Half-Year Financial Report

AT 30 JUNE 2018

Prysmian Group

Disclaimer

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

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Directors' Report

DIRECTORS AND AUDITORS

Board of Directors [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 [3]	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 present Half-Year Financial Report at 30 June 2018 has been drawn up and prepared:

- in compliance with art. 154-ter of Italian Legislative Decree 58/1998 and subsequent amendments and with the Issuer Regulations published by Consob (Italy's securities regulator);
- in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and in accordance with *IAS 34 – Interim Financial Reporting*, applying the same accounting standards and policies adopted to prepare the consolidated financial statements at 31 December 2017, except as described in the Explanatory Notes in the paragraph entitled "Accounting standards, amendments and interpretations applied from 1 January 2018".

The Half-Year Financial Report has undergone a limited review by the independent auditors.

SIGNIFICANT EVENTS DURING THE PERIOD

Mergers & Acquisitions

Acquisition of General Cable

On 4 December 2017, the Prysmian Group and General Cable Corporation announced that they had entered into a merger agreement. Under this agreement, Prysmian S.p.A., through Alisea Corp. (Alisea), a wholly-owned indirect subsidiary of Prysmian S.p.A., and General Cable Corporation (a company whose shares were listed on the NYSE prior to completion of the merger) had entered into an "Agreement and Plan of Merger" governing the terms and conditions of the merger of Alisea into General Cable Corporation.

On 16 February 2018, Prysmian Group acknowledged that a special meeting of 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. Present at the meeting was 75.34% of the share capital entitled to vote, of which some 99% voted in favour of the acquisition.

Between March and 2 June, all the approvals or clearances were obtained from the relevant antitrust authorities along with approval by other requisite governmental regulators and authorities (Committee on Foreign Investment in the United States - CFIUS).

The closing of the acquisition was consummated on 6 June, following which all the Alisea shares, wholly-owned by Prysmian, were converted into General Cable Corporation shares resulting from the merger with the consequence that all the General Cable Corporation shares outstanding on the effective date of the merger with Alisea were cancelled and converted into a right of their respective holders to receive cash consideration of USD 30.00 per share.

Following consummation of the transaction, General Cable Corporation shares were delisted from the NYSE on 6 June 2018.

The combined group is now present in more than 50 countries with approximately 30,000 employees. Prysmian expects the combined group to generate run-rate pre-tax cost synergies of approximately Euro 150 million by 2022 versus a total of Euro 220 million in integration costs. These synergies will come mainly from improved procurement strategy, overhead cost savings and manufacturing footprint optimisation.

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 were 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 contracted for the General Cable acquisition. Following the acquisition, these agreements have become operative through their transformation into interest rate swaps.

In addition, other 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 the EIB 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 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.

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 by issuing ordinary shares with normal dividend rights.

On 27 June 2018, the Board of Directors of Prysmian S.p.A. approved the final terms and conditions of the capital increase, approved by the Shareholders' Meeting on 12 April 2018. In particular, it was decided that the capital increase would take place through the issue of up to 32,652,314 ordinary shares with a nominal value of Euro 0.10 each, to be offered pre-emptively to all shareholders and holders of the Company's convertible bonds, namely the convertible bond known as "Prysmian S.p.A. € 500,000,000 Zero Coupon Linked Bonds due 2022", in the ratio of 2 new shares for every 15 option rights held, at an issue price of Euro 15.31 per new share, for a total amount of Euro 499,906,927.34, of which Euro 496,641,695.94 by way of share premium.

As reported in Note 27. Subsequent events, the rights offering of up to 32,652,314 new shares was completed on 27 July 2018. The offering subsequently concluded with the complete subscription of the new shares for an aggregate amount of Euro 499,906,927.34.

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.

Other significant 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.

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). In addition, the La Rosa facility in Argentina will undergo further development. 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, as a result of which, when approving the Quarterly Financial Report at 31 March 2018, the Directors decided to recognise a provision of Euro 20 million as the best estimate of costs to cover the related contractual penalties for this project's late delivery.

On 22 June 2018, the Board of Directors of Prysmian S.p.A. met to examine the implications of certain faults in the cable's operation. In particular, it was noted that during commissioning of the Western Link Cable, the fault detected at the end of April 2018 had recurred. In light of the tests carried out and the information received from the project's technical managers, it can be concluded with reasonable certainty that the area in which the fault has re-emerged is limited to that affected by the previous repair. In light of the information received from the project's technical managers concerning the costs and time for the new repairs needed to solve this fault, of the related risks and the liquidated damages envisaged by the Western Link Contract, the Board of Directors prudently estimates that the Company may be required to incur additional costs of approximately Euro 50 million and has recognised a provision accordingly.

On 12 September 2018, Prysmian announced that the commissioning and testing of the Western Link Interconnection project had been temporarily suspended to investigate an issue arising in the land section of the cable.

Although the technical investigations to identify the cause and estimate the possible economic impact are still in progress, Prysmian can assume that the event does not appear to have any relation to the fault identified in June 2018 in a submarine section of the interconnection and successfully repaired.

Prysmian is not recognising any further provisions, which, having been augmented during the period, are now deemed sufficient to meet the costs of the repair and of the consequent additional delay in delivering the cable, if attributable to Prysmian.

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 realisable amount of Euro 5 million.

Establishment of privacy department and appointment of internal data protection officer pursuant to European Regulation 2016/679 ("GDPR")

In view of the entry into force of the GDPR (on 25 May 2018), on 10 May 2018, the Board of Directors of Prysmian S.p.A. decided to establish a department to oversee the area of personal data protection and identified and appointed an internal data protection officer (or DPO) whose duties include monitoring the correct application of the GDPR within the Group, supporting senior management in identifying adequate data protection measures and, consequently, processing data correctly in accordance with the law. The role of DPO is held by Mr. Giorgio Totis who continues to act as Group Compliance Director.

New organisation for integration with General Cable

On 11 June 2018, Prysmian Group announced its new organisation and began its integration with General Cable.

The new organisation combines the strengths of both Prysmian and General Cable and is based on centralised governance and integrated management of global businesses, clear responsibilities for results, a focus on efficiency and technological innovation and a customer-centric approach enabled by teams dedicated to key customer accounts.

The new organisational matrix is structured along 3 lines: Group centralised functions, which aim to foster the creation of a highly integrated "One Company"; Regions, which must ensure proximity to the market; and Business areas (Energy, Telecom and Projects), which are responsible for product and cross-selling strategies.

With regard to segment information, considering that such a short time has elapsed since approving the new organisational structure and that the Group's management is still reviewing the overall reporting system, at 30 June 2018 it has been considered appropriate to retain the operating segment reporting structure respectively adopted by the Prysmian Group and General Cable prior to the acquisition, as presented in Section F. Segment Reporting.

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, following a European call for tender, 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); the contract was 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 duration and augment its value.

On 21 March 2018, the Group signed an agreement with JG Summit Petrochemicals Group (JGSPG) for the supply of approximately 820 km of low and medium voltage power cables, instrumentation and control cables and telecom cables for applications in the petroleum and petrochemicals industry.
JGSPG consists of JG Summit Petrochemical Corporation (JGSPC) - the largest manufacturer of polyolefins in the Philippines and the first and only integrated PE and PP resin manufacturer in the country - and JG Summit Olefins Corporation (JGSOC) - the company that operates the first and only naphtha cracking plant in the Philippines. Both companies are wholly-owned subsidiaries of JG Summit Holdings, Inc. (JGSHI), one of the country's largest and most diversified conglomerates, with business interests in food manufacturing, air transportation, real estate and property development, petrochemicals, banking, publishing, power generation and telecommunications.
The JGSPG complex is located 120 km south of Manila in Batangas City, overlooking the scenic Batangas Bay. At present, JGSPG has a 250-hectare fully integrated world-class manufacturing complex that also houses the naphtha cracking and polymer manufacturing plants.
The Group will provide a complete package of power, instrumentation and control, and telecom cables for Plant & Petrochemical applications for phase 1 of the OSBL (Outside Battery Limits) expansion project, planned for the existing JG Summit facilities and due to commence during 2018.

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.

