finance leases	10	15	16
Interest rate swaps	5	-	3
Other financial payables	10	30	40
<b>Total long-term financial payables</b>		<b>1,137</b>	<b>820</b>
<b>Short-term financial payables</b>			
- Term Loan Facility 2011	10	-	-
- Bank fees	10	-	-
<b>Credit Agreements</b>	10	-	-
EIB Loan	10	17	9
Non-convertible bond	10	9	415
Convertible bond	10	-	1
Finance leases	10	1	2
Interest rate swaps	5	1	-
Forward currency contracts on financial transactions	5	4	8
Revolving Credit Facility 2014	10	50	30
Other financial payables	10	94	111
<b>Total short-term financial payables</b>		<b>176</b>	<b>576</b>
<b>Total financial liabilities</b>		<b>1,313</b>	<b>1,396</b>
<b>Long-term financial receivables</b>			
Long-term financial receivables	3	2	2
Long-term bank fees	3	4	5
Forward currency contracts on financial transactions (current)	5	12	5
<b>Short-term financial receivables</b>	3	13	9
Short-term bank fees	3	2	3
Financial assets held for trading	6	78	76
Cash and cash equivalents	7	247	494
<b>Net financial position</b>		<b>955</b>	<b>802</b>

The following table presents a reconciliation of the Group's net financial position to the amount that must be reported under Consob Communication DEM/6064293 issued on 28 July 2006 and under the CESR recommendation dated 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses":

(in millions of Euro)			
	Note	30 September 2015	31 December 2014
<b>Net financial position - as reported above</b>		<b>955</b>	<b>802</b>
Long-term financial receivables	3	2	2
Long-term bank fees	3	4	5
Net forward currency contracts on commercial transactions	5	1	11
Net metal derivatives	5	34	5
<b>Recalculated net financial position</b>		<b>996</b>	<b>825</b>

## 11. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in millions of Euro)

	30 September 2015		
	Non-current	Current	Total
Trade payables	-	1,392	1,392
<b>Total trade payables</b>	-	<b>1,392</b>	<b>1,392</b>
<b>Other payables:</b>			
Tax and social security payables	3	122	125
Advances from customers	-	362	362
Payables to employees	-	74	74
Accrued expenses	-	139	139
Other	7	148	155
<b>Total other payables</b>	<b>10</b>	<b>845</b>	<b>855</b>
<b>Total</b>	<b>10</b>	<b>2,237</b>	<b>2,247</b>

(in millions of Euro)

	31 December 2014		
	Non-current	Current	Total
Trade payables	-	1,415	1,415
<b>Total trade payables</b>	-	<b>1,415</b>	<b>1,415</b>
<b>Other payables:</b>			
Tax and social security payables	7	144	151
Advances from customers	-	381	381
Payables to employees	-	64	64
Accrued expenses	-	100	100
Other	6	138	144
<b>Total other payables</b>	<b>13</b>	<b>827</b>	<b>840</b>
<b>Total</b>	<b>13</b>	<b>2,242</b>	<b>2,255</b>

Trade payables include around Euro 161 million for the supply of strategic metals (copper, aluminium and lead), whose payment terms, in some cases, are longer than normal for this type of transaction. At 31 December 2014, payables for the supply of strategic metals amounted to Euro 176 million.

Advances from customers report the liability for construction contracts, amounting to Euro 281 million at 30 September 2015 compared with Euro 286 million at 31 December 2014. This liability represents the amount by which work invoiced exceeds costs incurred plus accumulated profits (or losses) recognised using the percentage of completion method.



## 12. PROVISIONS FOR RISKS AND CHARGES

These are detailed as follows:

(in millions of Euro)			
			30 September 2015
	Non-current	Current	Total
Restructuring costs	1	28	29
Contractual and legal risks	14	194	208
Environmental risks	-	6	6
Tax inspections	25	4	29
Contingent liabilities	3	-	3
Other risks and charges	21	14	35
<b>Total</b>	<b>64</b>	<b>246</b>	<b>310</b>

(in millions of Euro)			
			31 December 2014
	Non-current	Current	Total
Restructuring costs	2	31	33
Contractual and legal risks	22	212	234
Environmental risks	1	5	6
Tax inspections	28	6	34
Contingent liabilities	3	-	3
Other risks and charges	18	15	33
<b>Total</b>	<b>74</b>	<b>269</b>	<b>343</b>

The following table reports the movements in these provisions during the period:

(in millions of Euro)							
	Restructuring costs	Contractual and legal risks	Environmental risks	Tax inspections	Contingent liabilities	Other risks and charges	Total
Balance at 31 December 2014	33	234	6	34	3	33	343
Increases	20	30	-	-	-	12	62
Utilisations	(22)	(10)	-	(2)	-	(1)	(35)
Releases	(2)	(47)	-	-	-	(6)	(55)
Currency translation differences	-	-	(1)	(3)	-	(4)	(8)
Other	-	1	1	-	-	1	3
<b>Total movements</b>	<b>(4)</b>	<b>(26)</b>	<b>-</b>	<b>(5)</b>	<b>-</b>	<b>2</b>	<b>(33)</b>
Balance at 30 September 2015	29	208	6	29	3	35	310

The provision for restructuring costs reports a net decrease of Euro 4 million.

In particular, Euro 20 million in new provisions has been recognised during the period, while Euro 22 million has been utilised, mostly in connection with projects underway in the Netherlands, Italy and France.

The provision for contractual and legal risks, amounting to Euro 208 million at 30 September 2015, has decreased by Euro 26 million since 31 December 2014, mainly due to movements in the provision for antitrust investigations.

More specifically, the European Commission, the US Department of Justice and the Japanese antitrust authority started investigations in late January 2009 into several European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive practices in the high voltage underground and submarine cables markets. Subsequently, the Australian Competition and Consumers Commission ("ACCC") and the New Zealand Commerce Commission also started similar investigations. During 2011, the Canadian antitrust authority also started an investigation into a high voltage submarine project dating back to

2006. The investigations in Japan, New Zealand and Canada have ended without any sanctions for Prysmian. Recently, the company's legal advisors were contacted by the Antitrust Division of the US Department of Justice which informed them that the investigation into the power cables industry had been closed without charges; consequently, it was felt appropriate, already during the third quarter of 2015, to release the provision previously set aside. The other investigations are still in progress, except for the one by the European Commission, which has ended with the adoption of the decision described below.

In Australia, the ACCC has filed a case before the Federal Court arguing that Prysmian Cavi e Sistemi S.r.l. and two other companies violated antitrust rules in connection with a high voltage underground cable project awarded in 2003. Prysmian Cavi e Sistemi S.r.l. has presented its defence and the hearing to discuss the case was held recently.

In Brazil, the local antitrust authority has started an investigation into several cable manufacturers, including Prysmian, that operate in the high voltage underground and submarine cables market. Prysmian has presented its preliminary defence, which has been rejected by the local competition authorities in a statement issued during the month of February 2015. The preliminary stage of the proceedings will now ensue, at the end of which the authorities will publish their concluding observations, to which the parties may respond with all their arguments in defence before a final decision is taken.

