



THIRD QUARTER REPORT
AT 30 SEPTEMBER 2017

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.

CONTENTS

Directors' Report	pg.
Directors and auditors.....	5
Significant events during the period.....	7
Consolidated financial highlights.....	12
Group performance and results	13
Review of Energy Projects operating segment	16
Review of Energy Products operating segment.....	19
Review of OIL & GAS operating segment.....	25
Review of Telecom operating segment.....	27
Group statement of financial position.....	32
Alternative performance indicators	37
Significant events after the reporting period.....	43
Business outlook.....	44
Foreseeable risks in 2017.....	45
Stock option plans	57
Related party transactions	57
Consolidated financial statement and Explanatory Notes	pg.
Consolidated statement of financial position.....	59
Consolidated income statement	60
Consolidated income statement – 3 rd quarter.....	61
Consolidated statement of comprehensive income.....	62
Consolidated statement of comprehensive income – 3 rd quarter	63
Consolidated statement of changes in equity.....	64
Consolidated statement of cash flows.....	65
Explanatory notes.....	66
Scope of consolidation – Appendix A.....	113

DIRECTORS' REPORT

DIRECTORS AND AUDITORS

Board of Directors ⁽³⁾	
Chairman	Massimo Tononi ^{(*) (2)}
Chief Executive Officer & General Manager	Valerio Battista
Directors	Maria Elena Cappello ^{(*) (**) (1)}
	Monica de Virgiliis ^{(*) (**)}
	Claudio De Conto ^{(*) (**) (1) (2)}
	Alberto Capponi ^{(*) (**)}
	Massimo Battaini
	Pier Francesco Facchini
	Maria Letizia Mariani ^{(*) (**) (1)}
	Fabio Ignazio Romeo
	Giovanni Tamburi ^{(*) (**) (2)}
Board of Statutory Auditors ⁽⁴⁾	
Chairman	Pellegrino Libroia
Standing Statutory Auditors	Laura Gualtieri
	Paolo Francesco Lazzati
Alternative Statutory Auditors	Michele Milano
	Claudia Mezzabotta
Independent Auditors ⁽³⁾	
	EY S.p.A.

^(*) Independent directors as per Italy's Unified Finance Act

^(**) Independent directors as per Italy's Corporate Governance Code

⁽¹⁾ Members of the Control and Risks Committee

⁽²⁾ Members of the Compensation, Nominations and Sustainability Committee

⁽³⁾ Appointed by the Shareholders' Meeting on 16 April 2015

⁽⁴⁾ Appointed by the Shareholders' Meeting on 13 April 2016

Introduction

Further to Legislative Decree 25/2016, which came into force on 18 March 2016 and has eliminated the requirement for quarterly reporting, the Prysmian Group has prepared the present Quarterly Financial Report at 30 September 2017 on a voluntary basis and in continuity with its past reporting format.

The present Quarterly Financial Report is unaudited.

Segment information is structured in the same way as the report periodically prepared for the purpose of reviewing business performance. This report presents operating performance by macro type of business (Energy Projects, Energy Products, OIL & GAS and Telecom) and the results of operating segments primarily on the basis of Adjusted EBITDA, defined as earnings (loss) for the period before income and expense associated with company reorganisation, before non-recurring items and other non-operating income and expense, the fair value change in metal price derivative instruments and in other fair value items, amortisation, depreciation and impairment, finance income and costs and taxes. This report also provides information about the statement of financial position for the Group as a whole but not by operating segment. More details can be found in the section on Alternative Performance Indicators within the present Directors' Report and in the section on Segment Information within the Explanatory Notes.

SIGNIFICANT EVENTS DURING THE PERIOD

NEW INDUSTRIAL PROJECTS AND INITIATIVES

On 30 January 2017, the Group announced it had signed a GBP 27 million contract with East Anglia One Limited to supply and install an onshore cable connection for the East Anglia ONE offshore wind farm. Consisting of 102 turbines, the GBP 2.5 billion wind farm will generate sufficient electricity to power 500,000 homes. The contract involves the supply and installation of a 220 kV double circuit line from the Bawdsey shore landing to a substation in Bramford, covering a 37 km route. Prysmian will be responsible for the design, production, installation and testing of the cables and their accessories. The underground high voltage cables will be manufactured by Prysmian and installed by its UK-based installation division. Pre-construction work is due to begin in early 2017, with the cable installation phase planned to take place from October 2017 to September 2018.

On 21 February 2017, Prysmian announced the award of a contract worth more than Euro 300 million by Réseau de Transport D'Electricité (RTE) to provide submarine cable systems to link three offshore wind farms to the mainland power grid in France. These are the first ever grid access connections developed by RTE in France to transmit renewable energy generated by offshore wind farms to thousands of businesses and homes. The three projects, Fécamp, Calvados and Saint Nazaire, will be individually activated over the period of the contract.

Prysmian will be responsible for the design, supply, installation, testing and commissioning of two HV export power cables for each of the three offshore wind farms, covering both the submarine and onshore routes to connect Fécamp, Calvados and St Nazaire to the French electricity grid. The submarine cable links, which consist of High Voltage Alternating Current (HVAC) 220 kV three-core cables with XLPE insulation, will connect the offshore wind farms being developed by Eolien Maritime France (EMF).

The submarine cables will be produced at the Group's centres of excellence in Arco Felice, Italy, and Pikkala, Finland. The cables for the onshore sections will be manufactured in Gron, France. The cables are due to be delivered over the period 2018 to 2020, according to the scheduling of the individual wind farms.

On 27 February 2017, Prysmian announced it had secured a new contract, under a wider consortium agreement with Balfour Beatty, a world leading group in infrastructure construction, for the development of a new High Voltage Direct Current (HVDC) interconnector between France and the UK through the Channel Tunnel. The project is one of the European Commission's Projects of Common Interest and has been awarded by ElecLink, a wholly-owned subsidiary of Groupe Eurotunnel, which will build an interconnector through the Channel Tunnel to provide a power transmission link between the UK and France with a capacity of 1000 MW in either direction of flow. The total contract value for the consortium is approximately Euro 219 million, of which the share of Prysmian, responsible for coordinating the design, supply, installation and commissioning of the interconnector, is approximately Euro 79 million.

The project comprises a ± 320 kV extruded HVDC underground cable turnkey system that includes the engineering, production and installation of one HVDC symmetrical single-core circuit along a 51 km route through the Channel Tunnel. The HVDC cable will connect the future converter stations located in

Peuplingues (France) and Folkestone (UK). Prysmian will also supply and install the underground cables for the HVAC link to the Sellindge substation (UK). All cables will be manufactured at Prysmian's plant in Gron (France), one of the Group's centres of excellence for EHV AC and DC cables.

On 10 March 2017, the Group announced it had signed two new cable system contracts for offshore wind farms in Germany (Merkur) and Denmark (Horns Rev 3). Both contracts involve inter-array connections, a market segment in which Prysmian aims to grow and has developed new technologies and specific installation capabilities.

In the case of the contract for the Merkur offshore wind farm, awarded by Tideway B.V., Prysmian will be responsible for the design, engineering, manufacturing, testing and supply of approximately 90 km of 33 kV inter-array submarine cables and related accessories. Constructed by Merkur Offshore GmbH, the offshore wind farm - located in the German North Sea - will occupy an area of 47 sq km and generate a nominal active power output of approximately 400 MW.

The Horns Rev 3 project is located in the North Sea, approximately 25 km off the coast of Denmark and consists of 49 wind turbines with a total capacity of 406.7 MW, equivalent to the annual consumption of 425,000 Danish households. The contract awarded to Prysmian by VBMS B.V., a subsidiary of Royal Boskalis Westminster N.V., involves the design and supply of more than 100 km of 33 kV inter-array submarine cables in various cross sections.

On 7 April 2017, Prysmian announced it had signed a contract worth around Euro 350 million with IFA2 SAS, a joint venture between National Grid IFA2 Ltd, part of National Grid UK, and RTE of France. The contract is for the turnkey design, manufacture and installation of a submarine and underground power cable to connect Tourbe in France to Chilling in Hampshire, UK.

The High Voltage Direct Current (HVDC) interconnection will operate at ± 320 kV DC and will allow up to 1000 MW of power to be transferred between the countries. The HVDC cable system will run along a route of approximately 25 km in France, from the Tourbe converter station in Northern France to the landing point close to Caen. The subsea route is just over 200 km long and will land on Britain's south coast at Solent Airport near Fareham, the planned site of the UK converter station. In addition to the HVDC cable link, the contract includes a High Voltage Alternating Current (HVAC) link that will connect the converter station to a local substation in Chilling, UK. This will involve 2 km onshore sections at each end with a 5 km subsea section between them.

The submarine cables will be manufactured at the Prysmian production facility in Pikkala, Finland, while the underground cables will be manufactured at the Prysmian factory in Gron, France. The Prysmian cable-laying vessels Cable Enterprise and Ulisse will both be used for installation of the submarine cables.

The entire system is due to be completed in 2020.

On 8 May 2017, it was announced that the Group had signed a major supply agreement with the US company Verizon Communications to support expansion of the telecom carrier's optical network that will promote the development of 5G services, while improving the 4G LTE capacity of the broadband network. The three-year contract is worth approximately USD 300 million and involves the supply of 17 million fibre kilometres of ribbon and loose tube cables.

Both Prysmian and Verizon believe that demand for optical fibre cables for the next-generation passive optical network (NGPON2) will last well beyond 2020 as new technologies like 5G and the IoT become reality. Prysmian will make a significant investment in 2018 in its US-based optical cable production capacity to support the Verizon project and the growth of investments by other major telecom carriers in North America.

On 13 June 2017, the Group inaugurated its new optical fibre manufacturing facility in Slatina, Romania. The new facility is part of a three-year €250 million investment plan aimed at expanding the Group's production capacity worldwide to meet the growing demand for optical cables linked with the deployment of new high-speed telecommunication networks. These investments involve both existing optical fibre and cable manufacturing facilities in Italy, France, the Netherlands and North and South America, and the construction of new facilities like those in Slatina (Romania), Presov (Slovakia) and Durango (Mexico).

On 27 June 2017, the Group was awarded a series of additional works by Terna Rete Italia in relation to the submarine power cable project in the Venetian Lagoon. These works, originally included as an option in the contract awarded to the Group last year, are worth approximately Euro 20 million and include a 6 km 132 kV HVAC cable to be manufactured at the Arco Felice plant.

OTHER SIGNIFICANT EVENTS

Finance Activities

Bond issuance

On 12 January 2017, the Board of Directors approved the placement of an equity-linked bond, known as "Prysmian S.p.A. Euro 500 million Zero Coupon Equity Linked Bonds due 2022" maturing 17 January 2022 and reserved for institutional investors.

At the meeting held on 12 April 2017, the Company's shareholders authorised:

1. the convertibility of the Equity-Linked Bond;
2. the proposal to increase share capital for cash, in single or multiple issues with the exclusion of pre-emptive rights, by a maximum nominal amount of Euro 1,457,942.70, by issuing, in single or multiple instalments, up to 14,579,427 ordinary shares of the Company, with the same characteristics as its other outstanding ordinary shares, exclusively and irrevocably to serve the Bond's conversion.

The conversion price of the Bonds of Euro 34.2949 has been set by applying a 41.25% premium to the weighted average price of the Company's ordinary shares recorded on the Milan Stock Exchange between the start and end of the book-building process during the morning of 12 January 2017.

The Company will have the option to call all (but not just a part) of the outstanding bonds at their principal amount from 1 February 2020, should the value of the shares exceed 130% of the conversion price for a specified period of time.

The placement has allowed the Company to diversify its financial resources more widely by raising funds on the capital market. These funds will be used to pursue the Company's potential external growth opportunities; to finance, in line with the shareholders' authorisation of the share buyback, the buyback of the

Company's shares that will be used to fulfil potential conversion rights requirements and/or as consideration to finance the Company's growth strategy and for general corporate purposes.

On 16 May 2017, the Company sent a physical settlement notice to holders of the bonds, granting them the right, with effect from 29 May 2017, to convert them into the Company's existing or new ordinary shares.

On 30 May 2017, the Bond was admitted to trading on the Third Market (a multilateral trading facility or MTF) on the Vienna Stock Exchange.

Share buyback programme

On 12 January 2017, the Board of Directors approved the adoption of a share buyback programme, which terminated on 30 September 2017.

In particular, the purposes of the Programme were:

1. to create a "stock of shares" that the Company can use as consideration in extraordinary corporate actions with third parties, including stock swaps, as part of transactions strategic to the Company's interest;
2. to serve the exercise of any bond conversion rights;
3. any other and additional purposes either (i) under art. 5 of the Market Abuse Regulation, or (ii) under the Consob accepted market practices.

The shares could be purchased for an aggregate amount of up to Euro 125 million, and the number of shares purchased under the Programme should not, in any case, exceed 3% of the Company's paid-up share capital.

Purchases have been made through a specifically appointed authorised intermediary, acting independently and without any influence from the Company and in a manner consistent with the provisions of art. 3 of Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016.

All transactions carried out have been disclosed to the market in accordance with the terms and procedures provided by applicable laws.

Under the above programme, a total of 4,003,943 shares, with a total value of Euro 100,232,034.74 inclusive of related costs, have been purchased on the Italian Stock Exchange over the period 23 January to 30 September 2017; the average share purchase price of Euro 25.0333 compares with an average official price over this period of Euro 25.7314.

More information can be found in the Explanatory Notes to the present Quarterly Financial Report.

Cancellation and repayment of Revolving Credit Facility 2014

After completing the placement of the new equity-linked bond, the Company reviewed its funding structure, as a result of which on 31 January 2017 it cancelled the five-year revolving credit facility for Euro 100 million with Mediobanca and repaid at the same time the amount of Euro 50 million drawn down as at 31 December 2016.

CDP Loan

On 25 September 2017, Prysmian S.p.A. entered into an agreement with Cassa Depositi e Prestiti S.p.A. for a medium/long-term cash loan for a maximum total amount of Euro 100 million. On 29 September 2017, this amount was drawn down in full. The line matures on 30 September 2020. This funding will be used solely for

the Group's overall objectives, including capital expenditure, expenditure on research, development and innovation, as well as on energy efficiency and environmental stewardship.

Other significant events

Transfer of registered office

On 1 March 2017, the Company transferred its registered office from the previous location in Viale Sarca 222, to the new address in Via Chiese 6, Milan.

Approval of financial statements at 31 December 2016 and dividend distribution

On 12 April 2017, the shareholders of Prysmian S.p.A. approved the financial statements for 2016 and the distribution of a gross dividend of Euro 0.43 per share, for a total of some Euro 91 million. The dividend was paid out from 26 April 2017 to shares outstanding on the record date of 25 April 2017, with the shares going ex-dividend on 24 April 2017.

Centre of excellence in Sorocaba (Brazil)

During the second quarter of 2017, Prysmian Cabos e Sistemas do Brasil S.A. informed personnel of the start of an investment plan to create a centre of excellence in cable manufacturing at the Sorocaba Eden plant, whose current production activities would be transferred to the Santo André plant; it will take about a year and a half to complete this project.

CONSOLIDATED FINANCIAL HIGHLIGHTS*

(in millions of Euro)

	9 months 2017	9 months 2016	% change	2016
Sales	5,865	5,660	3.6%	7,567
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	509	503	1.3%	680
Adjusted EBITDA ⁽¹⁾	545	527	3.3%	711
EBITDA ⁽²⁾	512	488	5.0%	645
Adjusted operating income ⁽³⁾	413	398	3.8%	538
Operating income	341	333	2.4%	447
Profit/(loss) before taxes	269	275	-2.2%	368
Net profit/(loss) for the period	194	198	-2.0%	262

(in millions of Euro)

	30 September 2017	30 September 2016	Change	31 December 2016
Net capital employed	3,044	2,968	76	2,595
Employee benefit obligations	369	393	(24)	383
Equity	1,623	1,558	65	1,675
of which attributable to non-controlling interests	190	223	(33)	227
Net financial debt	1,052	1,017	35	537

(in millions of Euro)

	9 months 2017	9 months 2016	% change	2016
Capital expenditures ⁽⁴⁾	168	154	9.1%	233
of which for acquisition of ShenHuan assets	35	-		11
Employees (at period end)	21,297	20,984	1.5%	20,493
Earnings/(loss) per share				
- basic	0.92	0.88		1.15
- diluted	0.90	0.86		1.09

⁽¹⁾ Adjusted EBITDA is defined as EBITDA before income and expense associated with company reorganisation and before non-recurring items and other non-operating income and expense.

⁽²⁾ 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 income and costs, dividends from other companies and taxes.

⁽³⁾ Adjusted operating income is defined as operating income before income and expense associated with company reorganisation, before non-recurring items and other non-operating income and expense, and before the fair value change in metal derivatives and in other fair value items.

⁽⁴⁾ 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 2017	9 months 2016	% change	2016
Sales	5,865	5,660	3.6%	7,567
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	509	503	1.3%	680
% of sales	8.7%	8.9%		9.0%
Adjusted EBITDA	545	527	3.3%	711
% of sales	9.3%	9.3%		9.4%
EBITDA	512	488	5.0%	645
% of sales	8.7%	8.6%		8.5%
Fair value change in metal derivatives	(2)	24		54
Fair value stock options	(37)	(35)		(49)
Amortisation, depreciation, impairment and impairment reversal	(132)	(144)		(203)
Operating income	341	333	2.4%	447
% of sales	5.8%	5.9%		5.9%
Net finance income/(costs)	(72)	(58)		(79)
Profit/(loss) before taxes	269	275	-2.2%	368
% of sales	4.6%	4.9%		4.9%
Taxes	(75)	(77)		(106)
Net profit/(loss) for the period	194	198	-2.0%	262
% of sales	3.3%	3.5%		3.5%
Attributable to:				
Owners of the parent	196	188		246
Non-controlling interests	(2)	10		16

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

Operating income (A)	341	333	2.4%	447
EBITDA (B)	512	488	5.0%	645
Adjustments:				
Company reorganisation	12	27		50
Non-recurring expenses/(income):				
Antitrust	17	-		(1)
Other non-operating expenses/(income)	4	12		17
Total adjustments (C)	33	39		66
Fair value change in metal derivatives (D)	2	(24)		(54)
Fair value stock options (E)	37	35		49
Impairment and impairment reversal of assets (F)	-	15		30
Adjusted operating income (A+C+D+E+F)	413	398	3.8%	538
Adjusted EBITDA (B+C)	545	527	3.3%	711

The Group's Adjusted EBITDA in the first nine months of 2017 was up on the same period last year.

Although the Energy Projects segment reported a year-on-year decline in volumes, the third-quarter figures showed a strong recovery from previous quarters; the segment's profitability was higher than in the same period of 2016, thanks to a favourable mix of projects and service and installation activities.

The profitability of the Energy Products segment in the first nine months of 2017 has reflected mixed performance within the various business lines. Within Energy and Infrastructure, Power Distribution profitability and sales volumes remained down on the previous year, while, despite some slight improvement in the third quarter since the earlier part of the year, year-on-year performance for the Trade & Installers business continued to flag, particularly due to the results of the Omani subsidiary. Within Industrial & Network Components, the Automotive business continued to perform well, confirming the benefits of having reorganised manufacturing footprint in the past year. In addition, the OEM business continued to report positive year-on-year performance to the end of September thanks to a strong second quarter. However, the Renewables and Elevator businesses continued to underperform.

Compared with the same period last year, the OIL & GAS segment saw its nine-month profitability penalised by a downturn in the Umbilical cables business in Brazil. In the DHT cables business, the contraction in volumes for international projects in the North Sea, West Africa and Asia was partially offset by North American volumes associated with shale oil production and with synergies arising from the integration of Gulf Coast Downhole Technologies LLC; lastly, the Core Oil&Gas business has seen a resurgence in demand for onshore projects.