On 18 June 2018, the Group was awarded a contract by Van Oord Offshore Wind B.V. for the development of a submarine inter-array cable system for the Borssele III & IV offshore wind farms. The Group will be responsible for the design, manufacture, supply and testing of approximately 175 km of 66 kV three-core XLPE-insulated cables in various cross sections and all related accessories for the Borssele III & IV wind farms. These two farms, forming part of the extensive Borssele Wind Farm Zone located near the southern boundary of the Dutch Exclusive Economic Zone (EEZ), approximately 25 km from the shore, will have a total installed capacity of 731.5 MW with individual wind turbine capacity of 9.54 MW. The cables, all of which will be manufactured at Prysmian's centre of excellence in Pikkala (Finland), are due to be delivered in early 2020.

CONSOLIDATED FINANCIAL HIGHLIGHTS*

(in millions of Euro)

	1st half 2018 (**)				1st half 2017 (***)	% change	% change	2017 (***)
	Prysmian	General Cable	Adjustments	Total	Prysmian	Conso.	Prysmian	Prysmian
Sales	3,984	382	(2)	4,364	3,938	10.8%	1.2%	7,904
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	278	25	-	303	345	-12.2%	-19.4%	694
Adjusted EBITDA (1)	314	25	-	339	364	-6.9%	-13.7%	736
EBITDA (2)	277	16	-	293	333	-12.0%	-16.8%	660
Adjusted operating income (3)	226	20	-	246	276	-10.9%	-18.1%	559
Operating income	154	6	-	160	209	-23.4%	-26.3%	424
Profit/(loss) before taxes	111	3	-	114	160	-28.8%	-30.6%	325
Net profit/(loss) for the period	79	3	-	82	113	-27.4%	-30.1%	237

(in millions of Euro)

	30 June 2018	30 June 2017 (***)	Change Conso.	31 December 2017 (***)
Net capital employed	5,357	2,905	2,452	2,430
Employee benefit obligations	449	371	78	355
Equity	1,894	1,534	360	1,639
of which attributable to non-controlling interests	185	199	(14)	188
Net financial debt	3,014	1,000	2,014	436

(in millions of Euro)

	1st half 2018 (**)			1st half 2017	% change	% change	2017
	Prysmian	General Cable	Total	Prysmian	Conso.	Prysmian	Prysmian
Capital expenditures (4)	98	3	101	115	-12.2%	-14.8%	257
of which for acquisition of Shen Huan assets	-			*35*			*35*
Employees (at period-end)	21,540	8,400	29,940	21,219	41.1%	1.5%	21,050
Earnings/(loss) per share							
- basic			0.36	0.53			1.14
- diluted			0.36	0.52			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 results of General Cable have been consolidated for the period 1 June - 30 June 2018.

(***) 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 Half-Year Financial Report.

GROUP PERFORMANCE AND RESULTS

(in millions of Euro)

	1st half 2018 (**)				1st half 2017 (*)	% change	% change	2017 (*)
	Prysmian	General Cable	Adjustments	Total	Prysmian	Conso.	Prysmian	Prysmian
Sales	3,984	382	(2)	4,364	3,938	10.8%	1.2%	7,904
Of which sales vs third parties	3,983	381		4,364	3,938	10.8%	1.2%	7,904
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**278**	**25**	**-**	**303**	**345**	**-12.2%**	**-19.4%**	**694**
% of sales	7.0%	6.7%		6.9%	8.8%			8.8%
Adjusted EBITDA	**314**	**25**	**-**	**339**	**364**	**-6.9%**	**-13.7%**	**736**
% of sales	7.9%	6.7%		7.8%	9.2%			9.3%
EBITDA	**277**	**16**	**-**	**293**	**333**	**-12.0%**	**-16.8%**	**660**
% of sales	6.9%	4.4%		6.7%	8.5%			8.4%
Fair value change in metal derivatives	(20)	(5)	-	(25)	(11)			12
Fair value stock options	(14)	-	-	(14)	(25)			(49)
Amortisation, depreciation, impairment and impairment reversal	(89)	(5)	-	(94)	(88)			(199)
Operating income	**154**	**6**	**-**	**160**	**209**	**-23.4%**	**-26.3%**	**424**
% of sales	3.9%	1.8%		3.7%	5.3%			5.4%
Net finance income/(costs)	(43)	(3)	-	(46)	(49)			(99)
Profit/(loss) before taxes	**111**	**3**	**-**	**114**	**160**	**-28.8%**	**-30.6%**	**325**
% of sales	2.8%	0.7%		2.6%	4.1%			4.1%
Taxes	(32)	-		(32)	(47)			(88)
Net profit/(loss) for the period	**79**	**3**	**-**	**82**	**113**	**-27.4%**	**-30.1%**	**237**
% of sales	2.0%	0.7%		1.9%	2.9%			3.0%
Attributable to:								
Owners of the parent	79	3	-	82	113			241
Non-controlling interests	-	-	-	-	-			(4)
Reconciliation of Operating Income / EBITDA to Adjusted Operating Income / Adjusted EBITDA								
Operating income (A)	**154**	**6**	**-**	**160**	**209**	**-23.4%**	**-26.3%**	**424**
EBITDA (B)	**277**	**16**	**-**	**293**	**333**	**-12.0%**	**-16.8%**	**660**
Adjustments:								
Company reorganisation	10	4	-	14	9			30
Of which General Cable integration costs	*1*	*4*	-	*5*	-			-
Non-recurring expenses/(income)	-	-	-	-	15			18
Of which Antitrust	-	-	-	-	*15*			*18*
Other non-operating expenses/(income)	27	5	-	32	7			28
Of which General Cable acquisition-related costs	*4*	-	-	*4*	-			*16*
Of which General Cable integration costs	*18*	-	-	*18*	-			-
Of which release of General Cable inventory step-up (1)	-	*5*	-	*5*	-			-
Total adjustments (C)	**37**	**9**	**-**	**46**	**31**			**76**
Fair value change in metal derivatives (D)	20	5	-	25	11			(12)
Fair value stock options (E)	14	-	-	14	25			49
Impairment and impairment reversal of assets (F)	1	-	-	1	-			22
Adjusted operating income (A+C+D+E+F)	**226**	**20**	**-**	**246**	**276**	**-10.9%**	**-18.1%**	**559**
Adjusted EBITDA (B+C)	**314**	**25**	**-**	**339**	**364**	**-6.9%**	**-13.7%**	**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 Half-Year Financial Report.

(**) The results of General Cable have been consolidated for the period 1 June - 30 June 2018.

(1) Refers to the higher cost of using finished goods and raw materials measured at General Cable's acquisition-date fair value.

The acquisition of General Cable Corporation was consummated on 6 June 2018 and so its results have been consolidated from the first of June 2018 (since this date represents the best approximation possible with respect to the acquisition date) and are reflected in the financial performance described below.

The information presented is structured according to the operating segments adopted by both Prysmian and General Cable prior to the acquisition. In fact, even though the Group announced the adoption of a new organisational structure after the acquisition, since such a short time has elapsed since the acquisition and the Group's management is still reviewing the Group's overall reporting system, it has been preferred to retain the previously adopted reporting structure.

Accordingly, the performance of the pre-acquisition Prysmian perimeter is presented by macro type of business (Energy Projects, Energy Products, OIL & GAS and Telecom), while that of the acquired perimeter (General Cable) is presented by geographical areas (North America, Europe, Latin America).

The Group's Adjusted EBITDA in the first six 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 project 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 six months of 2018 reflected mixed performances within the various business lines. Within Energy and Infrastructure, Power Distribution sales volumes remained down on the same period last year although displaying a slight recovery in the second quarter, while Trade & Installers sales volumes were up on the previous year, even if profitability was affected by negative exchange rate trends and the impact of the Omani subsidiary, which continued to perform poorly. Industrial & Network Components also reported a mixed performance between the different businesses: positive for Network Components and Automotive, while OEM and Renewables posted a largely stable or marginally worse year-on-year performance, like the Elevator business, affected in the first half of 2018 by rising price pressure and an unfavourable exchange rate given its considerable exposure to the North American market.