On 2 April 2014, the European Commission adopted a decision under which it found that, between 18 February 1999 and 28 January 2009, the world's largest cable producers, including Prysmian Cavi e Sistemi S.r.l., adopted anti-competitive practices in the European market for high voltage submarine and underground power cables. The European Commission held Prysmian Cavi e Sistemi S.r.l. jointly liable with Pirelli & C. S.p.A. for the alleged infringement in the period 18 February 1999 - 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and The Goldman Sachs Group Inc. for the alleged infringement in the period 29 July 2005 - 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has filed an appeal against this decision with the General Court of the European Union along with an application to intervene in the appeals respectively lodged by Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. against the same decision. Both Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. have in turn submitted applications to intervene in the appeal brought by Prysmian against the European Commission's decision. The applications to intervene presented by Prysmian, Pirelli and The Goldman Sachs Group Inc. have been accepted by the General Court of the European Union. Prysmian has not incurred any financial outlay as a result of this decision having elected, pending the outcome of the appeals, to provide bank guarantees as security against payment of 50% of the fine imposed by the European Commission (amounting to approximately Euro 52 million) for the alleged infringement in both periods. As far as Prysmian is aware, Pirelli & C. S.p.A. has also provided the European Commission with a bank guarantee for 50% of the value of the fine imposed for the alleged infringement in the period 18 February 1999 - 28 July 2005. Pirelli & C. S.p.A. has also filed a civil action against Prysmian Cavi e Sistemi S.r.l. in which it demands to be held harmless for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. Prysmian Cavi e Sistemi S.r.l. started legal proceedings in February 2015, requesting that the claims brought by Pirelli & C. S.p.A. be rejected in full and that it should be Pirelli & C. S.p.A. which holds harmless Prysmian Cavi e Sistemi S.r.l., with reference to the alleged infringement in the period 18 February

1999 - 28 July 2005, for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation.

The proceedings have since been suspended by order of the court concerned in April 2015, pending the outcome of the appeals brought against the European Commission's decision by both Prysmian and Pirelli in the European Courts. Pirelli has challenged this decision before the Court of Cassation, Italy's highest court of appeal.

It also reported that the Australian and Spanish antitrust authorities have respectively initiated proceedings to verify the existence of anti-competitive practices by local cable manufacturers and distributors, including the Group's foreign subsidiaries based in these countries. As regards the proceedings initiated by the Australian antitrust authorities, the hearing will begin at the end of November 2015. The Directors are of the opinion not to make any provision for the risks arising from either of these proceedings.

Lastly, the British operators National Grid and Scottish Power have filed claims in the High Court in London against certain cable manufacturers, including the Prysmian Group, to obtain compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in the decision adopted in April 2014. The Group companies concerned were notified of this initial court filing during the month of May 2015 and presented their defence early in October 2015, along with the summons of other parties censured in the European Commission's decision.

During the first nine months of 2015, the amount of the provision has been adjusted to reflect the events described above as well as the effect of currency translation differences on the provisions recognised in respect of foreign jurisdictions. This adjustment has resulted in the recognition of a net release of Euro 21 million in the 2015 income statement.

As at 30 September 2015, the amount of the provision is approximately Euro 151 million.

Despite the uncertainty of the outcome of the investigations in progress and potential legal action by customers as a result of the European Commission's decision, the amount of this provision is considered to represent the best estimate of the liability based on the information now available.

### 13. EMPLOYEE BENEFIT OBLIGATIONS

These are detailed as follows:

(in millions of Euro)	30 September 2015	31 December 2014
Pension plans	274	275
Employee indemnity liability (Italian TFR)	21	24
Medical benefit plans	26	25
Termination and other benefits	36	36
Incentive plans	-	-
<b>Total</b>	<b>357</b>	<b>360</b>

Movements in employee benefit obligations have had an overall impact of Euro 12 million on the period's income statement, of which Euro 5 million classified in personnel costs and Euro 7 million in finance costs.



The period average headcount and period-end closing headcount are shown below:

	9 months 2015	9 months 2014
Average number	19,633	19,553
	30 September 2015	31 December 2014
Closing number	19,662	19,436

#### 14. OPERATING INCOME

Operating income is a profit of Euro 284 million in the first nine months of 2015 (compared with a profit of Euro 281 million in the first nine months of 2014) and includes the following non-recurring items:

(in millions of Euro)

	9 months 2015	9 months 2014
Business reorganisation	(36)	(16)
Antitrust investigations	21	28
Acquisition purchase price adjustment <sup>(1)</sup>	-	22
Other net non-recurring (expenses)/income <sup>(2)</sup>	(13)	(6)
<b>Total non-recurring (expenses)/income</b>	<b>(28)</b>	<b>28</b>

<sup>(1)</sup> This refers to the acquisition in November 2012 of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) from Global Marine Systems Ltd.

<sup>(2)</sup> This includes the impairment of current assets relating to NK Wuhan Cable Co. Ltd for which sale agreements have been signed and will be finalised during 2015.

#### 15. FINANCE COSTS AND INCOME

Finance costs are detailed as follows:

(in millions of Euro)

	9 months 2015	9 months 2014
Interest on syndicated loans	4	7
Interest on non-convertible bond	15	16
Interest on convertible bond - non-monetary component	6	6
Interest on convertible bond - monetary component	3	3
Amortisation of bank and financial fees and other expenses	3	5
Employee benefit interest costs	7	8
Other bank interest	13	12
Costs for undrawn credit lines	4	3
Sundry bank fees	12	10
Non-recurring other finance costs	4	9
Other	7	19
<b>Finance costs</b>	<b>78</b>	<b>98</b>
Net losses on forward currency contracts	-	5
Non-recurring net losses on interest rate swaps	2	4
<b>Losses on derivatives</b>	<b>2</b>	<b>9</b>
Foreign currency exchange losses	361	193
<b>Total finance costs</b>	<b>441</b>	<b>300</b>

Finance income is detailed as follows:

(in millions of Euro)	9 months 2015	9 months 2014
Interest income from banks and other financial institutions	8	5
Other finance income	2	2
Non-recurring other finance income	-	-
<b>Finance income</b>	<b>10</b>	<b>7</b>
Net gains on interest rate swaps	2	10
Net gains on forward currency contracts	21	-
<b>Gains on derivatives</b>	<b>23</b>	<b>10</b>
Foreign currency exchange gains	331	175
<b>Total finance income</b>	<b>364</b>	<b>192</b>

## 16. TAXES

Taxes have been estimated on the basis of the expected average tax rate for the full year. Taxes amount to Euro 68 million for the first nine months of 2015. The tax rate in the first nine months of 2015 is 33%.

## 17. EARNINGS/(LOSS) PER SHARE

Both basic and diluted earnings (loss) per share have been calculated by dividing the net result for the period attributable to owners of the parent by the average number of the Company's outstanding shares.

Diluted earnings/(loss) per share have been affected by the options under the employee share purchase plan (YES Plan) and by the Long-term incentive plan 2015-2017, while they have not been affected by the options relating to the convertible bond since the bond is currently "out of the money".

