# First Quarter Report

AT 31 MARCH 2018

## 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

# DIRECTORS AND AUDITORS

| **Board of Directors** [3] | |
|---|---|
| **Chairman** | Massimo Tononi [(*)] [(2)] |
| **Chief Executive Officer & General Manager** | Valerio Battista |
| **Directors** | Maria Elena Cappello [(**)] |
| | Monica de Virgiliis [(**)] [(2)] |
| | Claudio De Conto [(**)] [(1)] |
| | Joyce Victoria Bigio [(**)] [(1)] |
| | Massimo Battaini |
| | Pier Francesco Facchini |
| | Maria Letizia Mariani [(**)] [(1)] |
| | Fabio Ignazio Romeo |
| | Paolo Amato [(**)] [(2)] |
| | Mimi Kung [(**)] |

| **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** [(5)] | EY S,p,A, |

[(*)] Independent director as per Italian Legislative Decree 58/1998

[(**)] Independent director as per Italian Legislative Decree 58/1998 and Italy's Corporate Governance Code issued by Borsa Italiana S.p.A.

[(1)] Members of the Control and Risks Committee

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

[(3)] Appointed by the Shareholders' Meeting on 12 April 2018

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

[(5)] Appointed by the Shareholders' Meeting on 16 April 2015

# Introduction

The quarterly condensed consolidated financial statements at 31 March 2018 have been prepared in an abbreviated format in compliance with the international accounting standard applying to interim financial reporting (IAS 34). The quarterly condensed consolidated financial statements at 31 March 2018 do not include all the information and disclosures required in the annual financial statements and so should be read in conjunction with the Group's annual consolidated financial statements at 31 December 2017. Although the Group has defined the half-year as the interim period of reference for the application of IAS 34, the current Quarterly Financial Report at 31 March 2018 has exceptionally been prepared in compliance with this standard, in anticipation of its possible inclusion in official documentation accompanying a possible capital market transaction in coming months.

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 24 January 2018, Prysmian Group was awarded a contract by Cobra Wind International Ltd for the cable to link the Kincardine floating offshore wind farm to mainland UK. This is the Group's first cable project for a floating offshore wind farm and involves the design and supply of two submarine export cables, inter-array cables and related accessories to connect the turbines of the Kincardine floating offshore wind farm, located approximately 15 km southeast of Aberdeen, to the Scottish mainland power grid. Installation is due to take place during 2018 and 2019.

On 2 February 2018, the Group was awarded a contract worth around Euro 40 million for a new submarine cable link between the isle of Capri and Sorrento (Naples) following a European call for tender; the contract has been awarded by Terna Rete Italia S.p.A., a company wholly owned by Terna S.p.A., Italy's sole transmission system operator.
The project involves the turnkey installation of a 150 kV HVAC power cable between the power stations located in Sorrento and at the Gasto recycling centre on Capri, along a route running 16 km subsea and 3 km onshore. The cables for the Capri-Sorrento link will be produced by the Arco Felice plant in Naples, a Group centre of submarine cable manufacturing and technological excellence. Prysmian will be responsible for submarine cable laying, using its vessel the "Cable Enterprise", and for supplying all related network components and performing the required specialist civil engineering works. The project, which will start during 2018, is scheduled for completion in 2019.

On 19 March 2018, the Group was awarded - as lead contractor in a Temporary Association of Companies (RTI) involving CEBAT S.r.l. and Elettrovit S.r.l., which will carry out civil engineering installation works - a framework contract by the Italian transmission system operator Terna, through its subsidiary Terna Rete Italia, for the supply, installation and emergency repair of 220 kV cables to upgrade the national power grid. The "turnkey" project is worth about Euro 50 million and will last for three years, with an option to extend its length and increase its value.

## OTHER SIGNIFICANT EVENTS

### Mergers & Acquisitions

#### *General Cable Acquisition*

On 16 February 2018, Prysmian Group acknowledged that the shareholders of General Cable Corporation had approved the acquisition by Prysmian of 100% of General Cable's shares for a consideration of USD 30.00 per share, as announced on 4 December 2017.
Present at the shareholders' meeting was 75.34% of the General Cable share capital entitled to vote, of which some 99% voted in favour of the acquisition.

Subject to regulatory approvals and other customary closing conditions, the completion of the acquisition is expected to take place by the third quarter of 2018.
As of today's date, the acquisition has been cleared by the antitrust authorities in the countries involved, except for Brazil, for which, even though this clearance has been received, the waiting period has yet to expire during which opposition might be received.
In addition, with regard to other regulatory authorities, authorization is still being awaited from the Committee on Foreign Investments in the United States.

## Finance Activities

### *Interest rate hedging derivatives*

In January 2018, the Group entered into interest rate hedging derivatives, transforming variable into fixed rate, with the purpose of reducing rate volatility risk. In particular, forward rate agreements have been arranged, for an overall notional value of Euro 850 million, with the objective of hedging variable interest rate flows over the period 2018-2023 on financing the Group has contracted for the General Cable acquisition.
In addition, interest rate swaps have been arranged, for an overall notional value of Euro 110 million, with the objective of hedging variable interest rate flows over the period 2018-2024 on an existing for Euro 110 million.

### *General Cable Corporation Acquisition Financing Agreement*

On 2 March 2018, the Group entered into an agreement (the Acquisition Financing Agreement) under which a syndicate of leading banks has made available lines of credit, intended to finance costs related to the General Cable Acquisition; in particular:
(a) Acquisition Term Loan for Euro 1 billion, lasting 5 years from the Acquisition Closing and repayable with a bullet payment at maturity;
(b) Acquisition Bridge Loan for Euro 700 million, lasting 2 years from the Acquisition Closing and repayable with a bullet payment at maturity, or earlier using the proceeds of a possible issue of other debt instruments.
Since the closing of the General Cable acquisition has not yet taken place, this Financing Agreement has had no impact on the Group's statement of financial position at 31 March 2018.

## Other significant events

### *Centre of excellence in Sorocaba (Brazil)*

During the second quarter of 2017, Prysmian Cabos e Sistemas do Brasil S.A. announced the start of an investment program to create a centre of excellence in cable manufacturing at the Sorocaba Eden plant, involving the transfer of production activities currently carried out by the Santo Andrè plant which will be closed; it will take about a year and a half to complete this project.
The so-called "+90" project involves closing the Santo Andrè site with the consequent transfer of administrative activities and staff, as well as the concentration of South American Regional headquarters functions in Sorocaba. The plant's industrial activities will be partly relocated to Sorocaba and partly to other Brazilian production sites (Vila Velha and Jointville) and to the La Rosa site in Argentina. During 2017 all the employees at the two sites were informed of this decision and those involved in the relocation were identified. The operation has been organised in two phases, the first involving White Collar staff in August 2017 and the second involving Blue Collar employees in February 2018. The economic aspects have been agreed with the

union, which has been informed and consulted throughout this process, not only to facilitate the collective transfer but also to allow the termination of those unwilling to relocate.

### *Western Link*

With reference to the Western Link, an electrical transmission cable between Scotland, Wales and England, a fault was detected at the end of April 2018 during preparations to make the link available for full load operation and is now under investigation. The link is temporarily unavailable while the investigation is ongoing.
The Directors have decided to provide Euro 20 million in the Quarterly Financial Report at 31 March 2018 as the best estimate of costs to cover the related contractual penalties for this project's late delivery.

### *Agreement with OI Group in Brazil*

During the first few months of 2018, the Group reached a credit recovery agreement with the OI Group, a Brazilian customer that has filed for bankruptcy. The outstanding receivables, amounting to around Euro 8 million, had already been written down in full in 2016. The agreement involves a partial repayment in four annual instalments and so the Group has reinstated the receivable at its realizable amount of Euro 5 million.

# CONSOLIDATED FINANCIAL HIGHLIGHTS*

(in millions of Euro)

| | 3 months 2018 | 3 months 2017 | % change | 2017 (**) |
|---|---|---|---|---|
| **Sales** | 1,879 | 1,849 | 1.6% | 7,904 |
| **Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies** | 133 | 144 | -8.1% | 694 |
| **Adjusted EBITDA** (1) | 153 | 154 | -0.8% | 736 |
| **EBITDA** (2) | 136 | 130 | 4.9% | 660 |
| **Adjusted operating income** (3) | 109 | 110 | -0.9% | 559 |
| **Operating income** | 57 | 78 | -26.9% | 424 |
| **Profit/(loss) before taxes** | 38 | 52 | -26.9% | 325 |
| **Net profit/(loss) for the period** | 28 | 37 | -24.3% | 237 |

(in millions of Euro)

| | 31 March 2018 | 31 March 2017 (**) | Change | 31 December 2017 (**) |
|---|---|---|---|---|
| **Net capital employed** | 2,909 | 3,048 | (139) | 2,430 |
| **Employee benefit obligations** | 353 | 381 | (28) | 355 |
| **Equity** | 1,908 | 1,669 | 239 | 1,639 |
| *of which attributable to non-controlling interests* | 177 | 212 | (35) | 188 |
| **Net financial debt** | 648 | 998 | (350) | 436 |

(in millions of Euro)

| | 3 months 2018 | 3 months 2017 | % change | 2017 (**) |
|---|---|---|---|---|
| **Capital expenditures** (4) | 47 | 67 | -29.9% | 257 |
| *of which for acquisition of Shen Huan assets* | - | *33* | | *35* |
| **Employees (at period-end)** | 21,285 | 20,777 | 2.4% | 21,050 |
| **Earnings/(loss) per share** | | | | |
| - basic | 0.13 | 0.17 | | 1.14 |
| - diluted | 0.13 | 0.16 | | 1.11 |

(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.

(**) The previously published comparative figures for 2017 have been restated following the introduction of IFRS 9 and IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the present Quarterly Financial Report.

# GROUP PERFORMANCE AND RESULTS

(in millions of Euro)

| | 3 months 2018 | 3 months 2017 | % change | 2017 (*) |
|---|---|---|---|---|
| **Sales** | 1,879 | 1,849 | 1.6% | 7,904 |
| **Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies** | **133** | **144** | **-8.1%** | **694** |
| % of sales | 7.0% | 7.8% | | 8.8% |
| **Adjusted EBITDA** | **153** | **154** | **-0.8%** | **736** |
| % of sales | 8.1% | 8.3% | | 9.3% |
| **EBITDA** | **136** | **130** | **4.9%** | **660** |
| % of sales | 7.3% | 7.0% | | 8.4% |
| Fair value change in metal derivatives | (26) | 3 | | 12 |
| Fair value stock options | (9) | (11) | | (49) |
| Amortisation, depreciation, impairment and impairment reversal | (44) | (44) | | (199) |
| **Operating income** | **57** | **78** | **-26.9%** | **424** |
| % of sales | 3.1% | 4.2% | | 5.4% |
| Net finance income/(costs) | (19) | (26) | | (99) |
| **Profit/(loss) before taxes** | **38** | **52** | **-26.9%** | **325** |
| % of sales | 2.0% | 2.8% | | 4.1% |
| Taxes | (10) | (15) | | (88) |
| **Net profit/(loss) for the period** | **28** | **37** | **-24.3%** | **237** |
| % of sales | 1.5% | 2.0% | | 3.0% |
| Attributable to: | | | | |
| Owners of the parent | 28 | 36 | | 241 |
| Non-controlling interests | - | 1 | | (4) |
| | | | | |
| **Reconciliation of Operating Income / EBITDA to Adjusted Operating Income / Adjusted EBITDA** | | | | |
| | | | | |
| **Operating income (A)** | **57** | **78** | **-26.9%** | **424** |
| **EBITDA (B)** | **136** | **130** | **4.9%** | **660** |
| **Adjustments:** | | | | |
| Company reorganisation | 3 | 5 | | 30 |
| Non-recurring expenses/(income): | | | | |
| Antitrust | - | 15 | | 18 |
| Other non-operating expenses/(income) | 14 | 4 | | 28 |
| *Of which General Cable acquisition-related costs* | *1* | - | | *16* |
| *Of which General Cable integration costs* | *8* | - | | - |
| **Total adjustments (C)** | **17** | **24** | | **76** |
| Fair value change in metal derivatives (D) | 26 | (3) | | (12) |
| Fair value stock options (E) | 9 | 11 | | 49 |
| Impairment and impairment reversal of assets (F) | - | - | | 22 |
| **Adjusted operating income (A+C+D+E+F)** | **109** | **110** | **-0.9%** | **559** |
| **Adjusted EBITDA (B+C)** | **153** | **154** | **-0.8%** | **736** |

(*) The previously published comparative figures for 2017 have been restated following the introduction of IFRS 9 and IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the present Quarterly Financial Report.

The Group's Adjusted EBITDA in the first three months of 2018 was slightly down on the same period last year.

The Energy Projects segment reported a growth in volumes, driven by recovery in installation activities for Submarine projects and solid High Voltage demand in some markets, primarily France, Turkey and, above all, China and Indonesia.
Segment profitability was lower than in the same period of 2017, reflecting the recognition of provisions for extra costs for the Western Link and a significantly higher proportion of High Voltage sales in lower margin markets, like the Middle and Far East.

Profits in the Energy Products segment in the first three months of 2018 reflected mixed performances within the various business lines. Within Energy and Infrastructure, Power Distribution profitability and sales volumes remained down on the previous year, while Trade & Installers posted a slight recovery on the previous period, especially in margin terms if the impact is excluded of the Omani subsidiary, which continues to perform poorly. With reference to Industrial & Network Components, all the various business lines turned in a positive performance: Automotive, reaping the rewards of having reorganised manufacturing footprint in previous years, and OEM, mainly thanks to increased volumes. The Renewables and Elevator businesses picked up even if year-on-year margins were down.
Compared with the same period last year, the OIL & GAS segment saw its three-month profitability penalised by the downturn in the Umbilical cables business in Brazil. The DHT cables business has seen signs of improving demand primarily linked to growth in production of Shale Oil & Shale Gas in North America; lastly, the Core Oil&Gas business is seeing a resurgence in demand by onshore projects and in general a growth in the market in the APAC region.
The Telecom segment has performed well, with organic growth in 2018 three-month sales reflecting the positive trend already observed last year. This is mainly the product of a steady growth in demand for optical fibre and special cables serving major investment projects. The segment's profitability has also benefited from the positive results reported by the associate Yangtze Optical Fibre and Cable Joint Stock Limited Company in China and from the reversal of impairment recorded in 2016 against receivables owed by a Brazilian customer

The Group's sales in the first three months of 2018 amounted to Euro 1,879 million, compared with Euro 1,849 million in the same period of 2017, posting a positive change of Euro 30 million (+1.6%).
The growth in sales was attributable to the following factors:

- increase of Euro 56 million (+3.1%) for organic sales growth;
- decrease of Euro 125 million (-6.8%) due to adverse exchange rate effects;
- sales price increase of Euro 99 million (+5.4%) following metal price fluctuations (copper, aluminium and lead).

Positive organic sales growth of 3.1% is analysed between the four operating segments as follows:

| | |
|---|---|
| Energy Projects | +14.8%; |
| Energy Products | +1.4%; |
| OIL & GAS | -9.1%; |
| Telecom | +1.7%. |

Group Adjusted EBITDA (before net expenses for company reorganisation, net non-recurring expenses and other net non-operating expenses totalling Euro 17 million) amounted to Euro 153 million, posting a decrease of Euro 1 million on the corresponding 2017 figure of Euro 154 million (-0.8%). Adjusted EBITDA for the first three months of 2018 has been negatively impacted by Euro 13 million in exchange rate effects compared with 2017, mainly resulting from a general depreciation against the Euro, particularly by the US Dollar, Brazilian Real, Australian Dollar and Omani Rial.

EBITDA is stated after net expenses for company reorganisation, net non-recurring expenses and other net non-operating expenses totalling Euro 17 million (Euro 24 million in the first three months of 2017). Such adjustments in the first three months of 2018 mainly comprise costs for reorganising and improving efficiency and costs related to the acquisition and integration of the General Cable group.

Group operating income amounted to Euro 57 million in the first three months of 2018, compared with Euro 78 million in 2016, therefore posting a decrease of Euro 21 million.

Net finance costs amounted to Euro 19 million in the first three months of 2018, compared with Euro 26 million in the previous year. The decrease of Euro 7 million is mainly attributable to lower finance costs, partly due to conversion of the Convertible Bond 2017, and exchange differences, more negative the year before.

Taxes amounted to Euro 10 million, representing an effective tax rate of around 27%.

Net profit for the first three months of 2018 was Euro 28 million (all of which attributable to the Group), compared with Euro 37 million in the first three months of 2017 (of which Euro 36 million attributable to the Group and Euro 1 million to non-controlling interests).

# REVIEW OF ENERGY PROJECTS OPERATING SEGMENT

(in millions of Euro)

| | 3 months 2018 | 3 months 2017 | % change | 2017 (*) |
|---|---|---|---|---|
| Sales | 311 | 275 | 12.9% | 1,493 |
| **Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies** | **21** | **40** | **-45.5%** | **268** |
| % of sales | 6.9% | 14.4% | | 18.0% |
| **Adjusted EBITDA** | **21** | **40** | **-45.6%** | **269** |
| % of sales | 6.9% | 14.4% | | 18.0% |
| **EBITDA** | **20** | **25** | **-16.0%** | **249** |
| % of sales | 6.7% | 9.0% | | 16.7% |
| Amortisation and depreciation | (10) | (10) | | (41) |
| **Adjusted operating income** | **11** | **30** | **-63.2%** | **228** |
| % of sales | 3.5% | 10.7% | | 15.3% |
| | | | | |
| **Reconciliation of Operating Income / Adjusted EBITDA** | | | | |
| | | | | |
| **EBITDA (A)** | **20** | **25** | **-16.0%** | **249** |
| **Adjustments:** | | | | |
| Company reorganisation | 1 | - | | 1 |
| Non-recurring expenses/(income): | | | | |
| Antitrust | - | 15 | | 18 |
| Other non-operating expenses/(income) | - | - | | 1 |
| **Total adjustments (B)** | **1** | **15** | | **20** |
| **Adjusted EBITDA (A+B)** | **21** | **40** | **-47.5%** | **269** |

(*) The previously published comparative figures for 2017 have been restated following the introduction of IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the present Quarterly Financial Report.