With reference to the OIL & GAS segment, the SURF business saw a downturn for umbilical cables in its core market of Brazil, associated with a slowdown in activity by Petrobras, and a contraction in profitability due to strong competition; the Downhole Technology business saw signs of improving demand primarily linked to growth in production of Shale Oil & Shale Gas in North America; the Core Oil & Gas business confirmed a resurgence in demand by onshore projects. The business's overall margins remained largely stable despite a decrease in volumes in the higher margin offshore and MRO sector.

The Telecom segment performed well, with organic growth in 2018 six-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 also benefited from the positive results reported by the associate Yangtze Optical Fibre and Cable Joint Stock Limited Company in China and by the recovery of credit from a Brazilian customer that had been written off in 2016.

The Group's sales in the first six months of 2018 came to Euro 4,364 million, compared with Euro 3,938 million in the same period of 2017, posting a positive change of Euro 426 million (+10.8%).
The growth in sales was attributable to the following factors:

- increase of Euro 382 million (+9.7%) for the change in scope of consolidation after acquiring General Cable;
- adjustments of Euro 2 million for intercompany transactions;
- increase of Euro 80 million (+2.0%) for organic sales growth;
- decrease of Euro 240 million (-6.1%) due to adverse exchange rate effects;
- sales price increase of Euro 206 million (+5.2%) following metal price fluctuations (copper, aluminium and lead).

Positive organic sales growth of 2.0% is analysed between the four operating segments as follows:

Energy Projects	+1.8%;
Energy Products	+1.6%;
OIL & GAS	+0.8%;
Telecom	+4.4%.

Group Adjusted EBITDA (before net expenses for company reorganisation, net non-recurring expenses and other net non-operating expenses totalling Euro 46 million) came to Euro 339 million, posting a decrease of Euro 25 million on the corresponding 2017 figure of Euro 364 million (-6.9%), mainly due to Euro 70 million in extra costs for the Western Link contract, as partly offset by Euro 25 million from the first-time consolidation of the acquired perimeter (General Cable) into Prysmian. Adjusted EBITDA for the first six months of 2018 was also negatively impacted by Euro 24 million in exchange rate effects compared with 2017, mainly due to a general depreciation of currencies against the Euro, particularly by the US Dollar, Brazilian Real, Argentine Peso, Australian Dollar, Turkish Lira and Omani Rial.

EBITDA is stated after net expenses for company reorganisation, net non-recurring expenses and other net non-operating expenses totalling Euro 46 million (Euro 31 million in the first six months of 2017). Such adjustments in the first half of 2018 consist primarily of Euro 14 million in costs for reorganising and improving efficiency, Euro 22 million in costs related to the acquisition and integration of General Cable and Euro 5 million for the higher cost of using finished goods, arising from fair value accounting under IFRS 3 upon the acquisition of General Cable.

Amortisation, depreciation and impairment amounted to Euro 94 million in the first half of 2018, reporting a year-on-year increase of Euro 6 million, of which Euro 5 million attributable to the first-time consolidation of General Cable.

The fair value change in metal derivatives was a negative Euro 25 million in the first half of 2018, compared with a negative Euro 11 million in the first half of 2017. The negative change of Euro 14 million includes Euro 5 million for the first-time consolidation of General Cable.

Group operating income came to Euro 160 million in the first six months of 2018, compared with Euro 209 million in the first half of 2017, therefore posting a decrease of Euro 49 million mainly due to:
- a positive change of Euro 6 million for the first-time consolidation of General Cable, inclusive of the negative effect of Euro 5 million for fair value accounting in accordance with IFRS 3;
- negative change of Euro 55 million in the result of the pre-acquisition Prysmian Group, due to the factors described above, as partly offset by a smaller impact from the fair value of stock options for Euro 11 million.

Net finance costs came to Euro 46 million in the first six months of 2018, compared with Euro 49 million last year. The improvement of Euro 3 million is mainly attributable to lower finance costs, partly due to conversion of the Convertible Bond 2013, to exchange differences, improving from the year before, and the negative effect of Euro 3 million from the first-time consolidation of General Cable.

Taxes came to Euro 32 million, representing an effective tax rate of around 28%.

Net profit for the first six months of 2018 was Euro 82 million (all of which attributable to the Group), compared with Euro 113 million (all of which attributable to the Group) in the first six months of 2017, and reflected a positive effect of Euro 3 million from the first-time consolidation of General Cable.

The following paragraphs describe market trends and financial performance for each of Prysmian's pre-acquisition segments, and General Cable's results for the month of June 2018 using its pre-acquisition geographical area reporting structure.

REVIEW OF ENERGY PROJECTS OPERATING SEGMENT

(in millions of Euro)

	1st half 2018	1st half 2017 (*)	% change Prysmian	2017 (*)
Sales	684	687	-0.4%	1,493
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**50**	**118**	**-57.6%**	**268**
% of sales	7.4%	17.2%		18.0%
Adjusted EBITDA	**50**	**118**	**-57.6%**	**269**
% of sales	7.4%	17.2%		18.0%
EBITDA	**49**	**103**	**-52.4%**	**249**
% of sales	7.3%	15.0%		16.7%
Amortisation and depreciation	(21)	(20)		(41)
Adjusted operating income	**29**	**98**	**-70.4%**	**228**
% of sales	4.2%	14.3%		15.3%
Reconciliation of Operating Income / Adjusted EBITDA				
EBITDA (A)	**49**	**103**	**-52.4%**	**249**
Adjustments:				
Company reorganisation	1	-		1
Non-recurring expenses/(income):	-	15		18
Of which Antitrust	-	*15*		*18*
Other non-operating expenses/(income)	-	-		1
Total adjustments (B)	**1**	**15**		**20**
Adjusted EBITDA (A+B)	**50**	**118**	**-57.6%**	**269**

(*) 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 Half-Year 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 for the submarine cables business has been weaker in the first half of 2018 than in the same period last year although with several tenders at an advanced stage of the tendering process but the award of which has been delayed several months. 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 684 million in the first six months of 2018, compared with Euro 687 million in the same period of 2017, posting a negative change of Euro 3 million (-0.4%).

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

- positive organic growth of Euro 12 million (+1.8%);
- decrease of Euro 21 million (-3.0%) for exchange rate fluctuations;
- sales price increase of Euro 6 million (+0.8%) for metal price fluctuations.

The organic growth in first-half 2018 sales has been heavily affected by the negative impact of the Western Link cost adjustment.

Excluding this effect, organic sales growth would have been in line with that reported in the first quarter, reflecting 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 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), the interconnector between the Netherlands and Denmark (CoBRA cable) and the interconnection between France and the UK (IFA2).

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 1.7 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 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 slightly down from previous periods at around Euro 410 million.

Adjusted EBITDA recorded in the first six months of 2018 came to Euro 50 million, down from Euro 118 million in the same period of 2017, posting a decrease of Euro 68 million (-57.6%), attributable to Euro 70 million in extra costs for the Western Link project.

REVIEW OF ENERGY PRODUCTS OPERATING SEGMENT

(in millions of Euro)

	1st half 2018	1st half 2017	% change Prysmian	2017
Sales	2,521	2,467	2.2%	4,880
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**118**	**132**	**-11.4%**	**240**
% of sales	4.7%	5.4%		4.9%
Adjusted EBITDA	**120**	**135**	**-11.4%**	**244**
% of sales	4.8%	5.5%		5.0%
EBITDA	**113**	**128**	**-13.3%**	**223**
% of sales	4.4%	5.2%		4.6%
Amortisation and depreciation	(40)	(39)	2.2%	(79)
Adjusted operating income	**80**	**96**	**-16.9%**	**165**
% of sales	3.2%	3.9%		3.4%
Reconciliation of Operating Income / Adjusted EBITDA				
EBITDA (A)	**113**	**128**	**-13.3%**	**223**
Adjustments:				
Company reorganisation	4	4		18
Non-recurring expenses/(income)	-	-		-
Of which Antitrust	-	-		-
Other non-operating expenses/(income)	3	3		3
Total adjustments (B)	**7**	**7**		**21**
Adjusted EBITDA (A+B)	**120**	**135**	**-11.4%**	**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 2,521 million in the first half of 2018, compared with Euro 2,467 million in the same period of 2017, posting a positive change of Euro 54 million (+2.2%), due to the combined effect of the following main factors:

- organic increase of Euro 39 million (+1.6%), marked by a growth in volumes concentrated in Europe;
- decrease of Euro 169 million (-6.9%) linked to unfavourable exchange rate movements;
- sales price increase of Euro 184 million (+7.5%) for metal price fluctuations.