(in millions of Euro)	9 months 2015	9 months 2014
Net profit/(loss) attributable to owners of the parent	141	136
Weighted average number of ordinary shares (thousands)	213,921	215,053
<b>Basic earnings per share (in Euro)</b>	<b>0,66</b>	<b>0,63</b>
Net profit/(loss) attributable to owners of the parent	141	136
Weighted average number of ordinary shares (thousands)	213,921	215,053
<b>Adjustments for:</b>		
Dilution from incremental shares arising from exercise of stock options (thousands)	1,317	231
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	215,238	215,284
<b>Diluted earnings per share (in Euro)</b>	<b>0,65</b>	<b>0,63</b>

## 18. CONTINGENT LIABILITIES

As a global operator, the Group is exposed to legal risks primarily, by way of example, in the areas of product liability and environmental, antitrust and tax rules and regulations. The outcome of legal disputes and proceedings currently in progress cannot be predicted with certainty. An adverse outcome in one or more of these proceedings could result in the payment of costs that are not covered, or not fully covered, by insurance, which would therefore have a direct effect on the Group's financial position and results.

It is also reported, with reference to the antitrust investigations in the various jurisdictions involved, that the only jurisdiction for which the Prysmian Group has been unable to estimate the related risk is Brazil.

## **19. RECEIVABLES FACTORING**

The Group has made use of without-recourse factoring of trade receivables. The amount of receivables factored but not yet paid by customers was Euro 248 million at 30 September 2015 (Euro 209 million at 30 September 2014 and Euro 262 million at 31 December 2014).

## **20. SEASONALITY**

The Group's business features a certain degree of seasonality in its revenues, which are usually higher in the second and third quarters. This is due to the fact that utilities projects in the northern hemisphere are mostly concentrated in the warmer months of the year. The Group's level of debt is generally higher in the period May-September, with funds being absorbed by the growth in working capital.

## **21. RELATED PARTY TRANSACTIONS**

Transactions between Prysmian S.p.A. and its subsidiaries and associates mainly refer to:

- trade relations involving intercompany purchases and sales of raw materials and finished goods;
- services (technical, organisational and general) provided by head office for the benefit of group companies;
- recharge of royalties for the use of trademarks, patents and technological know-how by group companies;
- financial relations maintained by Group treasury companies on behalf of, and with, Group companies.

All the above transactions form part of the Group's continuing operations.



The following tables provide a summary of the related party transactions during the nine months ended 30 September 2015:

(in millions of Euro)						
					30 September 2015	
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total	
Equity-accounted investments	246	-	246	246	100.0%	
Trade receivables	13	-	13	1,140	1.1%	
Other receivables	3	-	3	766	0.4%	
Trade payables	3	-	3	1,392	0.2%	
Other payables	3	2	5	855	0.6%	

(in millions of Euro)						
					31 December 2014	
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total	
Equity-accounted investments	225	-	225	225	100.0%	
Trade receivables	7	-	7	952	0.7%	
Other receivables	3	-	3	793	0.4%	
Trade payables	4	-	4	1,415	0.3%	
Other payables	3	1	4	840	0.5%	

(in millions of Euro)						
					9 months 2015	
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total	
Sales of goods and services	42	-	42	5,569	0.8%	
Other income	3	-	3	41	7.3%	
Raw materials, consumables used and goods for resale	(16)	-	(16)	(3,502)	0.5%	
Personnel costs	-	(8)	(8)	(745)	1.1%	
Other expenses	-	(1)	(1)	(1,028)	0.1%	
Share of net profit/(loss) of equity-accounted companies	27	-	27	27	100.0%	

(in millions of Euro)						
					9 months 2014	
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total	
Sales of goods and services	32	-	32	5,014	0.6%	
Other income	2	-	2	94	2.1%	
Raw materials, consumables used and goods for resale	(15)	-	(15)	(3,237)	0.5%	
Personnel costs	-	(5)	(5)	(688)	0.7%	
Other expenses	-	-	-	(929)	0.0%	
Share of net profit/(loss) of equity-accounted companies	26	-	26	26	100.0%	

### Transactions with associates

Trade and other payables refer to goods and services provided in the ordinary course of the Group's business. Trade and other receivables refer to transactions carried out in the ordinary course of the Group's business.

### Compensation of Directors, Statutory Auditors and Key Management Personnel

The compensation of the Directors, Statutory Auditors and Key Management Personnel totals Euro 9 million at 30 September 2015 (Euro 5 million in the first nine months of 2014).

## 22. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions were carried out during the first nine months of 2015.

## 23. COMMITMENTS

Contractual commitments already entered into with third parties as of 30 September 2015 and not yet reflected in the financial statements amount to Euro 57 million for investments in property, plant and equipment and to Euro 1 million for investments in intangible assets.

## 24. STOCK OPTION PLANS

### Long-term incentive plan 2011-2013

As at 30 September 2015, the options under this plan had been fully exercised.

### Group employee share purchase plan (YES Plan)

On 16 April 2013, the shareholders approved a share purchase plan reserved for employees of Prysmian S.p.A. and/or of its subsidiaries, including some of the Company's Directors, and granted the Board of Directors the relevant powers to establish and implement this plan.

The reasons behind the introduction of the Plan are:

- to strengthen the sense of belonging to the Group by offering employees an opportunity to share in its successes, through equity ownership;
- to align the interests of the Prysmian Group's stakeholders (its employees and shareholders), by identifying a common goal of creating long-term value;
- to help consolidate the integration process started in the wake of the Draka Group's acquisition.

The Plan offers the opportunity to purchase Prysmian's ordinary shares on preferential terms, with a maximum discount of 25% on the stock price, given in the form of treasury shares, except for certain managers, for whom the discount is 15%, and the executive Directors and key management personnel, for whom the discount is 1% on the stock price.

The Plan therefore qualifies as "of particular relevance" within the meaning of art. 84-bis, par. 2 of the Issuer Regulations.

A maximum number of 500,000 treasury shares have been earmarked to serve the discounted purchases envisaged by the Plan.

During the month of October 2013, the plan was presented and explained to some 16,000 of the Group's employees in 27 countries. Employees had until the end of December 2013 to communicate their wish to participate in the Plan, the amount they intended to invest in the first purchase window and the method of payment. The amount collected in the month of April 2014, totalling Euro 6.4 million, was used to make purchases of the Company's ordinary shares on the Milan Stock Exchange over a period of 5 consecutive business days during the month of May 2014. The number of treasury shares allotted to each participant was

determined by taking into account the average share purchase price (Euro 16.2629), the individual investment and the applicable discount percentage.

All the plan's participants also received an entry bonus of six free shares, also taken from the Company's portfolio of treasury shares, only available at the time of first purchase.

The shares purchased by participants, as well as those received by way of discount and entry bonus, are generally subject to a retention period during which they cannot be sold and the length of which varies according to local regulations.

On 9 June 2014, an additional purchase window was opened for plan participants in the "Manager" category who had already bought shares in the purchase window in May and who were so entitled under the plan's regulations. Managers opting to participate in this additional window were able to buy an additional quantity of shares at a 25% discount. The total of Euro 0.7 million collected in this additional window was used to make purchases of the Company's ordinary shares on the Milan Stock Exchange over a period of 5 consecutive business days during the month of July 2014. The number of treasury shares allotted to each participant was determined by taking into account the average share purchase price (Euro 16.3585), the individual investment and the applicable discount.