The Energy Projects Operating Segment incorporates the high-tech High Voltage underground and Submarine businesses, whose focus is projects and their execution, as well as 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 satisfy the strictest international standards.

**MARKET OVERVIEW**

Market demand in the first quarter of 2018 has been confirmed at the same level as the previous year for the submarine cables business, with several tenders having reached an advanced stage of the award process. This market is expected to grow over the medium term, especially 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 performance between the different countries, while reporting a downturn in North America and the Middle East. By contrast, demand has continued to grow in Southeast 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 311 million in the first three months of 2018, compared with Euro 275 million in the same period of 2017, posting a positive change of Euro 36 million (+12.9%).

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

- positive organic growth of Euro 41 million (+14.8%);
- decrease of Euro 8 million (-2.9%) for exchange rate fluctuations;
- sales price increase of Euro 3 million (+1.0%) for metal price fluctuations.

The organic growth in first-quarter 2018 sales reflects a pick-up in installation activities for Submarine projects and solid High Voltage demand in certain markets, primarily France, Turkey and, above all, China and Indonesia.

Segment profitability was lower than in the same period of 2017, reflecting the recognition of provisions for costs for delays in the Western Link and a significantly higher proportion of High Voltage sales in lower margin markets.

This confirms the Group's important presence in Middle and Far East markets, which continue to feature growing demand for energy infrastructure but also 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 interconnector between Norway and Britain (North Sea Link) and the interconnector between the Netherlands and Denmark (CoBRA cable).

Most of the sales in the period 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, performed with both its own assets and third-party equipment.

The value of the Group's Submarine order book is around Euro 1.9 billion and mainly consists of the following contracts: 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 interconnection between France and the UK (IFA2); the link between Montenegro and Italy (Monita); the Hainan2 project in China; the new offshore project in France and the new interconnection projects in the Philippines and Bahrain.
The value of the Group's High Voltage order book is up from previous quarters at around Euro 450 million.

Adjusted EBITDA recorded in the first three months of 2018 amounted to Euro 21 million, down from Euro 40 million in the same period of 2017, posting a decrease of Euro 19 million (-45.6%).

# REVIEW OF ENERGY PRODUCTS OPERATING SEGMENT

(in millions of Euro)

| | 3 months 2018 | 3 months 2017 | % change | 2017 |
|---|---|---|---|---|
| Sales | 1,194 | 1,180 | 1.1% | 4,880 |
| **Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies** | **56** | **59** | **-4.8%** | **240** |
| % of sales | 4.7% | 5.0% | | 4.9% |
| **Adjusted EBITDA** | **58** | **61** | **-5.1%** | **244** |
| % of sales | 4.8% | 5.2% | | 5.0% |
| **EBITDA** | **54** | **57** | **-5.3%** | **223** |
| % of sales | 4.5% | 4.8% | | 4.6% |
| Amortisation and depreciation | (20) | (20) | -1.8% | (79) |
| **Adjusted operating income** | **38** | **41** | **-6.6%** | **165** |
| % of sales | 3.2% | 3.5% | | 3.4% |
| | | | | |
| **Reconciliation of Operating Income / Adjusted EBITDA** | | | | |
| | | | | |
| **EBITDA (A)** | **54** | **57** | **-5.3%** | **223** |
| **Adjustments:** | | | | |
| Company reorganisation | 2 | 2 | | 18 |
| Non-recurring expenses/(income): | | | | |
| Antitrust | - | - | | - |
| Other non-operating expenses/(income) | 2 | 2 | | 3 |
| **Total adjustments (B)** | **4** | **4** | | **21** |
| **Adjusted EBITDA (A+B)** | **58** | **61** | **-5.1%** | **244** |

The Energy Products Operating Segment 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), which are able to offer a complete and innovative product portfolio to a variety of industries.

Sales to third parties by the Energy Products operating segment amounted to Euro 1,194 million in the first three months of 2018, compared with Euro 1,180 million in the first three months of 2017, posting a positive change of Euro 14 million (+1.1%), due to the combined effect of the following main factors:

- organic increase of Euro 16 million (+1.4%), featuring a growth in volumes concentrated in Europe;
- decrease of Euro 90 million (-7.7%) linked to unfavourable exchange rate movements;
- sales price increase of Euro 88 million (+7.4%) for metal price fluctuations.

Adjusted EBITDA for the first three months of 2018 amounted to Euro 58 million, down Euro 3 million (-5.1%) from Euro 61 million in the same period of 2017.

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)

| | 3 months 2018 | 3 months 2017 | % change | % organic sales changes | 2017 |
|---|---|---|---|---|---|
| Sales | 790 | 806 | -2.1% | -2.5% | 3,271 |
| **Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies** | **30** | **34** | **-11.7%** | | **128** |
| % of sales | 3.7% | 4.1% | | | 3.9% |
| **Adjusted EBITDA** | **31** | **35** | **-11.8%** | | **130** |
| % of sales | 3.8% | 4.3% | | | 4.0% |
| **Adjusted operating income** | **16** | **21** | **-17.1%** | | **73** |
| % of sales | 2.1% | 2.6% | | | 2.2% |

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.

During the first three months of 2018, demand posted a year-on-year improvement in most of the European countries served by the Trade & Installers business, confirming the uptrend already emerging in the second half of 2017.

As for Power Distribution, the major European countries have seen a generally stagnant trend in energy consumption in recent years, in turn adversely affecting demand by the main 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.

In the first three months of 2018, the Power Distribution business has experienced stable or declining demand in its markets in Southern Europe and the Danube region. Instead, a market recovery is starting to emerge in Germany and the Netherlands. In Northern Europe, demand was down on a particularly strong first quarter last year. Beyond Europe, demand has been stable in Oceania and North America; but slightly down on the same period last year in Indonesia and Brazil.

**FINANCIAL PERFORMANCE**

Sales to third parties by the Energy & Infrastructure business area amounted to Euro 790 million in the first three months of 2018, compared with Euro 806 million in the corresponding period of 2017, posting a negative change of Euro 16 million (-2.1%) due to the combined effect of the following main factors:

- negative organic sales growth of Euro 20 million (-2.5%);
- decrease of Euro 59 million (-7.4%) for adverse exchange rate fluctuations;
- sales price increase of Euro 63 million (+7.8%) 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 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.

Over the course of the first quarter of 2018, the Group saw sales volumes increase year-on-year, particularly in Europe 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, and to a general upturn in the construction market.

Power Distribution reported flagging sales volumes, particularly in South America, Northern Europe, Southeast Asia and the Middle East, where the performance of Oman Cables Industry has negatively impacted overall profitability. Germany and the Netherlands showed a slight recovery.

The performance of the Omani subsidiary remained subdued compared with the same period last year, suffering from conditions on the local market.

Given the factors described above, Adjusted EBITDA for the first quarter of 2018 amounted to Euro 31 million, down from Euro 35 million in the previous year (-11.8%).

## INDUSTRIAL & NETWORK COMPONENTS

(in millions of Euro)

| | 3 months 2018 | 3 months 2017 | % change | % organic sales changes | 2017 |
|---|---|---|---|---|---|
| Sales | 369 | 340 | 8.6% | 10.7% | 1,460 |
| **Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies** | **26** | **26** | **1.2%** | | **113** |
| % of sales | 7.1% | 7.7% | | | 7.8% |
| **Adjusted EBITDA** | **27** | **27** | **0.0%** | | **115** |
| % of sales | 7.3% | 7.9% | | | 7.9% |
| **Adjusted operating income** | **22** | **22** | **-1.0%** | | **95** |
| % of sales | 5.9% | 6.5% | | | 6.5% |

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 networks.

### MARKET OVERVIEW

Trends in Industrial cable markets display considerable inconsistencies within the various business lines and between the different geographical areas. In fact, while some market segments show stable or growing demand, like certain OEM sectors (such as Railway or Rolling Stock) and the Automotive business, other segments have seen volumes decline in specific countries due to delays in investment projects in areas of national interest such as Nuclear, accompanied by softer demand in the Mining business.
The Elevator market has recorded growth in North America and EMEA, but substantial stability in APAC.

The Automotive market has posted stable growth almost everywhere. Demand has been strong in North and South America, and stable in Europe, China and Southeast Asia. Despite the strong growth in the market for electric cars, there is a continuing trend in the latter regions for cable manufacturers to intercept the market upstream.

**FINANCIAL PERFORMANCE**

Sales to third parties by the Industrial & Network Components business area amounted to Euro 369 million in the first three months of 2018, compared with Euro 340 million in the corresponding period of 2017, recording a positive change of Euro 29 million (+8.6%) due to the combined effect of the following main factors:

- positive organic growth of Euro 36 million (+10.7%);
- decrease of Euro 29 million (-8.7%) for adverse exchange rate fluctuations;
- sales price increase of Euro 22 million (+6.5%) for metal price fluctuations.

Performance in the industrial applications market was stable in the first three months of 2018 compared with the same period of 2017, supported by the necessary differentiation by geographies and application.

In the OEM market, the Group recorded strong growth in Asia Pacific and Europe but substantial stability in North and South America. As for the different applications, the market's main drivers compared with the same period last year were the Railway and Infrastructure businesses. Instead, the Nuclear and Defence businesses were weaker, while Cranes were stable compared with the first quarter of 2017 albeit with a growing order book.

The Elevator business was affected in the first three months of 2018 by growing price pressure and exchange rates, given its sizeable exposure to the North American market.
Last year's growth in the EMEA region has continued, even if margins were affected by industrial performance, while the APAC market has seen rising price pressure for low value-added products and softer demand. By contrast, the North American market has recorded growing demand in the first three months of 2018, mostly concentrated on low value-added products.

The Automotive business has improved its margins year-on-year, thanks to the strategy of focusing on top-end segments and to better industrial performance. Competitive pressure has continued for low value-added products, and mounted in China and Southeast Asia.

The Network Components business area has remained stable for High Voltage applications, where the range of products up to 150kV has made up for an erosion in EHV volumes, while Medium and Low Voltage applications have recorded a negative performance, with a downturn in the South European and British markets.

Given the factors described above, Adjusted EBITDA for the first three months of 2018 was stable versus the prior year at Euro 27 million.

## OTHER

(in millions of Euro)

| | 3 months 2018 | 3 months 2017 | 2017 |
|---|---|---|---|
| Sales | 35 | 34 | 149 |
| **Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies** | **-** | **(1)** | **(1)** |
| **Adjusted EBITDA** | **-** | **(1)** | **(1)** |
| **Adjusted operating income** | **-** | **(2)** | **(3)** |

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

# REVIEW OF OIL & GAS OPERATING SEGMENT

(in millions of Euro)

| | 3 months 2018 | 3 months 2017 | % change | 2017 |
|---|---|---|---|---|
| Sales | 57 | 66 | -13.0% | 273 |
| **Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies** | **(1)** | **-** | | **9** |
| % of sales | -2.3% | 0.2% | | 3.4% |
| **Adjusted EBITDA** | **(1)** | **-** | | **9** |
| % of sales | -2.3% | 0.2% | | 3.4% |
| **EBITDA** | **(2)** | **(1)** | | **7** |
| % of sales | -3.3% | -0.9% | | 2.4% |
| Amortisation and depreciation | (3) | (4) | | (16) |
| **Adjusted operating income** | **(4)** | **(4)** | | **(7)** |
| % of sales | -7.1% | -6.5% | | -2.5% |
| | | | | |
| **Reconciliation of Operating Income / Adjusted EBITDA** | | | | |
| | | | | |
| **EBITDA (A)** | **(2)** | **(1)** | | **7** |
| **Adjustments:** | | | | |
| Company reorganisation | - | - | | 2 |
| Non-recurring expenses/(income): | | | | |
| Antitrust | - | - | | - |
| Other non-operating expenses/(income) | 1 | 1 | | - |
| **Total adjustments (B)** | **1** | **1** | | **2** |
| **Adjusted EBITDA (A+B)** | **(1)** | **-** | | **9** |

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 hydrocarbon transport; 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 prices continue to contract in the first three months of 2018 due to strong competition on local markets, as witnessed in the second half of 2017.

The Downhole Technology business has seen further signs of growth in turnover associated with Shale Oil & Shale Gas production in North America and, in the Middle East, with 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 remains depressed with pressure impacting not only the major Asian shipyards (in Singapore and Korea) but also EPC contractors. The drilling sector has revived, largely driven by the North American market, while the MRO (Maintenance, Repair and Overhaul) segment is still weak.

**FINANCIAL PERFORMANCE**

Sales to third parties by the OIL & GAS segment amounted to Euro 57 million in the first three months of 2018, compared with Euro 66 million in the same period of 2017, posting a negative change of Euro 9 million (-13.0%). The decrease in sales can be broken down into the following main factors:

- negative organic sales growth of Euro 6 million (-9.1%);
- negative effect of Euro 6 million (-8.5%) for exchange rate fluctuations;
- sales price increase of Euro 3 million (+4.6%) for metal price fluctuations.

In particular, the performance of the OIL & GAS segment reflects:

- for the SURF business, a contraction in the umbilicals market in Brazil, Prysmian's main outlet for these products, linked to a downturn in activity by Petrobras, and a squeeze on profitability due to stiff competition;
- signs of improvement in demand for Downhole Technology products, +3% year-on-year, mainly thanks to growth in Shale Oil & Shale Gas production in North America;
- confirmation in the Core Oil & Gas business of 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 three months of 2018 was a negative Euro 1 million, down from break-even in the same period of 2017, reflecting the squeeze on profitability in the Brazilian SURF business.

# REVIEW OF TELECOM OPERATING SEGMENT

(in millions of Euro)

| | 3 months 2018 | 3 months 2017 | % change | 2017 |
|---|---|---|---|---|
| Sales | 317 | 328 | -3.2% | 1,258 |
| **Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies** | **57** | **45** | **23.1%** | **177** |
| % of sales | 17.7% | 13.9% | | 14.0% |
| **Adjusted EBITDA** | **75** | **53** | **40.1%** | **214** |
| % of sales | 23.5% | 16.3% | | 17.0% |
| **EBITDA** | **73** | **52** | **40.3%** | **206** |
| % of sales | 23.1% | 15.9% | | 16.4% |
| Amortisation and depreciation | (11) | (10) | | (41) |
| **Adjusted operating income** | **64** | **43** | **47.2%** | **173** |
| % of sales | 20.1% | 13.2% | | 13.8% |
| | | | | |
| **Reconciliation of Operating Income / Adjusted EBITDA** | | | | |
| | | | | |
| **EBITDA (A)** | **73** | **52** | **40.3%** | **206** |
| **Adjustments:** | | | | |
| Company reorganisation | - | 1 | | 6 |
| Non-recurring expenses/(income): | | | | |
| Antitrust | - | - | | - |
| Other non-operating expenses/(income) | 2 | - | | 2 |
| **Total adjustments (B)** | **2** | **1** | | **8** |
| **Adjusted EBITDA (A+B)** | **75** | **53** | **40.1%** | **214** |

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 three months of 2018 compared with the same period last year. Demand has grown in fast-developing markets (China and APAC) which alone accounted 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. For instance, 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 three months of 2018, 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 317 million in the first three months of 2018, compared with Euro 328 million in the first three months of 2017, posting a negative change of Euro 11 million (-3.2%).

This change is attributable to the following factors:

- organic sales growth of Euro 5 million (+1.7%), mainly thanks to volume recovery for optical fibre cables;
- negative change of Euro 21 million (-6.4%) for exchange rate fluctuations;
- sales price increase of Euro 5 million (+1.5%) for metal price fluctuations.

The organic growth in 2018 three-month sales reflects the positive trend already observed last year. This is mainly the product of a steady growth in demand for optical fibre and special cables serving major investment projects.
Volume trends in Europe have been positive and price levels stable. 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 "Trés Haut Débit" broadband roll-out project is going ahead at full speed. In addition, British Telecom has announced a new FTTH project to connect 3 million "premises" in 8 cities by 2020.

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 signed a three-year agreement to supply optical fibre cables. The Group has concurrently announced it will increase the production capacity of its North American plants to support this growth.
In Brazil and Argentina, there has been an increase in investments by the major telecom carriers in both copper and optical fibre cables.
Activities in connection with the NBN (National Broadband Network) project in Australia have seen a positive trend for optical cables. This unique phenomenon in the current telecoms market reflects the new NBN orientation towards a "multi-technology" platform.

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

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.

Growth in the Multimedia Solutions business mainly reflects increased volumes on the European market for copper data transmission cables, also observed, albeit to a lesser extent, in South America. This result has been achieved thanks to the business's ability to satisfy growing demand with a high level of responsiveness and service. An approach that, along with its strong customer orientation, has been appreciated as one of the Group's main strengths and so will receive further attention during 2018.
The return on investments to reduce optical fibre costs and the relocation of some cable manufacturing sources to Eastern Europe has also made a substantial contribution to the segment's overall results.

Adjusted EBITDA for the first three months of 2018 amounted to Euro 75 million, reporting an increase of Euro 22 million (+40.1%) from Euro 53 million in the corresponding period of 2017. This increase has benefited from the positive results reported by the associate Yangtze Optical Fibre and Cable Joint Stock Limited Company in China and from the reversal of impairment recorded in 2016 against receivables owed by a Brazilian customer.

# GROUP STATEMENT OF FINANCIAL POSITION

## RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

| | 31 March 2018 | 31 March 2017 (*) | Change | 31 December 2017 (*) |
|---|---|---|---|---|
| Net fixed assets | 2,615 | 2,656 | (41) | 2,610 |
| Net working capital | 587 | 735 | (148) | 128 |
| Provisions and net deferred taxes | (293) | (343) | 50 | (308) |
| **Net capital employed** | **2,909** | **3,048** | **(139)** | **2,430** |
| Employee benefit obligations | 353 | 381 | (28) | 355 |
| Total equity | 1,908 | 1,669 | 239 | 1,639 |
| of which attributable to non-controlling interests | 177 | 212 | (35) | 188 |
| Net financial debt | 648 | 998 | (350) | 436 |
| **Total equity and sources of funds** | **2,909** | **3,048** | **(139)** | **2,430** |

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 9 and IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the present Quarterly Financial Report.