Adjusted EBITDA for the first half of 2018 came to Euro 120 million, down Euro 15 million (-11.4%) from Euro 135 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)

	1st half 2018	1st half 2017	% change Prysmian	% organic sales change	2017
Sales	1,681	1,658	1.3%	0.2%	3,271
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**60**	**72**	**-19.0%**		**128**
% of sales	3.5%	4.4%			3.9%
Adjusted EBITDA	**61**	**74**	**-18.6%**		**130**
% of sales	3.6%	4.5%			4.0%
Adjusted operating income	**32**	**46**	**-31.5%**		**73**
% of sales	1.9%	2.8%			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 second quarter of 2018, like in the earlier part of the year, the Trade & Installers business enjoyed a positive trend in demand in most of the European countries served as well as in North America.

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 half of 2018, the Power Distribution business posted a positive trend in Europe, albeit with substantial stability in Southern Europe and contraction in Northern Europe, although initial signs emerged in the second quarter of a reversal in the particularly seasonally weak demand seen in the earlier part of the year.

Beyond Europe, demand has been mostly stable APAC but in retreat in North America; the situation in Brazil, however, remains challenging due to recent changes in the Brazilian utilities sector currently undergoing consolidation.

FINANCIAL PERFORMANCE

Sales to third parties by the Energy & Infrastructure business area amounted to Euro 1,681 million in the first six months of 2018, compared with Euro 1,658 million in the corresponding period of 2017, posting a positive change of Euro 23 million (+1.3%) due to the combined effect of the following main factors:

- positive organic growth of Euro 3 million (+0.2%);
- decrease of Euro 111 million (-6.8%) for adverse exchange rate fluctuations;
- sales price increase of Euro 131 million (+7.9%) for metal price fluctuations.

Prysmian Group has carried on its strategy for the Trade & Installers 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 half 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, however, reported a weak year-on-year performance, even if showing a slight recovery from the second quarter, and reflecting softer demand in several markets in the early part of the year and pressure on prices, the continued strength of which in some countries has impacted the results.

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 half of 2018 came to Euro 61 million, down from Euro 74 million in the previous year (-18.6%).

INDUSTRIAL & NETWORK COMPONENTS

(in millions of Euro)

	1st half 2018	1st half 2017	% change Prysmian	% organic sales change	2017
Sales	764	739	3.4%	4.8%	1,460
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**58**	**61**	**-4.1%**		**113**
% of sales	7.6%	8.2%			7.8%
Adjusted EBITDA	**59**	**62**	**-4.6%**		**115**
% of sales	7.7%	8.3%			7.9%
Adjusted operating income	**48**	**51**	**-5.5%**		**95**
% of sales	6.3%	6.9%			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 continues to be 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 764 million in the first half of 2018, compared with Euro 739 million in the corresponding period of 2017, recording a positive change of Euro 25 million (+3.4%) due to the combined effect of the following main factors:

- positive organic growth of Euro 36 million (+4.8%);
- decrease of Euro 54 million (-7.2%) for adverse exchange rate fluctuations;
- sales price increase of Euro 43 million (+5.8%) for metal price fluctuations.

Performance in the industrial applications market was stable in the first half 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 Cranes, Railway and Infrastructure businesses. Instead, the Nuclear, Defence and Mining businesses were weaker, while Renewables were down on the first half of 2017 albeit with a growing order book.

The Elevator business was affected in the first half of 2018 by growing price pressure and the negative exchange rate, given its considerable exposure to the North American market.
Last year's growth in the EMEA region has continued, 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 half 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 shown growth for High Voltage applications, where the range of products up to 150kV has made up for a contraction 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 half of 2018 came to Euro 59 million, down from Euro 62 million in the same period of 2017 (-4.6%).

OTHER

(in millions of Euro)

	1st half 2018	1st half 2017	2017
Sales	76	70	149
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**-**	**(1)**	**(1)**
Adjusted EBITDA	**-**	**(1)**	**(1)**
Adjusted operating income	**-**	**(1)**	**(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)

	1st half 2018	1st half 2017	% change Prysmian	2017
Sales	134	138	-3.1%	273
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**3**	**2**	**69.1%**	**9**
% of sales	1.9%	1.1%		3.4%
Adjusted EBITDA	**3**	**2**	**69.1%**	**9**
% of sales	1.9%	1.1%		3.4%
EBITDA	**2**	**1**	**220.4%**	**7**
% of sales	1.4%	0.4%		2.4%
Amortisation and depreciation	(5)	(9)		(16)
Adjusted operating income	**(2)**	**(7)**	**-68.0%**	**(7)**
% of sales	-1.7%	-5.1%		-2.5%
Reconciliation of Operating Income / Adjusted EBITDA				
EBITDA (A)	**2**	**1**	**220.4%**	**7**
Adjustments:				
Company reorganisation	1	1		2
Non-recurring expenses/(income)	-	-		-
Of which Antitrust	-	-		-
Other non-operating expenses/(income)	-	-		-
Total adjustments (B)	**1**	**1**		**2**
Adjusted EBITDA (A+B)	**3**	**2**	**69.1%**	**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 six 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 remain depressed, putting pressure not only on 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 remains weak.

FINANCIAL PERFORMANCE

Sales to third parties by the OIL & GAS segment amounted to Euro 134 million in the first six months of 2018, compared with Euro 138 million in the same period of 2017, posting a negative change of Euro 4 million (-3.1%). The decrease in sales can be broken down into the following main factors:

- positive organic sales growth of Euro 1 million (+0.8%);
- negative effect of Euro 12 million (-9.0%) for exchange rate fluctuations;
- sales price increase of Euro 7 million (+5.1%) 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; the second quarter of 2018 has nonetheless reported an improvement in performance thanks to the bringing forward of project phasing;
- signs of improvement in demand for Downhole Technology products, +6% 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 has remained largely stable despite a drop in higher-margin MRO and offshore volumes.

Adjusted EBITDA for the first six months of 2018 was a positive Euro 3 million, up Euro 1 million on the same period of 2017, despite the squeeze on profitability in the Brazilian SURF business.

REVIEW OF TELECOM OPERATING SEGMENT

(in millions of Euro)

	1st half 2018	1st half 2017	% change Prysmian	2017
Sales	645	646	-0.1%	1,258
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**107**	**93**	**15.8%**	**177**
% of sales	16.6%	14.3%		14.0%
Adjusted EBITDA	**141**	**109**	**29.7%**	**214**
% of sales	21.8%	16.8%		17.0%
EBITDA	**137**	**106**	**29.2%**	**206**
% of sales	21.3%	16.4%		16.4%
Amortisation and depreciation	(22)	(20)		(41)
Adjusted operating income	**119**	**89**	**34.0%**	**173**
% of sales	18.4%	13.7%		13.8%
Reconciliation of Operating Income / Adjusted EBITDA				
EBITDA (A)	**137**	**106**	**29.2%**	**206**
Adjustments:				
Company reorganisation	3	2		6
Non-recurring expenses/(income)	-	-		-
Of which Antitrust	-	-		-
Other non-operating expenses/(income)	1	1		2
Total adjustments (B)	**4**	**3**		**8**
Adjusted EBITDA (A+B)	**141**	**109**	**29.7%**	**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 six 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 six 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 645 million in the first six months of 2018, compared with Euro 646 million in the first six months of 2017, posting a negative change of Euro 1 million (-0.1%).

This change is attributable to the following factors:

- organic sales growth of Euro 28 million (+4.4%), mainly thanks to volume recovery for optical fibre cables;
- negative change of Euro 38 million (-5.9%) for exchange rate fluctuations;
- sales price increase of Euro 9 million (+1.4%) for metal price fluctuations.

The organic growth in 2018 six-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 six months of 2018 came to Euro 141 million, reporting an increase of Euro 32 million (+29.7%) from Euro 109 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.