During the month of December 2014, employees were informed of the opening of the plan's second cycle in 2015. Employees had until the third week of February 2015 to sign up for the second cycle and to communicate the amount they intended to invest. The total amount collected was used to make purchases of the Company's shares on the Milan Stock Exchange over a period of five consecutive business days during the month of July 2015. The number of treasury shares allotted to each participant was determined by taking into account the average share purchase price (Euro 18.8768), the individual investment and the applicable discount percentage.

On 25 August 2015, an additional purchase window was opened for plan participants in the "Manager" category, like in June 2014. The total of Euro 0.6 million collected in this window was used to make purchases of the Company's ordinary shares on the Milan Stock Exchange over a period of 5 consecutive business days during the month of September 2015. The number of treasury shares allotted to each participant was determined by taking into account the average share purchase price (Euro 18.8988), the individual investment and the applicable discount.

At 30 September 2015, the cost recognised in the income statement under "Personnel costs" in relation to the fair value of the options granted under this plan is Euro 1 million.

The following table provides additional details about movements in the plan:

	<b>30 September 2015</b>	<b>31 December 2014</b>
	<b>Number of options</b>	<b>Number of options</b>
<b>Options at start of year</b>	164,009	300,682
<b>Granted <sup>(*)</sup></b>	-	43,725
<b>Change in expected adhesions <sup>(**)</sup></b>	(32,932)	(17,748)
<b>Cancelled</b>	-	-
<b>Exercised</b>	-	(162,650)
<b>Options at end of period</b>	131,077	164,009
<b>of which vested at end of period</b>	-	-
<b>of which exercisable</b>	-	-
<b>of which not vested at end of period</b>	131,077	164,009

(\*) The number of options refers to the adhesions to the additional purchase windows reserved for Managers (actual numbers for the first year and expected numbers for the next two years).

(\*\*) The number of options has been revised for the actual number of adhesions in the first window.

### Share buy-back and disposal programme and Long-term incentive plan 2015-2017

The Shareholders' Meeting held on 16 April 2015 approved an incentive plan for employees of the Prysmian Group, including members of the Board of Directors of Prysmian S.p.A., and granted the Board of Directors the necessary powers to establish and implement this plan.

The reasons behind the introduction of the Plan are:

- to generate strong commitment by the Group's Management to achieving the targets for additional growth in profits and return on capital employed over the next three years;
- to align the interests of Management with those of shareholders by using share-based incentives, and promoting stable share ownership of the Company;
- to ensure the long-term sustainability of the Group's annual performance through the mechanism of co-investing part of the annual bonus and consequent retention effect.

The Plan involves around 300 employees of Group companies who are granted a number of options depending on the achievement of common business and financial performance objectives for all participants.

The Plan consists of two parts:

- Co-investment;
- Performance Shares.

The Co-investment part requires each participant to defer and co-invest a variable portion of their annual bonuses for the years 2015 and 2016, if achieved; if the Target is achieved, this portion is returned to the participant in the form of company shares with a higher value than that co-invested.

The Performance Shares part involves the prior establishment of a minimum and maximum number of shares for each participant, according to their company position and salary level. The number of shares actually awarded will depend on the extent to which the Performance Conditions are achieved. Both parts of the plan are contingent upon achieving two financial performance targets in the period 2015-2017, namely the Group's aggregate Adjusted EBITDA for the three years (min. Euro 1,850 million - max. Euro 2,150 million) and average ROCE (Return On Capital Employed) in the same three-year period (min. 16.0% - max. 19.6%).

The following table provides additional details about movements in the plan:

	Number of options (*)	Exercise price
Options at start of year	-	-
Granted	4,994,039	-
Variation for target remeasurement	(224,302)	-
Cancelled	-	-
Exercised	-	-
Options at end of period	4,769,737	-
of which vested at end of period	-	-
of which exercisable	-	-
of which not vested at end of period	4,769,737	-

In accordance with IFRS 2, the options allotted have been measured at their grant date fair value. The fair value of the options has been determined using the following assumptions:



Grant date	16 April 2015
Residual life at grant date (in years)	2.75
Exercise price (Euro)	-
Risk-free interest rate	0.49%
Expected dividend %	2.25%
Option fair value at grant date (Euro)	17.99

The information memoranda, prepared under art. 114-bis of Legislative Decree 58/98 and describing the characteristics of the above plan, is publicly available on the Company's website at <http://www.prysmiangroup.com/>, from its registered offices and from Borsa Italiana S.p.A.

At 30 September 2015, the cost recognised in the income statement under "Personnel costs" in relation to the fair value of the options granted under this plan is Euro 15 million.

As at 30 September 2015, there are no outstanding loans or guarantees by the Parent Company or its subsidiaries to any of the directors, senior managers or statutory auditors.

## 25. DIVIDEND DISTRIBUTION

On 16 April 2015, the shareholders of Prysmian S.p.A. approved the financial statements for 2014 and the distribution of a gross dividend of Euro 0.42 per share, for a total of some Euro 90 million. The dividend was paid out from 22 April 2015 to shares outstanding on the record date of 21 April 2015, with the shares going ex-dividend on 20 April 2015.



## 26. EXCHANGE RATES

The main exchange rates used to translate financial statements in foreign currencies for consolidation purposes are reported below:

	Closing rates at		Average rates in	
	30 September 2015	31 December 2014	9 months 2015	9 months 2014
<b>Europe</b>				
British Pound	0.739	0.779	0.727	0.815
Swiss Franc	1.092	1.202	1.062	1.219
Hungarian Forint	313,450	315,540	309,099	308,189
Norwegian Krone	9,525	9,042	8,820	8,289
Swedish Krona	9,408	9,393	9,372	9,021
Czech Koruna	27,187	27,735	27,355	27,504
Danish Krone	7,460	7,445	7,458	7,461
Romanian Leu	4,418	4,483	4,441	4,452
Turkish Lira	3,427	2,826	2,964	2,937
Polish Zloty	4,245	4,273	4,157	4,175
Russian Rouble	73,242	72,337	66,659	48,015
<b>North America</b>				
US Dollar	1,120	1,214	1,114	1,363
Canadian Dollar	1,503	1,406	1,404	1,490
<b>South America</b>				
Brazilian Real	4,451	3,225	3,531	3,121
Argentine Peso	10,555	10,382	10,000	10,898
Chilean Peso	783,243	736,837	713,392	765,219
Mexican Peso	18,977	17,861	17,369	17,861
<b>Oceania</b>				
Australian Dollar	1,594	1,483	1,463	1,483
New Zealand Dollar	1,757	1,553	1,576	1,600
<b>Africa</b>				
CFA Franc	655,957	655,957	655,957	655,957
Tunisian Dinar	2,199	2,262	2,169	2,254
<b>Asia</b>				
Chinese Renminbi (Yuan)	7,121	7,536	6,965	8,411
United Arab Emirates Dirham	1,594	4,459	1,463	5,007
Hong Kong Dollar	8,682	9,417	8,640	10,572
Singapore Dollar	1,592	1,606	1,520	1,714
Indian Rupee	73,481	76,525	70,861	82,752
Indonesian Rupiah	16,347,810	15,076,100	14,796,858	15,965,137
Japanese Yen	134,690	145,230	134,785	139,629
Thai Baht	40,712	39,910	37,619	43,907
Philippine Peso	52,347	54,436	50,255	59,969
Omani Rial	0,431	0,467	0,429	0,525
Malaysian Ringgit	4,924	4,247	4,218	4,424
Saudi Riyal	4,202	4,556	4,180	5,113

## 27. SUBSEQUENT EVENTS

### **Finalisation of the acquisition of Gulf Coast Downhole Technologies**

On 1 October 2015, following the satisfaction of the conditions precedent contained in the agreement entered into on 24 September 2015, Prysmian completed the acquisition of the entire shareholding in Gulf Coast Downhole Technologies (GCDT).