## NET FIXED ASSETS

(in millions of Euro)

| | 31 March 2018 | 31 March 2017 | Change | 31 December 2017 |
|---|---|---|---|---|
| Property, plant & equipment | 1,646 | 1,653 | (7) | 1,646 |
| Intangible assets | 720 | 787 | (67) | 735 |
| Equity-accounted investments | 236 | 202 | 34 | 217 |
| Other investments at fair value through other comprehensive income | 13 | 12 | 1 | 12 |
| Asset held for sale (*) | - | 2 | (2) | - |
| **Net fixed assets** | **2,615** | **2,656** | **(41)** | **2,610** |

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

At 31 March 2018, net fixed assets amounted to Euro 2,615 million, compared with Euro 2,610 million at 31 December 2017, posting an increase of Euro 5 million mainly due to the combined effect of the following factors:

- Euro 47 million in net capital expenditure on property, plant and equipment and intangible assets;
- Euro 44 million in depreciation and amortisation charges for the period;
- Euro 18 million in negative currency translation differences affecting property, plant and equipment and intangible assets;

- Euro 19 million for the net increase in equity-accounted investments, mainly comprising Euro 20 million for the share of net profit/(loss) of equity-accounted companies, less Euro 3 million in dividend payments plus Euro 2 million in positive currency translation differences.

## NET WORKING CAPITAL

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

(in millions of Euro)

| | 31 March 2018 | 31 March 2017 (*) | Change | 31 December 2017 (*) |
|---|---|---|---|---|
| Inventories | 1,114 | 1,057 | 57 | 954 |
| Trade receivables | 1,212 | 1,252 | (40) | 1,131 |
| Trade payables | (1,605) | (1,512) | (93) | (1,686) |
| Other receivables/(payables) | (117) | (65) | (52) | (293) |
| **Net operating working capital** | **604** | **732** | **(128)** | **106** |
| Derivatives | (17) | 3 | (20) | 22 |
| **Net working capital** | **587** | **735** | **(148)** | **128** |

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the present Quarterly Financial Report.

Net working capital of Euro 587 million at 31 March 2018 was Euro 148 million lower than the corresponding figure of Euro 735 million at 31 March 2017. Net operating working capital amounted to Euro 604 million (8.0% of annualised sales) at 31 March 2018, a decrease of Euro 128 million from Euro 732 million (10% of sales) at 31 March 2017, reflecting the following factors:

- a decrease in working capital employed in multi-year Submarine projects, linked to their stage of completion with respect to contractual deadlines;
- a decrease in working capital due to growth in without-recourse factoring of trade receivables;
- an increase linked to fluctuations in metal prices (copper, aluminium, lead);
- a decrease for currency translation differences.

## NET FINANCIAL DEBT

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

(in millions of Euro)

| | 31 March 2018 | 31 March 2017 | Change | 31 December 2017 |
|---|---|---|---|---|
| **Long-term financial payables** | | | | |
| CDP Loan | 100 | - | 100 | 100 |
| EIB Loans | 143 | 50 | 93 | 152 |
| Non-convertible bond | 743 | 742 | 1 | 743 |
| Convertible bond 2013 | - | 291 | (291) | - |
| Convertible bond 2017 | 459 | 448 | 11 | 456 |
| Other financial payables | 15 | 26 | (11) | 15 |
| **Total long-term financial payables** | **1,460** | **1,557** | **(97)** | **1,466** |
| | | | | |
| **Short-term financial payables** | | | | |
| EIB Loans | 17 | 17 | - | 17 |
| Non-convertible bond | 18 | 18 | - | 14 |
| Convertible bond 2013 | - | - | - | 283 |
| Derivatives | 5 | 1 | 4 | 1 |
| Other financial payables | 77 | 103 | (26) | 56 |
| **Total short-term financial payables** | **117** | **139** | **(22)** | **371** |
| **Total financial liabilities** | **1,577** | **1,696** | **(119)** | **1,837** |
| | | | | |
| Long-term financial receivables | 2 | 2 | - | 2 |
| Long-term bank fees | 1 | 2 | (1) | 1 |
| Financial assets at amortised cost | 2 | 2 | - | 2 |
| Short-term derivatives | 1 | 4 | (3) | 1 |
| Short-term financial receivables | 6 | 6 | - | 7 |
| Short-term bank fees | 2 | 2 | - | 2 |
| Financial assets at fair value through other comprehensive income | 35 | 64 | (29) | 40 |
| Other financial assets at fair value through other comprehensive income | 11 | - | 11 | 11 |
| Cash and cash equivalents | 869 | 616 | 253 | 1,335 |
| **Total financial assets** | **929** | **698** | **231** | **1,401** |
| **Net financial debt** | **648** | **998** | **(350)** | **436** |

Net financial debt of Euro 648 million at 31 March 2018 has increased by Euro 212 million from Euro 436 million at 31 December 2017. 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)

| | 3 months 2018 | 3 months 2017 | Change | 12 months (from 1st April 2017 to 31 March 2018) | 2017 (*) |
|---|---|---|---|---|---|
| **EBITDA** | **136** | **130** | 6 | **666** | **660** |
| Changes in provisions (including employee benefit obligations) and others | 4 | (1) | 5 | 5 | - |
| (Gains)/losses on disposal of property, plant and equipment, intangible assets and non-current assets | (1) | - | (1) | (3) | (2) |
| Share of net profit/(loss) of equity-accounted companies | (20) | (10) | (10) | (52) | (42) |
| **Net cash flow provided by operating activities (before changes in net working capital** | **119** | **119** | **-** | **616** | **616** |
| Changes in net working capital | (528) | (483) | (45) | 40 | 85 |
| Taxes paid | (17) | (20) | 3 | (101) | (104) |
| Dividends from investments in equity-accounted companies | 3 | 3 | - | 10 | 10 |
| **Net cash flow provided/(used) by operating activities** | **(423)** | **(381)** | **(42)** | **565** | **607** |
| Cash flow from acquisitions and/or disposals | - | - | - | (7) | (7) |
| Net cash flow used in operating activities | (46) | (67) | 21 | (233) | (254) |
| *Of which for investment in Wuhan Shen Huan* | - | *(33)* | *33* | *(2)* | *(35)* |
| **Free cash flow (unlevered)** | **(469)** | **(448)** | **(21)** | **325** | **346** |
| Net finance costs | (10) | (12) | 2 | (68) | (70) |
| **Free cash flow (levered)** | **(479)** | **(460)** | **(19)** | **257** | **276** |
| Share buyback | - | (49) | 49 | (51) | (100) |
| Dividend distribution | - | - | - | (101) | (101) |
| Capital contributions and other changes in equity | - | - | - | 3 | 3 |
| **Net cash flow provided/(used) in the period** | **(479)** | **(509)** | **30** | **108** | **78** |
| **Opening net financial debt** | **(436)** | **(537)** | **101** | **(998)** | **(537)** |
| Net cash flow provided/(used) in the period | (479) | (509) | 30 | 108 | 78 |
| Equity component of Convertible Bond 2017 | - | 48 | (48) | - | 48 |
| Conversion of Convertible Bond 2013 | 283 | - | 283 | 291 | 8 |
| Other changes | (16) | - | (16) | (49) | (33) |
| **Closing net financial debt** | **(648)** | **(998)** | **350** | **(648)** | **(436)** |

(*) The previously published comparative figures for 2017 have been restated following the introduction of IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the present Quarterly Financial Report.

With reference to the first three months of 2018, net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 119 million.

This cash flow was absorbed by the increase of Euro 528 million in net working capital described earlier. After Euro 17 million in tax payments and Euro 3 million in dividend receipts, net cash flow from operating activities in the first three months of 2018 was therefore a negative Euro 423 million.

Net operating capital expenditure amounted to Euro 46 million in the first three months of 2018, a large part of which relating to projects to increase, rationalise and technologically upgrade production capacity and to develop new products.

In addition, Euro 10 million in net finance costs were paid during the three-month period.
Net financial debt also benefited from Euro 283 million upon conversion of the Convertible Bond 2013.

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

- Euro 616 million in net cash flow provided by operating activities before changes in net working capital;
- Euro 40 million in cash flow provided by the decrease in net working capital, Euro 101 million in tax payments and Euro 10 million in dividend receipts, all of which contributing to Euro 565 million in net cash inflow from operating activities;
- Euro 233 million in net operating capital expenditure over the past 12 months;

Euro 68 million in payments for finance costs, Euro 101 million for dividends and Euro 51 million to buy back the Company's shares.

As noted above, net financial debt also benefited from Euro 291 million upon conversion of the Convertible Bond 2013.

# 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
- Other investments at fair value through other comprehensive income
- 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 short-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 on financial transactions recorded as Non-current derivatives and classified under Long-term financial receivables
- Derivatives on financial transactions recorded as Current derivatives and classified under Short-term financial receivables
- Derivatives on financial transactions recorded as Non-current derivatives and classified under Long-term financial payables
- Derivatives on 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
- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income
- Other financial assets at fair value through other comprehensive income
- 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 31 March 2018***

(in millions of Euro)

| | | Note | 31 March 2018 | | 31 December 2017 (*) | |
|---|---|---|---|---|---|---|
| | | | 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 | | 1,646 | | 1,646 |
| Intangible assets | | 1 | | 720 | | 735 |
| Equity-accounted investments | | 2 | | 236 | | 217 |
| Other investments at fair value through other comprehensive income | | | | 13 | | 12 |
| **Total net fixed assets** | **A** | | | **2,615** | | **2,610** |
| | | | | | | |
| **Net working capital** | | | | | | |
| Inventories | **B** | 4 | | 1,114 | | 954 |
| Trade receivables | **C** | 3 | | 1,223 | | 1,131 |
| Trade payables | **D** | 10 | | (1,605) | | (1,686) |
| Other receivables/payables net | **E** | | | (128) | | (293) |
| Of which: | | | | | | |
| *Other receivables - non-current* | | | *14* | | *15* | |
| *Tax receivables* | | 3 | *3* | | *3* | |
| *Receivables from employees* | | 3 | *1* | | *1* | |
| *Other* | | 3 | *10* | | *11* | |
| | | | | | | |
| *Other receivables - current* | | | *569* | | *410* | |
| *Tax receivables* | | 3 | *154* | | *115* | |
| *Receivables from employees and pension plans* | | 3 | *3* | | *3* | |
| *Advances to suppliers* | | 3 | *16* | | *15* | |
| *Other* | | 3 | *101* | | *91* | |
| *Construction contracts* | | 3 | *295* | | *186* | |
| | | | | | | |
| *Other payables - non-current* | | | *(8)* | | *(8)* | |
| *Tax and social security payables* | | 10 | *(3)* | | *(3)* | |
| *Other* | | 10 | *(5)* | | *(5)* | |
| | | | | | | |
| *Other payables - current* | | | *(683)* | | *(692)* | |
| *Tax and social security payables* | | 10 | *(147)* | | *(161)* | |
| *Advances from customers* | | 10 | *(179)* | | *(177)* | |
| *Payables to employees* | | 10 | *(103)* | | *(92)* | |
| *Accrued expenses* | | 10 | *(106)* | | *(107)* | |
| *Other* | | 10 | *(148)* | | *(155)* | |
| | | | | | | |
| *Current tax payables* | | | *(20)* | | *(18)* | |
| **Total net operating net working capital** | **F = B+C+D+E** | | | **604** | | **106** |
| | | | | | | |
| Derivatives | **G** | | (17) | | 22 | |
| *Of which:* | | | | | | |
| *Forward currency contracts on commercial transactions (cash flow hedges) - non-current* | | 5 | *5* | | 6 | |
| *Forward currency contracts on commercial transactions (cash flow hedges) - current* | | 5 | *11* | | 4 | |
| *Zero cost collar on General Cable acquisition (cash flow hedges)* | | 5 | *(38)* | | *(17)* | |
| *Forward currency contracts on commercial transactions - current* | | 5 | *3* | | *(1)* | |
| *Metal derivatives - non-current* | | 5 | *2* | | *6* | |
| *Metal derivatives - current* | | 5 | *-* | | *24* | |
| **Total net working capital** | **H = F+G** | | | **587** | | **128** |

(in millions of Euro)

| | | | 31 March 2018 | | 31 December 2017 (*) | |
|---|---|---|---|---|---|---|
| | | Nota | 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 | | (33) | | (33) |
| Provisions for risks and charges - current | | 11 | | (310) | | (321) |
| Deferred tax assets | | | | 150 | | 149 |
| Deferred tax liabilities | | | | (100) | | (103) |
| **Total provisions** | **I** | | | **(293)** | | **(308)** |
| | | | | | | |
| **Net capital employed** | **L = A+H+I** | | | **2,909** | | **2,430** |
| | | | | | | |
| **Employee benefit obligations** | **M** | 12 | | **353** | | **355** |
| **Total equity** | **N** | 11 | | **1,908** | | **1,639** |
| *of which equity attributable to non-controlling interests* | | | | *177* | | *188* |
| | | | | | | |
| **Net financial debt** | | | | | | |
| **Total long-term financial payables** | **O** | | | **1,460** | | **1,466** |
| CDP Loan | | 9 | 100 | | 100 | |
| EIB Loans | | 9 | 143 | | 152 | |
| Non-convertible bond | | 9 | 743 | | 743 | |
| Convertible bond 2017 | | 9 | 459 | | 456 | |
| Other payables | | | 15 | | 15 | |
| *of which:* | | | | | | |
| *Finance lease obligations* | | 9 | *12* | | *12* | |
| *Other financial payables* | | 9 | *3* | | *3* | |
| **Total short-term financial payables** | **P** | | | **117** | | **371** |
| EIB Loans | | 9 | 17 | | 17 | |
| Non-convertible bond | | 9 | 18 | | 14 | |
| Convertible bond 2013 | | 9 | - | | 283 | |
| Derivatives | | 5 | 5 | | 1 | |
| *of which:* | | | | | | |
| *Forward currency contracts on financial transactions* | | 5 | *1* | | *1* | |
| Other payables | | | 77 | | 56 | |
| *of which:* | | | | | | |
| *Finance lease obligations* | | 9 | *1* | | *1* | |
| *Other financial payables* | | 9 | *76* | | *55* | |
| **Total financial liabilities** | **Q = O+P** | | | **1,577** | | **1,837** |
| Long-term financial receivables | **R** | 3 | (2) | | (2) | |
| Long-term bank fees | **R** | 3 | (1) | | (1) | |
| Short-term financial receivables | **R** | 3 | (6) | | (7) | |
| Short-term derivatives | **R** | 5 | (1) | | (1) | |
| *of which:* | | | | | | |
| *Forward currency contracts on financial transactions (current)* | | 5 | *(1)* | | *(1)* | |
| Short-term bank fees | **R** | 5 | (2) | | (2) | |
| Financial assets at amortised cost | **S** | | | (2) | | **(4)** |
| Other financial assets at fair value through other comprehensive income | **T** | | | (11) | | (11) |
| Financial assets at fair value through other comprehensive income | **U** | | | (35) | | **(38)** |
| Cash and cash equivalents | **V** | 7 | | (869) | | **(1,335)** |
| **Total financial assets** | **Z = R+S+T+U+V** | | | **(929)** | | **(1,401)** |
| **Total net financial debt** | **W = Q+Z** | | | **648** | | **436** |
| **Total equity and sources of funds** | **Y = M+N+W** | | | **2,909** | | **2,430** |

(*) The previously published comparative figures for 2017 have been restated following the introduction of IFRS 9 and IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the present Quarterly Financial Report.

## *Reconciliation between the principal income statement indicators and the Income Statement contained in the Consolidated Financial Statements and Explanatory Notes at 31 March 2018*

(in millions of Euro)

| | | 3 months 2018 Amounts from income statement | 3 months 2017 Amounts from income statement |
|---|---|---|---|
| Sales of goods and services | A | **1,879** | **1,849** |
| Change in inventories of work in progress, semi-finished and finished goods | | 121 | 100 |
| Other income | | 13 | 16 |
| Raw materials, consumables used and goods for resale | | (1,309) | (1,244) |
| Personnel costs | | (261) | (267) |
| Other expenses | | (336) | (345) |
| **Operating costs** | **B** | **(1,772)** | **(1,740)** |
| Share of net profit/(loss) of equity-accounted companies | C | 20 | 10 |
| Fair value stock options | D | 9 | 11 |
| **EBITDA** | **E = A+B+C+D** | **136** | **130** |
| *Other non-recurring expenses and revenues* | F | - | *(15)* |
| *Personnel costs for company reorganisation* | G | *(2)* | *(2)* |
| *Other costs and revenues for company reorganisation* | H | *(1)* | *(3)* |
| *Other non-operating expenses* | I | *(14)* | *(4)* |
| **Total adjustments** | **L = F+G+H+I** | (17) | (24) |
| **Adjusted EBITDA** | **M = E-L** | **153** | **154** |
| *Share of net profit/(loss) of equity-accounted companies* | N | 20 | 10 |
| **Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies** | **O = M-N** | **133** | **144** |

(in millions of Euro)

| | | 3 months 2018 Amounts from income statement | 3 months 2017 Amounts from income statement |
|---|---|---|---|
| **Operating income** | **A** | **57** | **78** |
| Other non-recurring expenses and revenues | | - | (15) |
| Personnel costs for company reorganisation | | (2) | (2) |
| Other costs and revenues for company reorganisation | | (1) | (3) |
| Other non-operating expenses | | (14) | (4) |
| **Total adjustments to EBITDA** | **B** | **(17)** | **(24)** |
| Fair value change in metal derivatives | C | (26) | 3 |
| Fair value stock options | D | (9) | (11) |
| **Adjusted operating income** | **E=A-B-C-D** | **109** | **110** |

# SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

### Approval of financial statements at 31 December 2017 and dividend distribution

On 12 April 2018, the shareholders of Prysmian S.p.A. approved the financial statements for 2017 and the distribution of a gross dividend of Euro 0.43 per share, for a total of some Euro 96 million. The dividend was paid out from 25 April 2018 to shares outstanding on the record date of 24 April 2018, with the shares going ex-dividend on 23 April 2018.

### Capital increase

On 12 April 2018, the shareholders of Prysmian S.p.A. approved a capital increase, in cash, for a maximum amount of Euro 500,000,000.00, including any share premium, to be implemented no later than 31 July 2019, in one or more tranches, by issuing ordinary shares with normal dividend rights, to be pre-emptively offered to holders of the Company's ordinary shares and convertible bonds, pursuant to art. 2441, par. 1, 2 and 3 of the Italian Civil Code, subject to completion of the acquisition of General Cable Corporation.