REVIEW OF THE ACQUIRED PERIMETER (GENERAL CABLE)

(in millions of Euro)

	1st half 2018 (*)			
	North America	**Europe**	**Latin America**	**Total General Cable**
Sales	216	109	57	382
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**14**	**9**	**2**	**25**
% of sales	6.4%	8.4%	4.7%	6.7%
Adjusted EBITDA	**14**	**9**	**2**	**25**
% of sales	6.4%	8.4%	4.7%	6.7%
EBITDA	**7**	**8**	**1**	**16**
% of sales	3.4%	7.6%	2.2%	4.4%
Amortisation and depreciation	(3)	(1)	(1)	(5)
Adjusted operating income	**11**	**8**	**1**	**20**
% of sales	5.1%	7.0%	3.0%	5.4%
Reconciliation of Operating Income / Adjusted EBITDA				
EBITDA (A)	**7**	**8**	**1**	**16**
Adjustments:				
Company reorganisation	3	1	-	4
Of which General Cable integration costs	*3*	*1*	-	*4*
Non-recurring expenses/(income)	-	-		-
Of which Antitrust	-	-		-
Other non-operating expenses/(income)	4	-	1	5
Of which release of General Cable inventory step-up (1)	*4*	-	*1*	*5*
Total adjustments (B)	**7**	**1**	**1**	**9**
Adjusted EBITDA (A+B)	**14**	**9**	**2**	**25**

(*) The results of General Cable have been consolidated for the period 1 June - 30 June 2018.

(1) Refers to the higher cost of using finished goods and raw materials measured at General Cable's acquisition-date fair value.

The subsequent comments refer to the results of the acquired perimeter (General Cable) for a six-month period, which are more meaningful than the figures consolidated just for the month of June 2018.

Sales to third parties by the acquired perimeter (General Cable) came to Euro 1,799 million in the first six months of 2018 (of which Euro 382 million consolidated), up Euro 77 million on the same period last year. Organic growth in first-half 2018 sales for the same perimeter was 4.4% year-on-year.

Adjusted EBITDA for the first six months of 2018 was Euro 99 million (of which Euro 25 million consolidated within the Prysmian Group), reporting a reduction of Euro 14 million on the first half of 2017 of which Euro 9 million due to adverse exchange rate movements.

The results will now be examined by operating segment.

North America

Sales to third parties by the North America operating segment came to Euro 1,057 million in the first six months of 2018 (of which Euro 216 million consolidated within the Prysmian Group), up Euro 2 million on the same period last year. Organic growth in sales was 1.7%, reflecting volumes largely in line with the same period last year and a positive trend in the construction and automotive businesses, making up for the reduction in the utilities and MMS businesses.

Adjusted EBITDA for the first six months of 2018 was Euro 64 million (of which Euro 14 million consolidated within the Prysmian Group), down Euro 24 million on the first half of 2017. The reduction in Adjusted EBITDA mainly reflects the negative impact of exchange rates (Euro 8 million), metal price changes and an adverse sales mix.

Europe

Sales to third parties by the Europe operating segment came to Euro 462 million in the first six months of 2018 (of which Euro 109 million consolidated within the Prysmian Group), up Euro 84 million on the same period last year. Organic growth in sales was 16%, driven primarily by the positive performance of the land high voltage, submarine and T&I businesses.

Adjusted EBITDA for the first six months of 2018 was Euro 20 million (of which Euro 9 million consolidated within the Prysmian Group), up Euro 11 million on the first half of 2017. The increase in Adjusted EBITDA mainly reflects a favourable sales mix and the benefit recorded in Spain following introduction of the CPR.

Latin America

Sales to third parties by the Latin America operating segment came to Euro 280 million in the first six months of 2018 (of which Euro 57 million consolidated within the Prysmian Group), down Euro 9 million on the same period last year. The organic change in sales was -2.1% due to the decrease in volumes for the overheads business in Brazil, as partially offset by growth in the construction business.

Adjusted EBITDA for the first six months of 2018 was Euro 15 million (of which Euro 2 million consolidated within the Prysmian Group), reporting a reduction of Euro 1 million on the first half of 2017 all of which due to exchange rate effects.

GROUP STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	30 June 2018	30 June 2017 (*)	Change	31 December 2017 (*)
Net fixed assets	4,571	2,599	1,972	2,610
Net working capital	1,091	649	442	128
Provisions and net deferred taxes	(305)	(343)	38	(308)
Net capital employed	**5,357**	**2,905**	**2,452**	**2,430**
Employee benefit obligations	449	371	78	355
Total equity	1,894	1,534	360	1,639
of which attributable to non-controlling interests	185	199	(14)	188
Net financial debt	3,014	1,000	2,014	436
Total equity and sources of funds	**5,357**	**2,905**	**2,452**	**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 Half-Year Financial Report.

NET FIXED ASSETS

(in millions of Euro)

	30 June 2018	30 June 2017	Change	31 December 2017
Property, plant & equipment	2,096	1,625	471	1,646
Intangible assets	2,208	759	1,449	735
Equity-accounted investments	251	202	49	217
Other investments at fair value through other comprehensive income	13	13	-	12
Asset held for sale (**)	3	-	3	-
Net fixed assets	**4,571**	**2,599**	**1,972**	**2,610**

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

At 30 June 2018, net fixed assets amounted to Euro 4,571 million, compared with Euro 2,610 million at 31 December 2017, posting an increase of Euro 1,961 million mainly due to the combined effect of the following factors:

- Euro 453 million from the first-time consolidation of companies in the acquired perimeter (General Cable);
- Euro 1,461 million for the recognition of provisional goodwill on the acquisition of General Cable;
- Euro 104 million in net capital expenditure on property, plant and equipment and intangible assets (all of which attributable to the pre-acquisition group);
- Euro 94 million in amortisation, depreciation and impairment charges for the period (of which Euro 89 million attributable to the pre-acquisition group and Euro 5 million to General Cable);

- Euro 2 million in positive currency translation differences affecting property, plant and equipment and intangible assets;
- Euro 34 million for the net increase in equity-accounted investments, mainly comprising Euro 36 million for the share of net profit/(loss) of equity-accounted companies, less Euro 4 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)

	30 June 2018	30 June 2017 (*)	Change	31 December 2017 (*)
Inventories	1,717	1,042	675	954
Trade receivables	1,859	1,298	561	1,131
Trade payables	(2,240)	(1,589)	(651)	(1,686)
Other receivables/(payables)	(267)	(111)	(156)	(293)
Net operating working capital	**1,069**	**640**	**429**	**106**
Derivatives	22	9	13	22
Net working capital	**1,091**	**649**	**442**	**128**

(*) 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 Half-Year Financial Report.

Net working capital of Euro 1,091 million at 30 June 2018 was Euro 442 million higher than the corresponding figure of Euro 649 million at 30 June 2017. Net operating working capital amounted to Euro 1,069 million (8.8% of annualised sales) at 30 June 2018, an increase of Euro 429 million from Euro 640 million (7.7% of sales) at 30 June 2017, reflecting the following factors:

- Euro 707 million from the first-time consolidation of companies in the acquired perimeter (General Cable);
- a decrease in working capital employed in multi-year Submarine projects, mainly reflecting new provisions for the Western Link contract;
- 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)

	30 June 2018	30 June 2017	Change	31 December 2017
Long-term financial payables				
CDP Loan	100	-	100	100
EIB Loans	143	50	93	152
Non-convertible bond	744	742	2	743
Convertible bond 2017	462	451	11	456
Term Loan	993	-	993	-
Bridge Loan	698	-	698	-
Other financial payables	23	24	(1)	15
Total long-term financial payables	**3,163**	**1,267**	**1,896**	**1,466**
Short-term financial payables				
Syndicated Revolving Credit Facility 2014	500	-	500	-
EIB Loans	17	17	-	17
Non-convertible bond	4	4	-	14
Convertible bond 2013	-	294	(294)	283
Convertible bond General Cable	83	-	83	-
Term Loan	1	-	1	-
Derivatives	12	3	9	1
Other financial payables	96	127	(31)	56
Total short-term financial payables	**713**	**445**	**268**	**371**
Total financial liabilities	**3,876**	**1,712**	**2,164**	**1,837**
Long-term financial receivables	12	2	10	2
Long-term bank fees	1	1	-	1
Financial assets at amortised cost	5	2	3	2
Short-term derivatives	1	1	-	1
Short-term financial receivables	9	7	2	7
Short-term bank fees	2	2	-	2
Financial assets at fair value through profit & loss	20	58	(38)	40
Financial assets at fair value through other comprehensive income	10	-	10	11
Cash and cash equivalents	802	639	163	1,335
Total financial assets	**862**	**712**	**150**	**1,401**
Net financial debt	**3,014**	**1,000**	**2,014**	**436**