The Telecom segment confirmed its upward momentum, thanks to persistently strong demand for optical fibre cables, particularly in fast-developing regions like China and APAC; optical fibre cable consumption continued to expand in North America, like in Europe where the uptrend is being stimulated by plans under the Digital Agenda for Europe 2025. Demand for copper cables continued to flag, as expected, while the MMS cable market reported timid global growth, driven by Asia and, in the case of the optical cables segment, by China.

The Group's sales in the first nine months of 2017 came to Euro 5,865 million, compared with Euro 5,660 million in the same period of 2016, posting a positive change of Euro 205 million (+3.6%).

The growth in sales was attributable to the following factors:

- negative effect of Euro 37 million (-0.7%) arising from changes in the scope of consolidation following the disposal of the high voltage cables business of Prysmian Baosheng in China as partially offset by the acquisition of Corning Optical Communications GmbH & Co. KG. in the Multimedia Solutions business;
- decrease of Euro 62 million (-1.1%) in organic sales growth;
- decrease of Euro 53 million (-0.9%) due to adverse exchange rate effects;
- sales price increase of Euro 357 million (+6.3%) following metal price fluctuations (copper, aluminium and lead).

Negative organic sales growth of -1.1% is analysed between the four operating segments as follows:

Energy Projects	-6.7%;
Energy Products	-0.2%;
OIL & GAS	-13.0%;
Telecom	+5.9%.

Group Adjusted EBITDA (before net expenses for company reorganisation, net non-recurring expenses and other net non-operating expenses totalling Euro 33 million) came to Euro 545 million, posting an increase of Euro 18 million on the corresponding 2016 figure of Euro 527 million (+3.3%). Adjusted EBITDA for the first nine months of 2017 reflects the negative impact of Euro 4 million in exchange rate effects compared with 2016, mainly resulting from depreciation of the British Pound and Turkish Lira, but also of the Chinese Renminbi and Argentine Peso, which only partially offset appreciation of the Australian Dollar and Brazilian Real in the earlier part of the year.

EBITDA is stated after net expenses for company reorganisation, net non-recurring expenses and other net non-operating expenses totalling Euro 33 million (Euro 39 million in the first nine months of 2016). Such adjustments in the first nine months of 2017 mainly comprise costs for reorganising and improving efficiency and increases in and releases of the provisions for risks and charges relating to the remaining unsettled antitrust matters.

Group operating income came to Euro 341 million in the first nine months of 2017, compared with Euro 333 million in the first nine months of 2016, posting an increase of Euro 8 million.

Net finance costs came to Euro 72 million in the first nine months of 2017, compared with Euro 58 million in the previous year. The increase of Euro 14 million is mainly attributable to the non-cash cost of the new convertible bond, to higher non-operating finance costs and exchange rate differences, which were positive last year.

Taxes came to Euro 75 million, representing an effective tax rate of around 28.0%.

Net profit for the first nine months of 2017 was Euro 194 million (of which Euro 196 million attributable to the Group), compared with Euro 198 million in the first nine months of 2016 (of which Euro 188 million attributable to the Group and Euro 10 million to non-controlling interests).

REVIEW OF ENERGY PROJECTS OPERATING SEGMENT

(in millions of Euro)

	9 months 2017	9 months 2016	% change	2016
Sales	1,039	1,172	-11.4%	1,634
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	179	172	3.9%	260
% of sales	17.2%	14.6%		15.9%
Adjusted EBITDA	179	172	4.1%	260
% of sales	17.2%	14.6%		15.9%
EBITDA	162	169	-4.1%	275
% of sales	15.6%	14.4%		16.8%
Amortisation and depreciation	(30)	(26)		(36)
Adjusted operating income	149	146	1.9%	224
% of sales	14.3%	12.4%		13.7%

Reconciliation of Operating Income / Adjusted EBITDA

EBITDA (A)	162	169	-4.1%	275
Adjustments:				
Company reorganisation	-	-		-
Non-recurring expenses/(income):				
Antitrust	17	-		(1)
Other non-operating expenses/(income)	-	3		(14)
Total adjustments (B)	17	3		(15)
Adjusted EBITDA (A+B)	179	172	4.1%	260

The Energy Projects Operating Segment incorporates the high-tech High Voltage underground and Submarine businesses, focused on projects and their execution, as well as on product customisation.

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, tech-driven 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 600 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 700 kV; cables insulated with extruded polymer for AC transmission up to 400 kV and DC transmission up to 600 kV. The Group uses specific technological solutions for power transmission and distribution in underwater environments, which also satisfy the strictest international standards.

MARKET OVERVIEW

The submarine cables business has seen a substantial growth in market demand in the first nine months of 2017 compared with the same period of 2016 thanks to the award of major projects both for interconnectors (IFA2) and for offshore wind farms connections (RTE Offshore, Dolwin6). This market is expected to grow in coming years, especially in the Offshore Wind segment, fostered by the continuous reduction in electricity generation costs and the consequent increase in competitiveness.

Demand in the high voltage underground business has been essentially stable in Europe, with a mixed trend in the different countries, while reporting a downturn in North America and the Middle East. By contrast, demand has continued to grow in South East Asia, where the Group has won a number of major interconnection projects.

FINANCIAL PERFORMANCE

Sales to third parties by the Energy Projects segment amounted to Euro 1,039 million in the first nine months of 2017, compared with Euro 1,172 million in the same period of 2016, posting a negative change of Euro 133 million (-11.4%).

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

- negative organic sales growth of Euro 78 million (-6.7%);
- decrease of Euro 8 million (-0.8%) for exchange rate fluctuations;
- sales price increase of Euro 5 million (+0.5%) for metal price fluctuations;
- decrease of Euro 52 million (-4.4%) due to the change in scope of consolidation after disposing of the interest in Prysmian Baosheng Cable Co. Ltd, a Chinese company deconsolidated from December 2016.

The organic decline in sales recorded in the first nine months of 2017 is attributable to different phasing and mix of Submarine projects and soft High Voltage demand in some European markets (mainly France and the Nordics) and in North America.

Segment profitability was higher than in the same period of 2016, thanks to a favourable mix of projects and service and installation activities, which benefited from the deployment of new installation assets, like the third cable-laying vessel *Ulisse* and cable burial equipment.

The availability of these new assets is allowing the Group to bring back in-house more high-margin activities. The Group has confirmed its important presence in Middle and Far East markets, which continue to be characterised by growing demand for energy infrastructure but also by lower profit margins.

The main submarine cable projects on which work was performed during the period were the link between Italy and Montenegro, the links between offshore wind farms in the North and Baltic Seas and the German mainland (Borwin3, 50Hertz), the Western HVDC Link in the United Kingdom, the interconnector between Norway and Britain (North Sea Link) and the interconnector between the Netherlands and Denmark (CoBRA cable).

Most of the sales in the first nine months of the year derived from cable manufacturing activities by the Group's industrial facilities (Pikkala in Finland, Arco Felice in Italy and Drammen in Norway) and from installation services.

The value of the Group's Submarine order book is around Euro 2.1 billion, ensuring sales visibility for a time horizon of about two years. The order book mainly consists of the following contracts: the link between Montenegro and Italy (Monita); the interconnector between Norway and Britain (North Sea Link); the CoBRA cable between the Netherlands and Denmark; inter-array and export cables for offshore wind platforms (Deutsche Bucht); links between offshore wind farms in the North and Baltic Seas and the German mainland (BorWin3, 50Hertz); the interconnector between England and Scotland (Western HVDC Link); the Hainan2 project in China; the new interconnection project between France and the UK (IFA2); and the new offshore project in France.

The value of the Group's High Voltage order book is stable at around Euro 420 million.

Adjusted EBITDA recorded in the first nine months of 2017 came to Euro 179 million, up from Euro 172 million in the same period of 2016, posting an increase of Euro 7 million (+4.1%).

REVIEW OF ENERGY PRODUCTS OPERATING SEGMENT

(in millions of Euro)

	9 months 2017	9 months 2016	% change	2016
Sales	3,672	3,398	8.1%	4,469
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	190	216	-11.8%	277
% of sales	5.2%	6.3%		6.2%
Adjusted EBITDA	194	217	-10.9%	280
% of sales	5.3%	6.4%		6.3%
EBITDA	189	188	0.7%	216
% of sales	5.1%	5.5%		4.8%
Amortisation and depreciation	(60)	(62)	-4.1%	(82)
Adjusted operating income	134	155	-13.7%	198
% of sales	3.7%	4.6%		4.4%

Reconciliation of Operating Income / Adjusted EBITDA

EBITDA (A)	189	188	0.7%	216
Adjustments:				
Company reorganisation	7	20		38
Non-recurring expenses/(income):				
Antitrust	-	-		-
Other non-operating expenses/(income)	(2)	9		26
Total adjustments (B)	5	29		64
Adjusted EBITDA (A+B)	194	217	-10.9%	280

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 and Trade & Installers) and Industrial & Network Components (comprising Specialties & OEM, Elevators, Automotive and Network Components).

Sales to third parties by the Energy Products operating segment amounted to Euro 3,672 million in the first nine months of 2017, compared with Euro 3,398 million in the first nine months of 2016, posting a change of Euro 274 million (+8.1%), due to the combined effect of the following main factors:

- negative organic sales growth of Euro 6 million (-0.2%), reflecting a contraction in volumes in Europe and North America, partly offset by positive performance in Northern Europe and growth in some Asian countries;
- decrease of Euro 47 million (-1.3%) linked to unfavourable exchange rate movements;
- sales price increase of Euro 327 million (+9.6%) for metal price fluctuations.

Adjusted EBITDA for the first nine months of 2017 came to Euro 194 million, down Euro 23 million (-10.9%) from Euro 217 million in the same period of 2016.

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 2017	9 months 2016	% change	% organic sales changes	2016
Sales	2,467	2,300	7.3%	-1.2%	3,016
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	105	122	-14.0%		152
% of sales	4.3%	5.3%			5.0%
Adjusted EBITDA	107	123	-13.3%		154
% of sales	4.3%	5.4%			5.1%
Adjusted operating income	64	76	-15.8%		92
% of sales	2.6%	3.3%			3.0%

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 buildings*. 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.

In the first nine months of 2017, the European Trade & Installers market has continued to be characterised by generally stable or declining demand in most countries, with the exception of Northern Europe; demand has remained weak in Turkey as a result of the Turkish Lira's depreciation and the country's economic and political instability.

As for Power Distribution, the trend in the principal European countries in recent years has reflected generally stagnant energy consumption, which in turn has adversely affected demand by the major utilities. The latter, operating in a recessionary economic environment, have either maintained extremely cautious positions given the difficulty of forecasting future growth, or else they have concentrated on business restructuring to improve efficiency and reduce supply-side costs. This situation has exacerbated the competitive environment in terms of price and mix, leaving an extremely challenging context almost everywhere. However, since last year certain areas, like some Nordic and Asian countries, have started to see a resumption in investment activity.

In the first nine months of 2017, the Power Distribution business has seen stable or declining demand in the markets of Central and Southern Europe, while displaying positive signs in North America, in some Asian markets (Indonesia) and Northern Europe.

FINANCIAL PERFORMANCE

Sales to third parties by the Energy & Infrastructure business area amounted to Euro 2,467 million in the first nine months of 2017, compared with Euro 2,300 million in the corresponding period of 2016, posting a positive change of Euro 167 million (+7.3%) due to the combined effect of the following main factors:

- negative organic sales growth of Euro 29 million (-1.2%);
- decrease of Euro 33 million (-1.5%) for adverse exchange rate fluctuations;
- sales price increase of Euro 229 million (+10.0%) for metal price fluctuations.

Prysmian Group has carried on its strategy for the Energy & Infrastructure business of focusing on relationships with top international customers and of developing 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.

In the first nine months of 2017, the Group witnessed a drop in volumes in some areas, like North America, due to government policies concerning renewable energy investments (wind farms), and Germany, in contrast with the same period last year which had enjoyed a strong first half. However, a recovery in infrastructure investment allowed demand to remain robust in other European countries (like Finland).

In particular, in the third quarter of 2017, certain countries in Central and Southern Europe (like Italy, Spain and the Netherlands) enjoyed a strong performance thanks to strict application of the Construction Products Regulation (EU Regulation 305/2011), which became mandatory from 1 July 2017 in every European Union member state.

The rest of Europe has stayed largely stable with a contraction in low margin segments and persistent pressure on prices which the Group has sought to resist through the industrial reorganisation programs undertaken in recent years.

The Omani subsidiary has continued to perform poorly, reflecting conditions on the local market. Business in Argentina has continued to follow a negative trend in a complex market environment, while China and New Zealand have both performed well.

Given the factors described above, Adjusted EBITDA for the first nine months of 2017 came to Euro 107 million, down from Euro 123 million in the same period last year.

INDUSTRIAL & NETWORK COMPONENTS

(in millions of Euro)

	9 months 2017	9 months 2016	% change	% organic sales changes	2016
Sales	1,100	1,021	7.7%	2.2%	1,343
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	86	95	-8.1%		126
% of sales	7.9%	9.3%			9.4%
Adjusted EBITDA	88	95	-7.3%		127
% of sales	8.0%	9.3%			9.5%
Adjusted operating income	72	81	-10.6%		108
% of sales	6.6%	7.9%			8.0%

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.

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 the first nine months of 2017 have displayed considerable inconsistencies between the various business lines and large differences between the diverse 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 Railway), and the Automotive business, while other segments have seen volumes decline in specific countries due to delays in investment projects in areas of national interest such as Defence and Nuclear, accompanied by a temporary slowdown in demand for the Crane business.

The Elevator market has continued to grow in EMEA, while remaining largely stable in North America and APAC.

The Automotive market has continued to enjoy growing demand almost everywhere, but even though the market has stabilised, it is increasingly seeing a general build-up of competitive pressure especially in low-end segments. Market demand remains sustained in APAC and Central and South America.

FINANCIAL PERFORMANCE

Sales to third parties by the Industrial & Network Components business area amounted to Euro 1,100 million in the first nine months of 2017, compared with Euro 1,021 million in the corresponding period of 2016, recording a positive change of Euro 79 million (+7.7%) due to the combined effect of the following main factors:

- positive organic growth of Euro 23 million (+2.2%);
- decrease of Euro 12 million (-1.1%) for adverse exchange rate fluctuations;
- sales price increase of Euro 68 million (+6.6%) for metal price fluctuations.

Overall performance in the first nine months of 2017 by the industrial applications business was not affected by the instability of investment demand in some sectors, given the Group's wide range of products and the highly customised nature of its solutions allowing the necessary differentiation geographically and by application.

In the OEM market, the Group posted strong growth in Asia-Pacific, North America and Turkey in contrast with a largely flat performance in Europe. As for the different sectors, the Railway business repeated its good first-half performance, accompanied by a growth in orders, as did the Infrastructure business; after a rather poor start to the year, Mining recovered while Crane, Marine and Defence all remained weak.

The Elevator business was affected in the first nine months of 2017 by rising price pressure and project delays, partly offset by actions to expand the product portfolio.

The EMEA market continued to grow like in previous quarters, while the APAC market was affected by rising pressure on prices of low value-added products and by softer demand. By contrast, the market in North America has seen stable demand in the first nine months of 2017, mostly concentrated on low value-added products.

The Automotive business has reported a year-on-year improvement in margins thanks to the strategy of focusing on top-end and high value-added segments of the business and to improved industrial performance. There has been continued competitive pressure at the lower end of the market from countries with lower labour costs and from cable manufacturers intercepting the market upstream.

The Network Components business area has recorded positive results for Medium and Low Voltage applications, driven by robust demand in North America and Europe, while the High Voltage and Extra High Voltage market segment was affected by a downturn in demand in European and APAC markets.

Given the factors described above, Adjusted EBITDA for the first nine months of 2017 came to Euro 88 million, down from Euro 95 million in the same period last year.

OTHER

(in millions of Euro)

	9 months 2017	9 months 2016	2016
Sales	105	77	110
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	(1)	(1)	(1)
Adjusted EBITDA	(1)	(1)	(1)
Adjusted operating income	(2)	(2)	(2)

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 OIL & GAS OPERATING SEGMENT

(in millions of Euro)

	9 months 2017	9 months 2016	% change	2016
Sales	201	225	-10.9%	300
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	5	9	-50.7%	8
% of sales	2.3%	4.1%		2.7%
Adjusted EBITDA	5	9	-50.4%	8
% of sales	2.3%	4.1%		2.7%
EBITDA	3	8	-64.5%	8
% of sales	1.6%	3.6%		2.7%
Amortisation and depreciation	(13)	(11)		(15)
Adjusted operating income	(8)	(2)		(7)
% of sales	-3.8%	-1.0%		-2.4%

Reconciliation of Operating Income / Adjusted EBITDA

EBITDA (A)	3	8	-64.5%	8
Adjustments:				
Company reorganisation	1	1		2
Non-recurring expenses/(income):				
Antitrust	-	-		-
Other non-operating expenses/(income)	1	-		(2)
Total adjustments (B)	2	1		-
Adjusted EBITDA (A+B)	5	9	-50.4%	8

The OIL & GAS operating segment encompasses the businesses of SURF (Subsea Umbilical, Riser and Flowline), DHT (Downhole Technology) and Core Cable Oil & Gas (cables for Upstream, Midstream and Downstream applications) and is characterised by its focus on the oil industry.

Prysmian offers a wide range of products able to serve every onshore and offshore need, including the design and supply of: multipurpose umbilical systems (for power and data communications transmission and for hydraulic powering of wellheads by offshore platforms and/or by floating, production, storage and offloading vessels); flexible offshore pipes for transporting hydrocarbons; Downhole Technology (DHT) solutions, which include cables encased in insulated tubing to control and power systems inside extraction and production machinery both offshore and onshore.

The range of products for the OIL & GAS industry also includes low and medium voltage power cables, and instrumentation and control cables for offshore and onshore applications. The onshore product range is able to support applications in the Upstream, Midstream and Downstream segments.

MARKET OVERVIEW

The SURF business has seen a steep contraction in prices during the first nine months of 2017 due to strong competition on local markets.

In the Downhole Technology business, volumes associated with shale oil production in North America have continued to grow, while international projects in the North Sea, West Africa and Asia have remained in retreat. Growth has resumed in the Middle East thanks to onshore investments in Saudi Arabia.

The Core Oil & Gas business has continued to show signs of recovery, propelled by North American, Russian and Middle Eastern markets. Offshore activities remain highly depressed with pressure impacting not only the major Asian shipyards (in Singapore and Korea) but also EPC contractors. The drilling sector is recovering, largely driven by the US market, while the MRO segment remains weak.

FINANCIAL PERFORMANCE

Sales to third parties by the OIL & GAS segment amounted to Euro 201 million in the first nine months of 2017, compared with Euro 225 million in the same period of 2016, posting a negative change of Euro 24 million (-10.9%).

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

- negative organic sales growth of Euro 29 million (-13.0%);
- negative effect of Euro 3 million (-1.2%) for exchange rate fluctuations;
- sales price increase of Euro 8 million (+3.3%) for metal price fluctuations.

The performance of the OIL & GAS segment has been hit by the drop in oil prices, in turn affecting decisions by the industry's major players, in particular:

- the SURF business has experienced a contraction in the umbilicals market in Brazil, Prysmian's main outlet for these products, linked to the limited tendering activity by Petrobras;
- demand for Downhole Technology products has suffered a 15% reduction on 2016 levels in connection with international projects in the North Sea, West Africa and Asia. However, the decline has been partly offset by North American volumes linked to shale oil production and by commercial synergies from the process of integrating Gulf Coast Downhole Technologies LLC;
- the Core Oil & Gas business has witnessed a recovery in onshore project demand. The business's overall profitability is still being affected by the drop in higher-margin MRO and offshore volumes.

Adjusted EBITDA for the first nine months of 2017 was Euro 5 million, down from Euro 9 million in the same period of 2016 as a result of lower turnover by the SURF business in Brazil.