### Share buyback and disposal programme and Employee incentive plan

The Shareholders' Meeting of Prysmian S.p.A. held on 12 April 2018 authorised a share buyback and disposal programme, revoking at the same time the previous authorisation under the shareholder resolution dated 12 April 2017. 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.

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

The purpose of this Plan is:

- 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 support synergies and the development of a one-company identity by defining a common performance objective and introducing a retention mechanism, conditional upon completion of the acquisition of 100% of the share capital of General Cable Corporation.

During the extraordinary session of the above meeting, the shareholders authorised an increase in share capital by a maximum amount of Euro 756,281.90, through the issue of up to 7,562,819 new ordinary shares with a nominal value of Euro 0.10 each, to be allotted for no consideration to Group employees who are beneficiaries of the above incentive plan.

### New submarine cable-laying vessel

In April 2018, the Group entered into a contract for an investment of over Euro 170 million in a new advanced cable-laying vessel. This strategic asset will bolster Prysmian's turnkey approach, under which it delivers end-to-end EPCI projects, from engineering, manufacturing and installation to full monitoring and diagnostic services for submarine power transmission lines. In particular, the investment in this new vessel will support long-term growth prospects in the submarine cable business, strengthening the Group's installation and execution capabilities for interconnection and offshore wind projects.

The contract allows, among other things, for the possibility of cancellation by September 2018 by paying a penalty of Euro 3.5 million or by November 2018 by paying an additional penalty of Euro 1.5 million.

# BUSINESS OUTLOOK

World economic performance in the first few months of 2018 has largely confirmed the growth rates achieved in 2017 by the United States and China, despite the decision announced by both nations to introduce new trade tariffs on specific imported goods. While the tax reform introduced by the Trump administration has fanned US growth, in China the improvement in domestic consumption has driven economic growth in the first months of the year. In Europe, growth remains solid, albeit down from the latter part of 2017, while the main indicators of business and consumer confidence remain high. In Brazil the gradual recovery emerging at the end of 2017 has been confirmed, supported by renewed political stability and lower inflation.

In such a macroeconomic context, Prysmian Group expects in FY 2018 to see higher demand in the cyclical businesses of building wires and industrial applications than in 2017, reflecting stronger European demand as partially tempered by weakness in the Middle East (Oman). The business of medium voltage cables for utilities can expect largely stable demand, with a mixed performance between the different geographical areas. With market expansion forecast, Prysmian Group's Energy Projects segment anticipates consolidating its leadership in submarine cables and systems in view of an expected growth in tendering activities in the second half of the year. The Group expects high voltage underground cables and systems to make a moderate recovery from 2017, with a steady improvement in results anticipated in China thanks to the new manufacturing footprint. In the Oil & Gas segment, the Group expects stable cable demand for new onshore projects (primarily in North America and the Middle East) thanks to the gradual rise in oil prices, while the SURF business is forecast to remain weak due to the reduction in prices and volumes in the Brazilian market. The Telecom segment should see solid organic growth in 2018, underpinned by strong growth in demand for optical cables in North America and Europe, while copper telecom cables are confirmed in retreat due to declining demand in Australia.

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 can be expected to have a negative impact of around Euro 20-25 million on the Group's forecast operating income for 2018.

In view of these considerations, the Group is forecasting Adjusted EBITDA for FY 2018 in the range of Euro 730-770 million, up from the Euro 736 million reported in 2017. This forecast considers, in line with the first-quarter results, a growth in volumes and margins in the Telecom operating segment and an improvement in sales volumes by E&I and Industrial & Network Components.

The forecast also includes the aforementioned negative impact of exchange rates (Euro 20-25 million) and the provision of Euro 20 million (already booked in the first quarter) for the Western Link project.

The forecast is based on the Group's current business perimeter and takes into account the existing order book.

# FORESEEABLE RISKS IN 2018*

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 three months of the year and the specific macroeconomic context, the principal risk factors currently foreseeable for the next quarters of 2018 are described below according to their nature.

## STRATEGIC RISKS

### Risks associated with the competitive environment

Many of the products offered by 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 from operators already on the market, with potentially negative impacts on both 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.

**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 depress 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 (e.g. 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 guidelines on risk management, with particular attention to exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative instruments, and on 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 be a potential risk factor in terms of raising finance and its associated cost. In addition, non-compliance with the financial and non-financial covenants contained in the Group's credit agreements could restrict its ability to increase its net debt, other conditions remaining equal. In fact, should it fail to satisfy one of these 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 credit drawn down. In such an eventuality, the Group might be unable to repay the amounts demanded early, in turn giving rise to a liquidity risk.
At present, given its balance of cash and cash equivalents and undrawn committed credit lines, totalling more than Euro 1 billion at 31 March 2018, and six-monthly monitoring[1] of financial covenant compliance (fully satisfied at 31 December 2017), the Group is of the opinion that this risk is significantly mitigated and that it is able to raise sufficient financial resources and at a competitive cost. A more detailed analysis of the risk in question, including a description of the Group's principal sources of finance, can be found in the Explanatory Notes to the Consolidated Financial Statements.

### 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. Exchange rate volatility is monitored both locally

[1] The financial covenants are measured at the half-year close on 30 June and at the full-year close on 31 December.

and centrally, by the Group Finance department, also using specific indicators designed to intercept potential risk situations which, when thought to exceed the defined tolerance limits, will trigger immediate mitigating actions.

A more detailed analysis of the risk in question can nonetheless be found in the "Financial Risk Management" section of the Explanatory Notes to the Consolidated Financial Statements.

**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.

A more detailed analysis of the risk in question can nonetheless be found in the "Financial Risk Management" section of the Explanatory Notes to the Consolidated Financial Statements.

**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 program covering almost all its operating companies; this is managed centrally by the Risk Management department, which monitors, with the assistance of the Group's Credit Management function, the level of exposure to risk and intervenes when tolerance limits are exceeded as a result of difficulty in obtaining coverage on the market.

A more detailed analysis of the risk in question can nonetheless be found in the "Financial Risk Management" section of the Explanatory Notes to the Consolidated Financial Statements.

**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 31 March 2018, the Group's total financial resources, comprising cash and cash equivalents and undrawn committed credit lines, exceeded Euro 1 billion.

A more detailed analysis of the risk in question can nonetheless be found in the "Financial Risk Management" section of the Explanatory Notes to the Consolidated Financial Statements.

**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, controlling that the level of exposure to risk is kept within defined tolerance limits.

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.

A more detailed analysis of the risk in question can nonetheless be found in the "Financial Risk Management" section of the Explanatory Notes to the Consolidated Financial Statements.

## 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. Should such insurance coverage prove 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 one of its cable-laying vessels (the "Giulio Verne"), some of whose technical capabilities are hard to find on the market. The loss of one of these assets due to unforeseen natural disasters (e.g. earthquakes, storms, etc.) or other accidents (e.g. 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:

- a systematic Loss Prevention program, managed centrally by the Risk Management department, which, through periodic on-site inspections, allows the adequacy of existing systems of protection to be assessed and any necessary remedial actions decided to mitigate the estimated residual risk. As at 31 March 2018, the Group's operating plants were sufficiently protected and no significant exposures to risk were noted. All the plants have been classified as "Excellent Highly Protected Rated (HPR)", "Good HPR" or "Good not HPR", in accordance with the methodology defined by internationally recognised best practices in the field of Risk Engineering & Loss Prevention;
- specific disaster recovery & business continuity plans which allow appropriate countermeasures to be activated as soon as possible in order to minimise the impact of a catastrophic event and to manage any consequent crisis;
- specific insurance programs for coverage against any damage to assets and loss of associated contribution margin due to business interruption, such as to minimise the financial impact of this risk on cash flow.

**Environmental risks**

The Group's production activities in Italy and abroad are subject to specific environmental regulations, amongst which 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 large number of the Group's plants, the probability of an accident with consequences for the environment, as well as for continuity of production, cannot be ignored or the resulting potentially significant economic and reputational impact. Accordingly, Prysmian adopts a series of controls that keep the risk at an acceptable level. In fact, 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.

Lastly, it is noted that as at 31 December 2017, 94% of the Group's sites were certified under ISO 2017 (for environmental management systems) and 78% for OHSAS 18001 (for safety management).

**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 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. In partnership with the Risk Management department, the Group's IT Security function periodically performs specific assessments to identify any vulnerabilities in IT systems locally and centrally that could compromise business continuity.

Furthermore, since 2016 Prysmian Group has started to implement a structured and integrated process for managing cyber security related risks which, under the leadership of the Group IT Security function, in partnership with the Risk Management department, aims to strengthen the Group's IT systems and platforms and introduce robust mechanisms to prevent and control any cyberattacks. A cogent Information Security strategy has been defined in this regard that clarifies the governance structure adopted by the Group and the guidelines for managing cyber risk in connection with IT architectures and business processes. A special Information Security Committee, consisting of the key figures involved in managing cyber risk[2], has been appointed with the mission of defining the strategic and operational objectives regarding Cyber Security, of coordinating the main initiatives undertaken, as well as of examining and approving policies, operating procedures and instructions. The Committee is convened on a periodic basis (twice a year) and in any case upon the occurrence of any extraordinary events or crises. Lastly, specific e-learning training sessions have been provided to all the Group's IT staff with the aim of increasing their awareness of this issue.

[2] The following sit, as permanent members, on the Information Security Committee: the Chief Operating Officer, the Vicepresident HR&Organization, the Chief Security Officer, the Chief Information Officer, the Chief Risk Officer, the Chief Audit & Compliance Officer and the Group's IT Security Manager.

## LEGAL AND COMPLIANCE RISKS

### Compliance risks associated Code of Ethics, Policies and Procedures

Compliance risk generically represents the possibility of incurring legal or administrative sanctions, material financial losses or reputational damage as a result of violations of prevailing laws and regulations. Prysmian Group deploys a series of organisational procedures designed to define the principles of legality, transparency, fairness and honesty through which to operate. In particular, since its inception, the Group has adopted a Code of Ethics, a document which contains the ethical standards and the behavioural guidelines that all those engaged in activities on behalf of Prysmian or its subsidiaries (including managers, officers, employees, agents, representatives, contractors, suppliers and consultants) are required to observe. The Group undertakes, through its Internal Audit & Compliance department, to constantly monitor compliance and actual application of these rules, with no type of violation tolerated.

However, despite this ongoing endeavour, assiduous vigilance and periodic information campaigns, it is not possible to rule out future episodes of improper conduct in breach of policy, procedures or the Code of Ethics, and hence of current legislation and regulations, 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 of non-compliance with Data Protection (Privacy) legislation

The new European General Data Protection Regulation (GDPR) (Regulation (EU) 2016/679), replacing Italy's "Privacy Code" contained in Legislative Decree 196/2003, entered into force in May 2016 and requires companies operating in the European Union to revise their data protection management models to meet the new GDPR requirements. The transition to the new rules must be completed by 25 May 2018, after which there is the risk of incurring penalties, even of significant amount.

The large number of employees and the growing tendency towards global data management (e.g. cloud storage, use of mobile devices, etc.) could expose the Group to the risk of receiving claims for compensation from individuals for damages in respect of their personal data caused by violation of the protection rules or incorrect handling of the protected data, if not properly managed. Potential penalties imposed by the competent authorities as well as reputational damages should also be considered as a consequence of this risk.

Although the Group has always demonstrated its compliance with the current Privacy Code and other applicable regulations, in order to minimise potential exposure to risk, in 2017 the Internal Audit & Compliance department, with the support of the relevant business functions, initiated the process for compliance with the new European Directive (GDPR), involving in particular a review of the Privacy organisational model, the mapping of data potentially exposed to risk and the subsequent assessment of any changes to the data processing methods themselves.

### Risks of non-compliance with Anti-bribery legislation

In recent years, legislators and regulators have devoted much attention to the fight against bribery and corruption, with a growing tendency to extend responsibility to legal entities as well as to natural persons. With growing internationalisation, organisations more and more often find themselves operating in contexts exposed to the risk of bribery and having to comply with the many related regulations, such as Italian Legislative Decree

231/2001, Italy's Anti-bribery Law (Law 190/2012), the Foreign Corrupt Practices Act, the UK Bribery Act etc., all with a common objective: to counteract and repress corruption.

The Group's business model, with a global presence in over 50 countries and a wide array of applications for its products, brings it into constant contact with multiple third parties (suppliers, intermediaries, agents and customers). In particular, in the Energy (submarine and high voltage) and Oil & Gas businesses, the management of large international projects involves having commercial relations even in countries with a potential risk of bribery (as per the Corruption Perception Index[3]), often through local commercial agents and public officials.

Prysmian Group has therefore implemented a series of actions designed to manage bribery and corruption on a preventive basis; foremost amongst these is the adoption of an Anti-Bribery Policy which prohibits the bribery of both public officials and private individuals and requires employees to abide by it and to observe and comply with all anti-bribery legislation in the countries in which they are employed or active, if this is more restrictive. In addition, specific e-learning activities (training and testing) for all Group personnel are periodically conducted to raise awareness about compliance with this legislation. In continuity with the objectives set in 2016, Prysmian Group has decided to strengthen its monitoring of and focus on compliance issues by launching an Anti-Bribery Compliance Program inspired by the ISO 37001 guidelines for Anti-bribery management systems, published on 15 October 2016. This program, in addition to giving greater control over management of the bribery risk, also aims to minimise the risk of punishment if crimes related to corruption are committed by employees or third parties. The core of the ISO 37001 standard is the control of third parties (suppliers, intermediaries, agents and customers) through a due diligence system designed to reveal any critical or negative events that undermine the reputation of third parties with whom Prysmian Group deals.

**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 paid 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. The Antitrust Code of Conduct has recently been updated and approved by the Company's Board of Directors in February 2018: the new Antitrust Code of Conduct, translated into 26 languages, contains the general principles of antitrust law generally found in industry regulations applying in the various jurisdictions in which Prysmian Group operates. Subsequently, more detailed documents will be prepared, each focusing on the antitrust legislation specifically applicable in the main countries in which the Group operates. The Antitrust Code of Conduct forms an integral part of the

[3] The Corruption Perception Index (CPI) is an indicator published annually by Transparency International, used to measure the perception of public sector corruption in various countries around the world.

training program 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. In this context, specific classroom training sessions were held during 2017 for the Group's sales force, organised in collaboration with external lecturers and legal consultants. E-learning modules are also in the process of being published on the company intranet.
With regard to the antitrust investigations still in progress, details of which can be found in Note 11. Provisions for risks and charges in the Explanatory Notes to the Consolidated Financial Statements, the Group has a provision for risks and charges as at 31 March 2018 of approximately Euro 163 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 adopted in April 2014, as described in the Explanatory Notes (Note 11. Provisions for risks and charges), the amount of this provision is considered to represent the best estimate of the liability based on the information now available.

**PLANNING AND REPORTING RISKS**

Planning and reporting risks are related to the adverse effects that irrelevant, untimely or incorrect information might have on the Group's strategic, operational and financial decisions. At present, in view of the reliability and effectiveness of internal procedures for reporting and planning, the Group does not consider these risks to be relevant.

# 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, 10 May 2018

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 | 31 March 2018 | of which related parties (Note 20) | 31 December 2017 (*) | of which related parties (Note 20) | 1 January 2017 (*) | of which related parties (Note 20) |
|---|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 1 | 1,646 | | 1,646 | | 1,631 | |
| Intangible assets | 1 | 720 | | 735 | | 792 | |
| Equity-accounted investments | 2 | 236 | 236 | 217 | 217 | 195 | 195 |
| Other investments at fair value through other comprehensive income | | 13 | | 12 | | 12 | |
| Financial assets at amortised cost | | 2 | | 2 | | 2 | |
| Derivatives | 5 | 7 | | 14 | | 3 | |
| Deferred tax assets | | 150 | | 149 | | 146 | |
| Other receivables | 3 | 17 | | 18 | | 21 | |
| **Total non-current assets** | | **2,791** | | **2,793** | | **2,802** | |
| **Current assets** | | | | | | | |
| Inventories | 4 | 1,114 | | 954 | | 906 | |
| Trade receivables | 3 | 1,223 | 10 | 1,131 | 6 | 1,088 | 14 |
| Other receivables | 3 | 577 | 6 | 419 | 5 | 735 | 5 |
| Financial assets at fair value through other comprehensive income | 6 | 35 | | 40 | | 57 | |
| Derivatives | 5 | 30 | | 45 | | 40 | |
| Other financial assets at fair value through other comprehensive income | | 11 | | 11 | | - | |
| Cash and cash equivalents | 7 | 869 | | 1,335 | | 646 | |
| **Total current assets** | | **3,859** | | **3,935** | | **3,472** | |
| **Total assets** | | **6,650** | | **6,728** | | **6,274** | |
| **Equity attributable to the Group:** | | **1,731** | | **1,451** | | **1,411** | |
| Share capital | 8 | 23 | | 22 | | 22 | |
| Reserves | 8 | 1,680 | | 1,188 | | 1,143 | |
| Net profit/(loss) for the period | | 28 | | 241 | | 246 | |
| **Equity attributable to non-controlling interests:** | | **177** | | **188** | | **227** | |
| Share capital and reserves | | 177 | | 192 | | 211 | |
| Net profit/(loss) for the period | | - | | (4) | | 16 | |
| **Total equity** | | **1,908** | | **1,639** | | **1,638** | |
| **Non-current liabilities** | | | | | | | |
| Borrowings from banks and other lenders | 9 | 1,460 | | 1,466 | | 1,114 | |
| Other payables | 10 | 8 | | 8 | | 18 | |
| Provisions for risks and charges | 11 | 33 | | 33 | | 40 | |
| Derivatives | 5 | - | | 2 | | 12 | |
| Deferred tax liabilities | | 100 | | 103 | | 111 | |
| Employee benefit obligations | 12 | 353 | | 355 | | 383 | |
| **Total non-current liabilities** | | **1,954** | | **1,967** | | **1,678** | |
| **Current liabilities** | | | | | | | |
| Borrowings from banks and other lenders | 9 | 112 | | 370 | | 172 | |
| Trade payables | 10 | 1,605 | 2 | 1,686 | 4 | 1,498 | 4 |
| Other payables | 10 | 683 | 1 | 692 | 5 | 875 | 3 |
| Derivatives | 5 | 58 | | 35 | | 24 | |
| Provisions for risks and charges | 11 | 310 | 4 | 321 | 4 | 339 | 2 |
| Current tax payables | | 20 | | 18 | | 50 | |
| **Total current liabilities** | | **2,788** | | **3,122** | | **2,958** | |
| **Total liabilities** | | **4,742** | | **5,089** | | **4,636** | |
| **Total equity and liabilities** | | **6,650** | | **6,728** | | **6,274** | |