### **First submarine cable project in People's Republic of China**

On 25 October 2015, Prysmian was awarded a contract worth a total of more than USD 140 million by Hainan Second Cross-Sea Interconnection Tie Project Management Co., Ltd. (a subsidiary of China Southern Power Grid, the grid operator in South China) for the design, supply, installation, and commissioning of a submarine power line for the second interconnection between Hainan island and the Chinese mainland.

The new submarine power line will complement the existing 500 kV circuit and connect the Guangdong and Hainan power grids, thereby improving the efficiency and quality of electricity supply between the two provinces. One of the island's key customers to benefit from the extra power will be a 1300 MW nuclear power plant being built in Changjiang county. The combined capacity of the new submarine power line and the nuclear power plant will help boost Hainan's efforts to become an international tourist destination.

### **Antitrust investigation - USA**

The investigation by the US Department of Justice into the power cables industry was closed without charges. For more details about the investigation, which was initiated in 2009, please refer to the note on Provision for Risks contained in the Explanatory Notes. Furthermore, it was felt appropriate, already during the third quarter of 2015, to release the provision previously set aside.

\*\*\*\*\*

Pursuant to art. 154-bis par. 2 of Italy's Unified Financial Act (TUF), Carlo Soprano and Andreas Bott, as managers responsible for preparing corporate accounting documents, declare that the information contained in this quarterly financial report corresponds to the underlying documents, accounting books and records.

Milan, 5 November 2015

ON BEHALF OF THE BOARD OF DIRECTORS

THE CHAIRMAN

Massimo Tononi

## SCOPE OF CONSOLIDATION – APPENDIX A

The following companies have been consolidated line-by-line:

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
<b>Europe</b>					
<b>Austria</b>					
Prysmian OEKW GmbH	Wien	Euro	2.053.008	100.00%	Prysmian Cavi e Sistemi S.r.l.
<b>Belgium</b>					
Draka Belgium N.V.	Antwerpen	Euro	61.973	98.52%	Draka Holding B.V.
				1.48%	Draka Kabel B.V.
<b>Denmark</b>					
Prysmian Denmark A/S	Brøndby	Danish Krone	40.001.000	100.00%	Draka Holding B.V.
<b>Estonia</b>					
AS Draka Keila Cables	Keila	Euro	1.664.000	100.00%	Prysmian Finland OY
<b>Finland</b>					
Prysmian Finland OY	Kirkkonummi	Euro	100.000	77.80%	Prysmian Cavi e Sistemi S.r.l.
				19.93%	Draka Holding B.V.
				2.27%	Draka Comteq B.V.
<b>France</b>					
Prysmian (French) Holdings S.A.S.	Paron	Euro	129.026.210	100.00%	Prysmian Cavi e Sistemi S.r.l.
GSCP Athena (French) Holdings II S.A.S.	Paron	Euro	47.000	100.00%	Prysmian (French) Holdings S.A.S.
Prysmian Cables et Systèmes France S.A.S.	Paron	Euro	136.800.000	100.00%	Prysmian (French) Holdings S.A.S.
Draka Comteq France S.A.S.	Paron	Euro	246.554.316	100.00%	Draka France S.A.S.
Draka Fileca S.A.S.	Sainte Geneviève	Euro	5.439.700	100.00%	Draka France S.A.S.
Draka Paricable S.A.S.	Sainte Geneviève	Euro	5.177.985	100.00%	Draka France S.A.S.
Draka France S.A.S.	Marne La Vallée	Euro	261.551.700	100.00%	Draka Holding B.V.
Quoroon S.A.S.	Paron	Euro	10.000	100.00%	Prysmian Cables et Systemes France S.A.S.
<b>Germany</b>					
Prysmian Kabel und Systeme GmbH	Berlin	Euro	15.000.000	93.75%	Draka Cable Wuppertal GmbH
				6.25%	Prysmian S.p.A.
Prysmian Unterstuetzungseinrichtung Lynen GmbH	Eschweiler	Deutsche Mark	50.000	100.00%	Prysmian Kabel und Systeme GmbH
Draka Cable Wuppertal GmbH	Wuppertal	Euro	25.000	100.00%	Draka Deutschland GmbH
Draka Comteq Berlin GmbH & Co.KG	Berlin	Deutsche Mark	46.000.000	50.10%	Prysmian Netherlands B.V.
		Euro	1	49.90%	Draka Deutschland GmbH
Draka Comteq Germany Verwaltungs GmbH	Koln	Euro	25.000	100.00%	Draka Comteq BV
Draka Comteq Germany GmbH & Co.KG	Koln	Euro	5.000.000	100.00%	Draka Comteq B.V.
Draka Deutschland Erste Beteiligungs- GmbH	Wuppertal	Euro	25.000	100.00%	Draka Holding B.V.
Draka Deutschland GmbH	Wuppertal	Euro	25.000	90.00%	Draka Deutschland Erste Beteiligungs GmbH
				10.00%	Draka Deutschland Zweite Beteiligungs GmbH