REVIEW OF TELECOM OPERATING SEGMENT

(in millions of Euro)	9 months 2017	9 months 2016	% change	2016
Sales	953	865	10.2%	1,164
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	135	106	28.1%	135
% of sales	14.2%	12.2%		11.6%
Adjusted EBITDA	167	129	30.3%	163
% of sales	17.6%	14.9%		14.0%
EBITDA	165	128	29.8%	158
% of sales	17.3%	14.7%		13.6%
Amortisation and depreciation	(29)	(30)		(40)
Adjusted operating income	138	99	39.8%	123
% of sales	14.5%	11.4%		10.6%

Reconciliation of Operating Income / Adjusted EBITDA

EBITDA (A)	165	128	29.8%	158
Adjustments:				
Company reorganisation	2	2		6
Non-recurring expenses/(income):				
Antitrust	-	-		-
Other non-operating expenses/(income)	-	(1)		(1)
Total adjustments (B)	2	1		5
Adjusted EBITDA (A+B)	167	129	30.3%	163

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, such as single-mode, multimode and specialty fibres, designed and manufactured to cater to the broadest possible spectrum of customer applications.

Optical cables

Optical fibres are employed in the production of standard optical cables or those specially designed for challenging or inaccessible environments. 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 level of performance demanded of optical networks, 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 quickly and easily. 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

The global optical fibre cables market has expanded in the first nine months of 2017 compared with the same period last year. Demand has grown in fast-developing markets (China and APAC) which alone account for more than 50% of the market. Optical fibre cable consumption has continued to expand in North America, and in Europe thanks to plans under the Digital Agenda for Europe 2025. The latter envisages the provision of three levels of minimum service depending on the type of user. In fact, government offices and entities like schools and hospitals will benefit from a bandwidth of at least 1 Gb/s. Likewise, the entire residential population will be connected with 100 Mb/s, while all urban areas and transport corridors should have broadband mobile coverage with 5G technology. In Europe, the network architectures used vary according to decisions made by each country. FTTH networks are the preference in France, Spain, Portugal and the Nordics, while G.Fast is the norm in Germany and Britain; although these systems use the last metres of the existing copper network, massive volumes of optical cables are nonetheless required to upgrade the distribution networks. In other places like Italy, the two technologies coexist.

In Brazil, despite uncertainty about the country's macroeconomic performance and growth prospects, there has been a slight recovery in investments by the major telecom carriers, both in copper and optical fibre cables.

North America continues to see a big increase in data consumption by all sectors of society. As a result, the major market players - AT&T and Verizon to name just a few - are investing in fibre network infrastructure. By way of example, Verizon has announced that it is upgrading its network architecture around a next-generation fibre platform with the aim of increasing 4G coverage and laying the foundations for the subsequent development of 5G and IoT (Internet of Things) technology.

In conclusion, the growing demand for data on both fixed and mobile networks is leading to a progressive convergence between the two and to a consequent increase in fibre infrastructure investments.

The copper cable market is slowing down due to the maturity of the products concerned. The decline in this market was increasingly evident in the first nine months of 2017, with high demand for internet access causing major operators to opt to renew their networks using optical fibre, rather than perform maintenance

or upgrade work on existing networks. It is still worth remaining in this segment since the gradual decommissioning of assets by competitor cable manufacturers nonetheless offers attractive opportunities.

The MMS cable market has reported timid global growth, driven by Asia and, in the case of the optical cables segment, by China. Growth in demand is being fuelled by requests for ever greater bandwidth capacity in professional and office environments and data centres. Interestingly, this trend applies to both new buildings and projects to renovate existing ones. An important contribution to this growth is coming from industrial applications (Industry 4.0) that require new highly specialised products. Another important source of growth is 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 953 million in the first nine months of 2017, compared with Euro 865 million in the first nine months of 2016, posting a positive change of Euro 88 million (+10.2%).

This change is attributable to the following factors:

- organic sales growth of Euro 51 million (+5.9%), mainly thanks to volume recovery for optical fibre cables;
- positive change of Euro 5 million (+0.6%) for exchange rate fluctuations;
- increase of Euro 15 million (+1.8%) due to change in the scope of consolidation after acquiring the data cables business from Corning Optical Communications GmbH & Co. KG.;
- sales price increase of Euro 17 million (+1.9%) for metal price fluctuations.

The organic growth in 2017 nine-month sales reflects the positive trend already observed last year. This mainly derives from the constant growth in demand for optical fibre and special cables, reflecting developments in major investment projects. Volume trends in Europe have been positive while the general price pressure seen in the first part of the previous year has stabilised.

The Group has won important contracts with leading operators in Europe for the construction of backhaul links and FTTH connections. The network development plan in rural areas is progressing in the Netherlands, while a national plan is being implemented by Swisscom in Switzerland. In France the "Très Haut Débit" broadband roll-out project is progressing at full speed.

In North America, the development of new ultra-broadband networks is generating a steady increase in domestic demand from which Prysmian is benefiting. As part of a massive multi-year investment program by Verizon, one of the major US incumbents, Prysmian has recently signed a three-year agreement to supply optical fibre cables starting from January 2018. At the same time, the Group has announced it will increase the production capacity of its North American plants to support this growth.

In Brazil, there has been a slight increase in investments by the major telecom carriers in both copper and optical fibre cables.

The high value-added business of optical connectivity accessories has performed well, thanks to the development of new FTTx networks (for last mile broadband access) in Europe, particularly in France and Britain.

The Multimedia Solutions business has posted increased profitability compared with the same period last year. This positive result has been achieved thanks to the ability to satisfy growing demand with a high level of responsiveness and service.

The return on investments to reduce optical fibre costs and the relocation of some cable manufacturing sources to Eastern Europe have also made a substantial contribution to the segment's overall results.

Adjusted EBITDA for the first nine months of 2017 came to Euro 167 million, reporting an increase of Euro 38 million (+30.3%) from Euro 129 million in the corresponding period of 2016, 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 2017	30 September 2016	Change	31 December 2016
Net fixed assets	2,598	2,578	20	2,630
Net working capital	794	693	101	325
Provisions and net deferred taxes	(348)	(303)	(45)	(360)
Net capital employed	3,044	2,968	76	2,595
Employee benefit obligations	369	393	(24)	383
Total equity	1,623	1,558	65	1,675
of which attributable to non-controlling interests	190	223	(33)	227
Net financial debt	1,052	1,017	35	537
Total equity and sources of funds	3,044	2,968	76	2,595

NET FIXED ASSETS

(in millions of Euro)

	30 September 2017	30 September 2016	Change	31 December 2016
Property, plant & equipment	1,632	1,580	52	1,631
Intangible assets	743	781	(38)	792
Equity-accounted investments	211	187	24	195
Available-for-sale financial assets	12	12	-	12
Asset held for sale	-	18	(18)	-
Net fixed assets	2,598	2,578	20	2,630

(*) These include the value of Land, Buildings and Other property, plant and equipment classified as Assets held for sale.

Net fixed assets amounted to Euro 2,598 million at 30 September 2017, compared with Euro 2,630 million at 31 December 2016, posting a decrease of Euro 32 million mainly due to the combined effect of the following factors:

- Euro 164 million in net capital expenditure on property, plant and equipment and intangible assets;
- Euro 132 million in depreciation and amortisation charges for the period;
- Euro 81 million in adverse currency translation differences affecting property, plant and equipment and intangible assets;
- Euro 16 million for the net increase in equity-accounted investments, mainly comprising Euro 36 million for the share of net profit/(loss) of equity-accounted companies, less Euro 9 million in dividend payments and Euro 12 million in negative currency translation differences.

NET WORKING CAPITAL

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

(in millions of Euro)

	30 September 2017	30 September 2016	Change	31 December 2016
Inventories	1,069	961	108	906
Trade receivables	1,265	1,107	158	1,088
Trade payables	(1,564)	(1,407)	(157)	(1,498)
Other receivables/(payables)	4	40	(36)	(178)
Net operating working capital	774	701	73	318
Derivatives	20	(8)	28	7
Net working capital	794	693	101	325

Net working capital of Euro 794 million at 30 September 2017 was Euro 469 million higher than the corresponding figure of Euro 325 million at 31 December 2016. Net operating working capital amounted to Euro 774 million (10.0% of annualised sales) at 30 September 2017, an increase of Euro 456 million from Euro 318 million (4.2% of sales) at 31 December 2016, 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 considerable reduction in without-recourse factoring of trade receivables;
- an increase linked to fluctuations in metal prices (copper, aluminium, lead);
- a slight decrease for currency translation differences.

NET FINANCIAL DEBT

The following table provides a detailed breakdown of net financial debt:

(in millions of Euro)

	30 September 2017	30 September 2016	Change	31 December 2016
Long-term financial payables				
CDP Loan	100	-	100	-
EIB Loan	42	58	(16)	58
Non-convertible bond	743	741	2	741
Convertible bond 2013	-	286	(286)	288
Convertible bond 2017	454	-	454	-
Other financial payables	21	36	(15)	27
Total long-term financial payables	1,360	1,121	239	1,114
Short-term financial payables				
EIB Loan	17	17	-	17
Non-convertible bond	9	9	-	14
Convertible bond 2013	296	-	296	1
Revolving credit facility 2014	-	50	(50)	50
Derivatives	1	3	(2)	1
Other financial payables	80	213	(133)	90
Total short-term financial payables	403	292	111	173
Total financial liabilities	1,763	1,413	350	1,287
Long-term financial receivables	1	1	-	2
Long-term bank fees	1	3	(2)	2
Financial assets held to maturity	2	-	2	2
Short-term derivatives	-	1	(1)	1
Short-term financial receivables	6	6	-	38
Short-term bank fees	2	2	-	2
Financial assets held for trading	61	69	(8)	57
Available-for-sale financial assets	11	-	11	-
Cash and cash equivalents	627	314	313	646
Total financial assets	711	396	315	750
Net financial debt	1,052	1,017	35	537

Net financial debt of Euro 1,052 million at 30 September 2017 has increased by Euro 515 million from Euro 537 million at 31 December 2016. As regards the principal factors behind the change in net financial debt, reference should be made to the next section containing the "Statement of cash flows".

STATEMENT OF CASH FLOWS

(in millions of Euro)	9 months 2017	9 months 2016	Change	12 months (from 1st October 2016 to 30th September 2017)	2016
EBITDA	512	488	24	669	645
Changes in provisions (including employee benefit obligations)	(20)	(6)	(14)	7	21
(Gains)/losses on disposal of property, plant and equipment, intangible assets and non-current assets	(1)	(1)	-	(3)	(3)
(Gains)/losses from acquisition or disposal	-	(5)	5	(13)	(18)
Share of net profit/(loss) of equity-accounted companies	(36)	(24)	(12)	(43)	(31)
Net cash flow provided by operating activities (before changes in net working capital)	455	452	3	617	614
Changes in net working capital	(508)	(342)	(166)	(99)	67
Taxes paid	(78)	(53)	(25)	(101)	(76)
Dividends from investments in equity-accounted companies	9	7	2	12	10
Net cash flow provided/(used) by operating activities	(122)	64	(186)	429	615
Cash flow from acquisitions and/or disposals	(3)	-	(3)	28	31
Net cash flow used in operating activities	(164)	(152)	(12)	(239)	(227)
<i>Of which for acquisition of ShenHuan assets</i>	<i>(35)</i>	<i>-</i>	<i>(35)</i>	<i>(46)</i>	<i>(11)</i>
Free cash flow (unlevered)	(289)	(88)	(201)	218	419
Net finance costs	(50)	(57)	7	(61)	(68)
Free cash flow (levered)	(339)	(145)	(194)	157	351
Share buy back	(100)	-	(100)	(100)	-
Dividend distribution	(102)	(101)	(1)	(103)	(102)
Net cash flow provided/(used) in the period	(541)	(246)	(295)	(46)	249
Opening net financial debt	(537)	(750)	213	(1,017)	(750)
Net cash flow provided/(used) in the period	(541)	(246)	(295)	(46)	249
Equity component of Convertible Bond	48	-	48	48	-
Other changes	(22)	(21)	(1)	(37)	(36)
Closing net financial debt	(1,052)	(1,017)	(35)	(1,052)	(537)

With reference to the first nine months of 2017, net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 455 million.

This cash flow was absorbed by the increase of Euro 508 million in net working capital described earlier. After Euro 78 million in tax payments and Euro 9 million in dividend receipts, net cash flow from operating activities in the first nine months of 2017 was therefore a negative Euro 122 million.

The first nine months of 2017 saw a net cash outflow of Euro 3 million for acquisitions and disposals of equity investments, attributable to the purchase of non-controlling interests in subsidiaries.

Net operating capital expenditure amounted to Euro 164 million in the first nine months of 2017, a large part of which relating to projects to increase, rationalise and technologically upgrade production capacity and to develop new products.

In addition, Euro 50 million in net finance costs were paid during the nine-month period, as well as Euro 102 million to distribute dividends and Euro 100 million to buy back the Company's shares.

Net financial debt also benefited from Euro 48 million for the equity component of the convertible bond issued in January 2017.

With reference to the statement of cash flows for the past twelve months, the principal factors that influenced the change were:

- Euro 617 million in net cash flow provided by operating activities before changes in net working capital;
- Euro 99 million in cash flow used by the increase in net working capital, Euro 101 million in tax payments and Euro 12 million in dividend receipts, all of which contributing to Euro 429 million in net cash inflow from operating activities;
- Euro 239 million in net operating capital expenditure over the past 12 months;
- Euro 28 million in net cash inflows provided by acquisitions and disposals of equity investments;
Euro 61 million in payments for finance costs, Euro 103 million for dividends and Euro 100 million to buy back the Company's shares.

As noted above, net financial debt also benefited from Euro 48 million for the equity component of the convertible bond issued in January 2017.

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.

In this regard, on 3 December 2015, Consob adopted the ESMA guidelines in Italy with publication of "ESMA Guidelines/2015/1415" which supersede the "CESR Recommendation 2005 (CESR/05-178b)". The alternative performance measures have therefore been revised in light of these guidelines.

The alternative indicators used for reviewing the income statement include:

- **Adjusted operating income:** operating income before income and expense for company reorganisation⁽¹⁾, before non-recurring items⁽²⁾, as presented in the consolidated income statement, before other non-operating income and expense⁽³⁾ and before the fair value change in metal derivatives and in other fair value items. 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 income and expense for company reorganisation, before non-recurring items, as presented in the consolidated income statement, and before other non-operating income and expense. 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;

(1) Income and expense for company reorganisation: these refer to income and expense that arise as a result of the closure of production facilities and/or as a result of projects to enhance the organisational structure's efficiency;

(2) Non-recurring income and expense: these refer to income and expense related to unusual events that have not affected the income statement in past periods and that will probably not affect the results in future periods;

(3) Other non-operating income and expense: these refer to income and expense that management considers should not be taken into account when measuring business performance.

- **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 net financial debt
 - 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 net financial debt
 - Other current receivables and payables, net of short-term financial receivables classified in net financial debt
 - Derivatives net of financial instruments for hedging interest rate and currency risks relating to financial transactions, classified in net financial debt
 - 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 net financial debt
 - Other current receivables and payables, net of long-term financial receivables classified in net financial debt
 - Current tax payables

- **Provisions and net deferred taxes:** 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 debt:** 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 2017

(in millions of Euro)

	Note	30 September 2017		31 December 2016	
		Partial amounts from financial statements	Total amounts from financial statements	Partial amounts from financial statements	Total amounts from financial statements
Net fixed assets					
Property, plant and equipment	1		1,632		1,631
Intangible assets	1		743		792
Equity-accounted investments	2		211		195
Available-for-sale financial assets			12		12
Assets held for sale			-		-
Total net fixed assets	A		2,598		2,630
Net working capital					
Inventories	B		1,069		906
Trade receivables	C		1,265		1,088
Trade payables	D		(1,564)		(1,498)
Other receivables/payables - net	E		4		(178)
of which:					
Other receivables - non-current	3	14		17	
Tax receivables	3	4		5	
Receivables from employees	3	1		1	
Other	3	9		11	
Other receivables - current	3	762		748	
Tax receivables	3	142		132	
Receivables from employees and pension plans	3	6		4	
Advances to suppliers	3	18		19	
Other	3	118		105	
Construction contracts	3	478		488	
Other payables - non-current	10	(17)		(18)	
Tax and social security payables	10	(5)		(6)	
Payables to employees	10	(2)		(2)	
Other	10	(10)		(10)	
Other payables - current	10	(699)		(875)	
Tax and social security payables	10	(148)		(121)	
Advances from customers	10	(203)		(377)	
Payables to employees	10	(94)		(74)	
Accrued expenses	10	(108)		(130)	
Other	10	(146)		(173)	
Current tax payables		(56)		(50)	
Total net operating working capital	F = B+C+D+E		774		318
Derivatives	G	20		7	
of which:					
Forward currency contracts on commercial transactions (cash flow hedges) - non-current	5	5		(8)	
Forward currency contracts on commercial transactions (cash flow hedges) - current	5	2		(7)	
Forward currency contracts on commercial transactions - current	5	(1)		6	
Metal derivatives - non-current	5	4		(1)	
Metal derivatives - current	5	10		17	
Total net working capital	H = F+G		794		325

(in millions of Euro)

			30 September 2017		31 December 2016	
	Note	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	11		(35)		(40)	
Provisions for risks and charges - current	11		(330)		(339)	
Deferred tax assets			136		130	
Deferred tax liabilities			(119)		(111)	
Total provisions	I		(348)		(360)	
Net capital employed	L = A+H+I		3,044		2,595	
Employee benefit obligations	M	12	369		383	
Total equity	H	8	1,623		1,675	
<i>of which equity attributable to non-controlling interests</i>			190		227	
Net financial position						
Total long-term financial payables	O		1,360		1,114	
Finanziamento CDP	9	100		-		
EIB loan	9	42		58		
Non-convertible bond	9	743		741		
Convertible bond 2013	9	-		288		
Convertible bond 2017	9	454		-		
Other payables		21		27		
<i>of which:</i>						
Finance lease obligations	9	12		13		
Other financial payables	9	9		14		
Total short-term financial payables	P		403		173	
EIB loan	9	17		17		
Non-convertible bond	9	9		14		
Convertible bond 2013	9	296		1		
Revolving Credit Facility 2014	9	-		50		
Derivatives	5	1		1		
<i>of which:</i>						
Forward currency contracts on financial transactions	5	1		1		
Other payables		80		90		
<i>of which:</i>						
Finance lease obligations	9	1		1		
Other financial payables	9	79		89		
Total financial liabilities	Q = O+P		1,763		1,287	
Long-term financial receivables	R	3	(1)	(2)		
Long-term bank fees	R	3	(1)	(2)		
Short-term financial receivables	R	3	(6)	(38)		
Short-term derivatives	R	5	-	(1)		
<i>of which:</i>						
Forward currency contracts on financial transactions (current)	5	-		(1)		
Short-term bank fees	R	5	(2)	(2)		
Financial assets held to maturity	S		(2)		(2)	
Available-for-sale financial assets (current)	T		(11)		-	
Financial assets held for trading	U	6	(61)		(57)	
Cash and cash equivalents	V	7	(627)		(646)	
Total financial assets	Z = R+S+T+U+V		(711)		(750)	
Total net financial debt	W = Q+Z		1,052		537	
Total equity and sources of funds	Y = M+N+W		3,044		2,595	

Reconciliation between the principal income statement indicators and the Income Statement contained in the Consolidated Financial Statements and Explanatory Notes at 30 September 2017

(in millions of Euro)

	Note	9 months 2017 Amounts from income statement	9 months 2016 Amounts from income statement
Sales of goods and services	A	5,865	5,660
Change in inventories of work in progress, semi-finished and finished goods		122	(9)
Other income		54	47
Raw materials, consumables used and goods for resale		(3,728)	(3,339)
Personnel costs		(801)	(783)
Other expenses		(1,073)	(1,147)
Operating costs	B	(5,426)	(5,231)
Share of net profit/(loss) of equity-accounted companies	C	36	24
Fair value stock options	D	37	35
EBITDA	E = A+B+C+D	512	488
Other non-recurring expenses and revenues	F	(17)	-
Personnel costs for company reorganisation	G	(7)	(22)
Other costs and revenues for company reorganisation	H	(5)	(5)
Other non-operating expenses	I	(4)	(12)
Total adjustments	L = F+G+H+I	(33)	(39)
Adjusted EBITDA	M = E-L	545	527
Share of net profit/(loss) of equity-accounted companies	N	36	24
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	O = M-N	509	503

(in millions of Euro)

	Note	9 months 2017 Amounts from income statement	9 months 2016 Amounts from income statement
Operating income	A	341	333
Other non-recurring expenses and revenues		(17)	-
Personnel costs for company reorganisation		(7)	(22)
Other costs and revenues for company reorganisation		(5)	(5)
Other non-operating expenses		(4)	(12)
Adjusted EBITDA	B	(33)	(39)
Fair value change in metal derivatives	C	(2)	24
Fair value stock options	D	(37)	(35)
Impairment	E	-	(15)
Adjusted operating income	F=A-B-C-D-E	413	398

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In October 2017 the first requests were received to convert into shares bonds issued under the Convertible Bond 2013.