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

# CONSOLIDATED INCOME STATEMENT

(in millions of Euro)

| | Note | 3 months 2018 | of which related parties (Note 20) | 3 months 2017 | of which related parties (Note 20) |
|---|---|---|---|---|---|
| Sales of goods and services | | 1,879 | 8 | 1,849 | 12 |
| Change in inventories of work in progress, semi-finished and finished goods | | 121 | | 100 | |
| Other income | | 13 | 1 | 16 | 1 |
| Raw materials, consumables used and goods for resale | | (1,309) | (3) | (1,244) | (3) |
| Fair value change in metal derivatives | | (26) | | 3 | |
| Personnel costs | | (261) | (5) | (267) | (7) |
| *of which personnel costs for company reorganisation* | | *(2)* | | *(2)* | |
| *of which personnel costs for stock option fair value* | | *(9)* | | *(11)* | |
| Amortisation, depreciation, impairment and impairment reversals | | (44) | | (44) | |
| Other expenses | | (336) | | (345) | |
| *of which non-recurring (other expenses) and releases* | | - | | *(15)* | |
| *of which (other expenses) for company reorganisation* | | *(1)* | | *(3)* | |
| Share of net profit/(loss) of equity-accounted companies | | 20 | 20 | 10 | 10 |
| **Operating income** | 13 | **57** | | **78** | |
| Finance costs | 14 | (89) | | (107) | |
| *of which non-recurring finance costs* | | *(1)* | | *(1)* | |
| Finance income | 14 | 70 | | 81 | |
| **Profit/(loss) before taxes** | | **38** | | **52** | |
| Taxes | 15 | (10) | | (15) | |
| **Net profit/(loss) for the period** | | **28** | | **37** | |
| **Attributable to:** | | | | | |
| Owners of the parent | | 28 | | 36 | |
| Non-controlling interests | | - | | 1 | |
| | | | | | |
| **Basic earnings/(loss) per share (in Euro)** | 16 | **0.13** | | **0.17** | |
| **Diluted earnings/(loss) per share (in Euro)** | 16 | **0.13** | | **0.16** | |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Euro)

| | 3 months 2018 | 3 months 2017 |
|---|---|---|
| **Net profit/(loss) for the period** | **28** | **37** |
| **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 | (24) | (3) |
| Fair value gains/(losses) on cash flow hedges - tax effect | 8 | - |
| Currency translation differences | (30) | (4) |
| **Total items that may be reclassified, net of tax** | **(46)** | **(7)** |
| | | |
| **Total comprehensive income/(loss) for the period** | **(18)** | **30** |
| **Attributable to:** | | |
| Owners of the parent | (12) | 36 |
| Non-controlling interests | (6) | (6) |

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# 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 2016 (*)** | **22** | **(13)** | **(156)** | **1,312** | **246** | **1,411** | **227** | **1,638** |
| Allocation of prior year net result | - | - | - | 246 | (246) | - | - | - |
| Dividend distribution | - | - | - | - | - | - | (9) | (9) |
| Fair value - stock options | - | - | - | 11 | - | 11 | - | 11 |
| Share buyback | - | - | - | (49) | - | (49) | - | (49) |
| Equity component of convertible bond | - | - | - | 48 | - | 48 | - | 48 |
| Total comprehensive income/(loss) for the period | - | - | - | - | 36 | 36 | (6) | 30 |
| **Balance at 31 March 2017 (*)** | **22** | **(13)** | **(156)** | **1,568** | **36** | **1,457** | **212** | **1,669** |

| (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 2017 (*)** | **22** | **(5)** | **(299)** | **1,492** | **241** | **1,451** | **188** | **1,639** |
| Allocation of prior year net result | - | - | - | 241 | (241) | - | - | - |
| Fair value - stock options | - | - | - | 9 | - | 9 | | 9 |
| Dividend distribution | - | - | - | - | - | - | (5) | (5) |
| Conversion of convertible bond | 1 | - | - | 282 | - | 283 | - | 283 |
| Total comprehensive income/(loss) for the period | - | (14) | (26) | - | 28 | (12) | (6) | (18) |
| **Balance at 31 March 2018** | **23** | **(19)** | **(325)** | **2,024** | **28** | **1,731** | **177** | **1,908** |

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

# CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Euro)

| | | 3 months 2018 | of which related parties (Note 20) | 3 months 2017 | of which related parties (Note 20) |
|---|---|---|---|---|---|
| | Profit/(loss) before taxes | 38 | | 52 | |
| | Depreciation, impairment and impairment reversals of property, plant and equipment | 33 | | 32 | |
| | Amortisation and impairment of intangible assets | 11 | | 12 | |
| | Net gains on disposal of property, plant and equipment, intangible assets and acquisition purchase price adjustment | (1) | | - | |
| | Share of net profit/(loss) of equity-accounted companies | (20) | (20) | (10) | (10) |
| | Share-based payments | 9 | | 11 | |
| | Fair value change in metal derivatives and other fair value items | 26 | | (3) | |
| | Net finance costs | 19 | | 26 | |
| | Changes in inventories | (175) | | (152) | |
| | Changes in trade receivables/payables | (169) | (6) | (150) | (11) |
| | Changes in other receivables/payables | (184) | (5) | (181) | (2) |
| | Taxes paid | (17) | | (20) | |
| | Dividends received from equity-accounted companies | 3 | 3 | 3 | 3 |
| | Utilisations of provisions (including employee benefit obligations) | (22) | | (23) | |
| | Increases and/or releases of provisions (including employee benefit obligations) | 26 | | 22 | 2 |
| **A.** | **Net cash flow provided by/(used in) operating activities** | **(423)** | | **(381)** | |
| | Investments in property, plant and equipment | (45) | | (57) | |
| | Disposals of property, plant and equipment and assets held for sale | 1 | | - | |
| | Investments in intangible assets | (2) | | (10) | |
| | Investments in financial assets at fair value through other comprehensive income | - | | (14) | |
| | Disposals of financial assets at fair value through other comprehensive income | 4 | | 6 | |
| **B.** | **Net cash flow provided by/(used in) investing activities** | **(42)** | | **(75)** | |
| | Share buyback | | | (49) | |
| | Dividend distribution | - | | - | |
| | Early repayment of credit facility | | | (50) | |
| | EIB loan | (9) | | (8) | |
| | Issuance of Convertible Bond 2017 | | | 500 | |
| | Finance costs paid (1) | (70) | | (97) | |
| | Finance income received (2) | 60 | | 85 | |
| | Changes in other net financial receivables/payables | 22 | | 46 | |
| **C.** | **Net cash flow provided by/(used in) financing activities** | **3** | | **427** | |
| D. | Currency translation gains/(losses) on cash and cash equivalents | (4) | | (1) | |
| **E.** | **Total cash flow provided/(used) in the period (A+B+C+D)** | **(466)** | | **(30)** | |
| **F.** | **Net cash and cash equivalents at the beginning of the period** | **1,335** | | **646** | |
| **G.** | **Net cash and cash equivalents at the end of the period (E+F)** | **869** | | **616** | |
| | **Cash and cash equivalents reported in consolidated statement of financial position** | **869** | | **616** | |

(1) Finance costs paid of Euro 70 million include interest payments of Euro 2 million in the first three months of 2018 (Euro 5 million in the first three months of 2017).

(2) Finance income received of Euro 60 million includes interest income of Euro 1 million in the first three months of 2018 (Euro 2 million in the first three months of 2017).

# 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 2018

### Mergers & Acquisitions

***Acquisition of General Cable***

On 16 February 2018, Prysmian Group acknowledged that the shareholders of General Cable Corporation had approved the acquisition by Prysmian of 100% of General Cable's shares for a consideration of USD 30.00 per share, as announced on 4 December 2017.
Present at the shareholders' meeting was 75.34% of the General Cable share capital entitled to vote, of which some 99% voted in favour of the acquisition.
Subject to regulatory approvals and other customary closing conditions, the completion of the acquisition is expected to take place by the third quarter of 2018.
As of today's date, the acquisition has been cleared by the antitrust authorities in the countries involved, except for Brazil, for which, even though this clearance has been received, the waiting period has yet to expire during which opposition might be received.
In addition, with regard to other regulatory authorities, authorization is still being awaited from the Committee on Foreign Investments in the United States.

### Finance Activities

***Interest rate hedging derivatives***

In January 2018, the Group entered into interest rate hedging derivatives, transforming variable into fixed rate, with the purpose of reducing rate volatility risk. In particular, forward rate agreements have been arranged, for an overall notional value of Euro 850 million, with the objective of hedging variable interest rate flows over the period 2018-2023 on financing the Group has contracted for the General Cable acquisition.

In addition, interest rate swaps have been arranged, for an overall notional value of Euro 110 million, with the objective of hedging variable interest rate flows over the period 2018-2024 on an existing loan for Euro 110 million.

***General Cable Corporation Acquisition Financing Agreement***

On 2 March 2018, the Group entered into an agreement (the Acquisition Financing Agreement) under which a syndicate of leading banks has made available lines of credit, intended to finance costs related to the General Cable Acquisition; in particular:

(a) Acquisition Term Loan for Euro 1 billion, lasting 5 years from the Acquisition Closing and repayable with a bullet payment at maturity;

(b) Acquisition Bridge Loan for Euro 700 million, lasting 2 years from the Acquisition Closing and repayable with a bullet payment at maturity, or earlier using the proceeds of a possible issue of other debt instruments.

Since the closing of the General Cable acquisition has not yet taken place, this Financing Agreement has had no impact on the Group's statement of financial position at 31 March 2018.

**New industrial projects and initiatives**

***Cable to link Kincardine floating offshore wind farm to the UK mainland***

On 24 January 2018, Prysmian Group was awarded a contract by Cobra Wind International Ltd for the cable to link the Kincardine floating offshore wind farm to mainland UK. This is the Group's first cable project for a floating offshore wind farm and involves the design and supply of two submarine export cables, inter-array cables and related accessories to connect the turbines of the Kincardine floating offshore wind farm, located approximately 15 km southeast of Aberdeen, to the Scottish mainland power grid. Installation is due to take place during 2018 and 2019.

***Submarine power link to Capri***

On 2 February 2018, the Group was awarded a contract worth around Euro 40 million for a new submarine cable link between the isle of Capri and Sorrento (Naples) following a European call for tender; the contract has been awarded by Terna Rete Italia S.p.A., a company wholly owned by Terna S.p.A., Italy's sole transmission system operator.

The project involves the turnkey installation of a 150 kV HVAC power cable between the power stations located in Sorrento and at the Gasto recycling centre on Capri, along a route running 16 km subsea and 3 km onshore. The cables for the Capri-Sorrento link will be produced by the Arco Felice plant in Naples, a Group centre of submarine cable manufacturing and technological excellence. Prysmian will be responsible for submarine cable laying, using its vessel the "Cable Enterprise", and for supplying all related network components and performing the required specialist civil engineering works. The project, which will start during 2018, is scheduled for completion in 2019.

***Framework agreement with Terna to enhance Italian power grid***

On 19 March 2018, the Group was awarded - as lead contractor in a Temporary Association of Companies (RTI) involving CEBAT S.r.l. and Elettrovit S.r.l., which will carry out civil engineering installation works - a framework contract by the Italian transmission system operator Terna, through its subsidiary Terna Rete Italia, for the supply, installation and emergency repair of 220 kV cables to upgrade the national power grid. The "turnkey" project is worth about Euro 50 million and will last for three years, with an option to extend its length and increase its value.

**Other significant events**

***Centre of excellence in Sorocaba (Brazil)***

During the second quarter of 2017, Prysmian Cabos e Sistemas do Brasil S.A. announced the start of an investment program to create a centre of excellence in cable manufacturing at the Sorocaba Eden plant, involving the transfer of production activities currently carried out by the Santo Andrè plant which will be closed; it will take about a year and a half to complete this project.

The so-called "+90" project involves closing the Santo Andrè site with the consequent transfer of administrative activities and staff, as well as the concentration of South American Regional headquarters functions in Sorocaba. The plant's industrial activities will be partly relocated to Sorocaba and partly to other Brazilian production sites (Vila Velha and Jointville) and to the La Rosa site in Argentina. During 2017 all the employees at the two sites were informed of this decision, and those involved in the relocation were identified. The operation has been organised in two phases, the first involving White Collar staff in August 2017 and the second involving Blue Collar employees in February 2018. The economic aspects have been agreed with the union, which has been informed and consulted throughout this process, not only to facilitate the collective transfer but also to allow the termination of those unwilling to relocate.

***Western Link***

With reference to the Western Link, an electrical transmission cable between Scotland, Wales and England, a fault was detected at the end of April 2018 during preparations to make the link available for full load operation and is now under investigation. The link is temporarily unavailable while the investigation is ongoing.

The Directors have decided to provide Euro 20 million in the Quarterly Financial Report at 31 March 2018 as the best estimate of costs to cover the related contractual penalties for this project's late delivery.

***Agreement with OI Group in Brazil***

During the first few months of 2018, the Group reached a credit recovery agreement with the OI Group, a Brazilian customer that has filed for bankruptcy. The outstanding receivables, amounting to around Euro 8 million, had already been written down in full in 2016. The agreement involves a partial repayment in four annual instalments and so the Group has reinstated the receivable at its realizable amount of Euro 5 million.

## B. FORM AND CONTENT

The present quarterly condensed consolidated financial statements have 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 quarterly condensed consolidated financial statements at 31 March 2018 have been prepared in an abbreviated format in compliance with the international accounting standard applying to interim financial reporting (IAS 34). The quarterly condensed consolidated financial statements at 31 March 2018 do not include all the information and disclosures required in the annual financial statements and so should be read in conjunction with the Group's annual consolidated financial statements at 31 December 2017. Although the Group has defined the half-year as the interim period of reference for the application of IAS 34, the current Quarterly Financial Report at 31 March 2018 has exceptionally been drawn up in compliance with this standard, in anticipation of its possible inclusion in official documentation accompanying a possible capital market transaction in coming months.

The present Quarterly Financial Report was approved by the Board of Directors of Prysmian S.p.A. on 10 May 2018.

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 31 March 2018 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.

## 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 2017, 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 2018 after receiving endorsement from the competent authorities.

**Accounting standards, amendments and interpretations applied from 1 January 2018**

As from 1 January 2018, *IFRS 15 - Revenue from Contracts with Customers* replaces *IAS 11 - Construction Contracts*, *IAS 18 - Revenue* and the related interpretations. IFRS 15 introduces a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.
The Group has elected to apply IFRS 15 using the full retrospective method of adoption; details of the effects on the Group's statement of financial position and income statement can be found in Section C. Restatement of comparative figures.
The effects identified are due to the extended warranties given by the Group to its customers, compared with those commonly found in commercial practice for the Energy Projects operating segment.

*IFRS 9 - Financial Instruments* replaces *IAS 39 - Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 and brings together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Following the adoption of IFRS 9, the Group has not only recorded effects for the time value component of option contracts designated as hedging instruments, but also made some reclassifications. Further information can be found in Section C. Restatement of comparative figures.

On 14 December 2016, the IASB published a number of amendments to *IFRS 2 - Share-based Payments*. The document clarifies:

- the accounting treatment of vesting conditions;
- the measurement of cash-settled share-based payment transactions;
- the treatment of share-based payment transactions with net settlement features for withholding tax obligations.

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 adoption of these amendments has not had any material effects for the Group.

On 8 February 2018 the IASB issued *Annual Improvements to IFRS Standards 2014-2016 Cycle* which includes amendments to *IAS 28 - Investments in associates and joint ventures*, applicable from 1 January 2018. The amendments clarify and correct the related standards and remove redundant provisions.

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

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 annual reporting periods 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.

## 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.

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

**Name changes**

On 25 January 2018, the Finnish company Prysmian Finland OY changed its name to Prysmian Group Finland OY.

Appendix A to these notes contains a list of the companies included in the scope of consolidation at 31 March 2018.

## C. RESTATEMENT OF COMPARATIVE FIGURES

The consolidated financial statements at 1 January 2017 and at 31 December 2017, presented in the current quarterly condensed consolidated financial statements for comparative purposes, have undergone some amendments compared with the previously published figures. Details of these amendments are discussed below:

### Adoption of IFRS 15 and IFRS 9

Following adoption of IFRS 15, the Group has elected to apply it retrospectively, with restatement of its consolidated figures from 1 January 2017. In particular:

- "Other receivables" reported in the statement of financial position have been decreased by Euro 53 million at 1 January 2017 and by Euro 29 million at 31 December 2017, while "Other payables" have been increased by Euro 21 million at 31 December 2017;
- "Deferred tax assets" have been increased by Euro 16 million at 1 January 2017 and by Euro 14 million at 31 December 2017;
- The impact on the income statement for the first quarter of 2017 is not material.

There have been no effects on either net financial debt or cash flow provided by operating activities for 2017. The above effects are due to the extended warranties given by the Group to its customers, compared with those commonly found in commercial practice for the Energy Projects operating segment.

Following the adoption of IFRS 9, the Group has made the following adjustments:

- other comprehensive income (OCI) for 2017 has been decreased by Euro 13 million, net of the related tax; net profit has therefore been increased by the same amount;
- there has been no impact on the income statement for the first three months of 2017.

There have been no effects on either net financial debt or cash flow provided by operating activities.
The above effects are due to the time value component of option contracts designated as hedging instruments.

Following the adoption of IFRS 9, the Group has also made the following reclassifications:

- non-current "Available-for-sale financial assets" have been reclassified in "Other investments at fair value through other comprehensive income";
- "Held-to-maturity financial assets" have been reclassified in "Financial assets at amortised cost";
- "Financial assets held for trading" have been reclassified in "Financial assets at fair value through other comprehensive income";
- current "Available-for-sale financial assets" have been reclassified in "Other financial assets at fair value through other comprehensive income".