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Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Draka Deutschland Verwaltungs GmbH	Wuppertal	Deutsche Mark	50.000	100.00%	Draka Cable Wuppertal GmbH
Draka Deutschland Zweite Beteiligungs GmbH	Wuppertal	Euro	25.000	100.00%	Prysmian Netherlands B.V.
Draka Kabeltechnik GmbH	Wuppertal	Euro	25.000	100.00%	Draka Cable Wuppertal GmbH
Draka Service GmbH	Nummberg	Euro	25.000	100.00%	Draka Cable Wuppertal GmbH
Höhn GmbH	Wuppertal	Deutsche Mark	1.000.000	100.00%	Draka Deutschland GmbH
Kaiser Kabel GmbH	Wuppertal	Deutsche Mark	9.000.000	100.00%	Draka Deutschland GmbH
Kaiser Kabel Vertriebs GmbH i.L.	Wuppertal	Euro	25.100	100.00%	Kaiser Kabel GmbH
NKF Holding (Deutschland) GmbH	Wuppertal	Euro	25.000	100.00%	Prysmian Netherlands B.V.
usb-elektro Kabelkonfektions- GmbH i.L.	Wuppertal	Deutsche Mark	2.750.000	100.00%	Draka Holding B.V.
Wagner Management-und Projektgesellschaft mit beschränkter Haftung i.L. Berlin		Deutsche Mark	50.000	60.00%	Draka Cable Wuppertal GmbH
				40.00%	Third parties
<b>U.K.</b>					
Prysmian Cables & Systems Ltd.	Eastleigh	British Pound	83.901.120	100.00%	Prysmian UK Group Ltd.
Prysmian Construction Company Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (2000) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (Industrial) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (Supertension) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables and Systems International Ltd.	Eastleigh	Euro	100.000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Cable Makers Properties & Services Limited	Hampton	British Pound	33	74.99%	Prysmian Cables & Systems Ltd.
				25.01%	Third parties
Prysmian Telecom Cables and Systems UK Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Metals Limited	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Comergy Ltd.	Eastleigh	British Pound	1.000.000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Pension Scheme Trustee Limited	Eastleigh	British Pound	1	100.00%	Prysmian S.p.A.
Prysmian UK Group Ltd.	Eastleigh	British Pound	40.011.000	100.00%	Draka Holding B.V.
Draka Distribution Aberdeen Limited	Eastleigh	British Pound	1	100.00%	Prysmian UK Group Ltd.
Draka Comteq UK Ltd.	Eastleigh	British Pound	9.000.002	100.00%	Prysmian UK Group Ltd.
Draka UK Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian UK Group Ltd.
Draka UK Group Ltd.	Eastleigh	British Pound	822.000	100.00%	Prysmian UK Group Ltd.
Draka UK Pension Plan Trust Company Ltd.	Eastleigh	British Pound	1	100.00%	Draka UK Ltd.
Prysmian Powerlink Services Ltd.	Eastleigh	British Pound	16.000.100	100.00%	Prysmian UK Group Ltd.
<b>Ireland</b>					
Prysmian Financial Services Ireland Ltd.	Dublin	Euro	n/a	100.00%	Third parties
Prysmian Re Company Ltd.	Dublin	Euro	5.000.000	100.00%	Draka Holding B.V.
<b>Italy</b>					
Prysmian Cavi e Sistemi S.r.l.	Milan	Euro	100.000.000	100.00%	Prysmian S.p.A.
Prysmian Cavi e Sistemi Italia S.r.l.	Milan	Euro	77.143.249	100.00%	Prysmian S.p.A.
Prysmian Treasury S.r.l.	Milan	Euro	30.000.000	100.00%	Prysmian S.p.A.
Prysmian PowerLink S.r.l.	Milan	Euro	100.000.000	100.00%	Prysmian S.p.A.
Fibre Ottiche Sud - F.O.S. S.r.l.	Battipaglia	Euro	47.700.000	100.00%	Prysmian S.p.A.
Prysmian Electronics S.r.l.	Milan	Euro	10.000	80.00%	Prysmian Cavi e Sistemi S.r.l.
				20.00%	Third parties

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Legal name	Office	Currency	Share capital	% ownership	Direct parent company
<b>Luxembourg</b>					
Prysmian Treasury (Lux) S.à r.l.	Luxembourg	Euro	3,050,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
<b>Norway</b>					
Prysmian Kabler og Systemer A.S.	Ski	Norwegian Krone	100,000	100.00%	Prysmian Finland OY
Draka Norsk Kabel A.S.	Drammen	Norwegian Krone	22,500,000	100.00%	Draka Norway A.S.
Draka Norway A.S.	Drammen	Norwegian Krone	112,000	100.00%	Draka Holding B.V.
<b>The Netherlands</b>					
Draka Comteq B.V.	Amsterdam	Euro	1,000,000	100.00%	Draka Holding B.V.
Draka Comteq Fibre B.V.	Eindhoven	Euro	18,000	100.00%	Prysmian Netherlands Holding B.V.
Draka Holding B.V.	Amsterdam	Euro	52,229,321	52.165%	Prysmian S.p.A.
				47.835%	Prysmian Cavi e Sistemi S.r.l.
Draka Kabel B.V.	Amsterdam	Euro	2,277,977	100.00%	Prysmian Netherlands B.V.
Donne Draad B.V.	Nieuw Bergen	Euro	28,134	100.00%	Prysmian Netherlands B.V.
NK China Investments B.V.	Delft	Euro	19,000	100.00%	Prysmian Netherlands B.V.
NKF Vastgoed I B.V.	Delft	Euro	18,151	99.00%	Draka Holding B.V.
				1.00%	Prysmian Netherlands B.V.
NKF Vastgoed III B.V.	Amsterdam	Euro	18,151	99.00%	Draka Deutschland GmbH
				1.00%	Prysmian Netherlands B.V.
Draka Sarphati B.V.	Amsterdam	Euro	18,151	100.00%	Draka Holding B.V.
Prysmian Netherlands B.V.	Delft	Euro	1	100.00%	Prysmian Netherlands Holding B.V.
Prysmian Netherlands Holding B.V.	Amsterdam	Euro	1	100.00%	Draka Holding B.V.
<b>Czech Republic</b>					
Draka Kabely, s.r.o.	Velke Mezirici	Czech Koruna	255,000,000	100.00%	Draka Holding B.V.
<b>Romania</b>					
Prysmian Cabluri Si Sisteme S.A.	Slatina	Romanian Leu	103,850,920	99.9995%	Draka Holding B.V.
				0.0005%	Prysmian Cavi e Sistemi S.r.l.
<b>Russia</b>					
Limited Liability Company Prysmian RUS	Rybinsk city	Russian Rouble	230,000,000	99.00%	Draka Holding B.V.
				1.00%	Prysmian Cavi e Sistemi S.r.l.
Limited Liability Company "Rybinskelektrokabel"	Rybinsk city	Russian Rouble	90,312,000	100.00%	Limited Liability Company Prysmian RUS
Draka Industrial Cable Russia LLC	St. Petersburg	Russian Rouble	100,000	100.00%	Draka Holding B.V.
Neva Cables Ltd	St. Petersburg	Russian Rouble	194,000	100.00%	Prysmian Finland OY