These requests related to bond conversions into a total of 17,925 shares, corresponding to bonds with a nominal value of Euro 0.4 million. The shares were made available on 31 October 2017.

No other significant events have taken place since the end of the quarterly reporting period.

BUSINESS OUTLOOK

The global economy has steadily improved over the course of 2017, as witnessed by the rise in consumer and business confidence indices in many geographical areas and by better-than-expected GDP growth by both more developed economies (Eurozone, Japan, United States and Canada) and developing countries (Russia, China and other emerging Asian economies). After a disappointing start to the year, the US economy has reported an improvement, fuelled by domestic consumer spending, with Hurricanes Irma and Harvey having negative impact. The Chinese economy has maintained a robust pace of growth throughout the year; this has been driven by positive consumer spending and trade figures, which have more than made up for the slowdown in industrial investment and construction.

In such a context, the Prysmian Group's expectation for FY 2017 is that demand in the cyclical business of building wires will be marginally higher than in 2016, reflecting recovery in European demand as partially offset by weakness in the Middle East, while demand for medium voltage cables for utilities will be slightly down, reflecting a mixed performance between the different geographical areas. The industrial cables business is forecast to make an overall improvement thanks to growth prospects for some OEM applications and for Automotive. With the Energy Projects segment seeing a slight growth in market, the Prysmian Group anticipates consolidating its leadership in Submarine cables and systems while boosting the profitability of this business through the strategy of insourcing installation activities. High Voltage underground cables and systems are expected to record a slight downturn partly due to the change in the scope of consolidation after reorganising the manufacturing footprint in China. In the Oil & Gas segment, the stabilisation of the oil price is underpinning resumed demand for cables for Onshore projects (primarily in North America and the Middle East), while activity in the Offshore projects sector remains weak, like in the SURF business, which is being affected by the softness of demand in Brazil. The Telecom segment is forecast to record strong underlying sales growth for 2017, reflecting growing demand for optical cables in North America and Europe, tempered by a slowdown in copper cable demand in Australia, in line with expectation.

In addition, assuming exchange rates remain at the same level as at the date of the present document, the effect of translating Group company results into the reporting currency is forecast to have a negative impact on the Group's expected operating income for 2017.

The Group is forecasting Adjusted EBITDA for FY 2017 in the range of Euro 710-750 million, up from the €711 million reported in 2016. This forecast is not only based on the Company's current business perimeter but also takes into account the existing order book.

FORESEEABLE RISKS IN 2017*

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 acted 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 2017 are described below according to their nature.

STRATEGIC RISKS

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 the possible occurrence of a contraction in market demand, translate into strong competitive pressure on prices with possible consequences for the Group's expected margins.

In addition, high value-added segments - like High Voltage underground cables, Optical Cables and Submarine cables - are seeing an escalation in competition both from operators already on the market and from new entrants with leaner more flexible organisational models, in both cases with potentially negative impacts on sales volumes and sales prices. With particular reference to the Submarine cables business, the high barriers to entry, linked to difficult-to-replicate ownership of technology, know-how and track record, are driving large market players to compete not so much on the product as on the related services.

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.

(*) 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 Financial Report.

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, in the face of persistent economic difficulties, then reduce investments that would otherwise develop the market. Government incentives for alternative energy sources and for developing telecom networks also face reduction for the same reason. The Prysmian Group's transmission business (high voltage submarine cables) and Power Distribution and Telecom businesses, all highly concentrated in the European market, are being affected by fluctuating contractions of demand in this market caused by 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 in terms of lower sales and shrinking margins.

In addition, the Group constantly monitors developments in the global geopolitical environment which, as a result - for example - of the introduction of specific industrial policies by individual countries, could require it to revise existing business strategies and/or adopt mechanisms to safeguard the Group's competitive position.

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, developed and manufactured at the factory in Vila Velha, Brazil. In light of the country's continuing economic difficulties causing the local market for umbilical cables to contract and of growing competitive pressures on product technological innovation, the sustainability, even partial, of the business in Brazil could be impacted.

While committed to maintaining and strengthening its business relationship with this customer over time, the Group has started to gradually reorganise the business unit to make its processes more efficient and to concentrate increasingly on developing new products whose technical and economic solutions can lower production costs.

Risk of instability in the Group's countries of operation

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

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; consequently, as already mentioned in an earlier paragraph, the Group constantly monitors developments in the global geopolitical environment which could require it to revise existing business strategies and/or adopt mechanisms to safeguard its competitive position.

FINANCIAL RISKS

The Prysmian Group's risk management strategy focuses on the unpredictability of markets and aims to minimise the potentially negative impact on the Group's financial performance. Some types of risk are mitigated by using financial instruments (including derivatives).

Financial risk management is centralised with the Group Finance Department which identifies, assesses and hedges financial risks in close cooperation with the Group's operating companies.

The Group Finance, Administration and Control Department provides written guidelines on monitoring risk management, as well as on specific areas such as exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative instruments, and how to invest excess liquidity.

Such financial instruments are used solely to hedge risks and not for speculative purposes.

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:

- Syndicated Revolving Credit Facility 2014: this is a five-year revolving credit facility for Euro 1,000 million, finalised in June 2014. This agreement is notable not only for the significant sum secured thanks to strong interest by the lenders involved, but also for its more competitive cost than previous facilities. The more lenient financial covenants already applied to the Group's other credit agreements have been 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 debt and consolidated EBITDA. This facility had not been drawn down as at 30 September 2017.
- EIB Loan: this loan for Euro 100 million, received in February 2014 from the European Investment Bank (EIB), has funded the Group's European R&D plans over the period 2013-2016. After repayments, the outstanding amount of the loan as at 30 September 2017 was Euro 59 million.
- Convertible bond 2013: 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 offered for sale to institutional investors only. As a result, 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 pays 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 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.

- Convertible bond 2017: on 12 January 2017, the Board of Directors approved the placement of an Equity-linked bond, known as "Prysmian S.p.A. Euro 500 million Zero Coupon Equity Linked Bonds due 2022" maturing 17 January 2022 and reserved for institutional investors. The initial conversion price of the bonds of Euro 34.2949 was set by applying a 41.25% premium to the weighted average price of the Company's ordinary shares recorded on the Milan Stock Exchange between the start and end of the book-building process during the morning of 12 January 2017. On 16 May 2017, the Company sent a physical settlement notice to holders of the bonds, granting them the right, with effect from 29 May 2017, to convert them into the Company's existing or new ordinary shares. On 30 May 2017, the Bond was admitted to trading on the Third Market (a multilateral trading facility or MTF) on the Vienna Stock Exchange.
- CDP Loan: on 25 September 2017, Prysmian S.p.A. entered into an agreement with Cassa Depositi e Prestiti S.p.A. for a medium/long-term cash loan for a maximum total amount of Euro 100 million. On 29 September 2017, this amount was drawn down in full. The line matures on 30 September 2020. This funding will be used solely for the Group's general objectives, including capital expenditure, expenditure on research, development and innovation, as well as on energy efficiency and environmental stewardship. As at 30 September 2017, this credit had been drawn down in full.

As at 30 September 2017, the Group's total financial resources, comprising cash and cash equivalents and undrawn committed credit lines, exceeded 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 series of financial and non-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 trigger 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, financial and otherwise, were fully observed as at 30 June 2017.

In particular:

- (i) the ratio between EBITDA and Net finance costs, as defined in the credit agreements, was 14.89x (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 Debt and EBITDA, as defined in the credit agreements, is 1.34x (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 this is a risk it will not have to face in the near future.

Exchange rate volatility

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 volatility

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 can use interest rate swaps (IRS) to hedge this risk, which transform variable rates into fixed ones, thus reducing the rate volatility risk. IRS contracts make it possible to exchange on specified dates the difference between contracted fixed rates and the variable rate calculated with reference to the loan's notional value. A potential rise in interest rates, from the record lows reached in recent years, could represent a risk factor in coming quarters.

Credit risk

Credit risk is the Prysmian Group's exposure to potential losses arising from the failure of business or financial partners to discharge their obligations. This risk is monitored centrally by the Group Finance Department, while customer-related credit risk is managed operationally by the individual subsidiaries. The Group does not have any excessive concentrations of credit risk, but given the economic and social difficulties faced by some countries in which it operates, the exposure could suffer a deterioration that would

require more assiduous monitoring. Accordingly, the Group has procedures in place to ensure that its business partners are of recognised reliability and that its financial partners have high credit ratings. In addition, in mitigation of credit risk, the Group has a global trade credit insurance policy covering almost all its operating companies.

Liquidity risk

Liquidity risk indicates the sufficiency of an entity's financial resources to meet its obligations to business or financial partners on the agreed due dates.

With regard to the Prysmian Group's working capital cash requirements, these increase significantly during the first half of the year when it commences production in anticipation of order intake, with a consequent temporary increase in net financial debt.

Prudent management of liquidity risk involves the maintenance of adequate levels of cash, cash equivalents and short-term securities, the maintenance of an adequate amount of committed credit lines, and timely renegotiation of loans before their maturity. Due to the dynamic nature of the business in which the Prysmian Group operates, the Group Finance Department favours flexible arrangements for sourcing funds in the form of committed credit lines.

As at 30 September 2017, the Group's total financial resources, comprising cash and cash equivalents and undrawn committed credit lines, exceeded Euro 1 billion.

Risks associated with commodity price volatility

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 commodity price volatility risk.

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

In addition, the continued oil crisis and low level of oil prices are making the extraction market less and less attractive, exposing the SURF and Core Oil & Gas businesses to a slowdown; however the impact on the Group is not material since these businesses account for about 3% of the Group's sales and 1% of Adjusted EBITDA.

OPERATIONAL RISKS

Liability for product quality/defects

Any defects in the design and manufacture of the Prysmian Group's products could give rise to civil or criminal liability in relation to customers or third parties. Therefore, the Group, like other companies in the industry, is exposed to the risk of legal action for product liability in the countries where it operates. In line with the practice followed by many industry operators, the Group has taken out insurance which it considers provides adequate protection against the risks arising from such liability. However, should such

insurance coverage be insufficient, the Group's results of operations and financial condition could be adversely affected.

In addition, the Group's involvement in this kind of legal action and any resulting liability could expose it to reputational damage, with potential additional adverse consequences for its results of operations and financial condition.

Risks associated with non-compliance with the contractual terms of turnkey projects

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. 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 insurance syndicates, 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.

Risk of business interruption through dependence on key assets

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 vessels ("Giulio Verne", "Cable Enterprise" and "Ulisse"), 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 2016, 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.

Environmental risks

The Group's production activities in Italy and abroad are subject to specific environmental regulations, of which particularly important are those concerning soil and subsoil and the presence/use of hazardous materials and substances, including for human health. Such regulations are imposing increasingly strict standards on companies, which are therefore obliged to incur significant compliance costs.

Considering the number of the Group's plants, there is a theoretically high probability of an accident with consequences for the environment, as well as for the continuity of production. The resulting economic and reputational impact would be critical.

The Group's policy of acquisition-led growth could augment its exposure to environmental risks, as a result of acquiring manufacturing facilities that fall short of its standards.

Environmental issues are managed centrally by the HQ Health Safety & Environment (HSE) department which oversees local HSE departments and is responsible for organising specific training activities, for adopting systems to ensure strict adherence to regulations in accordance with best practices, as well as for monitoring risk exposures using specific indicators and internal and external auditing activities.

Cyber security risks

The growing spread of web-based technologies and business models allowing the transfer and sharing of sensitive information through virtual spaces (i.e. social media, cloud computing, etc.) carries computing vulnerability risks which the Prysmian Group cannot ignore in the conduct of its business. Exposure to potential cyberattacks could be due to several factors such as the necessary distribution of IT systems around the world, and the possession of high value-added information such as patents, technological innovation projects, as well as financial projections and strategic plans not yet disclosed to the market, unauthorised access to which could damage a company's results, financial situation and image.

During 2016, the Prysmian Group started to implement a structured and integrated process for managing cyber security related risks which, under the leadership of the Group IT Security department, in partnership with the Risk Management department, aims to strengthen the Group's IT systems and platforms and introduce solid mechanisms to prevent and control any cyberattacks.

LEGAL AND COMPLIANCE RISKS**Compliance risks associated with laws, regulations, Code of Ethics, Policies and Procedures**

Compliance risk represents the possibility 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

Within a complex and geographically diversified business, Prysmian S.p.A. and some of the Group companies could become involved in tax and legal proceedings, involving civil and administrative actions, despite the major programmes, organised by Group Compliance in agreement with Human Resources, to raise awareness about ethical and business integrity and legality among employees and staff. 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.

Risks of non-compliance with Antitrust law

Competition rules, covering restrictive agreements and abuse of dominant position, now play a central role in governing business activities in all sectors of economic life. Its extensive 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 parties that violate the applicable legislation. 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. Prysmian aspires to operate on the market in compliance with the competition rules.

In keeping with the priorities identified by the ERM process, the Board of Directors has adopted an Antitrust Code of Conduct that all Group employees, directors and managers are required to know and observe in the conduct of their duties and in their dealings with third parties. During 2017 Prysmian has also initiated an Antitrust training programme aimed at raising awareness among those who work for and on behalf of the Group so that they comply with the competition rules in the conduct of their duties. The Antitrust Code of Conduct forms an integral part of the training programme and is intended to provide a framework for the issues concerning application of EU and Italian competition law in the field of agreements and abuse of dominant position, within which specific situations can be assessed on a case-by-case basis. These activities represent a further step in establishing an "antitrust culture" within the Group by promoting knowledge and heightening individual accountability for professional duties arising under antitrust legislation.

The status of antitrust proceedings against Group companies is described below:

Antitrust – European Commission Proceedings in the high voltage underground and submarine cables business

The European Commission started an investigation 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. 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. The hearing of oral arguments in the appeal brought by Prysmian against the European Commission's decision of April 2014 took place on 20 March 2017, while the hearings of oral arguments in the appeals brought by Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. against the same decision of the European Commission in April 2014 took place on 22 and 28 March 2017 respectively. A ruling is awaited as a result of these hearings. Pirelli & C. S.p.A. has also brought a civil action against Prysmian Cavi e Sistemi S.r.l. in the Milan Courts, 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 stayed by order of the court concerned in April 2015, pending the outcome of the appeals made 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, which has confirmed the stay of execution ordered by the Milan Courts.

Antitrust – Other proceedings in the high voltage underground and submarine cables business in jurisdictions other than the European Union

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. filed its objections and presented its preliminary defence. A ruling issued in July 2016 held the company liable for violation of Australian antitrust law with regard to this project, without however quantifying the applicable penalty, which would be determined upon completion of

the second stage of these proceedings. On 1 December 2016 the hearing of oral arguments took place to quantify the amount of the penalty to impose on Prysmian Cavi e Sistemi S.r.l. and on 28 July 2017, the Federal Court in Adelaide finally issued a ruling condemning Prysmian Cavi e Sistemi S.r.l. to pay a fine of AUD 3.5 million. Not agreeing with this decision, Prysmian Cavi e Sistemi S.r.l. has lodged an appeal with the Australian Federal Court of Appeals. However, the Australian competition authority has not appealed against this decision.

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 was rejected by the local competition authorities in a statement issued in February 2015. The investigative 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.

Antitrust - Claims for damages as a result of the European Commission's 2014 decision

During 2015, National Grid and Scottish Power, two British operators, filed claims in the High Court in London against certain cable manufacturers, including Prysmian Group companies, 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. Among the parties involved in this action, Pirelli & C. S.p.A. has requested the London High Court to decline its jurisdiction or nonetheless to stay the proceedings in its regard pending the outcome of the civil action previously brought by Pirelli against Prysmian Cavi e Sistemi S.r.l. in the Milan Courts, in which it demands to be held harmless for all claims made by the European Commission in implementation of the latter's decision and for any expenses related to such implementation. The proceedings have since been stayed, as agreed between the parties, pending the outcome of the action brought by Pirelli in the Milan Courts. A similar agreement has also been reached with The Goldman Sachs Group Inc., another company involved in the actions discussed above. The other actions brought by Prysmian Group companies against other cable producers censured in the European Commission decision have in turn been suspended pending the outcome of the main action brought by National Grid and Scottish Power.

During the first few months of 2017, in addition to those mentioned in the preceding paragraph, other operators belonging to the Vattenfall Group filed claims in the High Court in London against certain cable manufacturers, including companies in 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 its decision of April 2014. The Prysmian Group defendant companies have duly filed their statement of objections.

In addition, during 2016 other operators had presented claims against Prysmian S.p.A. and some of its subsidiaries, either directly or through lawyers, in order to obtain compensation for an unquantified amount of damages, allegedly suffered as a result of Prysmian's participation in the anti-competitive practices condemned by the European Commission in its decision of April 2014. Following on from these notifications,

only one operator has sent a new letter to a subsidiary of Prysmian S.p.A., received in August 2017, quantifying the damage suffered. The subsidiary of Prysmian S.p.A. has replied to this letter declining all responsibility.

Antitrust – Other investigations

The Australian and Spanish antitrust authorities have respectively initiated additional proceedings to verify the existence of anti-competitive practices by local low voltage cable manufacturers and distributors, including some of the Group's foreign subsidiaries based in these countries. As regards the judicial proceedings initiated by the Australian antitrust authorities, these have ended favourably for the Group's local subsidiary; in fact, the ruling by the competent Australian Federal Court dismissed all the allegations brought by the Australian Competition and Consumer Commission (ACCC), which was also ordered to pay the legal costs incurred by the Group's local subsidiary.

As for the Spanish administrative proceedings, these were initiated at the end of February 2016 by the local competition authority, which sent a statement of objections to some of the Group's local subsidiaries in January of the current year. The objections raised in the statement of objections were reiterated in the so-called Proposal for Resolution of 24 April 2017, another act heralding the pronouncement of a final decision by the local competition authority.

As at 30 September 2017, the provision for the above antitrust issues amounts to approximately Euro 160 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 23 of the Explanatory Notes.

RELATED PARTY TRANSACTIONS

Related party transactions do not qualify as either atypical or unusual but form part of 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 20 of the Explanatory Notes.