Lastly, no significant effects have emerged as a result of applying the new model of credit impairment envisaged by IFRS 9.

## Consolidated Statement of Financial Position at 1 January 2017

(in millions of Euro)

| | 1 January 2017 published | Effect of IFRS 15 application | Effect of IFRS 9 application | 1 January 2017 restated |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 1,631 | | | 1,631 |
| Intangible assets | 792 | | | 792 |
| Equity-accounted investments | 195 | | | 195 |
| Available-for-sale financial assets | 12 | | (12) | - |
| Other investments at fair value through other comprehensive income | | | 12 | 12 |
| Financial assets held to maturity | 2 | | (2) | - |
| Financial assets at amortised cost | | | 2 | 2 |
| Derivatives | 3 | | | 3 |
| Deferred tax assets | 130 | 16 | | 146 |
| Other receivables | 21 | | | 21 |
| **Total non-current assets** | **2,786** | **16** | **-** | **2,802** |
| **Current assets** | | | | |
| Inventories | 906 | | | 906 |
| Trade receivables | 1,088 | | | 1,088 |
| Other receivables | 788 | (53) | | 735 |
| Financial assets held for trading | 57 | | (57) | - |
| Other financial assets at fair value through other comprehensive income | | | 57 | 57 |
| Derivatives | 40 | | | 40 |
| Available-for-sale financial assets | - | | - | - |
| Other financial assets at fair value through other comprehensive income | | | - | - |
| Cash and cash equivalents | 646 | | | 646 |
| **Total current assets** | **3,525** | **(53)** | **-** | **3,472** |
| **Total assets** | **6,311** | **(37)** | **-** | **6,274** |
| **Equity attributable to the Group:** | **1,448** | **(37)** | **-** | **1,411** |
| Share capital | 22 | | | 22 |
| Reserves | 1,180 | (37) | | 1,143 |
| Net profit/(loss) for the year | 246 | - | | 246 |
| **Equity attributable to non-controlling interests:** | **227** | **-** | **-** | **227** |
| Share capital and reserves | 211 | | | 211 |
| Net profit/(loss) for the year | 16 | | | 16 |
| **Total equity** | **1,675** | **(37)** | **-** | **1,638** |
| **Non-current liabilities** | | | | |
| Borrowings from banks and other lenders | 1,114 | | | 1,114 |
| Other payables | 18 | | | 18 |
| Provisions for risks and charges | 40 | | | 40 |
| Derivatives | 12 | | | 12 |
| Deferred tax liabilities | 111 | | | 111 |
| Employee benefit obligations | 383 | | | 383 |
| **Total non-current liabilities** | **1,678** | **-** | **-** | **1,678** |
| **Current liabilities** | | | | |
| Borrowings from banks and other lenders | 172 | | | 172 |
| Trade payables | 1,498 | | | 1,498 |
| Other payables | 875 | | | 875 |
| Derivatives | 24 | | | 24 |
| Provisions for risks and charges | 339 | | | 339 |
| Current tax payables | 50 | | | 50 |
| **Total current liabilities** | **2,958** | **-** | **-** | **2,958** |
| **Total liabilities** | **4,636** | **-** | **-** | **4,636** |
| **Total equity and liabilities** | **6,311** | **(37)** | **-** | **6,274** |

## Consolidated Statement of Financial Position at 31 December 2017

(in millions of Euro)

| | 31 December 2017 | Effect of IFRS 15 application | Effect of IFRS 9 application | 31 December 2017 restated |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 1,646 | | | 1,646 |
| Intangible assets | 735 | | | 735 |
| Equity-accounted investments | 217 | | | 217 |
| Available-for-sale financial assets | 12 | | (12) | - |
| Other investments at fair value through other comprehensive income | | | 12 | 12 |
| Financial assets held to maturity | 2 | | (2) | - |
| Financial assets at amortised cost | | | 2 | 2 |
| Derivatives | 14 | | | 14 |
| Deferred tax assets | 135 | 14 | | 149 |
| Other receivables | 18 | | | 18 |
| **Total non-current assets** | **2,779** | **14** | **-** | **2,793** |
| **Current assets** | | | | |
| Inventories | 954 | | | 954 |
| Trade receivables | 1,131 | | | 1,131 |
| Other receivables | 448 | (29) | | 419 |
| Financial assets held for trading | 40 | | (40) | - |
| Other financial assets at fair value through other comprehensive income | | | 40 | 40 |
| Derivatives | 45 | | | 45 |
| Available-for-sale financial assets | 11 | | (11) | - |
| Other financial assets at fair value through other comprehensive income | | | 11 | 11 |
| Cash and cash equivalents | 1,335 | | | 1,335 |
| **Total current assets** | **3,964** | **(29)** | **-** | **3,935** |
| **Total assets** | **6,743** | **(15)** | **-** | **6,728** |
| **Equity attributable to the Group:** | **1,487** | **(36)** | **-** | **1,451** |
| Share capital | 22 | | | 22 |
| Reserves | 1,238 | (37) | (13) | 1,188 |
| Net profit/(loss) for the year | 227 | 1 | 13 | 241 |
| **Equity attributable to non-controlling interests:** | **188** | **-** | **-** | **188** |
| Share capital and reserves | 192 | | | 192 |
| Net profit/(loss) for the year | (4) | | | (4) |
| **Total equity** | **1,675** | **(36)** | **-** | **1,639** |
| **Non-current liabilities** | | | | |
| Borrowings from banks and other lenders | 1,466 | | | 1,466 |
| Other payables | 8 | | | 8 |
| Provisions for risks and charges | 33 | | | 33 |
| Derivatives | 2 | | | 2 |
| Deferred tax liabilities | 103 | | | 103 |
| Employee benefit obligations | 355 | | | 355 |
| **Total non-current liabilities** | **1,967** | **-** | **-** | **1,967** |
| **Current liabilities** | | | | |
| Borrowings from banks and other lenders | 370 | | | 370 |
| Trade payables | 1,686 | | | 1,686 |
| Other payables | 671 | 21 | | 692 |
| Derivatives | 35 | | | 35 |
| Provisions for risks and charges | 321 | | | 321 |
| Current tax payables | 18 | | | 18 |
| **Total current liabilities** | **3,101** | **21** | **-** | **3,122** |
| **Total liabilities** | **5,068** | **21** | **-** | **5,089** |
| **Total equity and liabilities** | **6,743** | **(15)** | **-** | **6,728** |

## D. 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 2017, which should be consulted for a more detailed analysis.

With reference to the risks described in the Annual Financial Report at 31 December 2017, 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)

| | | | | 31 March 2018 |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Financial assets at fair value | | | | |
| Derivatives through profit or loss | - | 19 | - | 19 |
| Hedging derivatives | - | 18 | - | 18 |
| Financial assets at amortised cost | - | 2 | - | 2 |
| Financial assets at fair value through other comprehensive income | 35 | - | - | 35 |
| Other financial assets at fair value through other comprehensive income | 11 | - | - | 11 |
| Other investments at fair value through other comprehensive income | | - | 13 | 13 |
| | | | | |
| **Total assets** | **46** | **39** | **13** | **98** |
| | | | | |
| **Liabilities** | | | | |
| Financial liabilities at fair value | - | - | - | - |
| through profit or loss: | | | | |
| Derivatives | - | 14 | - | 14 |
| Hedging derivatives | - | 44 | - | 44 |
| **Total liabilities** | **-** | **58** | **-** | **58** |

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.
Financial assets at fair value through other comprehensive income of Euro 35 million, classified in fair value Level 1, refer to funds in which the Brazilian and Chilean subsidiaries temporarily invest their liquidity.
Other financial assets at fair value through other comprehensive income of Euro 11 million, classified in fair value Level 1, refer to Italian government securities.

During the first three months of 2018 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.

## E. 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 presented for the sales channels and business areas indicated below 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.

## E.1 OPERATING SEGMENTS

The following tables present information by operating segment:

(in millions of Euro)

| | | | | | | | | | 3 months 2018 |
|---|---|---|---|---|---|---|---|---|---|
| | Energy Projects | Energy Products | | | | Oil&GAS | Telecom | Corporate | Group total |
| | | E&I | Industrial & NWC | Other | Total Products | | | | |
| Sales (1) | 311 | 790 | 369 | 35 | 1,194 | 57 | 317 | - | 1,879 |
| **Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies** | **21** | **30** | **26** | **-** | **56** | **(1)** | **57** | **-** | **133** |
| % of sales | 6.9% | 3.7% | 7.1% | | 4.7% | -2.3% | 17.7% | | 7.0% |
| **Adjusted EBITDA (A)** | **21** | **31** | **27** | **-** | **58** | **(1)** | **75** | **-** | **153** |
| % of sales | 6.9% | 3.8% | 7.3% | | 4.8% | -2.3% | 23.5% | | 8.1% |
| **EBITDA (B)** | **20** | **28** | **26** | **-** | **54** | **(2)** | **73** | **(9)** | **136** |
| % of sales | 6.7% | 3.5% | 7.0% | | 4.5% | -3.3% | 23.1% | | 7.3% |
| Amortisation and depreciation (C) | (10) | (15) | (5) | - | (20) | (3) | (11) | - | (44) |
| **Adjusted operating income (A+C)** | **11** | **16** | **22** | **-** | **38** | **(4)** | **64** | **-** | **109** |
| % of sales | 3.5% | 2.1% | 5.9% | | 3.2% | -7.1% | 20.1% | | 5.8% |
| Fair value change in metal derivatives (D) | | | | | | | | | (26) |
| Fair value stock options (E) | | | | | | | | | (9) |
| Asset (impairment) and impairment reversal (F) | - | | | | - | - | - | - | - |
| **Operating income (B+C+D+E+F)** | | | | | | | | | **57** |
| % of sales | | | | | | | | | 3.1% |
| Finance income | | | | | | | | | 70 |
| Finance costs | | | | | | | | | (89) |
| Taxes | | | | | | | | | (10) |
| **Net profit/(loss)** | | | | | | | | | **28** |
| % of sales | | | | | | | | | 1.5% |
| Attributable to: | | | | | | | | | |
| Owners of the parent | | | | | | | | | 28 |
| Non-controlling interests | | | | | | | | | - |
| | | | | | | | | | |
| **RECONCILIATION BETWEEN EBITDA AND ADJUSTED EBITDA** | | | | | | | | | |
| **EBITDA (A)** | **20** | **28** | **26** | **-** | **54** | **(2)** | **73** | **(9)** | **136** |
| **Adjustments:** | | | | | | | | | |
| Company reorganisation | 1 | 1 | 1 | - | 2 | - | - | - | 3 |
| Non-recurring expenses/(income): | | | | | | | | | |
| Antitrust | - | - | - | - | - | - | - | | - |
| Other non-operating expenses/(income) | - | 2 | - | - | 2 | 1 | 2 | 9 | 14 |
| *of which General Cable acquisition-related costs* | - | - | - | - | - | - | - | *1* | *1* |
| *0f which General Cable integration costs* | - | - | - | - | - | - | - | *8* | *8* |
| **Total adjustments (B)** | **1** | **3** | **1** | **-** | **4** | **1** | **2** | **9** | **17** |
| **Adjusted EBITDA (A+B)** | **21** | **31** | **27** | **-** | **58** | **(1)** | **75** | **-** | **153** |

(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)

| | | | | | | | | | 3 months 2017 |
|---|---|---|---|---|---|---|---|---|---|
| | Energy Projects | Energy Products | | | | Oil&GAS | Telecom | Corporate | Group total |
| | | E&I | Industrial & NWC | Other | Total Products | | | | |
| Sales (1) | 275 | 806 | 340 | 34 | 1,180 | 66 | 328 | - | 1,849 |
| **Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies** | **40** | **34** | **26** | **(1)** | **59** | **-** | **45** | - | **144** |
| % of sales | 14.4% | 4.1% | 7.7% | | 5.0% | 0.2% | 13.9% | | 7.8% |
| **Adjusted EBITDA (A)** | **40** | **35** | **27** | **(1)** | **61** | **-** | **53** | - | **154** |
| % of sales | 14.4% | 4.3% | 7.9% | | 5.2% | 0.2% | 16.3% | | 8.3% |
| **EBITDA (B)** | **25** | **32** | **26** | **(1)** | **57** | **(1)** | **52** | **(3)** | **130** |
| % of sales | 9.0% | 4.0% | 7.5% | | 4.8% | -0.9% | 15.9% | | 7.0% |
| Amortisation and depreciation (C) | (10) | (14) | (5) | (1) | (20) | (4) | (10) | - | (44) |
| **Adjusted operating income (A+C)** | **30** | **21** | **22** | **(2)** | **41** | **(4)** | **43** | **-** | **110** |
| % of sales | 10.7% | 2.6% | 6.5% | | 3.5% | -6.5% | 13.2% | | 5.9% |
| Fair value change in metal derivatives (D) | | | | | | | | | 3 |
| Fair value stock options (E) | | | | | | | | | (11) |
| Asset (impairment) and impairment reversal (F) | - | | | | (3) | (27) | - | - | - |
| **Operating income (B+C+D+E+F)** | | | | | | | | | **78** |
| % of sales | | | | | | | | | 4.2% |
| Finance income | | | | | | | | | 81 |
| Finance costs | | | | | | | | | (107) |
| Taxes | | | | | | | | | (15) |
| **Net profit/(loss)** | | | | | | | | | **37** |
| % of sales | | | | | | | | | 2.0% |
| Attributable to: | | | | | | | | | |
| Owners of the parent | | | | | | | | | 36 |
| Non-controlling interests | | | | | | | | | 1 |
| | | | | | | | | | |
| **RECONCILIATION BETWEEN EBITDA AND ADJUSTED EBITDA** | | | | | | | | | |
| **EBITDA (A)** | **25** | **32** | **26** | **(1)** | **57** | **(1)** | **52** | **(3)** | **130** |
| **Adjustments:** | | | | | | | | | |
| Company reorganisation | - | 1 | 1 | - | 2 | - | 1 | 2 | 5 |
| Non-recurring expenses/(income): | | | | | | | | | |
| Antitrust | 15 | - | - | - | - | - | - | - | 15 |
| Other non-operating expenses/(income) | - | 2 | - | - | 2 | 1 | - | 1 | 4 |
| **Total adjustments (B)** | **15** | **3** | **1** | **-** | **4** | **1** | **1** | **3** | **24** |
| **Adjusted EBITDA (A+B)** | **40** | **35** | **27** | **(1)** | **61** | **-** | **53** | **-** | **154** |

(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.

## E.2 GEOGRAPHICAL AREAS

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

(in millions of Euro)

| | 3 months 2018 | 3 months 2017 |
|---|---|---|
| **Sales of goods and services** | **1,879** | **1,849** |
| **EMEA*** | **1,303** | **1,242** |
| (of which Italy) | 280 | 262 |
| **North America** | **254** | **278** |
| **Latin America** | **95** | **107** |
| **Asia Pacific** | **227** | **222** |

* 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 2017** | **1,646** | **735** | ***438*** |
| **Movements in 2018:** | | | |
| - Investments | 45 | 2 | - |
| - Disposals | - | - | - |
| - -Depreciation and amortisation | (33) | (11) | - |
| - Impairment | - | - | - |
| - Currency translation differences | (12) | (6) | *(2)* |
| -Reclassifications (to)/from Assets held for sale | - | - | - |
| **Total movements** | **-** | **(15)** | ***(2)*** |
| **Balance at 31 March 2018** | **1,646** | **720** | ***436*** |
| **Of which:** | | | |
| - Historical cost | 2,968 | 1,107 | *456* |
| - Accumulated depreciation/amortisation and impairment | (1,322) | (387) | *(20)* |
| **Net book value** | **1,646** | **720** | ***436*** |

(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:** | | | |
| - Investments | 57 | 10 | - |
| - Disposals | - | - | - |
| - -Depreciation and amortisation | (32) | (12) | - |
| - Impairment | - | - | - |
| - Currency translation differences | - | (3) | *(1)* |
| -Reclassifications (to)/from Assets held for sale | (3) | - | - |
| **Total movements** | **22** | **(5)** | **(1)** |
| **Balance at 31 March 2017** | **1,653** | **787** | **447** |
| **Of which:** | | | |
| - Historical cost | 2,894 | 1,130 | 467 |
| - Accumulated depreciation/amortisation and impairment | (1,241) | (343) | *(20)* |
| **Net book value** | **1,653** | **787** | **447** |

A total of Euro 45 million has been invested in property, plant and equipment in the first three months of 2018. This expenditure is analysed as follows:

- 56%, or Euro 25 million, for projects to increase and rationalise production capacity and develop new products;
- 29%, or Euro 13 million, for projects to improve industrial efficiency;

- 15%, or Euro 7 million, for structural projects.

A total of Euro 2 million has been invested in intangible assets in the first three months of 2018, most of which for IT development and implementation.

There are liens for Euro 4 million against the value of machinery as security against long-term loans (Euro 3 million at 31 December 2017).

## 2. EQUITY-ACCOUNTED INVESTMENTS

These are detailed as follows:

(in millions of Euro)

| | 31 March 2018 | 31 December 2017 |
|---|---|---|
| Investments in associates | 231 | 212 |
| Investments in joint ventures | 5 | 5 |
| **Total equity-accounted investments** | **236** | **217** |

### 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 31 March 2018, the fair value of the investment in Yangtze Optical Fibre and Cable Joint Stock Limited Company was Euro 689 million, compared with a carrying amount of Euro 187 million.

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 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 primarily reflects the Group's share of profit or loss of associates.