Net financial debt of Euro 3,014 million at 30 June 2018 has increased by Euro 2,578 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)

	6 months 2018 (**)	6 months 2017 (*)	Change	12 months (from 1 July 2017 to 30 June 2018)	2017 (*)
EBITDA	**293**	**333**	**(40)**	**620**	**660**
Changes in provisions (including employee benefit obligations) and others	28	5	23	23	-
(Gains)/losses on disposal of property, plant and equipment, intangible assets and non-current assets	(1)	(1)	-	(2)	(2)
Share of net profit/(loss) of equity-accounted companies	(36)	(19)	(17)	(59)	(42)
Net cash flow provided by operating activities (before changes in net working capital)	**284**	**318**	**(34)**	**582**	**616**
Changes in net working capital	(333)	(434)	101	186	85
Taxes paid	(45)	(36)	(9)	(113)	(104)
Dividends from investments in equity-accounted companies	4	3	1	11	10
Net cash flow provided/(used) by operating activities	**(90)**	**(149)**	**59**	**666**	**607**
Cash flow from acquisitions and/or disposals	(1,290)	-	(1,290)	(1,297)	(7)
Net cash flow used in operating activities	(103)	(111)	8	(246)	(254)
Of which for investment in Wuhan Shen Huan	*-*	*(35)*	*35*	*-*	*(35)*
Free cash flow (unlevered)	**(1,483)**	**(260)**	**(1,223)**	**(877)**	**346**
Net finance costs	(39)	(45)	6	(64)	(70)
Free cash flow (levered)	**(1,522)**	**(305)**	**(1,217)**	**(941)**	**276**
Share buyback	-	(99)	99	(1)	(100)
Dividend distribution	(103)	(101)	(2)	(103)	(101)
Capital contributions and other changes in equity	-	-	-	3	3
Net cash flow provided/(used) in the period	**(1,625)**	**(505)**	**(1,120)**	**(1,042)**	**78**
Opening net financial debt	**(436)**	**(537)**	**101**	**(1,000)**	**(537)**
Net cash flow provided/(used) in the period	(1,625)	(505)	(1,120)	(1,042)	78
Equity component of Convertible Bond 2017	-	48	(48)	-	48
Conversion of Convertible Bond 2013	283	-	283	291	8
Net financial debt General Cable	(1,215)	-	(1,215)	(1,215)	-
Other changes	(21)	(6)	(15)	(48)	(33)
Closing net financial debt	**(3,014)**	**(1,000)**	**(2,014)**	**(3,014)**	**(436)**

(*) 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 Half-Year Financial Report.

(**) The cash flows of General Cable refer to the period 1 June - 30 June 2018.

With reference to the first six months of 2018, net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 284 million.

This cash flow was absorbed by the increase of Euro 333 million in net working capital described earlier. After Euro 45 million in tax payments and Euro 4 million in dividend receipts, net cash flow from operating activities in the first six months of 2018 was therefore a negative Euro 90 million.

Cash flow from acquisitions and/or disposals was a negative Euro 1,290 million, all of which related to General Cable and representing the cash outflow to acquire this group.

Net operating capital expenditure amounted to Euro 103 million in the first six months of 2018, a large part of which relating to projects to increase and rationalise production capacity and to develop new products.
In addition, Euro 39 million in net finance costs were paid during the six-month period.

Net financial debt has been affected by the first-time consolidation of General Cable's net financial debt of Euro 1,215 million while also benefiting 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 582 million in net cash flow provided by operating activities before changes in net working capital;
- Euro 186 million in cash flow provided by the decrease in net working capital, Euro 113 million in tax payments and Euro 11 million in dividend receipts, all of which contributing to Euro 666 million in net cash inflow from operating activities;
- Euro 1,297 million in net cash outflow for acquisitions and/or disposals;
- Euro 246 million in net operating capital expenditure over the past 12 months;
- Euro 64 million in payments for finance costs, Euro 103 million for dividends and Euro 1 million to buy back the Company's shares.

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 profit or loss
- 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 30 June 2018

(in millions of Euro)

			30 June 2018		31 December 2017 (*)	
		Note	**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		2,096		1,646
Intangible assets		1		2,208		735
Equity-accounted investments		2		251		217
Other investments at fair value through other comprehensive income			.	13		12
Asset held for sale			-	3		-
Total net fixed assets	**A**			**4,571**		**2,610**
Net working capital						
Inventories	**B**	4		1,717		954
Trade receivables	**C**	3		1,859		1,131
Trade payables	**D**	10		(2,240)		(1,686)
Other receivables/payables net	**E**			(267)		(293)
Of which:						
Other receivables - non-current			*35*		*15*	
Tax receivables		3	*6*		*3*	
Receivables from employees		3	*2*		*1*	
Advances to suppliers		3	*3*		*-*	
Other		3	*24*		*11*	
Other receivables - current			*789*		*410*	
Tax receivables		3	*138*		*115*	
Receivables from employees and pension plans		3	*8*		*3*	
Advances to suppliers		3	*19*		*15*	
Other		3	*92*		*91*	
Construction contracts		3	*532*		*186*	
Other payables - non-current			*(13)*		*(8)*	
Tax and social security payables		11	*(3)*		*(3)*	
Other		11	*(10)*		*(5)*	
Other payables - current			*(1,040)*		*(692)*	
Tax and social security payables		11	*(202)*		*(161)*	
Advances from customers		11	*(297)*		*(177)*	
Payables to employees		11	*(185)*		*(92)*	
Accrued expenses		11	*(165)*		*(107)*	
Other		11	*(191)*		*(155)*	
Current tax payables			*(38)*		*(18)*	
Total net operating net working capital	**F = B+C+D+E**			**1,069**		**106**
Derivatives	**G**		22		22	
Of which:						
Forward currency contracts on commercial transactions (cash flow hedges) - non-current		5	*1*		6	
Forward currency contracts on commercial transactions (cash flow hedges) - current		5	*(2)*		4	
….Zero cost collar on General Cable acquisition (cash flow hedges)		5	*-*		*(17)*	
Forward currency contracts on commercial transactions - current		5	*5*		*(1)*	
Metal derivatives - non-current		5	*11*		*6*	
Metal derivatives - current		5	*7*		*24*	
Total net working capital	**H = F+G**			**1,091**		**128**

(in millions of Euro)

			30 June 2018		31 December 2017 (*)	
		Note	Partial amounts from financial statements	Total amounts from financial statements	Partial amounts from financial statements	Total amounts from financial statements
Provisions for risks and charges - non-current		12		(63)		(33)
Provisions for risks and charges - current		12		(315)		(321)
Deferred tax assets				189		149
Deferred tax liabilities				(116)		(103)
Total provisions	**I**			**(305)**		**(308)**
Net capital employed	**L = A+H+I**			**5,357**		**2,430**
Employee benefit obligations	**M**	13		**449**		**355**
Total equity	**N**	9		**1,894**		**1,639**
of which equity attributable to non-controlling interests				*185*		*188*
Net financial debt						
Total long-term financial payables	**O**			**3,163**		**1,466**
CDP Loan		10	100		100	
EIB Loans		10	143		152	
Non-convertible bond		10	744		743	
Convertible bond 2017		10	462		456	
Term Loan		10	993		-	
Bridge Loan		10	698		-	
Other payables			23		15	
of which:						
Finance lease obligations		10	*11*		*12*	
Other financial payables		10	*12*		*3*	
Total short-term financial payables	**P**			**713**		**371**
Syndicated Revolving Credit Facility 2014		10	500			
EIB Loans		10	17		17	
Non-convertible bond		10	4		14	
Convertible bond 2013		10	-		283	
Convertible bond General Cable		10	83		-	
Term Loan		10	1		-	
Derivatives		5	12		1	
of which:						
Interest rate swaps		5	*10*		-	
Forward currency contracts on financial transactions		5	*2*		*1*	
Other payables			96		56	
of which:						
Finance lease obligations		10	*1*		*1*	
Other financial payables		10	*95*		*55*	
Total financial liabilities	**Q = O+P**			**3,876**		**1,837**
Long-term financial receivables	**R**	3	(12)		(2)	
Long-term bank fees	**R**	3	(1)		(1)	
Short-term financial receivables	**R**	3	(9)		(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**			(5)		(2)
Financial assets at fair value through other comprehensive income	**T**			(10)		(11)
Financial assets at fair value through profit & loss	**U**	6		(20)		(40)
Cash and cash equivalents	**V**	7		(802)		(1,335)
Total financial assets	**Z = R+S+T+U+V**			**(862)**		**(1,401)**
Total net financial debt	**W = Q+Z**			**3,014**		**436**
Total equity and sources of funds	**Y = M+N+W**			**5,357**		**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 Half-Year Financial Report.