Milan, 7 November 2017

ON BEHALF OF 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 2017	of which related parties (Note 20)	31 December 2016	of which related parties (Note 20)
Non-current assets					
Property, plant and equipment	1	1,632		1,631	
Intangible assets	1	743		792	
Equity-accounted investments	2	211	211	195	195
Available-for-sale financial assets		12		12	
Financial assets held to maturity		2		2	
Derivatives	5	10		3	
Deferred tax assets		136		130	
Other receivables	3	16		21	
Total non-current assets		2,762		2,786	
Current assets					
Inventories	4	1,069		906	
Trade receivables	3	1,265	9	1,088	14
Other receivables	3	770	3	788	5
Financial assets held for trading	6	61		57	
Derivatives	5	28		40	
Available-for-sale financial assets		11		-	
Cash and cash equivalents	7	627		646	
Total current assets		3,831		3,525	
Total assets		6,593		6,311	
Equity attributable to the Group:					
Share capital	8	22		22	
Reserves	8	1,215		1,180	
Net profit/(loss) for the period		196		246	
Equity attributable to non-controlling interests:		190		227	
Share capital and reserves		192		211	
Net profit/(loss) for the period		(2)		16	
Total equity		1,623		1,675	
Non-current liabilities					
Borrowings from banks and other lenders	9	1,360		1,114	
Other payables	10	17		18	
Provisions for risks and charges	11	35		40	
Derivatives	5	1		12	
Deferred tax liabilities		119		111	
Employee benefit obligations	12	369		383	
Total non-current liabilities		1,901		1,678	
Current liabilities					
Borrowings from banks and other lenders	9	402		172	
Trade payables	10	1,564	4	1,498	4
Other payables	10	699	1	875	3
Derivatives	5	18		24	
Provisions for risks and charges	11	330	4	339	2
Current tax payables		56		50	
Total current liabilities		3,069		2,958	
Total liabilities		4,970		4,636	
Total equity and liabilities		6,593		6,311	

CONSOLIDATED INCOME STATEMENT

(in millions of Euro)

	Note	9 months 2017	of which related parties (Note 20)	9 months 2016	of which related parties (Note 20)
Sales of goods and services		5,865	26	5,660	35
Change in inventories of work in progress, semi-finished and finished goods		122		(9)	
Other income		54	3	47	4
Raw materials, consumables used and goods for resale		(3,728)	(10)	(3,339)	(12)
Fair value change in metal derivatives		(2)		24	
Personnel costs		(801)	(18)	(783)	(15)
<i>of which personnel costs for company reorganisation</i>		(7)		(22)	
<i>of which personnel costs for stock option fair value</i>		(37)		(35)	
Amortisation, depreciation, impairment and impairment reversals		(132)		(144)	
<i>of which (impairment) and impairment reversals related to company reorganisation</i>		-		(1)	
<i>of which other (impairment) and impairment reversals</i>		-		(14)	
Other expenses		(1,073)		(1,147)	(1)
<i>of which non-recurring (other expenses) and releases</i>		(17)		-	
<i>of which (other expenses) for company reorganisation</i>		(5)		(5)	
Share of net profit/(loss) of equity-accounted companies		36	36	24	24
Operating income	13	341		333	
Finance costs	14	(323)		(362)	
<i>of which non-recurring finance costs</i>		(2)		(1)	
Finance income	14	251		304	
Profit/(loss) before taxes		269		275	
Taxes	15	(75)		(77)	
Net profit/(loss) for the period		194		198	
Attributable to:					
Owners of the parent		196		188	
Non-controlling interests		(2)		10	
Basic earnings/(loss) per share (in Euro)	16	0.92		0.88	
Diluted earnings/(loss) per share (in Euro)	16	0.90		0.86	

CONSOLIDATED INCOME STATEMENT – 3RD QUARTER

(in millions of Euro)

	3rd quarter 2017	3rd quarter 2017
Sales of goods and services	1,929	1,875
Change in inventories of work in progress, semi-finished and finished goods	4	(16)
Other income	17	22
Raw materials, consumables used and goods for resale	(1,166)	(1,064)
Fair value change in metal derivatives	9	4
Personnel costs	(257)	(260)
<i>of which personnel costs for company reorganisation</i>	(1)	(13)
<i>of which personnel costs for stock option fair value</i>	(12)	(11)
Amortisation, depreciation, impairment and impairment reversals	(44)	(43)
Other expenses	(375)	(412)
<i>of which non-recurring (other expenses) and releases</i>	(2)	-
<i>of which (other expenses) for company reorganisation</i>	(2)	(3)
Share of net profit/(loss) of equity-accounted companies	17	10
Operating income	134	116
Finance costs	(117)	(113)
<i>of which non-recurring finance costs</i>	(1)	-
Finance income	94	92
Profit/(loss) before taxes	111	95
Taxes	(30)	(21)
Net profit/(loss) for the period	81	74
Attributable to:		
Owners of the parent	83	73
Non-controlling interests	(2)	1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Euro)

	9 months 2017	9 months 2016
Net profit/(loss) for the period	194	198
Comprehensive income/(loss) for the period:		
- items that may be reclassified subsequently to profit or loss:		
Fair value gains/(losses) on cash flow hedges - gross of tax	23	7
Fair value gains/(losses) on cash flow hedges - tax effect	(6)	(2)
Currency translation differences	(147)	(37)
Total items that may be reclassified, net of tax	(130)	(32)
- items that will NOT be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on employee benefits - gross of tax	5	(63)
Actuarial gains/(losses) on employee benefits - tax effect	(1)	14
Total items that will NOT be reclassified, net of tax	4	(49)
Total comprehensive income/(loss) for the period	68	117
Attributable to:		
Owners of the parent	94	112
Non-controlling interests	(26)	5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – 3RD QUARTER

(in millions of Euro)

	3rd quarter 2017	3rd quarter 2017
Net profit/(loss) for the period	81	74
Comprehensive income/(loss) for the period:		
<i>- items that may be reclassified subsequently to profit or loss:</i>		
Fair value gains/(losses) on cash flow hedges - gross of tax	5	2
Fair value gains/(losses) on cash flow hedges - tax effect	(2)	(1)
Currency translation differences	(39)	(16)
Total items that may be reclassified, net of tax	(36)	(15)
Total comprehensive income/(loss) for the period	45	59
Attributable to:		
Owners of the parent	53	59
Non-controlling interests	(8)	-

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 2015	22	(9)	(169)	1,220	214	1,278	229	1,507
Allocation of prior year net result	-	-	-	214	(214)	-	-	-
Dividend distribution	-	-	-	(90)	-	(90)	(11)	(101)
Fair value - stock options	-	-	-	35	-	35	-	35
Total comprehensive income/(loss) for the period	-	3	(30)	(49)	188	112	5	117
Balance at 30 September 2016	22	(6)	(199)	1,330	188	1,335	223	1,558

(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 2016	22	(13)	(156)	1,349	246	1,448	227	1,675
Allocation of prior year net result	-	-	-	246	(246)	-	-	-
Dividend distribution	-	-	-	(91)	-	(91)	(11)	(102)
Fair value - stock options	-	-	-	37	-	37	-	37
Equity component of convertible bond 2017	-	-	-	48	-	48	-	48
Share buyback	-	-	-	(100)	-	(100)	-	(100)
Non-controlling interests purchased in subsidiaries	-	-	-	(3)	-	(3)	-	(3)
Total comprehensive income/(loss) for the period	-	17	(122)	3	196	94	(26)	68
Balance at 30 September 2017	22	4	(278)	1,489	196	1,433	190	1,623

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Euro)

	9 months 2017	of which related parties (Note 20)	9 months 2016	of which related parties (Note 20)
Profit/(loss) before taxes	269		275	
Depreciation, impairment and impairment reversals of property, plant and equipment	98		108	
Amortisation and impairment of intangible assets	34		36	
Net gains on disposal of property, plant and equipment, intangible assets and acquisition purchase price adjustment	(1)		(1)	
Badwill from business combinations	-		(5)	
Share of net profit/(loss) of equity-accounted companies	(36)	(36)	(24)	(24)
Share-based payments	37		35	
Fair value change in metal derivatives and other fair value items	2		(24)	
Net finance costs	72		58	
Changes in inventories	(208)		10	
Changes in trade receivables/payables	(125)	(5)	17	(7)
Changes in other receivables/payables	(175)	-	(369)	-
Taxes paid	(78)		(53)	
Dividends received from equity-accounted companies	9	9	7	7
Utilisation of provisions (including employee benefit obligations)	(52)		(61)	
Increases in provisions (including employee benefit obligations)	32	2	55	
A. Net cash flow provided by/(used in) operating activities	(122)		64	
Net cash flow from acquisitions and/or disposals	(3)		-	
Investments in property, plant and equipment	(154)		(147)	
Disposals of property, plant and equipment and assets held for sale	4		2	
Investments in intangible assets	(14)		(7)	
Investments in financial assets held for trading	(18)		(1)	
Disposals of financial assets held for trading	8		24	
Investments in available-for-sale financial assets	(11)		-	
B. Net cash flow provided by/(used in) investing activities	(188)		(129)	
Shares buyback	(100)		-	
Dividend distribution	(102)		(101)	
Early repayment of credit facility	(50)		-	
EIB loan	(16)		(17)	
Issuance of Convertible Bond 2017	500		-	
CDP loan	100		-	
Finance costs paid ⁽¹⁾	(321)		(334)	
Finance income received ⁽²⁾	271		277	
Changes in other net financial receivables/payables	22		14	
C. Net cash flow provided by/(used in) financing activities	304		(161)	
D. Currency translation gains/(losses) on cash and cash equivalents	(13)		(3)	
E. Total cash flow provided/(used) in the period (A+B+C+D)	(19)		(229)	
F. Net cash and cash equivalents at the beginning of the period	646		547	
G. Net cash and cash equivalents at the end of the period (E+F)	627		318	
Cash and cash equivalents reported in consolidated statement of financial position	627		314	
Cash and cash equivalents included in assets held for sale	-		4	

⁽¹⁾ Finance costs paid of Euro 321 million include interest payments of Euro 29 million in the first nine months of 2017 (Euro 33 million in the first nine months of 2016).

⁽²⁾ Finance income received of Euro 271 million includes interest income of Euro 5 million in the first nine months of 2017 (Euro 7 million in the first nine months of 2016).

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 Via Chiese 6, Milan (Italy).

Prysmian S.p.A. was floated on the Italian Stock Exchange on 3 May 2007 and since September 2007 has been included 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 cables and systems and related accessories for the energy and telecommunications industries, and distribute and sell them around the globe.

A.1 SIGNIFICANT EVENTS IN 2017

Finance Activities

Bond issuance

On 12 January 2017, the Board of Directors approved the placement of an equity-linked bond, known as "Prysmian S.p.A. Euro 500 million Zero Coupon Equity Linked Bonds due 2022" maturing 17 January 2022 and reserved for institutional investors.

At the meeting held on 12 April 2017, the Company's shareholders authorised:

1. the convertibility of the Equity-Linked Bond;
2. the proposal to increase share capital for cash, in single or multiple issues with the exclusion of preemptive rights, by a maximum nominal amount of Euro 1,457,942.70, by issuing, in single or multiple instalments, up to 14,579,427 ordinary shares of the Company, with the same characteristics as its other outstanding ordinary shares, exclusively and irrevocably to serve the Bond's conversion.

The conversion price of the Bonds of Euro 34.2949 has been set by applying a 41.25% premium to the weighted average price of the Company's ordinary shares recorded on the Milan Stock Exchange between the start and end of the book-building process during the morning of 12 January 2017.

The Company will have the option to call all (but not just a part) of the outstanding bonds at their principal amount from 1 February 2020, should the value of the shares exceed 130% of the conversion price for a specified period of time.

The placement has allowed the Company to diversify its financial resources more widely by raising funds on the capital market. These funds will be used to pursue the Company's potential external growth opportunities; to finance, in line with the shareholders' authorisation of the share buyback, the buyback of the Company's shares that will be used to fulfil potential conversion rights requirements and/or as consideration to finance the Company's growth strategy and for general corporate purposes.

On 16 May 2017, the Company sent a physical settlement notice to holders of the bonds, granting them the right, with effect from 29 May 2017, to convert them into the Company's existing or new ordinary shares. On 30 May 2017, the Bond was admitted to trading on the Third Market (a multilateral trading facility or MTF) on the Vienna Stock Exchange.

Share buyback programme

On 12 January 2017, the Board of Directors approved the adoption of a share buyback programme, which terminated on 30 September 2017.

In particular, the purposes of the Programme were:

1. to create a "stock of shares" that the Company can use as consideration in extraordinary corporate actions with third parties, including stock swaps, as part of transactions strategic to the Company's interest;
2. to serve the exercise of any bond conversion rights;
3. any other and additional purposes either (i) under art. 5 of the Market Abuse Regulation, or (ii) under the Consob accepted market practices.

The shares could be purchased for an aggregate amount of up to Euro 125 million, and the number of shares purchased under the Programme should not, in any case, exceed 3% of the Company's paid-up share capital.

Purchases have been made through a specifically appointed authorised intermediary, acting independently and without any influence from the Company and in a manner consistent with the provisions of art. 3 of Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016.

All transactions carried out have been disclosed to the market in accordance with the terms and procedures provided by applicable laws.

Under the above programme, a total of 4,003,943 shares, with a total value of Euro 100,232,034.74 inclusive of related costs, have been purchased on the Italian Stock Exchange over the period 23 January to 30 September 2017; the average share purchase price of Euro 25.0333 compares with an average official price over this period of Euro 25.7314.

More information can be found in Note 8 of these Explanatory Notes.

Cancellation and repayment of Revolving Credit Facility 2014

After completing the placement of the new equity-linked bond, the Company reviewed its funding structure, as a result of which on 31 January 2017 it cancelled the five-year revolving credit facility for Euro 100 million with Mediobanca and repaid at the same time the amount of Euro 50 million drawn down as at 31 December 2016.

CDP Loan

On 25 September 2017, Prysmian S.p.A. entered into an agreement with Cassa Depositi e Prestiti S.p.A. for a medium/long-term cash loan for a maximum total amount of Euro 100 million. On 29 September 2017, this amount was drawn down in full. The line matures on 30 September 2020. This funding will be used solely for the Group's general objectives, including capital expenditure, expenditure on research, development and innovation, as well as on energy efficiency and environmental stewardship.

New industrial projects and initiatives

Onshore cable contract for the East Anglia ONE wind farm

On 30 January 2017, the Group announced it had signed a GBP 27 million contract with East Anglia One Limited to supply and install an onshore cable connection for the East Anglia ONE offshore wind farm. Consisting of 102 turbines, the GBP 2.5 billion wind farm will generate sufficient electricity to power 500,000 homes. The contract involves the supply and installation of a 220 kV double circuit line from the Bawdsey shore landing to a substation in Bramford, covering a 37 km route. Prysmian will be responsible for the design, production, installation and testing of the cables and their accessories. The underground high voltage cables will be manufactured by Prysmian and installed by its UK-based installation division. Pre-construction work is due to begin in 2017, with the cable installation phase planned to take place from October 2017 to September 2018.

Submarine cable contract for three offshore wind farms in France

On 21 February 2017, Prysmian announced the award of a contract worth more than Euro 300 million by Réseau de Transport D'Electricité (RTE) to provide submarine cable systems to link three offshore wind farms to the mainland power grid in France. These are the first ever grid access connections developed by RTE in France to transmit renewable energy generated by offshore wind farms to thousands of businesses and homes. The three projects, Fécamp, Calvados and Saint Nazaire, will be individually activated over the period of the contract.

Prysmian will be responsible for the design, supply, installation, testing and commissioning of two HV export power cables for each of the three offshore wind farms, covering both the submarine and onshore routes to connect Fécamp, Calvados and St Nazaire to the French electricity grid. The submarine cable links, which consist of High Voltage Alternating Current (HVAC) 220 kV three-core cables with XLPE insulation, will connect the offshore wind farms being developed by Eolien Maritime France (EMF).

The submarine cables will be produced at the Group's centres of excellence in Arco Felice, Italy, and Pikkala, Finland. The cables for the onshore sections will be manufactured in Gron, France. The cables are due to be delivered over the period 2018 to 2020, according to the scheduling of the individual wind farms.

Contract for an interconnector between France and the United Kingdom through the Channel Tunnel

On 27 February 2017, Prysmian announced it had secured a new contract, under a wider consortium agreement with Balfour Beatty, a world leading group in infrastructure construction, for the development of a new High Voltage Direct Current (HVDC) interconnector between France and the UK through the Channel Tunnel. The project is one of the European Commission's Projects of Common Interest and has been awarded by ElecLink, a wholly-owned subsidiary of Groupe Eurotunnel, which will build an interconnector through the Channel Tunnel to provide a power transmission link between the UK and France with a capacity of 1000 MW in either direction of flow. The total contract value for the consortium is approximately Euro 219 million, of which the share of Prysmian, responsible for coordinating the design, supply, installation and commissioning of the interconnector, is approximately Euro 79 million.

The project comprises a ± 320 kV extruded HVDC underground cable turnkey system that includes the engineering, production and installation of one HVDC symmetrical single-core circuit along a 51 km route through the Channel Tunnel. The HVDC cable will connect the future converter stations located in

Peuplingues (France) and Folkestone (UK). Prysmian will also supply and install the underground cables for the HVAC link to the Sellindge substation (UK). All cables will be manufactured at Prysmian's plant in Gron (France), one of the Group's centres of excellence for EHV AC and DC cables.

Cable system contracts for offshore wind farms in Germany and Denmark

On 10 March 2017, the Group announced it had signed two new cable system contracts for offshore wind farms in Germany (Merkur) and Denmark (Horns Rev 3). Both contracts involve inter-array connections, a market segment in which Prysmian aims to grow and has developed new technologies and specific installation capabilities.

In the case of the contract for the Merkur offshore wind farm, awarded by Tideway B.V., Prysmian will be responsible for the design, engineering, manufacturing, testing and supply of approximately 90 km of 33 kV inter-array submarine cables and related accessories. Constructed by Merkur Offshore GmbH, the offshore wind farm - located in the German North Sea - will occupy an area of 47 sq km and generate a nominal active power output of approximately 400 MW.

The Horns Rev 3 project is located in the North Sea, approximately 25 km off the coast of Denmark and consists of 49 wind turbines with a total capacity of 406.7 MW, equivalent to the annual consumption of 425,000 Danish households. The contract awarded to Prysmian by VBMS B.V., a subsidiary of Royal Boskalis Westminster N.V., involves the design and supply of more than 100 km of 33 kV inter-array submarine cables in various cross sections.

Electrical interconnector between France and Britain - IFA2

On 7 April 2017, Prysmian announced it had signed a contract worth around Euro 350 million with IFA2 SAS, a joint venture between National Grid IFA2 Ltd, part of National Grid UK, and RTE of France. The contract is for the turnkey design, manufacture and installation of a submarine and underground power cable to connect Tourbe in France to Chilling in Hampshire, UK.

The High Voltage Direct Current (HVDC) interconnection will operate at ± 320 kV DC and will allow up to 1000 MW of power to be transferred between the countries. The HVDC cable system will run along a route of approximately 25 km in France, from the Tourbe converter station in Northern France to the landing point close to Caen. The subsea route is just over 200 km long and will land on Britain's south coast at Solent Airport near Fareham, the planned site of the UK converter station. In addition to the HVDC cable link, the contract includes a High Voltage Alternating Current (HVAC) link that will connect the converter station to a local substation in Chilling, UK. This will involve 2 km onshore sections at each end with a 5 km subsea section between them.

The submarine cables will be manufactured at the Prysmian production facility in Pikkala, Finland, while the underground cables will be manufactured at the Prysmian factory in Gron, France. The Prysmian cable-laying vessels Cable Enterprise and Ulysse will both be used for installation of the submarine cables.

The entire system is due to be completed in 2020.

Prysmian partner to Verizon Communications for the "One Fiber" project, a new broadband network to support 5G and IoT

On 8 May 2017, it was announced that the Group had signed a major supply agreement with the US company Verizon Communications to support expansion of the telecom carrier's optical network that will promote the development of 5G services, while improving the 4G LTE capacity of the broadband network. The three-year contract is worth approximately USD 300 million and involves the supply of 17 million fibre kilometres of ribbon and loose tube cables.

Both Prysmian and Verizon believe that demand for optical fibre cables for the next-generation passive optical network (NGPON2) will last well beyond 2020 as new technologies like 5G and the IoT become reality. Prysmian will make a significant investment in 2018 in its US-based optical cable production capacity to support the Verizon project and the growth of investments by other major telecom carriers in North America.