**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 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)

| | | | 31 March 2018 |
|---|---|---|---|
| | Non-current | Current | Total |
| Trade receivables | - | 1,284 | 1,284 |
| Allowance for doubtful accounts | - | (61) | (61) |
| **Total trade receivables** | **-** | **1,223** | **1,223** |
| **Other receivables:** | | | |
| Tax receivables | 3 | 154 | 157 |
| Financial receivables | 2 | 6 | 8 |
| Prepaid finance costs | 1 | 2 | 3 |
| Receivables from employees | 1 | 1 | 2 |
| Pension plan receivables | - | 2 | 2 |
| Construction contracts | - | 295 | 295 |
| Advances to suppliers | - | 16 | 16 |
| Other | 10 | 101 | 111 |
| **Total other receivables** | **17** | **577** | **594** |
| **Total** | **17** | **1,800** | **1,817** |

(in millions of Euro)

| | | | 31 December 2017 (*) |
|---|---|---|---|
| | Non-current | Current | Total |
| Trade receivables | - | 1,196 | 1,196 |
| Allowance for doubtful accounts | - | (65) | (65) |
| **Total trade receivables** | **-** | **1,131** | **1,131** |
| **Other receivables:** | | | |
| Tax receivables | 3 | 115 | 118 |
| Financial receivables | 2 | 7 | 9 |
| Prepaid finance costs | 1 | 2 | 3 |
| Receivables from employees | 1 | 2 | 3 |
| Pension plan receivables | - | 1 | 1 |
| Construction contracts | - | 186 | 186 |
| Advances to suppliers | - | 15 | 15 |
| Other | 11 | 91 | 102 |
| **Total other receivables** | **18** | **419** | **437** |
| **Total** | **18** | **1,550** | **1,568** |

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15. Further details can be found in Section C. Restatement of comparative figures.

## 4. INVENTORIES

These are detailed as follows:

(in millions of Euro)

| | 31 March 2018 | 31 December 2017 |
|---|---|---|
| Raw materials | 322 | 284 |
| *of which allowance for obsolete and slow-moving raw materials* | *(33)* | *(33)* |
| Work in progress and semi-finished goods | 276 | 230 |
| *of which allowance for obsolete and slow-moving work in progress and semi-finished goods* | *(10)* | *(8)* |
| Finished goods (*) | 516 | 440 |
| *of which allowance for obsolete and slow-moving finished goods* | *(45)* | *(50)* |
| **Total** | **1,114** | **954** |

(*) Finished goods also include goods for resale.

## 5. DERIVATIVES

These are detailed as follows:

(in millions of Euro)

| | 31 March 2018 | |
|---|---|---|
| | Asset | Liability |
| **Non-current** | | |
| Forward currency contracts on commercial transactions (cash flow hedges) | 5 | - |
| **Total hedging derivatives** | **5** | **-** |
| Metal derivatives | 2 | - |
| **Total other derivatives** | **2** | **-** |
| **Total non-current** | **7** | **-** |
| **Current** | | |
| Interest rate swaps (cash flow hedges) | - | 4 |
| Zero cost collar on General Cable acquisition (cash flow hedges) | - | 38 |
| Forward currency contracts on commercial transactions (cash flow hedges) | 13 | 2 |
| **Total hedging derivatives** | **13** | **44** |
| Forward currency contracts on commercial transactions | 5 | 2 |
| Forward currency contracts on financial transactions | 1 | 1 |
| Metal derivatives | 11 | 11 |
| **Total other derivatives** | **17** | **14** |
| **Total current** | **30** | **58** |
| **Total** | **37** | **58** |

With regard to the General Cable acquisition, the Group has arranged derivative contracts, collectively constituting a zero cost collar, with a notional value of USD 2,700 million. The fair value of these instruments is calculated using the Black & Sholes method. As at 31 March 2018, these instruments are out of the money and so their negative fair value consists solely of the time value component of Euro 38 million.

Interest rate derivatives designated as cash flow hedges refer to:

- forward rate agreements, for an overall notional value of Euro 850 million, with the objective of hedging variable rate interest rate flows for the period 2018-2023 on financing that the Group will contract for the acquisition of the General Cable group;

- interest rate swaps for an overall notional value of Euro 110 million, with the objective of hedging variable interest rate flows over the period 2018-2024 on an existing loan.

(in millions of Euro)

| | 31 December 2017 | |
|---|---|---|
| | **Asset** | **Liability** |
| **Non-current** | | |
| Forward currency contracts on commercial transactions (cash flow hedges) | 6 | |
| **Total hedging derivatives** | **6** | **-** |
| Metal derivatives | 8 | 2 |
| **Total other derivatives** | **8** | **2** |
| **Total non-current** | **14** | **2** |
| **Current** | | |
| Zero cost collar on General Cable acquisition (cash flow hedges) | - | 17 |
| Forward currency contracts on commercial transactions (cash flow hedges) | 7 | 3 |
| **Total hedging derivatives** | **7** | **20** |
| Forward currency contracts on commercial transactions | 2 | 3 |
| Forward currency contracts on financial transactions | 1 | 1 |
| Metal derivatives | 35 | 11 |
| **Total other derivatives** | **38** | **15** |
| **Total current** | **45** | **35** |
| **Total** | **59** | **37** |

## 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income, amounting to Euro 35 million (Euro 40 million at 31 December 2017), 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, Argentina and Chile which invest temporarily available liquidity in such funds.

## 7. CASH AND CASH EQUIVALENTS

These are detailed as follows:

(in millions of Euro)

| | 31 March 2018 | 31 December 2017 |
|---|---|---|
| Cash and cheques | 1 | 2 |
| Bank and postal deposits | 868 | 1,333 |
| **Total** | **869** | **1,335** |

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 637 million at 31 March 2018, compared with Euro 359 million at 31 December 2017.

## 8. SHARE CAPITAL AND RESERVES

Consolidated equity has recorded a positive change of Euro 269 million since 31 December 2017, mainly reflecting the net effect of:

- negative currency translation differences of Euro 30 million;
- the negative post-tax change of Euro 16 million in the fair value of derivatives designated as cash flow hedges;
- the positive change of Euro 9 million in the share-based compensation reserve linked to stock option plans;
- the recognition of Euro 5 million in dividends payable;
- the increase of Euro 283 million following conversion of the Convertible Bond 2013;
- the net profit for the period of Euro 28 million.

At 31 March 2018, the share capital of Prysmian S.p.A. comprises 230,160,523 shares, each of nominal value Euro 0.10 for a total of Euro 23,016,052.30.

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 2016** | **216,720,922** | **(2,618,317)** | **214,102,605** |
| Capital increase (1) | 761,832 | - | 761,832 |
| Share buyback | - | (4,003,943) | (4,003,943) |
| Allotments and sales (2) | - | 127,379 | 127,379 |
| **Balance at 31 December 2017** | **217,482,754** | **(6,494,881)** | **210,987,873** |

| | Ordinary shares | Treasury shares | Total |
|---|---|---|---|
| **Balance at 31 December 2017** | **217,482,754** | **(6,494,881)** | **210,987,873** |
| Capital increase (1) | 12,677,769 | | 12,677,769 |
| Allotments and/or sales (3) | | 1,552 | 1,552 |
| **Balance at 31 March 2018** | **230,160,523** | **(6,493,329)** | **223,667,194** |

(1) Issue of new shares following partial conversion of the Convertible Bond 2013.

(2) Allotment of 92,271 treasury shares under the Group employee share purchase plan (YES Plan) and sale of 35,108 shares.

(3) Allotment and/or sale of 1,552 treasury shares under the Group employee share purchase plan (YES Plan).

**Treasury shares**

Movements in treasury shares during the first three months of 2018 refer to the allotment and sale of treasury shares serving the YES employee share purchase plan.

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 2016** | **2,618,317** | **261,832** | **1.25%** | **12,02** | **33,610,906** |
| - Allotments and sales | (127,379) | (12,738) | - | 1,928 | (2,455,867) |
| - Share buyback | 4,003,943 | 400,394 | - | 25,03 | 100,232,035 |
| **At 31 December 2017** | **6,494,881** | **649,488** | **2.99%** | **20,23** | **131,387,074** |
| - Allotments and sales | (1,552) | (155) | | 19,92 | (30,916) |
| **At 31 March 2018** | **6,493,329** | **649,333** | **2.82%** | **20,23** | **131,356,158** |

**Share buyback and disposal programme**

The Shareholders' Meeting of Prysmian S.p.A. held on 12 April 2018 authorised a share buyback and disposal programme, revoking at the same time the previous authorisation under the shareholder resolution dated 12 April 2017. 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.

**Capital increase**

On 12 April 2018, the shareholders of Prysmian S.p.A. approved a capital increase, in cash, for a maximum amount of Euro 500,000,000.00, including any share premium, to be implemented no later than 31 July 2019, in one or more tranches, by issuing ordinary shares with normal dividend rights, to be pre-emptively offered to holders of the Company's ordinary shares and convertible bonds, pursuant to art. 2441, par. 1, 2 and 3 of the Italian Civil Code, subject to completion of the acquisition of General Cable Corporation.

## 9. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

(in millions of Euro)

| | | | 31 March 2018 |
|---|---|---|---|
| | Non-current | Current | Total |
| Borrowings from banks and other lenders | 246 | 93 | 339 |
| Non-convertible bond | 743 | 18 | 761 |
| Convertible Bond 2013 | - | - | - |
| Convertible Bond 2017 | 459 | - | 459 |
| Finance lease obligations | 12 | 1 | 13 |
| **Total** | **1,460** | **112** | **1,572** |

(in millions of Euro)

| | | | 31 December 2017 |
|---|---|---|---|
| | Non-current | Current | Total |
| Borrowings from banks and other lenders | 255 | 72 | 327 |
| Non-convertible bond | 743 | 14 | 757 |
| Convertible Bond 2013 | - | 283 | 283 |
| Convertible Bond 2017 | 456 | - | 456 |
| Finance lease obligations | 12 | 1 | 13 |
| **Total** | **1,466** | **370** | **1,836** |

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

(in millions of Euro)

| | 31 March 2018 | 31 December 2017 |
|---|---|---|
| CDP Loan | 100 | 100 |
| EIB Loans | 160 | 169 |
| Other borrowings | 79 | 58 |
| **Borrowings from banks and other lenders** | **339** | **327** |
| Non-convertible bond | 761 | 757 |
| Convertible Bond 2013 | - | 283 |
| Convertible Bond 2017 | 459 | 456 |
| **Total** | **1,559** | **1,823** |

The Group's principal credit agreements in place at the reporting date 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 31 March 2018, like at 31 December 2017, this facility had not been drawn down.

EIB Loans

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

The EIB Loan was 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 represented about 50% of the Prysmian Group's investment expenditure in Europe during the period concerned.

The EIB Loan, received on 5 February 2014, is repayable in 12 equal half-yearly instalments as from 5 August 2015 until 5 February 2021.

On 10 November 2017, Prysmian S.p.A. entered into a new loan for Euro 110 million to support the Group's R&D programmes in Europe over the period 2017-2020. The loan was received on 29 November 2017 and involves a bullet repayment at maturity on 29 November 2024. With reference to this loan, interest rate swaps have been arranged, for an overall notional value of Euro 110 million, with the objective of hedging variable interest rate flows over the period 2018-2024.

This second loan, following on from the first, and also in support of R&D in Europe, is a sign of the trust and excellent credit standing that the Group enjoys with the EIB.

The fair value of the EIB Loans at 31 March 2018 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).

After repayments against the EIB Loan 2013, the outstanding balance on the EIB loans as at 31 March 2018 was Euro 160 million.

Loan from Cassa Depositi e Prestiti (CDP)

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. This loan, maturing on 30 September 2020, was drawn down in full on 29 September 2017. It will be used solely for the Group's general purposes, including capital expenditure, expenditure on research, development and innovation, as well as on energy efficiency and environmental stewardship. The fair value of the CDP Loan at 31 March 2018 approximates the related carrying amount.

The following table summarises the committed lines available to the Group at 31 March 2018 and 31 December 2017:

(in millions of Euro)

| | | | 31 March 2018 |
|---|---|---|---|
| | **Total lines** | **Drawn** | **Undrawn** |
| Syndicated Revolving Credit Facility 2014 | 1,000 | - | 1,000 |
| CDP Loan | 100 | (100) | - |
| EIB Loans | 160 | (160) | - |
| **Total** | **1,260** | **(260)** | **1,000** |

(in millions of Euro)

| | 31 December 2017 | | |
|---|---|---|---|
| | Total lines | Drawn | Undrawn |
| Syndicated Revolving Credit Facility 2014 | 1,000 | - | 1,000 |
| CDP Loan | 100 | (100) | - |
| EIB Loans | 169 | (169) | - |
| **Total** | **1,269** | **(269)** | **1,000** |

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 31 March 2018:

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 781 million at 31 March 2018. 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 had 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.

During the first quarter of 2018 this bond was converted into shares.

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.

| (in millions of Euro) | |
|---|---|
| Issue value of convertible bond | 500 |
| Equity reserve for convertible bond | (48) |
| **Issue date net balance** | **452** |
| Interest - non-monetary | 12 |
| Related costs | (5) |
| **Balance at 31 March 2018** | **459** |

As at 31 March 2018, the fair value of the Convertible Bond 2017 (equity component and debt component) is Euro 526 million, of which the fair value of the debt component is Euro 473 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 Loans | Non-convertible bond | Convertible Bond 2013 | Convertible Bond 2017 | Other borrowings / Finance lease obligations | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2017** | **100** | **169** | **757** | **283** | **456** | **71** | **1,836** |
| New funds | - | - | - | - | - | 29 | 29 |
| Repayments | - | (9) | - | - | - | (8) | (17) |
| Conversion of Convertible Bond 2013 | - | - | - | (283) | - | - | (283) |
| Interest and other movements | - | - | 4 | - | 3 | - | 7 |
| **Total movements** | **-** | **(9)** | **4** | **(283)** | **3** | **21** | **(264)** |
| **Balance at 31 March 2018** | **100** | **160** | **761** | **-** | **459** | **92** | **1,572** |

(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** |
| New funds | | | - | - | 446 | 22 | 468 |
| Repayments | - | (8) | - | - | - | (60) | (68) |
| Amortisation of bank and financial fees and other expenses | - | - | - | 1 | - | - | 1 |
| Interest and other movements | - | - | 5 | 1 | 2 | - | 8 |
| **Total movements** | **100** | **(8)** | **5** | **2** | **448** | **(38)** | **409** |
| **Balance at 31 March 2017** | **100** | **67** | **760** | **291** | **448** | **129** | **1,695** |

(1) Includes the Revolving Credit Facility 2014.

## NET FINANCIAL DEBT

(in millions of Euro)

| | Note | 31 March 2018 | 31 December 2017 |
|---|---|---|---|
| **Long-term financial payables** | | | |
| CDP Loan | 9 | 100 | 100 |
| EIB Loans | 9 | 143 | 152 |
| Non-convertible bond | 9 | 743 | 743 |
| Convertible Bond 2013 | 9 | - | - |
| Convertible Bond 2017 | 9 | 459 | 456 |
| Finance leases | 9 | 12 | 12 |
| Other financial payables | 9 | 3 | 3 |
| **Total long-term financial payables** | | **1,460** | **1,466** |
| | | | |
| **Short-term financial payables** | | | |
| EIB Loans | 9 | 17 | 17 |
| Non-convertible bond | 9 | 18 | 14 |
| Convertible Bond 2013 | 9 | - | 283 |
| Finance leases | 9 | 1 | 1 |
| Interest rate swaps | 5 | 4 | - |
| Forward currency contracts on financial transactions | 5 | 1 | 1 |
| Other financial payables | | 76 | 55 |
| **Total short-term financial payables** | | **117** | **371** |
| | | | |
| **Total financial liabilities** | | **1,577** | **1,837** |
| | | | |
| Long-term financial receivables | 3 | 2 | 2 |
| Long-term bank fees | 5 | 1 | 1 |
| Financial assets at amortised cost | | 2 | 2 |
| Forward currency contracts on financial transactions (current) | 5 | 1 | 1 |
| Short-term financial receivables | 3 | 6 | 7 |
| Short-term bank fees | 3 | 2 | 2 |
| Financial assets at fair value through other comprehensive income | 6 | 35 | 40 |
| Other financial assets at fair value through other comprehensive income | | 11 | 11 |
| Cash and cash equivalents | 7 | 869 | 1,335 |
| **Net financial debt** | | **648** | **436** |

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 | 31 March 2018 | 31 December 2017 |
|---|---|---|---|
| **Net financial debt - as reported above** | | **648** | **436** |
| | | | |
| Long-term financial receivables and other assets | | 4 | 4 |
| Long-term bank fees | 5 | 1 | 1 |
| | | | |
| Net forward currency contracts on commercial transactions | 8 | (19) | (9) |
| Zero cost collar on General Cable acquisition (cash flow hedge) | 8 | 38 | 17 |
| Net metal derivatives | 8 | (2) | (30) |
| | | | |
| **Recalculated net financial debt** | | **670** | **419** |

## 10. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in millions of Euro)

| | | | 31 March 2018 |
|---|---|---|---|
| | Non-current | Current | Total |
| Trade payables | - | 1,605 | 1,605 |
| **Total trade payables** | **-** | **1,605** | **1,605** |
| **Other payables:** | | | |
| Tax and social security payables | 3 | 147 | 150 |
| Advances from customers | - | 179 | 179 |
| Payables to employees | - | 103 | 103 |
| Accrued expenses | - | 106 | 106 |
| Other | 5 | 148 | 153 |
| **Total other payables** | **8** | **683** | **691** |
| **Total** | **8** | **2,288** | **2,296** |

(in millions of Euro)

| | | | 31 December 2017 (*) |
|---|---|---|---|
| | Non-current | Current | Total |
| Trade payables | - | 1,686 | 1,686 |
| **Total trade payables** | **-** | **1,686** | **1,686** |
| **Other payables:** | | | |
| Tax and social security payables | 3 | 161 | 164 |
| Advances from customers | - | 177 | 177 |
| Payables to employees | - | 92 | 92 |
| Accrued expenses | - | 107 | 107 |
| Other | 5 | 155 | 160 |
| **Total other payables** | **8** | **692** | **700** |
| **Total** | **8** | **2,378** | **2,386** |

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15. Further details can be found in Section C. Restatement of comparative figures.

Trade payables include around Euro 160 million (Euro 180 million at 31 December 2017) 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.