Reconciliation between the principal income statement indicators and the Income Statement presented in the Consolidated Financial Statements and Explanatory Notes at 30 June 2018

(in millions of Euro)

		1st half 2018 (*) Amounts from income statement	1st half 2017 (**) Amounts from income statement
Sales of goods and services	A	**4,364**	**3,938**
Change in inventories of work in progress, semi-finished and finished goods		70	118
Other income		47	37
Raw materials, consumables used and goods for resale		(2,903)	(2,562)
Personnel costs		(564)	(544)
Other expenses		(771)	(698)
Operating costs	**B**	**(4,121)**	**(3,649)**
Share of net profit/(loss) of equity-accounted companies	C	36	19
Fair value stock options	D	14	25
EBITDA	**E = A+B+C+D**	**293**	**333**
Other non-recurring expenses and revenues	F	-	*(15)*
Personnel costs for company reorganisation	G	*(12)*	*(6)*
Other costs and revenues for company reorganisation	H	*(2)*	*(3)*
Other non-operating expenses	I	*(32)*	*(5)*
Total adjustments	**L = F+G+H+I**	**(46)**	**(29)**
Adjusted EBITDA	**M = E-L**	**339**	**362**
Share of net profit/(loss) of equity-accounted companies	N	36	19
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**O = M-N**	**303**	**343**

(in millions of Euro)

		1st half 2018 (*) Amounts from income statement	1st half 2017 (**) Amounts from income statement
Operating income	**A**	**160**	**209**
Other non-recurring expenses and revenues		-	(15)
Personnel costs for company reorganisation		(12)	(6)
Other costs and revenues for company reorganisation		(2)	(3)
Other non-operating expenses		(32)	(5)
Adjusted EBITDA	**B**	**(46)**	**(29)**
Fair value change in metal derivatives	C	(25)	(11)
Fair value stock options	D	(14)	(25)
Adjusted operating income	**E=A-B-C-D**	**246**	**274**

(*) The results of General Cable have been consolidated for the period 1 June - 30 June 2018.

(**) 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 Half-Year Financial Report.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Ruling of the General Court of the European Union regarding antitrust investigations

On 12 July 2018, the General Court of the European Union issued rulings on the appeals lodged by the Prysmian Group, including General Cable, against the decision of the European Commission dated 2 April 2014 and whose content had already been anticipated by Prysmian on the same date.

These rulings have dismissed the appeals against the fines imposed by that decision. Most of the other defendants had appealed against the Commission's decision and even these appeals have been dismissed.

Further details can be found in Note 12. Provisions for risks and charges.

Interest rate hedging derivatives

In July 2018, the Group entered into interest rate hedging derivatives, transforming variable into fixed rate, with the purpose of reducing variable rate risk. In particular, forward rate agreements have been arranged, for an overall notional value of Euro 300 million, with the objective of hedging variable interest rate flows over the period 2018-2020 on financing the Group has contracted for the General Cable acquisition. These agreements have become operative in September 2018 through their transformation into interest rate swaps.

Shanghai Stock Exchange listing and capital increase by Yangtze Optical Fibre and Cable Joint Stock Limited

On 20 July 2018, Yangtze Optical Fibre and Cable Joint Stock Limited Company (an equity-accounted associate) completed its listing on the Shanghai Stock Exchange; the company was already listed on the Hong Kong Stock Exchange. The Shanghai listing has increased the number of shares from a previous total of 682,114,598 to 757,905,108. Since Draka Comteq B.V. has kept its holding (of 179,827,794 shares) unchanged, its stake in this company has gone from 26.37% to 23.73%. The share dilution has given rise to a gain, recorded in the second half of 2018.

Resignation of the Chairman of the Board of Directors

On 25 July 2018, Massimo Tononi, Chairman of the Board of Directors, tendered his resignation as Chairman, as a member of the Board of Directors and as a member of the Company's Compensation, Nominations and Sustainability Committee, with effect from the end of the Board of Directors' meeting which approves the current Half-Year Financial Report at 30 June 2018. Mr. Tononi's resignation has been tendered following his appointment to Cassa Depositi e Prestiti S.p.A., as a result of which he believes it right to step down from all positions held in other companies.

Capital increase

Further to the capital increase approved by the Shareholders' Meeting of 12 April 2018, the rights offering of up to 32,652,314 new shares was completed on 27 July 2018. The offering concluded with the complete subscription of the 32,652,314 new shares for an aggregate amount of Euro 499,906,927.34.

Contract to cable offshore wind farms in France

On 29 August 2018, the Group was awarded three important projects to develop cable connections for offshore wind farms in France. Prysmian has been engaged to design, supply and install inter-array cables for the two offshore wind farms, Fécamp and Courseulles-sur-Mer, located off the north coast of France. The contracts for these two major wind farms are worth over Euro 200 million and are expected to be finalised in early autumn.

Contract for submarine interconnection in Greece

On 4 September 2018, the Group was awarded a new contract worth approximately Euro 21 million by IPTO (Independent Power Transmission Operator), the Transmission System Operator of the Greek electricity grid, for two interconnections between the Cyclades islands (Evia, Andros and Tinos) in Greece.

The project involves the design, supply and installation, as well as related onshore civil engineering works, of two turnkey high voltage cable systems, which will boost power transmission between the Cyclades islands, ensuring a robust, reliable and sustainable power supply.

The submarine cables will be manufactured in the Arco Felice plant (Naples), a Group centre of technological and manufacturing excellence, while the underground cables will be produced in Pignataro (Naples).

The submarine and underground cables will be manufactured over the course of 2018 and 2019, while delivery and commissioning is scheduled for the third quarter of 2019.

Western Link

On 12 September 2018, Prysmian announced that the commissioning and testing of the Western Link Interconnection project had been temporarily suspended to investigate an issue arising in the land section of the cable.

Although the technical investigations to identify the cause and estimate the possible economic impact are still in progress, Prysmian can assume that the event does not appear to have any relation to the fault identified in June 2018 in a submarine section of the interconnection and successfully repaired.

Prysmian is not recognising any further provisions, which, having been augmented during the period, are now deemed sufficient to meet the costs of the repair and of the consequent additional delay in delivering the cable, if attributable to Prysmian.

BUSINESS OUTLOOK

Global economic growth remained positive in the first six months of 2018, with a sharp acceleration in the United States in the second quarter thanks to higher domestic consumption and investments, whereas China continued the positive trend seen at the beginning of the year, despite the introduction of tariffs on imports of Chinese goods by the current U.S. administration. Growth in Europe, while positive, remains slower than in the world's two largest economies, affected by the increasing uncertainty triggered by the trade war between the U.S. and China and the imminent conclusion of the quantitative easing plan previously announced by the European Central Bank. In Brazil, there were signs of slowing following the recovery that began back in the second half of 2017, chiefly due to rising inflation and pressure on exchange rates.

Within this macroeconomic scenario, for 2018 Prysmian Group expects an increase in demand in the cyclical construction and industrial cable businesses compared to 2017, driven by the recovery of European demand, partially offset by the weakness in the Middle East (Oman), whereas the medium voltage utilities cable business is expected to remain essentially stable, with uneven performances across the various geographical areas. In the Submarine cables and systems business, despite the slowdown in the award of contracts in the first half of the year, the Group aims to retain its leadership, maintaining its share in a market that is expected to recover, with an increase in the volume of projects awarded in the second half of the year. The Group expects the High Voltage Underground cables and systems to recover compared to 2017, with a gradual improvement in performance expected in China and South East Asia due to the new manufacturing set-up. Finally, the Group foresees that growth will remain solid in the Telecom segment in 2018, supported by growing demand for optical cables in Europe and North America, whereas the copper cable segment is expected to slow due to the reduction in volumes on the Australian market.