Investments in cable and fibre production facilities

On 13 June 2017, the Group inaugurated its new optical fibre manufacturing facility in Slatina, Romania. The new facility is part of a three-year €250 million investment plan aimed at expanding the Group's production capacity worldwide to meet the growing demand for optical cables linked with the deployment of new high-speed telecommunication networks. These investments involve both existing optical fibre and cable facilities in Italy, France, the Netherlands and North and South America, and the construction of new facilities like those in Slatina (Romania), Presov (Slovakia) and Durango (Mexico).

Submarine power lines project in Venetian Lagoon

On 27 June 2017, the Group was awarded a series of additional works by Terna Rete Italia in relation to the submarine power cable project in the Venetian Lagoon. These works, originally included as an option in the contract awarded to the Group last year, are worth approximately Euro 20 million and include a 6 km 132 kV HVAC cable to be manufactured at the Arco Felice plant.

Other significant events

Transfer of registered office

On 1 March 2017, the Company transferred its registered office from the previous location in Viale Sarca 222, to the new address in Via Chiese 6, Milan.

Approval of financial statements at 31 December 2016 and dividend distribution

On 12 April 2017, the shareholders of Prysmian S.p.A. approved the financial statements for 2016 and the distribution of a gross dividend of Euro 0.43 per share, for a total of some Euro 91 million. The dividend was paid out from 26 April 2017 to shares outstanding on the record date of 25 April 2017, with the shares going ex-dividend on 24 April 2017.

Centre of excellence in Sorocaba (Brazil)

During the second quarter of 2017, Prysmian Cabos e Sistemas do Brasil S.A. informed personnel of the start of an investment plan to create a centre of excellence in cable manufacturing at the Sorocaba Eden

plant, whose current production activities would be transferred to the Santo André plant; it will take about a year and a half to complete this project.

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 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 2016.

The present Quarterly Financial Report was approved by the Board of Directors of Prysmian S.p.A. on 7 November 2017 and is unaudited.

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

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.

Further to Legislative Decree 25/2016, which came into force on 18 March 2016 and has eliminated the requirement for quarterly reporting, the Prysmian Group has prepared the present Quarterly Financial Report at 30 September 2017 on a voluntary basis and in continuity with its past reporting format.

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 immediate assessment of impairment.

On 3 December 2015, Consob implemented the ESMA guidelines in Italy with publication of "ESMA Guidelines/2015/1415" which supersede the "CESR Recommendation 2005 (CESR/05-178b)". The Prysmian Group has complied with these guidelines.

"Held-to-maturity financial assets" and "Financial assets held for trading" reported at 31 December 2016 have been reclassified to take account of actual possible use of the reclassified assets.

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 2016, 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 2017 after receiving endorsement from the competent authorities.

Accounting standards, amendments and interpretations applied from 1 January 2017

There are no new standards and/or amendments to report that became applicable in the first nine months of 2017.

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

On 19 January 2016, the IASB published amendments to *IAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*. The amendments clarify that a reporting entity must consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary differences. The amendments also provide guidance on how an entity should estimate future taxable profit and explains the circumstances in which taxable profit could include the recovery of some of an entity's assets for more than their carrying amount. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of these amendments.

On 29 January 2016, the IASB published amendments to *IAS 7 - Statement of Cash Flows*. The amendments intend to improve the disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. On first-time adoption, the reporting entity does not have to present prior period comparative information. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of these amendments.

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.

During the period the Group has continued to evaluate the impact of adopting this new standard, in particular with regard to construction contracts. For all other customer contracts, no material impacts are expected.

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.

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

The Group is evaluating the implementation and effect of adopting this new standard, currently not expected to have a material impact.

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. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of these amendments which is deferred until completion of the IASB project on the equity method.

On 13 January 2016, the IASB published the new standard *IFRS 16 - Leases* which will replace IAS 17. The new accounting standard requires lessees to adopt a uniform accounting treatment for both operating and finance leases. In fact, IFRS 16 requires the lessee to recognise assets and liabilities for both operating and finance leases unless the lease term is 12 months or less or the underlying asset has a low value.

This document will apply to financial years beginning on or after 1 January 2019.

The Group is evaluating the implementation and impact of adopting this new standard. It is not planned to adopt this standard early.

On 14 December 2016, the IASB published a number of amendments to *IFRS 2 - Classification and Measurement of Share-based Payment Transactions*. The document intends to clarify:

- the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- the classification of a share-based payment transaction with net settlement features for withholding tax obligations;
- the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On first-time adoption of this amendment, the reporting entity must apply the changes without restating prior periods, although retrospective application is permitted only if this election is made for all three of the above amendments.

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

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.

Liquidations

On 3 January 2017, the process of liquidating Prysmian Metals Ltd. was completed with the company's removal from the local company registry.

On 22 September 2017, the process of liquidating Wagner Management- und Projektgesellschaft mit beschränkter Haftung i. L. was completed with the company's removal from the local company registry.

For the sake of better understanding the scope of consolidation, the name changes occurring in the period are listed below:

Name changes

On 24 February 2017, the Swiss company Prysmian Cables and Systems S.A. changed its name to Prysmian Cables and Systems S.A. in liquidation.

On 31 May 2017, the German company NKF Holding (Deutschland) GmbH changed its name to NKF Holding (Deutschland) GmbH i. L.

On 29 September 2017, the Dutch company Draka Sarphati B.V. changed its name to Draka Sarphati B.V. in liquidatie.

Appendix A to these notes contains a list of the companies included in the scope of consolidation at 30 September 2017.

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 2016, which should be consulted for more detailed analysis.

With reference to the risks described in the Annual Financial Report at 31 December 2016, 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 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value				
through profit or loss:				
Derivatives	-	26	-	26
Financial assets held for trading	57	4	-	61
Hedging derivatives	-	12	-	12
Held-to-maturity financial assets	-	2	-	2
Available-for-sale financial assets	11	-	12	23
Total assets	68	44	12	124
Liabilities				
Financial liabilities at fair value				
through profit or loss:				
Derivatives	-	14	-	14
Hedging derivatives	-	5	-	5
Total liabilities	-	19	-	19

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 carrying amounts, net of any allowance for doubtful accounts, are treated as a good approximation of fair value.

The available-for-sale financial assets classified in Level 1 of the fair value hierarchy, amounting to Euro 11 million, refer to Italian government bonds.

During the first nine months of 2017 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 primarily determined using valuation techniques based on estimated discounted cash flows.

D. SEGMENT INFORMATION

The Group's operating segments are:

- Energy Projects;
- Energy Products;
- OIL & GAS;
- Telecom.

Segment information is structured in the same way as the report periodically prepared for the purpose of reviewing business performance. This report presents operating performance by macro type of business (Energy Projects, Energy Products, OIL & GAS 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, 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 but 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 and Submarine.

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): this includes Trade and Installers and Power Distribution;
2. Industrial & Network Components: this comprises Specialties and OEM, Elevators, Automotive and Network Components;
3. Other: occasional sales of residual products.

C) OIL & GAS operating segment: encompassing the Core Oil & Gas business, the SURF business (involving umbilical cables and flexible pipes) and the DHT (Downhole Technology) business serving the oil industry.

D) 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, OIL & GAS 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.

D.1 OPERATING SEGMENTS

The following tables present information by operating segment:

(in millions of Euro)

	9 months 2017								
	Energy Projects	Energy Products				Oil & Gas	Telecom	Corporate	Group total
		E&I	Industrial & NWC	Other	Total Products				
Sales ⁽¹⁾	1,039	2,467	1,100	105	3,672	201	953	-	5,865
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	179	105	86	(1)	190	5	135	-	509
% of sales	17.2%	4.3%	7.9%		5.2%	2.3%	14.2%		8.7%
Adjusted EBITDA (A)	179	107	88	(1)	194	5	167	-	545
% of sales	17.2%	4.3%	8.0%		5.3%	2.3%	17.6%		9.3%
EBITDA (B)	162	105	85	(1)	189	3	165	(7)	512
% of sales	15.6%	4.2%	7.8%		5.1%	1.6%	17.3%		8.7%
Amortisation and depreciation (C)	(30)	(43)	(16)	(1)	(60)	(13)	(29)		(132)
Adjusted operating income (A+C)	149	64	72	(2)	134	(8)	138	-	413
% of sales	14.3%	2.6%	6.6%		3.7%	-3.8%	14.5%		7.0%
Fair value change in metal derivatives (D)									(2)
Fair value stock options (E)									(37)
Asset (impairment) and impairment reversal (F)	-				-	-	-	-	-
Operating income (B+C+D+E+F)									341
% of sales									5.8%
Finance income									251
Finance costs									(323)
Taxes									(75)
Net profit/(loss) for the period									194
% of sales									3.3%
Attributable to:									
Owners of the parent									196
Non-controlling interests									(2)

RECONCILIATION BETWEEN EBITDA AND ADJUSTED EBITDA

EBITDA (A)	162	105	85	(1)	189	3	165	(7)	512
Adjustments:									
Company reorganisation	-	3	4	-	7	1	2	2	12
Non-recurring expenses/(income):									
Antitrust investigations	17	-	-	-	-	-	-	-	17
Other non-operating expenses/(income)	-	(1)	(1)	-	(2)	1	-	5	4
Total adjustments (B)	17	2	3	-	5	2	2	7	33
Adjusted EBITDA (A+B)	179	107	88	(1)	194	5	167	-	545

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

(in millions of Euro)

	9 months 2016								
	Energy Projects	Energy Products			Oil & Gas	Telecom	Corporate	Group total	
		E&I	Industrial & NWC	Other	Total Products				
Sales ⁽¹⁾	1,172	2,300	1,021	77	3,398	225	865	-	5,660
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	172	122	95	(1)	216	9	106	-	503
% of sales	14.6%	5.3%	9.3%		6.3%	4.1%	12.2%		8.9%
Adjusted EBITDA (A)	172	123	95	(1)	217	9	129		527
% of sales	14.6%	5.4%	9.3%		6.4%	4.1%	14.9%		9.3%
EBITDA (B)	169	107	84	(3)	188	8	128	(5)	488
% of sales	14.4%	4.7%	8.3%		5.5%	3.6%	14.7%		8.6%
Amortisation and depreciation (C)	(26)	(47)	(14)	(1)	(62)	(11)	(30)		(129)
Adjusted operating income (A+C)	146	76	81	(2)	155	(2)	99	-	398
% of sales	12.4%	3.3%	7.9%		4.6%	-1.0%	11.4%		7.0%
Fair value change in metal derivatives (D)									24
Fair value stock options (E)									(35)
Asset (impairment) and impairment reversal (F)	-				(1)	(14)	-	-	(15)
Operating income (B+C+D+E+F)									333
% of sales									5.9%
Finance income									304
Finance costs									(362)
Taxes									(77)
Net profit/(loss) for the period									198
% of sales									3.5%
Attributable to:									
Owners of the parent									188
Non-controlling interests									10

RECONCILIATION BETWEEN EBITDA AND ADJUSTED EBITDA

	169	107	84	(3)	188	8	128	(5)	488
EBITDA (A)									
Adjustments:									
Company reorganisation	-	10	10	-	20	1	2	4	27
Non-recurring expenses/(income):									
Antitrust investigations	-	-	-	-	-	-	-	-	-
Other non-operating expenses/(income)	3	6	1	2	9	-	(1)	1	12
Total adjustments (B)	3	16	11	2	29	1	1	5	39
Adjusted EBITDA (A+B)	172	123	95	(1)	217	9	129	-	527

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

D.2 GEOGRAPHICAL AREAS

(in millions of Euro)

	9 months 2017	9 months 2016
Sales of goods and services	5,865	5,660
EMEA*	3,951	3,811
(of which Italy)	950	989
North America	880	802
Latin America	327	345
Asia Pacific	707	702

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

* EMEA = Europe, Middle East and Africa

1. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Details of this line item and related movements are as follows:

(in millions of Euro)

	Property, plant and equipment	Intangible assets	of which Goodwill
Balance at 31 December 2016	1,631	792	448
Movements in 2017:			
- Business combinations	-	-	-
- Investments	154	14	-
- Disposals	(3)	-	-
- Depreciation and amortisation	(98)	(34)	-
- Impairment	-	-	-
- Currency translation differences	(52)	(29)	(9)
- Reclassifications (to)/from Assets held for sale	-	-	-
Total movements	1	(49)	(9)
Balance at 30 September 2017	1,632	743	439
Of which:			
- Historical cost	2,878	1,108	459
- Accumulated depreciation/amortisation and impairment	(1,246)	(365)	(20)
Net book value	1,632	743	439

(in millions of Euro)

	Property, plant and equipment	Intangible assets	of which Goodwill
Balance at 31 December 2015	1,551	823	452
Movements in 2016:			
- Business combinations	9	(1)	(3)
- Investments	147	7	-
- Disposals	(1)	-	-
- Depreciation and amortisation	(93)	(36)	-
- Impairment	(15)	-	-
- Currency translation differences	(16)	(12)	(7)
- Other	(2)	-	-
Total movements	29	(42)	(10)
Balance at 30 September 2016	1,580	781	442
Of which:			
- Historical cost	2,719	1,102	462
- Accumulated depreciation/amortisation and impairment	(1,139)	(321)	(20)
Net book value	1,580	781	442

A total of Euro 154 million has been invested in property, plant and equipment in the first nine months of 2017.

This expenditure is analysed as follows:

- 49%, or Euro 75 million, for projects to increase and rationalise production capacity and develop new products;

- 28%, or Euro 44 million, for projects to improve industrial efficiency;
- 23%, or Euro 35 million, for structural projects foremost of which the purchase of land in North America (North Dighton).

A total of Euro 14 million has been invested in intangible assets in the first nine months of 2017, most of which to purchase the Chinese factory's land rights. Work has also continued on the "SAP Consolidation" project, aimed at standardising the information system across the Group.

Machinery is subject to Euro 4 million in liens in connection with long-term loans (mainly in relation to the Brazilian subsidiaries).

2. EQUITY-ACCOUNTED INVESTMENTS

These are detailed as follows:

(in millions of Euro)	30 September 2017	31 December 2016
Investments in associates	206	191
Investments in joint ventures	5	4
Total equity-accounted investments	211	195

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	26.37%
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd	China	44.78%
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 a company whose main shareholders are: China Huaxin Post and Telecommunication Economy Development Center, Wuhan Yangtze Communications Industry Group Company Ltd. and Prysmian Group. The company is one of the industry's most important manufacturers of optical fibre and cables. Its products and solutions are sold in more than 50 countries, including the United States, Japan, the Middle East and Africa.

The company was listed on the Main Board of the Hong Kong Stock Exchange in December 2014.

At 30 September 2017, the fair value of the investment in Yangtze Optical Fibre and Cable Joint Stock Limited Company was Euro 581 million (Euro 322 million at 31 December 2016), compared with a carrying amount of Euro 158 million (Euro 149 million at 31 December 2016).

Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd, formed in 2002 and based in Shanghai (China), is an associated company, 25% of whose share capital is held by the Prysmian Group and 75% by Yangtze Optical Fibre and Cable Joint Stock Limited Company. 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.

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.

The change in Investments in associates during the period reflects Euro 36 million for the Group's share of profit or loss of associates, as offset by Euro 9 million in dividend receipts and Euro 12 million in exchange translation differences.

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 Lembaga Tabung Angkatan Tentera (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.

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 2017		
	Non-current	Current	Total
Trade receivables	-	1,330	1,330
Allowance for doubtful accounts	-	(65)	(65)
Total trade receivables	-	1,265	1,265
Other receivables:			
Tax receivables	4	142	146
Financial receivables	1	6	7
Prepaid finance costs	1	2	3
Receivables from employees	1	5	6
Pension plan receivables	-	1	1
Construction contracts	-	478	478
Advances to suppliers	-	18	18
Other	9	118	127
Total other receivables	16	770	786
Total	16	2,035	2,051

(in millions of Euro)

	31 December 2016		
	Non-current	Current	Total
Trade receivables	-	1,153	1,153
Allowance for doubtful accounts	-	(65)	(65)
Total trade receivables	-	1,088	1,088
Other receivables:			
Tax receivables	5	132	137
Financial receivables	2	38	40
Prepaid finance costs	2	2	4
Receivables from employees	1	3	4
Pension plan receivables	-	1	1
Construction contracts	-	488	488
Advances to suppliers	-	19	19
Other	11	105	116
Total other receivables	21	788	809
Total	21	1,876	1,897

4. INVENTORIES

These are detailed as follows:

(in millions of Euro)	30 September 2017	31 December 2016
Raw materials	318	273
<i>of which allowance for obsolete and slow-moving raw materials</i>	<i>(37)</i>	<i>(33)</i>
Work in progress and semi-finished goods	275	216
<i>of which allowance for obsolete and slow-moving work in progress and semi-finished goods</i>	<i>(11)</i>	<i>(11)</i>
Finished goods (*)	476	417
<i>of which allowance for obsolete and slow-moving finished goods</i>	<i>(52)</i>	<i>(56)</i>
Total	1,069	906

(*) Finished goods also include goods for resale.

5. DERIVATIVES

These are detailed as follows:

(in millions of Euro)	30 September 2017	
	Asset	Liability
Non-current		
Forward currency contracts on commercial transactions (cash flow hedges)	5	-
Total hedging derivatives	5	-
Metal derivatives	5	1
Total other derivatives	5	1
Total non-current	10	1
Current		
Forward currency contracts on commercial transactions (cash flow hedges)	7	5
Total hedging derivatives	7	5
Forward currency contracts on commercial transactions	2	3
Forward currency contracts on financial transactions	-	1
Metal derivatives	19	9
Total other derivatives	21	13
Total current	28	18
Total	38	19

(in millions of Euro)		31 December 2016	
	Asset	Liability	
Non-current			
Forward currency contracts on commercial transactions (cash flow hedges)	-	8	
Total hedging derivatives	-	8	
Metal derivatives	3	4	
Total other derivatives	3	4	
Total non-current	3	12	
Current			
Forward currency contracts on commercial transactions (cash flow hedges)	6	13	
Total hedging derivatives	6	13	
Forward currency contracts on commercial transactions	10	4	
Forward currency contracts on financial transactions	1	1	
Metal derivatives	23	6	
Total other derivatives	34	11	
Total current	40	24	
Total	43	36	

6. FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading, amounting to Euro 61 million (Euro 57 million at 31 December 2016), 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 2017	31 December 2016
Cash and cheques		1	2
Bank and postal deposits		626	644
Total		627	646

Cash and cash equivalents, deposited with major financial institutions, are managed centrally 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 458 million at 30 September 2017, compared with Euro 359 million at 31 December 2016.

8. SHARE CAPITAL AND RESERVES

Consolidated equity has recorded a decrease of Euro 52 million since 31 December 2016, mainly reflecting the net effect of:

- negative currency translation differences of Euro 145 million;
- the positive post-tax change of Euro 16 million in the fair value of derivatives designated as cash flow hedges;
- the positive change of Euro 37 million in the share-based compensation reserve linked to stock option plans;
- the purchase of Euro 100 million in treasury shares;
- the distribution of Euro 102 million in dividends;
- an increase of Euro 48 million to record the equity component of the Convertible Bond 2017;
- the positive post-tax change of Euro 3 million in the reserve for actuarial gains on employee benefits;
- a negative change of Euro 3 million following the purchase of non-controlling interests in subsidiaries;
- the net profit for the period of Euro 194 million.

At 30 September 2017, 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 and treasury shares of Prysmian S.p.A. are reported in the following table:

	Ordinary shares	Treasury shares	Total
Balance at 31 December 2015	216,720,922	(2,707,176)	214,013,746
Capital increase	-	-	-
Allotments and sales ⁽¹⁾	-	88,859	88,859
Balance at 31 December 2016	216,720,922	(2,618,317)	214,102,605
	Ordinary shares	Treasury shares	Total
Balance at 31 December 2016	216,720,922	(2,618,317)	214,102,605
Share buybacks	-	(4,003,943)	(4,003,943)
Allotments and sales ⁽²⁾	-	113,654	113,654
Balance at 30 September 2017	216,720,922	(6,508,606)	210,212,316

⁽¹⁾ Allotment of 88,859 treasury shares under the Group employee share purchase plan (YES Plan).