Advances from customers include the liability for construction contracts, amounting to Euro 142 million at 31 March 2018 compared with Euro 144 million at 31 December 2017. 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)

| | | | 31 March 2018 |
|---|---|---|---|
| | Non-current | Current | Total |
| Restructuring costs | 1 | 23 | 24 |
| Contractual and legal risks | 14 | 231 | 245 |
| Environmental risks | - | 7 | 7 |
| Tax inspections | 5 | 18 | 23 |
| Contingent liabilities | 3 | 2 | 5 |
| Other risks and charges | 10 | 29 | 39 |
| **Total** | **33** | **310** | **343** |

(in millions of Euro)

| | | | 31 December 2017 |
|---|---|---|---|
| | Non-current | Current | Total |
| Restructuring costs | 1 | 25 | 26 |
| Contractual and legal risks | 14 | 239 | 253 |
| Environmental risks | - | 7 | 7 |
| Tax inspections | 5 | 18 | 23 |
| Contingent liabilities | 3 | 2 | 5 |
| Other risks and charges | 10 | 30 | 40 |
| **Total** | **33** | **321** | **354** |

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 2017** | **26** | **253** | **7** | **23** | **5** | **40** | **354** |
| Increases | 4 | 4 | - | - | - | 4 | 12 |
| Utilisations | (6) | (11) | - | - | - | (1) | (18) |
| Releases | | (2) | - | - | - | - | (2) |
| Currency translation differences | - | | - | - | - | (1) | (1) |
| Other | - | 1 | - | - | - | (3) | (2) |
| **Total movements** | **(2)** | **(8)** | **-** | | **-** | **(1)** | **(11)** |
| **Balance at 31 March 2018** | **24** | **245** | **7** | **23** | **5** | **39** | **343** |

The provision for contractual and legal risks amounts to Euro 245 million at 31 March 2018.

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. In view of the circumstances described and also with the support of the Group's legal advisors and consistent with the accounting policies, the directors have recognised a level of provisions deemed appropriate to cover the potential liabilities associated with the events in question.

*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. 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. Prysmian Cavi e Sistemi S.r.l. lodged an appeal against this decision with the Australian Federal Court of Appeals, while no such appeal was lodged by the Australian competition authority. The court concerned issued a ruling on 13 March 2018, rejecting the appeal filed by Prysmian Cavi e Sistemi S.r.l. and consequently confirming the decision by the court of first instance. Prysmian Cavi e Sistemi S.r.l. has challenged this ruling, with the related judgement currently pending.

In view of the circumstances described and also with the support of the Group's legal advisors, the directors have recognised a level of provisions deemed appropriate to cover the potential liabilities associated with the events in question.

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. In view of the circumstances described and also with the support of the Group's legal advisors, the directors have been unable to estimate the risk with regard to the Brazilian authority.

*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 view of the circumstances described and also with the support of the Group's legal advisors, the directors have recognised, consistent with the accounting policies, a level of provisions deemed appropriate to cover the potential liabilities associated with the events in question.

*Antitrust – Other investigations*
At the end of February 2016, the Spanish antitrust authorities initiated proceedings to verify the existence of anti-competitive practices by local low voltage cable manufacturers and distributors, including the Group's local subsidiaries.
The Spanish competition authority then sent a statement of objections to some of the Group's local subsidiaries in January 2017. The objections raised in the statement of objections were reiterated in the so-called Proposal for Resolution of 24 April 2017, another act portending the pronouncement of a final decision by the local competition authority.
On 24 November 2017, the local competition authority notified the Group's Spanish subsidiaries of a decision under which they have been held liable for the alleged infringements in the period from June 2002 to June 2015 and were jointly and severally sentenced to pay a fine of Euro 15.6 million. The Group's Spanish subsidiaries have appealed against this decision.

In view of the circumstances described and also with the support of the Group's legal advisors and consistent with the accounting policies, the directors have adjusted the related provisions for risks deemed appropriate to cover the potential liabilities associated with the events in question.
As at 31 March 2018, the provision for the above antitrust matters amounts to approximately Euro 163 million. Despite the uncertainty of the outcome of the investigations and legal action in progress, 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)

| | 31 March 2018 | 31 December 2017 |
|---|---|---|
| Pension plans | 269 | 269 |
| Employee indemnity liability (Italian TFR) | 16 | 17 |
| Medical benefit plans | 27 | 27 |
| Termination and other benefits | 41 | 42 |
| Incentive plans | - | - |
| **Total** | **353** | **355** |

Movements in employee benefit obligations have had an overall impact of Euro 3 million on the period's income statement, of which Euro 1 million classified in personnel costs and Euro 2 million in finance costs.

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

| | 3 months 2018 | 3 months 2017 |
|---|---|---|
| Average number | 21.138 | 20.574 |

| | 31 March 2018 | 31 December 2017 |
|---|---|---|
| Closing number | 21.285 | 21.050 |

## 13. OPERATING INCOME

Operating income is a profit of Euro 57 million in the first three months of 2018 (compared with a profit of Euro 78 million in the first three months of 2017) and is stated after the following adjustments:

(in millions of Euro)

| | 3 months 2018 | 3 months 2017 |
|---|---|---|
| Company reorganisation (1) | 3 | 5 |
| Non-recurring expenses/(income) (2) | - | 15 |
| *of which Antitrust* | - | *15* |
| Other non-operating expenses/(income) (3) | 14 | 4 |
| *of which General Cable acquisition-related costs* | *1* | - |
| *0f which General Cable integration costs* | *8* | 0 |
| **Total adjustments** | **17** | **24** |

(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)

| | 3 months 2018 | 3 months 2017 |
|---|---|---|
| Interest on loans | - | - |
| Interest on non-convertible bond | 5 | 5 |
| Interest on convertible bond 2013 - non-monetary component | 1 | 2 |
| Interest on convertible bond 2013 - monetary component | - | 1 |
| Interest on convertible bond 2017 - non-monetary component | 2 | 2 |
| Employee benefit interest costs | 2 | 2 |
| Other bank interest | 1 | 2 |
| Costs for undrawn credit lines | 1 | 1 |
| Sundry bank fees | 4 | 5 |
| Non-recurring other finance costs | 1 | 1 |
| Other | (1) | - |
| **Finance costs** | **16** | **21** |
| Net losses on forward currency contracts | - | 7 |
| **Losses on derivatives** | **-** | **7** |
| Foreign currency exchange losses | 73 | 77 |
| Other non-operating financial costs | - | 2 |
| **Total finance costs** | **89** | **107** |

Finance income is detailed as follows:

(in millions of Euro)

| | 3 months 2018 | 3 months 2017 |
|---|---|---|
| Interest income from banks and other financial institutions | 1 | 2 |
| Other finance income | - | 1 |
| **Finance income** | **1** | **3** |
| Net gains on interest rate swaps | 3 | - |
| **Gains on derivatives** | **3** | **-** |
| Foreign currency exchange gains | 66 | 78 |
| **Total finance income** | **70** | **81** |

## 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 three months of 2018 is Euro 10 million, while the tax rate is 27%.

## 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 employee share purchase plan (YES Plan). Diluted earnings/(loss) per share have not been affected by the Convertible Bond 2017, whose conversion is currently out of the money.
The options under the Incentive Plan 2015-2017 have been taken into account for the purposes of determining both basic and diluted earnings/(loss) per share, their grant dependent on the level of aggregate EBITDA achieved in the three-year target period (2015-2017).

(in millions of Euro)

| | 3 months 2018 | 3 months 2017 |
|---|---|---|
| Net profit/(loss) attributable to owners of the parent | 28 | 36 |
| Weighted average number of ordinary shares (thousands) | 223,518 | 212,284 |
| **Basic earnings per share (in Euro)** | **0.13** | **0.17** |
| Net profit/(loss) attributable to owners of the parent for purposes of diluted earnings per share | 28 | 37 |
| Weighted average number of ordinary shares (thousands) | 223,518 | 212,284 |
| **Adjustments for:** | | |
| New shares from conversion of bonds into shares (thousands) | - | 13,469 |
| Dilution from incremental shares arising from exercise of stock options (thousands) | 36 | 25 |
| Weighted average number of ordinary shares to calculate diluted earnings per share (thousands) | 223,555 | 225,778 |
| **Diluted earnings per share (in Euro)** | **0.13** | **0.16** |

## 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 Group has been unable to estimate the risk is Brazil.

## 18. RECEIVABLES FACTORING

With reference to factoring programmes, 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 304 million at 31 March 2018 (Euro 363 million at 31 December 2017).

## 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 subsidiaries with associates mainly refer to:

- trade relations involving 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.

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

The following tables provide a summary of related party transactions in the three months ended 31 March 2018:

(in millions of Euro)

| | | | | | 31 March 2018 |
|---|---|---|---|---|---|
| | 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 | 236 | - | **236** | 236 | 100.0% |
| Trade receivables | 10 | - | **10** | 1,212 | 0.8% |
| Other receivables | 6 | - | **6** | 605 | 1.0% |
| Trade payables | 2 | - | **2** | 1,605 | 0.1% |
| Other payables | - | 1 | **1** | 690 | 0.2% |
| Provisions for risks and charges | | 4 | **4** | 342 | 1.2% |

(in millions of Euro)

| | | | | | 31 December 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 | 217 | - | **217** | 217 | 100.0% |
| Trade receivables | 6 | - | **6** | 1,131 | 0.5% |
| Other receivables | 5 | - | **5** | 437 | 1.1% |
| Trade payables | 4 | - | **4** | 1,686 | 0.2% |
| Other payables | - | 5 | **5** | 700 | 0.7% |
| Provisions for risks and charges | | 4 | **4** | 354 | 1.1% |

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15. Further details can be found in Section C. Restatement of comparative figures.

(in millions of Euro)

| | 3 months 2018 | | | | |
|---|---|---|---|---|---|
| | 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 | 8 | - | **8** | 1,879 | 0.4% |
| Other income | 1 | - | **1** | 12 | 8.5% |
| Raw materials, consumables used and goods for resale | (3) | - | **(3)** | (1,309) | 0.2% |
| Personnel costs | - | (5) | **(5)** | (261) | 1.9% |
| Other expenses | - | - | **-** | (335) | 0.1% |
| Share of net profit/(loss) of equity-accounted companies | 20 | - | **20** | 20 | 100.0% |

(in millions of Euro)

| | 3 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 | 12 | - | **12** | 1,849 | 0.6% |
| Other income | 1 | - | **1** | 16 | 6.3% |
| Raw materials, consumables used and goods for resale | (3) | - | **(3)** | (1,244) | 0.2% |
| Personnel costs | - | (7) | **(7)** | (267) | 2.5% |
| Other expenses | - | - | **-** | (345) | 0.1% |
| Share of net profit/(loss) of equity-accounted companies | 10 | - | **10** | 10 | 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 15 million at 31 March 2018 (Euro 5 million in the first three months of 2017).

## 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 three months of 2018.

## 22. COMMITMENTS

Contractual commitments, already given to third parties at 31 March 2018 and not yet reflected in the financial statements, amount to Euro 92 million for property, plant and equipment and Euro 5 million for intangible assets.

As at 31 March 2018, there are no outstanding loans or guarantees by the Parent Company or its subsidiaries to any of the directors, senior managers or statutory auditors.

## 23. 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 | |
|---|---|---|---|---|
| | 31 March 2018 | 31 December 2017 | 3 months 2018 | 3 months 2017 |
| **Europe** | | | | |
| British Pound | 0,875 | 0,887 | 0,883 | 0,86 |
| Swiss Franc | 1,178 | 1,17 | 1,165 | 1,069 |
| Hungarian Forint | 312,13 | 310,33 | 311,027 | 309,095 |
| Norwegian Krone | 9,677 | 9,84 | 9,634 | 8,989 |
| Swedish Krona | 10,284 | 9,844 | 9,971 | 9,506 |
| Czech Koruna | 25,425 | 25,535 | 25,402 | 27,021 |
| Danish Krone | 7,453 | 7,445 | 7,447 | 7,435 |
| Romanian Leu | 4,657 | 4,659 | 4,655 | 4,522 |
| Turkish Lira | 4,876 | 4,524 | 4,691 | 3,94 |
| Polish Zloty | 4,211 | 4,177 | 4,179 | 4,321 |
| Russian Rouble | 70,89 | 69,392 | 69,929 | 62,522 |
| **North America** | | | | |
| US Dollar | 1,232 | 1,199 | 1,229 | 1,065 |
| Canadian Dollar | 1,59 | 1,504 | 1,554 | 1,41 |
| **South America** | | | | |
| Brazilian Real | 4,095 | 3,967 | 3,987 | 3,349 |
| Argentine Peso | 24,826 | 22,366 | 24,188 | 16,696 |
| Chilean Peso | 744,58 | 737,29 | 740,19 | 698,137 |
| Mexican Peso | 22,525 | 23,661 | 23,037 | 21,617 |
| **Oceania** | | | | |
| Australian Dollar | 1,604 | 1,535 | 1,563 | 1,406 |
| New Zealand Dollar | 1,71 | 1,685 | 1,69 | 1,498 |
| **Africa** | | | | 0 |
| CFA Franc | 655,957 | 655,957 | 655,957 | 655,957 |
| Tunisian Dinar | 2,973 | 2,974 | 2,971 | 2,446 |
| **Asia** | | | | |
| Chinese Renminbi (Yuan) | 7,747 | 7,804 | 7,815 | 7,335 |
| United Arab Emirates Dirham | 4,525 | 4,404 | 4,514 | 3,909 |
| Hong Kong Dollar | 9,67 | 9,372 | 9,622 | 8,264 |
| Singapore Dollar | 1,616 | 1,602 | 1,621 | 1,508 |
| Indian Rupee | 80,296 | 76,606 | 79,126 | 71,284 |
| Indonesian Rupiah | 16,934 | 16239,12 | 16,687 | 14,209 |
| Japanese Yen | 131,15 | 135,01 | 133,166 | 121,014 |
| Thai Baht | 38,478 | 39,121 | 38,794 | 37,39 |
| Philippine Peso | 64,374 | 59,795 | 63,344 | 53,238 |
| Omani Rial | 0,474 | 0,461 | 0,473 | 0,409 |
| Malaysian Ringgit | 4,766 | 4,854 | 4,824 | 4,734 |
| Qatari Riyal | 4,485 | 4,366 | 4,474 | 3,876 |
| Saudi Riyal | 4,62 | 4,497 | 4,61 | 3,993 |

## 24. SUBSEQUENT EVENTS

### Approval of financial statements at 31 December 2017 and dividend distribution

On 12 April 2018, the shareholders of Prysmian S.p.A. approved the financial statements for 2017 and the distribution of a gross dividend of Euro 0.43 per share, for a total of some Euro 96 million. The dividend was paid out from 25 April 2018 to shares outstanding on the record date of 24 April 2018, with the shares going ex-dividend on 23 April 2018.

### Capital increase

On 12 April 2018, the shareholders of Prysmian S.p.A. approved a capital increase, in cash, for a maximum amount of Euro 500,000,000.00, including any share premium, to be implemented no later than 31 July 2019, in one or more tranches, by issuing ordinary shares with normal dividend rights, to be pre-emptively offered to holders of the Company's ordinary shares and convertible bonds, pursuant to art. 2441, par. 1, 2 and 3 of the Italian Civil Code, subject to completion of the acquisition of General Cable Corporation.

### Share buyback and disposal programme and Employee incentive plan

The Shareholders' Meeting of Prysmian S.p.A. held on 12 April 2018 authorised a share buyback and disposal programme, revoking at the same time the previous authorisation under the shareholder resolution dated 12 April 2017. 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.

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

The purpose of this Plan is:

- 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 support synergies and the development of a one-company identity by defining a common performance objective and introducing a retention mechanism, conditional upon completion of the acquisition of 100% of the share capital of General Cable Corporation.

During the extraordinary session of the above meeting, the shareholders authorised an increase in share capital by a maximum amount of Euro 756,281.90, through the issue of up to 7,562,819 new ordinary shares with a nominal value of Euro 0.10 each, to be allotted for no consideration to Group employees who are beneficiaries of the above incentive plan.

### *New submarine cable-laying vessel*

In April 2018, the Group entered into a contract for an investment of over Euro 170 million in a new advanced cable-laying vessel. This strategic asset will bolster Prysmian's turnkey approach, under which it delivers end-to-end EPCI projects, from engineering, manufacturing and installation to full monitoring and diagnostic services for submarine power transmission lines. In particular, the investment in this new vessel will support long-term growth prospects in the submarine cable business, strengthening the Group's installation and execution capabilities for interconnection and offshore wind projects.
The contract allows, among other things, for the possibility of cancellation by September 2018 by paying a penalty of Euro 3.5 million or by November 2018 by paying an additional penalty of Euro 1.5 million.

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Pursuant to art. 154-bis par. 2 of Italy's Unified Financial Act (TUF), Carlo Soprano and Alessandro Brunetti, 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, 10 May 2018

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 Group Finland OY |
| **Finland** | | | | | |
| Prysmian Group 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 B.V. |
| 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 |

| 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. |
| **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 | Esher | 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 | 50,000,000 | 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. |

| 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 | 100.000% | Prysmian S.p.A. |
| 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. |
| 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 Group Finland OY |

| 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 Geltrù | Euro | 58,178,234 | 100.00% | Draka Holding , S.L. |
| 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 | 141,733,652 | 83.746% | Draka Holding B.V. |
| | | | | 0.705% | Turk Prysmian Kablo Ve Sistemleri A.S. |
| | | | | 15.549% | Third parties |
| Tasfiye Halinde Draka Istanbul Asansor İthalat İhracat Üretim Ticaret Ltd. Şti. | Osmangazi-Bursa | Turkish new Lira | 2,080,000 | 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. |
| Alisea Corp. | Wilmington | US Dollar | 1 | 100.00% | Prysmian Cables and Systems (US) Inc |

| 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 Group 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. |
| **Africa** | | | | | |
| **Ivory Coast** | | | | | |
| SICABLE - Sociète 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 Bouzelfa | 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 |

| 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. |
| **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 | 72,000,000 | 100.00% | Prysmian Cavi e Sistemi S.r.l. |
| Prysmian (China) Investment Company Ltd. | Bejing | Euro | 72,003,061 | 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 | 51,150,100 | 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 | 100.00% | 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. |

| Legal name | Office | Currency | Share capital | % ownership | Direct parent company |
|---|---|---|---|---|---|
| **Malaysia** | | | | | |
| 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 Group 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** | | | | | |
| Eksa 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 Group 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 at fair value through other comprehensive income:

| 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. |

Prysmian
Group