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Legal name	Office	Currency	Share capital	% ownership	Direct parent company
<b>Slovakia</b>					
Prysmian Kablo s.r.o.	Bratislava	Euro	21,246,001	99.995%	Prysmian Cavi e Sistemi S.r.l.
				0.005%	Prysmian S.p.A.
Draka Comteq Slovakia s.r.o.	Prešov	Euro	1,506,639	100.00%	Draka Comteq B.V.
<b>Spain</b>					
Prysmian Spain S.A. (Sociedad Unipersonal)	Vilanova I la Geltrú	Euro	58,178,234	100.00%	Draka Holding N.V. y CIA Soc. Col.
Marmavil S.L. (Sociedad Unipersonal)	Santa Perpetua de Mogoda	Euro	3,006	100.00%	Draka Holding B.V.
Draka Holding NV Y CIA Soc. Col.	Santa Perpetua de Mogoda	Euro	24,000,000	99.99999%	Draka Holding B.V.
				0.00001%	Marmavil S.L. (Sociedad Unipersonal)
<b>Sweden</b>					
Draka Sweden AB	Nässjö	Swedish Krona	100,100	100.00%	Draka Holding B.V.
Draka Kabel Sverige AB	Nässjö	Swedish Krona	100,000	100.00%	Draka Sweden AB
<b>Switzerland</b>					
Prysmian Cables and Systems SA	Manno	Swiss Franc	500,000	100.00%	Draka Holding B.V.
<b>Turkey</b>					
Turk Prysmian Kablo Ve Sistemleri A.S.	Mudanya	Turkish new Lira	112,233,652	83.746%	Draka Holding B.V.
				16.254%	Third parties
Draka Istanbul Asansor İthalat İhracat Üretim Ticaret Ltd. Şti.	Istanbul	Turkish new Lira	180,000	100.00%	Draka Holding B.V.
Draka Comteq Kablo Limited Sirketi	Istanbul	Turkish new Lira	45,818,775	99.99995%	Draka Comteq B.V.
				0.00005%	Prysmian Netherlands B.V.
<b>Hungary</b>					
Prysmian MKM Magyar Kabel Muvek Kft.	Budapest	Hungarian Forint	5,000,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
<b>North America</b>					
<b>Canada</b>					
Prysmian Cables and Systems Canada Ltd.	Saint John	Canadian Dollar	1,000,000	100.00%	Draka Holding B.V.
Draka Elevator Products, Incorporated	Saint John	Canadian Dollar	n/a	100.00%	Draka Cableteq USA, Inc.
<b>U.S.A.</b>					
Prysmian Cables and Systems (US) Inc.	Carson City	US Dollar	330,517,608	100.00%	Draka Holding B.V.
Prysmian Cables and Systems USA LLC	Wilmington	US Dollar	10	100.00%	Prysmian Cables and Systems (US) Inc.
Prysmian Construction Services Inc	Wilmington	US Dollar	1,000	100.00%	Prysmian Cables and Systems USA LLC
Draka Cableteq USA Inc.	Boston	US Dollar	10	100.00%	Prysmian Cables and Systems (US) Inc.
Draka Elevator Products, Inc.	Boston	US Dollar	1	100.00%	Draka Cableteq USA Inc.
Draka Transport USA LLC	Boston	US Dollar	n/a	100.00%	Draka Cableteq USA Inc.

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Legal name	Office	Currency	Share capital	% ownership	Direct parent company
<b>Central/South America</b>					
<b>Argentina</b>					
Prysmian Energia Cables y Sistemas de Argentina S.A.	Buenos Aires	Argentine Peso	69,024,900	91.858%	Prysmian Consultora Conductores e Instalaciones SAIC
				7.570%	Draka Holding B.V.
				0.263%	Prysmian Draka Brasil S.A.
				0.309%	Third parties
Prysmian Consultora Conductores e Instalaciones SAIC	Buenos Aires	Argentine Peso	48,571,242	95.00%	Draka Holding B.V.
				5.00%	Prysmian Cavi e Sistemi S.r.l.
<b>Brazil</b>					
Prysmian Energia Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real	153,794,214	99.857%	Prysmian Cavi e Sistemi S.r.l.
				0.143%	Prysmian S.p.A.
Prysmian Surfex Umbilicais e Tubos Flexiveis do Brasil Ltda	Vila Velha	Brazilian Real	282,718,116	99.99%	Prysmian Cavi e Sistemi S.r.l.
				0.01%	Prysmian S.p.A.
Prysmian Draka Brasil S.A.	Sorocaba	Brazilian Real	207,784,953	55.885510%	Prysmian Energia Cabos e Sistemas do Brasil S.A.
				34.849900%	Draka Comteq B.V.
				9.206810%	Draka Holding B.V.
				0.057040%	Prysmian Cavi e Sistemi S.r.l.
				0.000630%	Prysmian Netherlands B.V.
				0.000120%	Draka Kabel B.V.
Prysmian Fibras Oticas Brasil Ltda	Sorocaba	Brazilian Real	42,628,104	99.99%	Prysmian Draka Brasil S.A.
				0.01%	Prysmian Energia Cabos e Sistemas do Brasil SA
Draka Comteq Cabos Brasil S.A.	Santa Catarina	Brazilian Real	17,429,703	77.836%	Draka Comteq B.V.
				22.164%	Prysmian Energia Cabos e Sistemas do Brasil S.A.
<b>Mexico</b>					
Draka Durango S. de R.L. de C.V.	Durango	Mexican Peso	163,471,787	99.996%	Draka Mexico Holdings S.A. de C.V.
				0.004%	Draka Holding B.V.
Draka Mexico Holdings S.A. de C.V.	Durango	Mexican Peso	57,036,501	99.999998%	Draka Holding B.V.
				0.000002%	Draka Comteq B.V.
NK Mexico Holdings S.A. de C.V.	Mexico City	Mexican Peso	n/a	100.00%	Prysmian Finland OY
Prysmian Cables y Sistemas de Mexico S. de R. L. de C. V.	Durango	Mexican Peso	3,000	0.033%	Draka Holding B.V.
				99.967%	Draka Mexico Holdings S.A. de C.V.
<b>Africa</b>					
<b>Ivory Coast</b>					
SICABLE - Société Ivoirienne de Cables S.A.	Abidjan	CFA Franc	740,000,000	51.00%	Prysmian Cables et Systèmes France S.A.S.
				49.00%	Third parties
<b>Tunisia</b>					
Auto Cables Tunisie S.A.	Grombalia	Tunisian Dinar	4,050,000	50.998%	Prysmian Cables et Systèmes France S.A.S.
				49.002%	Third parties
Eurelectric Tunisie S.A.	Soliman	Tunisian Dinar	1,100,000	99.946%	Prysmian Cables et Systèmes France S.A.S.
				0.009%	Prysmian (French) Holdings S.A.S.
				0.009%	Prysmian Cavi e Sistemi S.r.l.
				0.036%	Third parties