⁽²⁾ Allotment and sale of 113,654 treasury shares under the Group employee share purchase plan (YES Plan).

Treasury shares

Movements in treasury shares during the first nine months of 2017 mostly refer to purchases under the buyback programme approved by the shareholders.

The following table reports movements in treasury shares during the period:

	Number of shares	Total nominal value (in Euro)	% of share capital	Average unit value (in Euro)	Total carrying value (in Euro)
At 31 December 2015	2,707,176	270,718	1.25%	12.02	32,541,843
- Purchases	-	-	-	-	-
- Allotments under stock option plans	(88,859)	(8,886)	-	12.03	1,069,063
At 31 December 2016	2,618,317	261,832	1.25%	12.02	33,610,906
- Allotments and sales	(113,654)	(11,365)		19.20	(2,180,429)
- Share buybacks	4,003,943	400,394		25.03	100,218,693
At 30 September 2017	6,508,606	650,861	3.00%	20.03	131,649,170

Share buyback and disposal programme

The Shareholders' Meeting held on 13 April 2016 authorised a share buyback 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, at any one time, 10% of share capital, equating to 18,964,916 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.

On 12 April 2017, the shareholders of Prysmian S.p.A. authorised a new share buyback and disposal programme, revoking at the same time the previous authorisation under the shareholder resolution dated 13 April 2016. 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 one time, 10% of share capital. Purchases may not exceed the amount of undistributed earnings and available reserves reported in the most recently approved annual financial statements. The authorisation to buy back treasury shares lasts for 18 months commencing from the date of the Shareholders' Meeting, while the authorisation to dispose of treasury shares has no time limit.

Acting under the above shareholder resolutions, on 12 January 2017, the Board of Directors approved the adoption of a share buyback programme, which terminated on 30 September 2017 and has resulted in the purchase of 4,003,943 shares.

9. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

(in millions of Euro)

	30 September 2017		
	Non-current	Current	Total
Borrowings from banks and other financial institutions	151	96	247
Non-convertible bond	743	9	752
Convertible bond 2013	-	296	296
Convertible bond 2017	454	-	454
Finance lease obligations	12	1	13
Total	1,360	402	1,762

(in millions of Euro)

	31 December 2016		
	Non-current	Current	Total
Borrowings from banks and other financial institutions	72	156	228
Non-convertible bond	741	14	755
Convertible bond 2013	288	1	289
Convertible bond 2017	-	-	-
Finance lease obligations	13	1	14
Total	1,114	172	1,286

Borrowings from banks and other lenders and Bonds are analysed as follows:

(in millions of Euro)

	30 September 2017	31 December 2016
CDP Loan	100	-
Syndicated Revolving Credit Facility 2014	-	-
EIB Loan	59	75
Revolving Credit Facility 2014	-	50
Other borrowings	88	103
Borrowings from banks and other financial institutions	247	228
Non-convertible bond	752	755
Convertible bond 2013	296	289
Convertible bond 2017	454	-
Total	1,749	1,272

The Group's principal credit agreements in place as at 30 September 2017 are as follows:

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. This revolving facility was intended to refinance the existing facilities and the Group's other operating activities. As at 30 September 2017, this facility had not been drawn down.

Revolving Credit Facility 2014

After completing the placement of the new equity-linked bond, the Company reviewed its funding structure, as a result of which on 31 January 2017 it cancelled the five-year revolving credit facility for Euro 100 million with Mediobanca and repaid at the same time the amount of Euro 50 million drawn down as at 31 December 2016.

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 is repayable in 12 equal half-yearly instalments starting on 5 August 2015 and ending on 5 February 2021. After repayments, the outstanding amount of the loan as at 30 September 2017 was Euro 59 million.

The fair value of the EIB Loan at 30 September 2017 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).

CDP Loan

On 25 September 2017, Prysmian S.p.A. entered into an agreement with Cassa Depositi e Prestiti S.p.A. for a medium/long-term cash loan for a maximum total amount of Euro 100 million. On 29 September 2017, this amount was drawn down in full. The line matures on 30 September 2020. This funding will be used solely for the Group's general objectives, including capital expenditure, expenditure on research, development and innovation, as well as on energy efficiency and environmental stewardship.

The following tables summarise the committed lines available to the Group at 30 September 2017 and 31 December 2016:

(in millions of Euro)

	30 September 2017		
	Total lines	Drawn	Undrawn
Syndicated Revolving Credit Facility 2014	1,000	-	1,000
CDP Loan	100	(100)	-
EIB Loan	59	(59)	-
Revolving Credit Facility 2014	-	-	-
Total	1,159	(159)	1,000

(in millions of Euro)

	31 December 2016		
	Total lines	Drawn	Undrawn
Syndicated Revolving Credit Facility 2014	1,000	-	1,000
EIB Loan	75	(75)	-
Revolving Credit Facility 2014	100	(50)	50
Total	1,175	(125)	1,050

The Revolving Credit Facility currently in place is intended to finance ordinary working capital requirements.

Bonds

The Prysmian Group had the following bonds outstanding as at 30 September 2017:

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 offered for sale to institutional investors only.

As a result, 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 pays a fixed annual coupon of 2.50%. The individual 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 801 million at 30 September 2017. Fair value has been determined with reference to the quoted price in the relevant market (Level 1 of the fair value hierarchy).

Convertible Bond 2013

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 institutional 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 circumstances detailed in the Bond's terms and conditions, 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 Bond was admitted to trading on the Third Market (a multilateral trading facility or MTF) on the Vienna Stock Exchange.

The accounting treatment for the Convertible Bond 2013 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.

<i>(in millions of Euro)</i>	
Issue value of convertible bond	300
Equity reserve for convertible bond	(39)
Issue date net balance	261
Interest - non-monetary	35
Interest - monetary accrued	18
Interest - monetary paid	(17)
Related costs	(1)
Balance at 30 September 2017	296

The fair value of the Convertible Bond 2013 (equity component and debt component) is Euro 384 million at 30 September 2017 (Euro 352 million at 31 December 2016), of which the fair value of the debt component is Euro 302 million (Euro 278 million at 31 December 2016). 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 October 2017 the first requests were received from bondholders to convert their bonds into shares. These requests related to the conversion of bonds into a total of 17,925 shares, corresponding to a nominal bond value of Euro 0.4 million. The shares were made available on 31 October 2017.

Convertible Bond 2017

On 12 January 2017, the Board of Directors approved the placement of an equity-linked bond, known as "Prysmian S.p.A. Euro 500 million Zero Coupon Equity Linked Bonds due 2022" maturing 17 January 2022 and reserved for institutional investors.

At the meeting held on 12 April 2017, the Company's shareholders authorised:

- the convertibility of the Equity-Linked Bond;
- the proposal to increase share capital for cash, in single or multiple issues with the exclusion of pre-emptive rights, by a maximum nominal amount of Euro 1,457,942.70, by issuing, in single or multiple instalments, up to 14,579,427 ordinary shares of the Company, with the same characteristics as its other outstanding ordinary shares, exclusively and irrevocably to serve the Bond's conversion.

The conversion price of the bonds of Euro 34.2949 was set by applying a 41.25% premium to the weighted average price of the Company's ordinary shares recorded on the Milan Stock Exchange between the start and end of the book-building process during the morning of 12 January 2017.

The Company will have the option to call all (but not just a part) of the outstanding bonds at their principal amount from 1 February 2020, should the value of the shares exceed 130% of the conversion price for a specified period of time.

The placement has allowed the Company to diversify its financial resources more widely by raising funds on the capital market. These funds will be used to pursue the Company's potential external growth opportunities; to finance, in line with the shareholders' authorisation of the share buyback, the buyback of the Company's shares that will be used to fulfil potential conversion rights requirements and/or as consideration to finance the Company's growth strategy and for general corporate purposes.

On 16 May 2017, the Company sent a physical settlement notice to holders of the bonds, granting them the right, with effect from 29 May 2017, to convert them into the Company's existing or new ordinary shares. On 30 May 2017, the Bond was admitted to trading on the Third Market (a multilateral trading facility or MTF) on the Vienna Stock Exchange.

The accounting treatment for the Convertible Bond 2017 has resulted in the recognition of an equity component of Euro 48 million and a debt component of Euro 452 million, determined at the bond issue date.

<i>(in millions of Euro)</i>	
Issue value of convertible bond	500
Equity reserve for convertible bond	(48)
Issue date net balance	452
Interest - non-monetary	7
Related costs	(5)
Balance at 30 September 2017	454

As at 30 September 2017, the fair value of the Convertible Bond 2017 (equity component and debt component) is Euro 548 million, of which the fair value of the debt component is Euro 470 million. 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).

Borrowings from banks and other lenders and Finance lease obligations

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

(in millions of Euro)

	CDP Loan	EIB Loan	Non-convertible bond	Convertible bond 2013	Convertible bond 2017	Other borrowings/ Finance lease obligations ⁽¹⁾	Total
Balance at 31 December 2016	-	75	755	289	-	167	1,286
Business combinations	-	-	-	-	-	-	-
Reclassification to Liabilities held for sale	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	(8)	(8)
New funds	100	-	-	-	446	23	569
Repayments	-	(16)	-	-	-	(81)	(97)
Drawdown of revolving facilities	-	-	-	-	-	-	-
Amortisation of bank and financial fees and other expenses	-	-	2	2	1	-	5
Interest and other movements	-	-	(5)	5	7	-	7
Total movements	100	(16)	(3)	7	454	(66)	476
Balance at 30 September 2017	100	59	752	296	454	101	1,762

(in millions of Euro)

	CDP Loan	EIB Loan	Non-convertible bond	Convertible bond 2013	Convertible bond 2017	Other borrowings/ Finance lease obligations ⁽¹⁾	Total
Balance at 31 December 2015	-	92	754	280	-	277	1,403
Business combinations	-	-	-	-	-	-	-
Reclassification to Liabilities held for sale	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	4	4
New funds	-	-	-	-	-	58	58
Repayments	-	(17)	-	-	-	(40)	(57)
Drawdown of revolving facilities	-	-	-	-	-	-	-
Amortisation of bank and financial fees and other expenses	-	-	1	-	-	-	1
Interest and other movements	-	-	(5)	6	-	-	1
Total movements	-	(17)	(4)	6	-	22	7
Balance at 30 September 2016	-	75	750	286	-	299	1,410

⁽¹⁾ Includes the Revolving Credit Facility 2014.

NET FINANCIAL DEBT

(in millions of Euro)

	Note	30 September 2017	31 December 2016
Long-term financial payables			
CDP Loan	9	100	0
EIB Loan	9	42	58
Non-convertible bond	9	743	741
Convertible bond 2013	9	-	288
Finance leases	9	12	13
Convertible bond 2017	9	454	-
Other financial payables	9	9	14
Total long-term financial payables		1,360	1,114
Short-term financial payables			
Syndicated Revolving Credit Facility 2014	9	-	-
EIB Loan	9	17	17
Non-convertible bond	9	9	14
Convertible bond 2013	9	296	1
Finance leases	9	1	1
Forward currency contracts on financial transactions	5	1	1
Revolving Credit Facility 2014	9	-	50
Other financial payables	9	79	89
Total short-term financial payables		403	173
Total financial liabilities		1,763	1,287
Long-term financial receivables	3	1	2
Long-term bank fees	3	1	2
Held-to-maturity financial assets		2	2
Forward currency contracts on financial transactions (current)	5	-	1
Short-term financial receivables	3	6	38
Short-term bank fees	3	2	2
Financial assets held for trading	6	61	57
Cash and cash equivalents	7	627	646
Available-for-sale financial assets (current)		11	-
Net financial debt		1,052	537

The following table presents a reconciliation of the Group's net financial debt 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 2017	31 December 2016
Net financial debt - as reported above		1,052	537
Long-term financial receivables	3	1	2
Long-term bank fees	3	1	2
Net forward currency contracts on commercial transactions	5	(6)	9
Net metal derivatives	5	(14)	(16)
Recalculated net financial debt		1,034	534

10. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in millions of Euro)

	30 September 2017		
	Non-current	Current	Total
Trade payables	-	1,564	1,564
Total trade payables	-	1,564	1,564
Other payables:			
Tax and social security payables	5	148	153
Advances from customers	-	203	203
Payables to employees	2	94	96
Accrued expenses	-	108	108
Other	10	146	156
Total other payables	17	699	716
Total	17	2,263	2,280

(in millions of Euro)

	31 December 2016		
	Non-current	Current	Total
Trade payables	-	1,498	1,498
Total trade payables	-	1,498	1,498
Other payables:			
Tax and social security payables	6	121	127
Advances from customers	-	377	377
Payables to employees	2	74	76
Accrued expenses	-	130	130
Other	10	173	183
Total other payables	18	875	893
Total	18	2,373	2,391

At 30 September 2017, trade payables include around Euro 185 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 2016, payables for the supply of strategic metals amounted to Euro 159 million.

Advances from customers report the liability for construction contracts, amounting to Euro 167 million at 30 September 2017 compared with Euro 334 million at 31 December 2016. This liability represents the gross amount by which work invoiced exceeds costs incurred plus accumulated profits (or losses) recognised using the percentage of completion method.

11. PROVISIONS FOR RISKS AND CHARGES

These are detailed as follows:

(in millions of Euro)

	30 September 2017		
	Non-current	Current	Total
Restructuring costs	-	23	23
Contractual and legal risks	15	249	264
Environmental risks	-	7	7
Tax inspections	4	19	23
Contingent liabilities	3	2	5
Other risks and charges	13	30	43
Total	35	330	365

(in millions of Euro)

	31 December 2016		
	Non-current	Current	Total
Restructuring costs	3	33	36
Contractual and legal risks	17	236	253
Environmental risks	-	7	7
Tax inspections	6	19	25
Contingent liabilities	3	3	6
Other risks and charges	11	41	52
Total	40	339	379

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 2016	36	253	7	25	6	52	379
Increases	6	45	-	1	-	13	65
Utilisations	(18)	(14)	-	-	-	(3)	(35)
Releases	-	(31)	-	(1)	-	(5)	(37)
Currency translation differences	(1)	(2)	-	(2)	-	(2)	(7)
Other	-	13	-	-	(1)	(12)	-
Total movements	(13)	11	-	(2)	(1)	(9)	(14)
Balance at 30 September 2017	23	264	7	23	5	43	365

The provision for restructuring costs reports an overall net decrease of Euro 13 million.

In particular, Euro 18 million has been utilised in the period, mostly in connection with projects underway in the Netherlands, France and Denmark.

The provision for contractual and legal risks, amounting to Euro 264 million at 30 September 2017, reports a net increase of Euro 11 million since 31 December 2016.

This provision also includes the provision for the antitrust investigations discussed in the following paragraphs.

Antitrust – European Commission Proceedings in the high voltage underground and submarine cables business

The European Commission started an investigation 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. 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. The hearing of oral arguments in the appeal brought by Prysmian against the European Commission's decision of April 2014 took place on 20 March 2017, while the hearings of oral arguments in the appeals brought by Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. against the same decision of the European Commission in April 2014 took place on 22 and 28 March 2017 respectively. A ruling is awaited as a result of these hearings. Pirelli & C. S.p.A. has also brought a civil action against Prysmian Cavi e Sistemi S.r.l. in the Milan Courts, 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 stayed by order of the court concerned in April 2015, pending the outcome of the appeals made 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, which has confirmed the stay of execution ordered by the Milan Courts.

Antitrust – Other proceedings in the high voltage underground and submarine cables business in jurisdictions other than the European Union

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. filed its objections and presented its preliminary defence. A ruling issued in July 2016 held the company liable for violation of Australian antitrust law with regard to this project, without however quantifying the applicable penalty, which would be determined upon completion of the second stage of these proceedings. On 1 December 2016 the hearing of oral arguments took place to quantify the amount of the penalty to impose on Prysmian Cavi e Sistemi S.r.l. and on 28 July 2017, the Federal Court in Adelaide finally issued a ruling condemning Prysmian Cavi e Sistemi S.r.l. to pay a fine of AUD 3.5 million. Not agreeing with this decision, Prysmian Cavi e Sistemi S.r.l. has lodged an appeal with the Australian Federal Court of Appeals. However, the Australian competition authority has not appealed against this decision.

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 was rejected by the local competition authorities in a statement issued in February 2015. The investigative 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.

Antitrust - Claims for damages as a result of the European Commission's 2014 decision

During 2015, National Grid and Scottish Power, two British operators, filed claims in the High Court in London against certain cable manufacturers, including Prysmian Group companies, 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. Among the parties involved in this action, Pirelli & C. S.p.A. has requested the London High Court to decline its jurisdiction or nonetheless to stay the proceedings in its regard pending the outcome of the civil action previously brought by Pirelli against Prysmian Cavi e Sistemi S.r.l. in the Milan Courts, in which it demands to be held harmless for all claims made by the European Commission in implementation of the latter's

decision and for any expenses related to such implementation. The proceedings have since been stayed, as agreed between the parties, pending the outcome of the action brought by Pirelli in the Milan Courts. A similar agreement has also been reached with The Goldman Sachs Group Inc., another company involved in the actions discussed above. The other actions brought by Prysmian Group companies against other cable producers censured in the European Commission decision have in turn been suspended pending the outcome of the main action brought by National Grid and Scottish Power.

During the first few months of 2017, in addition to those mentioned in the preceding paragraph, other operators belonging to the Vattenfall Group filed claims in the High Court in London against certain cable manufacturers, including companies in 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 its decision of April 2014. The Prysmian Group defendant companies have duly filed their statement of objections.

In addition, during 2016 other operators had presented claims against Prysmian S.p.A. and some of its subsidiaries, either directly or through lawyers, in order to obtain compensation for an unquantified amount of damages, allegedly suffered as a result of Prysmian's participation in the anti-competitive practices condemned by the European Commission in its decision of April 2014. Following on from notifications, only one operator has sent a new letter to a subsidiary of Prysmian S.p.A., received in August 2017, quantifying the damage suffered. The subsidiary of Prysmian S.p.A. has replied to this letter declining all responsibility.

Antitrust – Other investigations

The Australian and Spanish antitrust authorities have respectively initiated additional proceedings to verify the existence of anti-competitive practices by local low voltage cable manufacturers and distributors, including some of the Group's foreign subsidiaries based in these countries. As regards the judicial proceedings initiated by the Australian antitrust authorities, these have ended favourably for the Group's local subsidiary; in fact, the ruling by the competent Australian Federal Court dismissed all the allegations brought by the Australian Competition and Consumer Commission (ACCC), which was also ordered to pay the legal costs incurred by the Group's local subsidiary.

As for the Spanish administrative proceedings, these were initiated at the end of February 2016 by the local competition authority, which sent a statement of objections to some of the Group's local subsidiaries in January of the current year. The objections raised in the statement of objections were reiterated in the so-called Proposal for Resolution of 24 April 2017, another act heralding the pronouncement of a final decision by the local competition authority.

As at 30 September 2017, the provision for the above antitrust issues amounts to approximately Euro 160 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.

12. EMPLOYEE BENEFIT OBLIGATIONS

These are detailed as follows:

(in millions of Euro)

	30 September 2017	31 December 2016
Pension plans	283	298
Employee indemnity liability (Italian TFR)	17	19
Medical benefit plans	27	29
Termination and other benefits	42	37
Incentive plans	-	-
Total	369	383

Movements in employee benefit obligations have had an overall impact of Euro 10 million on the period's income statement, of which Euro 4 million classified in personnel costs and Euro 6 million in finance costs.

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

	9 months 2017	9 months 2016
Average number	20,971	19,826
	30 September 2017	31 December 2016
Closing number	21,297	20,493

13. OPERATING INCOME

Operating income is a profit of Euro 341 million in the first nine months of 2017 (compared with a profit of Euro 333 million in the first nine months of 2016) and is stated after following adjustments:

(in millions of Euro)	9 months 2017	9 months 2016
Company reorganisation ⁽¹⁾	(12)	(27)
Non-recurring expenses/(income) ⁽²⁾ :	(17)	-
<i>Antitrust</i>	(17)	-
Other non-operating expenses/(income) ⁽³⁾	(4)	(12)
Total adjustments	(33)	(39)

⁽¹⁾ Income and expense for company reorganisation: these refer to income and expense that arise as a result of the closure of production facilities and/or as a result of projects to enhance the organisational structure's efficiency;

⁽²⁾ Non-recurring income and expense: these refer to income and expense related to unusual events that have not affected the income statement in past periods and that will probably not affect the results in future periods;

⁽³⁾ Other non-operating income and expense: these refer to income and expense that management considers should not be taken into account when measuring business performance.

14. FINANCE COSTS AND INCOME

Finance costs are detailed as follows:

(in millions of Euro)	9 months 2017	9 months 2016
Interest on loans	-	1
Interest on non-convertible bond	14	14
Interest on convertible bond 2013 - non-monetary component	6	6
Interest on convertible bond 2013 - monetary component	3	3
Interest on convertible bond 2017- non-monetary component	7	-
Amortisation of bank and financial fees and other expenses	4	3
Employee benefit interest costs	6	7
Other bank interest	7	9
Costs for undrawn credit lines	3	3
Sundry bank fees	9	9
Non-recurring other finance costs	2	1
Other	2	2
Finance costs	63	58
Net losses on forward currency contracts	10	12
Losses on derivatives	10	12
Foreign currency exchange losses	248	292
Other non-operating financial costs	2	-
Total finance costs	323	362

Finance income is detailed as follows:

(in millions of Euro)	9 months 2017	9 months 2016
Interest income from banks and other financial institutions	5	7
Other finance income	2	4
Finance income	7	11
Net gains on interest rate swaps	-	1
Gains on derivatives	-	1
Foreign currency exchange gains	244	292
Total finance income	251	304

15. TAXES

Taxes have been estimated on the basis of the expected average tax rate for the full year. The tax charge for the first nine months of 2017 is Euro 75 million, while the tax rate is 28%.

16. 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 Convertible Bond 2013, whose conversion was in the money as at 30 September 2017 and by the options under the employee share purchase plan (YES Plan). Diluted earnings/(loss) per share have not been affected by either the Convertible Bond 2017, whose conversion is currently out of the money, or by the options under the long-term incentive plan 2015-2017 since aggregate EBITDA at 30 September 2017 had not yet triggered their allotment.

(in millions of Euro)	9 months 2017	9 months 2016
Net profit/(loss) attributable to owners of the parent	195	188
Weighted average number of ordinary shares (thousands)	211,162	214,016
Basic earnings per share (in Euro)	0.92	0.88
Net profit/(loss) attributable to owners of the parent for purposes of diluted earnings per share ⁽¹⁾	202	195
Weighted average number of ordinary shares (thousands)	211,162	214,016
Adjustments for:		
New shares from conversion of bonds into shares (thousands)	13,444	13,444
Dilution from incremental shares arising from exercise of stock options (thousands)	98	
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	224,704	227,460
Diluted earnings per share (in Euro)	0.90	0.86

⁽¹⁾ This figure has been adjusted for interest accruing on the Convertible Bond 2013, net of the related tax effect.

17. 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.

18. 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 264 million at 30 September 2017 (Euro 259 million at 30 September 2016 and Euro 337 million at 31 December 2016).

19. 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.

20. 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 related party transactions during the nine months ended 30 September 2017:

(in millions of Euro)					
30 September 2017					
	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	211	-	211	211	100.0%
Trade receivables	9	-	9	1,265	0.7%
Other receivables	3	-	3	786	0.4%
Trade payables	4	-	4	1,564	0.3%
Other payables	-	1	1	716	0.1%
Provisions	-	4	4	365	1.1%

(in millions of Euro)					
31 December 2016					
	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	195	-	195	195	100.0%
Trade receivables	14	-	14	1,088	1.2%
Other receivables	5	-	5	809	0.6%
Trade payables	4	-	4	1,498	0.3%
Other payables	2	1	3	893	0.3%
Provisions	-	2	2	379	0.5%

(in millions of Euro)					
9 months 2017					
	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	26	-	26	5,865	0.4%
Other income	3	-	3	54	5.6%
Raw materials, consumables used and goods for resale	(10)	-	(10)	(3,728)	0.3%
Personnel costs	-	(18)	(18)	(801)	2.2%
Other expenses	-	-	-	(1,073)	0.0%
Share of net profit/(loss) of equity-accounted companies	36	-	36	36	100.0%

(in millions of Euro)					
9 months 2016					
	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	35	-	35	5,660	0.6%
Other income	4	-	4	47	8.5%
Raw materials, consumables used and goods for resale	(12)	-	(12)	(3,339)	0.4%
Personnel costs	-	(15)	(15)	(783)	2.6%
Other expenses	-	(1)	(1)	(1,147)	0.1%
Share of net profit/(loss) of equity-accounted companies	24	-	24	24	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 16 million at 30 September 2017 (Euro 16 million in the first nine months of 2016).

21. 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 2017.

22. COMMITMENTS

Contractual commitments, already given to third parties at 30 September 2017 and not yet reflected in the financial statements, amount to Euro 90 million for property, plant and equipment and Euro 4 million for intangible assets.

23. STOCK OPTION PLANS

New employee share purchase plan (2016-2018) – YES 2.0

The Shareholders' Meeting held on 13 April 2016 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 main objectives 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 (meaning its employees and shareholders), by identifying a common goal of creating long-term value;
- to help consolidate the process of integrating the Group's acquisitions.

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.

The shares purchased are subject to a retention period, during which they cannot be sold. The Plan contains purchase windows over the next three years.

The process of presenting and explaining the plan to Group employees started in October 2016.

The first purchase window opened on 18 April 2017: employees had until 18 May to communicate how much they wished to invest in the Plan's first purchase window. The sums collected in this period were used to make purchases of the Company's ordinary shares on the Milan Stock Exchange over a period of five consecutive business days during the month of May 2017. The number of treasury shares allotted to each

participant was determined by taking into account the average share purchase price (Euro 24.8305), the individual investment and the applicable discount.

All those who signed up for the plan also received an entry bonus of six free shares, taken from the Company's portfolio of treasury shares, only available at the time of first purchase. If an employee had already participated in the 2013 plan, they received eight shares as an entry bonus to the new plan.

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

The fair value of the options has been determined using the Montecarlo binomial pricing model, based on the following assumptions:

	Window
Grant date	14 November 2016
Share purchase date	from 16 February 2017 to 16 September 2019
End of retention period	from 16 February 2020 to 16 September 2022
Residual life at grant date (in years)	2.71
Share price at grant date (Euro)	23.40
Expected volatility	from 31.74% to 36.05%
Risk-free interest rate	from 0.70% to 0.75%
Expected dividend %	2.07%
Option fair value at grant date (Euro)	from €21.57 to €23.15

The total cost recognised as "Personnel costs" in the income statement at 30 September 2017 in relation to the fair value of options granted under this plan is Euro 2 million.

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

	30 September 2017
	Number of options
Options at start of year	349,849
Granted	-
Change in expected participations	-
Cancelled	-
Exercised	(113,654)
Options at end of period	236,195

The information memorandum, 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.

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 covers around 335 employees of Group companies and involves the grant of options, the number of which depends 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 options	Exercise price
Options at start of year	6,614,124	-
Granted	-	-
Variation for target remeasurement	(25,262)	-
Cancelled	-	-
Exercised	-	-
Options at end of period	6,588,862	-
of which vested at end of period	-	-
of which exercisable	-	-
of which not vested at end of period	6,588,862	-

The total cost recognised as "Personnel costs" in the income statement at 30 September 2017 in relation to the fair value of options granted under this plan is Euro 35 million.

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 memorandum, 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.

As at 30 September 2017, there are no outstanding loans or guarantees by the Parent Company or its subsidiaries to any of the directors, senior managers or statutory auditors.

24. DIVIDEND DISTRIBUTION

On 12 April 2017, the shareholders of Prysmian S.p.A. approved the financial statements for 2016 and the distribution of a gross dividend of Euro 0.43 per share, for a total of some Euro 91 million. The dividend was paid out on 26 April 2017 to shares outstanding on the record date of 25 April 2017, with the shares going ex-dividend on 24 April 2017.

25. 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 2017	31 December 2016	9 months 2017	9 months 2016
Europe			
British Pound	0.882	0.856	0.873
Swiss Franc	1.146	1.074	1.095
Hungarian Forint	310.67	309.83	308.404
Norwegian Krone	9.413	9.086	9.236
Swedish Krona	9.649	9.553	9.583
Czech Koruna	25.981	27.021	26.548
Danish Krone	7.442	7.434	7.437
Romanian Leu	4.599	4.539	4.552
Turkish Lira	4.2	3.717	4.004
Polish Zloty	4.304	4.410	4.265
Russian Rouble	68.252	64.300	64.999
North America			
US Dollar	1.181	1.054	1.114
Canadian Dollar	1.469	1.419	1.455
South America			
Brazilian Real	3.74	3.435	3.537
Argentine Peso	20.436	16.750	18.109
Chilean Peso	751.636	704.945	728.202
Mexican Peso	21.461	21.772	21.008
Oceania			
Australian Dollar	1.508	1.460	1.454
New Zealand Dollar	1.635	1.516	1.556
Africa			
CFA Franc	655.957	655.957	655.957
Tunisian Dinar	2.917	2.450	2.663
Asia			
Chinese Renminbi (Yuan)	7.853	7.320	7.577
United Arab Emirates Dirham	4.336	3.870	4.09
Hong Kong Dollar	9.221	8.175	8.677
Singapore Dollar	1.603	1.523	1.547
Indian Rupee	77.069	71.594	72.645
Indonesian Rupiah	15,889	14,173	14,849
Japanese Yen	132.82	123.400	124.681
Thai Baht	39.338	37.726	38.136
Philippine Peso	60.05	52.268	55.996
Omani Rial	0.454	0.405	0.428
Malaysian Ringgit	4.983	4.729	4.838
Qatari Riyal	4.297	3.837	4.055
Saudi Riyal	4.427	3.954	4.178

26. SUBSEQUENT EVENTS

In October 2017 the first requests were received to convert into shares bonds issued under the Convertible Bond 2013.

These requests related to bond conversions into a total of 17,925 shares, corresponding to bonds with a nominal value of Euro 0.4 million. The shares were made available on 31 October 2017.

No other significant events have taken place since the end of the quarterly reporting period.

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, 7 November 2017

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:

Fully consolidated subsidiaries on a line-by-line basis:					
Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Europe					
Austria					
Prysmian OEKW GmbH	Wien	Euro	2,053,008	100.00%	Prysmian Cavi e Sistemi S.r.l.
Belgium					
Draka Belgium N.V.	Antwerpen	Euro	61,973	98.52%	Draka Holding B.V.
				1.48%	Draka Kabel B.V.
Denmark					
Prysmian Denmark A/S	Albertslund	Danish Krone	40,001,000	100.00%	Draka Holding B.V.
Estonia					
AS Draka Keila Cables	Keila	Euro	1,664,000	100.00%	Prysmian Finland OY
Finland					
Prysmian Finland OY	Kirkkonummi	Euro	100,000	77.7972%	Prysmian Cavi e Sistemi S.r.l.
				19.9301%	Draka Holding B.V.
				2.2727%	Draka Comteq B.V.
France					
Prysmian (French) Holdings S.A.S.	Paron	Euro	129,026,210	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Cables et Systèmes France S.A.S.	Sens	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.
Germany					
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

PRYSMIAN GROUP | CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

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	Nuremberg	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
NKF Holding (Deutschland) GmbH i.L.	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.
U.K.					
Prysmian Cables & Systems Ltd.	Eastleigh	British Pound	113,901,120	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 and Systems International Ltd.	Eastleigh	Euro	1	100.00%	Prysmian Cavi e Sistemi S.r.l.
Cable Makers Properties & Services Limited	Hampton	British Pound	33.72	73.99%	Prysmian Cables & Systems Ltd.
				26.01%	Third parties
Comergy Ltd.	Eastleigh	British Pound	1	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	70,011,000	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.
Prysmian Powerlink Services Ltd.	Eastleigh	British Pound	46,000,100	100.00%	Prysmian UK Group Ltd.
Ireland					
Prysmian Re Company Designated Activity Company	Dublin	Euro	5,000,000	100.00%	Draka Holding B.V.
Italy					
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	100.00%	Prysmian Cavi e Sistemi S.r.l.

PRYSMIAN GROUP | CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Norway					
Draka Norsk Kabel A.S.	Drammen	Norwegian Krone	22.500.000	100.00%	Draka Holding B.V.
The Netherlands					
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.	Delft	Euro	18.151	99.00%	Draka Deutschland GmbH
				1.00%	Prysmian Netherlands B.V.
Draka Sarphati B.V. in liquidatie	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.
Czech Republic					
Draka Kabely, s.r.o.	Velke Mezirici	Czech Koruna	255.000.000	100.00%	Draka Holding B.V.
Romania					
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.
Russia					
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
Neva Cables Ltd	St. Petersburg	Russian Rouble	194.000	100.00%	Prysmian Finland OY

PRYSMIAN GROUP | CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Slovakia					
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.	Záborské	Euro	1,506,639	100.00%	Draka Comteq B.V.
Spain					
Prysmian Cables Spain, S.A. (Sociedad Unipersonal)	Vilanova I la Geltrú	Euro	58,178,234	100.00%	Draka Holding B.V.
Marmavil S.L. (Sociedad Unipersonal)	Santa Perpetua de Mogoda	Euro	3,006	100.00%	Draka Holding B.V.
Draka Holding S.L.	Santa Perpetua de Mogoda	Euro	24,000,000	99.99999%	Draka Holding B.V.
				0.00001%	Marmavil S.L. (Sociedad Unipersonal)
Sweden					
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
Switzerland					
Prysmian Cables and Systems S.A. in liquidazione	Lugano	Swiss Franc	500,000	100.00%	Draka Holding B.V.
Turkey					
Turk Prysmian Kablo Ve Sistemleri A.S.	Mudanya	Turkish new Lira	112,233,652	83.746%	Draka Holding B.V.
				0.891%	Turk Prysmian Kablo Ve Sistemleri A.S.
				15.363%	Third parties
Tasfiye Halinde Draka Istanbul Asansor İthalat İhracat Üretim Ticaret Ltd. Şti.	Osmangazi-Bursa	Turkish new Lira	180,000	100.00%	Draka Holding B.V.
Tasfiye Halinde Draka Comteq Kablo Limited Sirketi	Osmangazi-Bursa	Turkish new Lira	45,818,775	99.99995%	Draka Comteq B.V.
				0.00005%	Prysmian Netherlands B.V.
Hungary					
Prysmian MKM Magyar Kabel Muvek Kft.	Budapest	Hungarian Forint	5,000,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
North America					
Canada					
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.
U.S.A.					
Prysmian Cables and Systems (US) Inc.	Las Vegas	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	0	100.00%	Draka Cableteq USA Inc.
Gulf Coast Downhole Technologies, LLC	Huston	US Dollar	0	100.00%	Draka Cableteq USA Inc.

PRYSMIAN GROUP | CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Central/South America					
Argentina					
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 Cabos e Sistemas do Brasil S.A.
				0.309%	Third parties
Prysmian Consultora Conductores Instalaciones SAIC	Buenos Aires	Argentine Peso	48,571,242	95.00%	Draka Holding B.V.
				5.00%	Prysmian Cavi e Sistemi S.r.l.
Brazil					
Prysmian Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real	547,630,605	91.844%	Prysmian Cavi e Sistemi S.r.l.
				0.040%	Prysmian S.p.A.
				1.687%	Draka Holding B.V.
				6.428%	Draka Comteq B.V.
Draka Comteq Cabos Brasil S.A.	Santa Catarina	Brazilian Real	27,467,522	49.352%	Draka Comteq B.V.
				50.648%	Prysmian Cabos e Sistemas do Brasil S.A.
Chile					
Prysmian Cables Chile SpA	Santiago	Chile Peso	1,900,000,000	100.00%	Prysmian Cabos e Sistemas do Brasil S.A.
Mexico					
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	173,265,600	99.9983%	Draka Holding B.V.
				0.0017%	Draka Mexico Holdings S.A. de C.V.
África					
Ivory Coast					
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
Tunisia					
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.	Menzel Bouzefza	Tunisian Dinar	1,850,000	99.97%	Prysmian Cables et Systèmes France S.A.S.
				0.005%	Prysmian (French) Holdings S.A.S.
				0.005%	Prysmian Cavi e Sistemi S.r.l.
				0.020%	Third parties

PRYSMIAN GROUP | CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Oceania					
Australia					
Prysmian Australia Pty Ltd.	Liverpool	Australian Dollar	56,485,736	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Telecom Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	0.25	100.00%	Prysmian Cavi e Sistemi S.r.l.
New Zealand					
Prysmian New Zealand Ltd.	Auckland	New Zealand Dollar	10,000	100.00%	Prysmian Australia Pty Ltd.
Asia					
Saudi Arabia					
Prysmian Powerlink Saudi LLC	Al Khoabar	Saudi Arabian Riyal	500,000	95.00%	Prysmian PowerLink S.r.l.
				5.00%	Third parties
China					
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 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	99.9999985%	Draka Cableteq Asia Pacific Holding Pte Ltd.
				0.0000015%	Cable Supply and Consulting Co. 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
Prysmian PowerLink Asia Co. Ltd	Suzhou	Euro	0	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Technology Jiangsu Co. Ltd.	Yixing	Euro	50,195,100	100.00%	Prysmian (China) Investment Company Ltd.
Philippines					
Draka Philippines Inc.	Cebu	Philippine Peso	253,652,000	99.9999975%	Draka Holding B.V.
				0.0000025%	Third parties
India					
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.
Indonesia					
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.

PRYSMIAN GROUP | CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Malaysia					
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	Melaka	Malaysian Ringgit	500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Marketing and Services Sdn Bhd	Melaka	Malaysian Ringgit	500,000	100.00%	Cable Supply and Consulting Company Pte Ltd
Draka (Malaysia) Sdn Bhd	Melaka	Malaysian Ringgit	8,000,002	100.00%	Cable Supply and Consulting Company Pte Ltd
Oman					
Oman Cables Industry (SAOG)	Al Rusayl	Omani Riyal	8,970,000	51.17%	Draka Holding B.V.
				48.83%	Third parties
Oman Aluminium Processing Industries LLC	Sohar	Omani Riyal	4,366,000	51.00%	Oman Cables Industry (SAOG)
				49.00%	Third parties
Singapore					
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	28,630,504	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 Private Limited	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
Thailand					
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
Europe					
Germany					
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
U.K.					
Rodco Ltd.	Woking	British Pound	5,000,000	40.00%	Prysmian Cables & Systems Ltd.
				60.00%	Third parties
Poland					
Ekxa Sp.z.o.o	Sokolów	Polish Zloty	394,000	29.949%	Prysmian Cavi e Sistemi S.r.l.
				70.051%	Third parties
Russia					
Elkat Ltd.	Moscow	Russian Rouble	10,000	40.00%	Prysmian Finland OY
				60.00%	Third parties
Asia					
China					
Yangtze Optical Fibre and Cable Joint Stock Limited Co.	Wuhan	Chinese Renminbi (Yuan)	682,114,598	26.37%	Draka Comteq B.V.
				73.63%	Third parties
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd.	Shanghai	Chinese Renminbi (Yuan)	100,300,000	75.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co
				25.00%	Draka Comteq B.V.
Japan					
Precision Fiber Opticos Ltd.	Chiba	Japanese Yen	138,000,000	50.00%	Draka Comteq Fibre B.V.
				50.00%	Third parties
Malaysia					
Power Cables Malaysia Sdn Bhd	Selangor Darul Eshan	Malaysian Ringgit	18,000,000	40.00%	Draka Holding B.V.
				60.00%	Third parties

List of unconsolidated other investments:

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