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Legal name	Office	Currency	Share capital	% ownership	Direct parent company
<b>Oceania</b>					
<b>Australia</b>					
Prysmian Australia Pty Ltd.	Liverpool	Australian Dollar	15,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Telecom Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	38,500,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
<b>New Zealand</b>					
Prysmian New Zealand Ltd.	Auckland	New Zealand Dollar	10,000	100.00%	Prysmian Australia Pty Ltd.
<b>Asia</b>					
<b>Saudi Arabia</b>					
Prysmian Powerlink Saudi LLC	Al Khoabar	Saudi Arabian Riyal	500,000	95.00%	Prysmian PowerLink S.r.l.
				5.00%	Third parties
<b>China</b>					
Prysmian Tianjin Cables Co. Ltd.	Tianjin	US Dollar	36,790,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Cable (Shanghai) Co.Ltd.	Shanghai	US Dollar	5,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Baosheng Cable Co.Ltd.	Jiangsu	US Dollar	35,000,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Wuxi Cable Co. Ltd.	Wuxi	US Dollar	29,941,250	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Hong Kong Holding Ltd.	Hong Kong	Euro	59,500,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian (China) Investment Company Ltd.	Beijing	Euro	59,500,000	100.00%	Prysmian Hong Kong Holding Ltd.
Nantong Haixun Draka Elevator Products Co. LTD	Nantong	US Dollar	2,400,000	75.00%	Draka Elevator Product Inc.
				25.00%	Third parties
Nantong Zhongyao Draka Elevator Products Co. LTD	Nantong	US Dollar	2,000,000	75.00%	Draka Elevator Product Inc.
				25.00%	Third parties
Draka Cables (Hong Kong) Limited	Hong Kong	Hong Kong Dollar	6,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Shanghai Optical Fibre Cable Co Ltd.	Shanghai	US Dollar	15,580,000	55.00%	Draka Comteq Germany GmbH & Co.KG
				45.00%	Third parties
Suzhou Draka Cable Co. Ltd	Suzhou	Chinese Renminbi (Yuan)	174,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
NK Wuhan Cable Co. Ltd.	Wuhan	US Dollar	12,000,000	60.00%	NK China Investments B.V.
				20.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				20.00%	Third parties
Prysmian Powerlink Asia Co. Ltd.	Suzhou	Euro	0	100.00%	Prysmian (China) Investment Company Ltd.
<b>Philippines</b>					
Draka Philippines Inc.	Cebu	Philippine Peso	253,652,000	99.9999975%	Draka Holding B.V.
				0.0000025%	Third parties
<b>India</b>					
Associated Cables Pvt. Ltd.	Mumbai	Indian Rupee	61,261,900	32.00%	Draka UK Group Ltd.
				28.00%	Draka Holding B.V.
				40.00%	Oman Cables Industry SAOG
Jaguar Communication Consultancy Services Private Ltd.	Mumbai	Indian Rupee	34,432,100	99.99997%	Prysmian Cavi e Sistemi S.r.l.
				0.00003%	Prysmian S.p.A.
<b>Indonesia</b>					
P.T.Prysmian Cables Indonesia	Cikampek	US Dollar	67,300,000	99.48%	Draka Holding B.V.
				0.52%	Prysmian Cavi e Sistemi S.r.l.



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Legal name	Office	Currency	Share capital	% ownership	Direct parent company
<b>Malaysia</b>					
Submarine Cable Installation Sdn Bhd	Kuala Lumpur	Malaysian Ringgit	10,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Sindutch Cable Manufacturer Sdn Bhd	Malacca	Malaysian Ringgit	500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Marketing and Services Sdn Bhd	Malacca	Malaysian Ringgit	500,000	100.00%	Cable Supply and Consulting Company Pte Ltd
Draka (Malaysia) Sdn Bhd	Malacca	Malaysian Ringgit	8,000,002	100.00%	Cable Supply and Consulting Company Pte Ltd
<b>Singapore</b>					
Prysmian Cables Asia-Pacific Pte Ltd.	Singapore	Singapore Dollar	213,324,290	100.00%	Draka Holding B.V.
Prysmian Cable Systems Pte Ltd.	Singapore	Singapore Dollar	25,000	50.00%	Draka Holding B.V.
				50.00%	Prysmian Cables & Systems Ltd
Draka Offshore Asia Pacific Pte Ltd	Singapore	Singapore Dollar	51,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Cableteq Asia Pacific Holding Pte Ltd	Singapore	Singapore Dollar	28,630,542	100.00%	Draka Holding B.V.
Singapore Cables Manufacturers Pte Ltd	Singapore	Singapore Dollar	1,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Cable Supply and Consulting Company Pte Ltd	Singapore	Singapore Dollar	50,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Comteq Singapore Pte Ltd	Singapore	Singapore Dollar	500,000	100.00%	Draka Comteq B.V.
Draka NK Cables (Asia) pte ltd	Singapore	Singapore Dollar	200,000	100.00%	Prysmian Finland OY
<b>Thailand</b>					
MCI-Draka Cable Co. Ltd	Bangkok	Thai Baht	435,900,000	70.250172%	Draka Cableteq Asia Pacific Holding Pte Ltd
				0.000023%	Draka (Malaysia) Sdn Bhd
				0.000023%	Sindutch Cable Manufacturer Sdn Bhd
				0.000023%	Singapore Cables Manufacturers Pte Ltd
				29.749759%	Third parties

The following companies have been accounted for using the equity method:

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
<b>Europe</b>					
<b>Germany</b>					
Kabeltrommel GmbH & CO KG	Troisdorf	Euro	10,225,838	29.68%	Prysmian Kabel und Systeme GmbH
				13.50%	Draka Cable Wuppertal GmbH
				56.82%	Third parties
Kabeltrommel GmbH	Troisdorf	Deutsche Mark	51,000	17.65%	Prysmian Kabel und Systeme GmbH
				23.53%	Draka Cable Wuppertal GmbH
				58.82%	Third parties
KTG Europe GmbH	Troisdorf	Euro	100,000	100.00%	Kabeltrommel GmbH & CO KG
<b>U.K.</b>					
Rodco Ltd.	Weybridge	British Pound	5,000,000	40.00%	Prysmian Cables & Systems Ltd.
				60.00%	Third parties
<b>Poland</b>					
Eksa Sp.z.o.o	Sokolów	Polish Zloty	394,000	29.949%	Prysmian Cavi e Sistemi S.r.l.
				70.051%	Third parties
<b>Russia</b>					
Elkat Ltd.	Moscow	Russian Rouble	10,000	40.00%	Prysmian Finland OY
				60.00%	Third parties
<b>Asia</b>					
<b>China</b>					
Yangtze Optical Fibre and Cable Joint Stock Limited Co.	Wuhan	Chinese Renminbi (Yuan)	639,462,598	28.12%	Draka Comteq B.V.
				71.88%	Third parties
Yangtze Optical Fibre and Cable Company (Hong Kong) Ltd.	Hong Kong	Hong Kong Dollar	80,000	100.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd.	Shanghai	US Dollar	12,000,000	75.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				25.00%	Draka Comteq B.V.
<b>Japan</b>					
Precision Fiber Opticos Ltd.	Chiba	Japanese Yen	360,000,000	50.00%	Draka Comteq Fibre B.V.
				50.00%	Third parties
<b>Malaysia</b>					
Power Cables Malaysia Sdn Bhd	Selangor Darul Eshan	Malaysian Ringgit	8,000,000	40.00%	Draka Holding B.V.
				60.00%	Third parties
<b>Sultanate of Oman</b>					
Oman Cables Industry SAOG	Al Rusayl Industrial Zone	Omani Rial	8,970,000	34.78%	Draka Holding N.V.
				65.22%	Third parties



List of unconsolidated other investments:

<b>Legal name</b>	<b>% ownership</b>	<b>Direct parent company</b>
<b>Asia</b>		
<b>India</b>		
Ravin Cables Limited	51.00%	Prysmian Cavi e Sistemi S.r.l.
	49.00%	Third parties
<b>United Arab Emirates</b>		
Power Plus Cable CO. LLC	49.00%	Ravin Cables Limited
	51.00%	Third parties
<b>Africa</b>		
<b>South Africa</b>		
Pirelli Cables & Systems (Proprietary) Ltd.	100.00%	Prysmian Cavi e Sistemi S.r.l.



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