It may also be expected that if exchange rates remain stable at the levels seen at the time of this report the translation effect of converting subsidiaries' results into the consolidated reporting currency will yield a negative impact on the Group's operating performance.

In the light of these considerations, the Group forecasts an adjusted EBITDA within a range of Euro 860-920 million in all of 2018, an increase on the Euro 733 million reported in 2017.

This forecast also includes the results of the recently acquired General Cable business for all of 2018, in addition to the provision (recognised in the first half of the year) of Euro 70 million for the Western Link project. Prysmian (excluding the effects of the acquisition of General Cable) is expected to record an adjusted EBITDA for all of 2018 of between Euro 680 million and Euro 720 million, compared to the Euro 733 million recorded in 2017. In keeping with the performance for the first half of the year, this forecast assumes an increase in volumes and margins in the Telecom operating segment and an improvement in sales volumes in the E&I and Industrial & Network Components segments. This forecast also reflects the adverse impact of exchange rate performance of approximately Euro 30 million and the provision of Euro 70 million already recognised in the first half of 2018 due to the additional costs associated with delays in the Western Link project.

The forecasts for the General Cable operations for 2018 have been prepared by the management on the basis of the most up-to-date projections and assumptions regarding the price of strategic metals, exchange rates and the expected macroeconomic scenario. Accordingly, the adjusted EBITDA forecast for all of 2018 (i.e., for 12 months) ranges between Euro 175 and Euro 190 million, based on a euro/USD exchange rate of 1.20. This estimate incorporates the expected negative impact of approximately Euro 10 million due to the performance

of the USD/euro exchange rate compared to the previous year. The General Cable operations have been included in Prysmian Group's consolidated financial statements with effect from 1 June 2018 and thus will be included in the 2018 income statement for a period of seven months.
In addition to the above-mentioned effects, the Group forecasts synergies deriving from the integration of the General Cable business of Euro 5 to Euro 10 million relating to the period from the closing date of the GCC acquisition (6 June 2018) to the end of 2018.
This forecast is based on the company's current scope of operations and reflects the current order book.

FORESEEABLE RISKS IN 2018[1]

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

STRATEGIC RISKS

Risks associated with the competitive environment

The Prysmian Group is exposed to the risk that escalating competition typifying the reference market may limit its ability to develop or adapt its business structure to the future needs of the market.

Many of the products offered by Prysmian Group are made to industry specifications and so are interchangeable with those of its main competitors. The price of such products is therefore a key factor in customer choice of supplier. The entry into mature markets (e.g. 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 Prysmian Group's expected margins.

Primarily falling into this type of market is the "Energy & Infrastructure" business, which sells construction cables (Trade & Installers) and medium and low voltage power distribution cables (Power Distribution). The reference market for this sub-segment is extremely fragmented and features a high level of standardisation, meaning that competition is naturally geared to cutting selling prices. The Prysmian Group's competitive positioning in this market varies between the different countries of operation. Its focus in this business is to maximise cash flow generation and production efficiency.

In addition, high value-added segments - like high voltage underground cables, optical cables and submarine cables - are seeing a general escalation in competition from operators already on the market, with potentially negative impacts on both sales volumes and selling prices.

With particular reference to the submarine cables business, the 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 Prysmian Group is positioned as one of the world's leading players in high value-added businesses like high voltage underground, submarine cables and systems and optical cables, with a strategy focused on volume and margin growth.

[1] The risks described in this section are those that, at the date of the present document, the Group believes, if they were to occur, could have a material adverse near-term impact on its business, financial condition, earnings and future prospects.

The strategy of rationalising production capacity 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 Prysmian Group to address the potential effects arising from the competitive environment.
Although the Prysmian Group has adopted the aforementioned strategies and policies, it could nonetheless encounter difficulties in addressing competition typifying the reference market, by current or future competitors, by leveraging its key competitive factors, resulting in possible negative effects on the prospects and on the economic and financial condition and assets of the Prysmian Group.

Risks associated with changes in the macroeconomic environment and in demand

The Prysmian Group is exposed to the risk that demand in its sector of operation could be adversely affected by macroeconomic factors that influence the industry.
Factors such as trends in gross domestic product and interest rates, the ease of getting credit, the cost of raw materials, and the general level of energy consumption, significantly affect the energy demand of countries which, in the face of persistent economic difficulties, could then reduce investments in developing electrical infrastructure. Government incentives for alternative energy sources and for developing telecom networks could also be reduced for the same reason.
The Prysmian Group's transmission business (high voltage submarine and underground cables) and Power Distribution and Telecom businesses, all highly concentrated in Europe, are being affected by fluctuating conditions of demand in this market linked to local economic trends. Moreover, the Prysmian Group is exposed to current and future growth trends in the expansion of both energy transmission and telecommunication networks, with the latter being driven by growing demand for optical cables, the development of broadband networks and initiation of investments in 5G.
With reference to the General Cable group, many of its products are used as components of products sold by the group's customers, or in projects undertaken by the latter for their own customers. The ability to sell products is therefore largely dependent on general economic conditions, including end user spending on power transmission and distribution infrastructures, industrial manufacturing assets, new construction and building, information technology and maintaining or reconfiguring their communications networks.
In periods of negative or no economic growth, the Prysmian Group could therefore experience a decrease in sales and net profit.
The enlargement of the product portfolio due to the Acquisition and the consequent geographic diversification means the Prysmian Group will be more exposed to the recovery cycle of the US construction and infrastructure market.
Furthermore, the continued oil crisis and persistently low oil prices are making the extraction market increasingly less attractive, exposing the SURF and Core Oil&Gas business to a slowdown, albeit without a material impact on the Prysmian Group.
To counter these risks, the Prysmian Group is pursuing, on the one hand, a policy of geographical diversification in non-European countries and, on the other, a strategy to reduce costs by rationalising its production capacity globally in order to mitigate possible negative effects on the Prysmian Group's performance in terms of lower sales and shrinking margins. In addition, the Prysmian 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 Prysmian Group's competitive position.

Although the Prysmian Group has adopted the aforementioned strategies and policies, it is not possible to rule out that changes in the macroeconomic environment and demand as described above could depress demand for Prysmian Group products, with consequent negative effects on the prospects and on the economic and financial condition and assets of the Prysmian Group.

Risks associated with credit and exposure to key customers

The Prysmian Group is exposed to credit risk, which is the risk associated with 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 Finance department and, in the case of customer credit, managed operationally by the individual subsidiaries.

The Prysmian Group does not have excessive concentrations of credit risk; however, given the economic and social difficulties faced by some countries in which the Prysmian Group operates, the exposure could suffer a deterioration that would require more rigorous monitoring. Accordingly, the Prysmian 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 Prysmian Group has a global trade credit insurance program covering almost all its companies for non-investment grade customers; this is managed centrally by the Risk Management department, which monitors, with the assistance of the Credit Management function, the level of exposure to risk and intervenes when tolerance limits are exceeded if coverage on the market cannot be easily obtained.

Despite the measures described above, there is nonetheless a risk that part of the Prysmian Group's customers may delay or not honour payments under the agreed terms and conditions. Any delayed payment or non-payment, in whole or in part, of amounts owed by its principal customers could have negative effects on the prospects and on the economic and financial condition and assets of the Prysmian Group.

With particular reference to the SURF business - meaning the business providing specific products and services for offshore oil & gas exploration and production - the Group is exposed to the risk of losing major customers, with whom the volume of sales has contracted sharply over recent years.

In fact, Prysmian has a significant business relationship in this regard with Petrobras, a Brazilian oil company, for the supply of umbilical cables, developed and manufactured at the factory in Vila Velha, Brazil.

In the future, the Prysmian Group may not be able to maintain a business relationship with Petrobras or it may find it difficult to negotiate new favourable conditions with this customer, with possible negative effects on the prospects or on the economic and financial condition and assets of the Group itself.

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.

Risks associated with the integration of General Cable

The Acquisition of General Cable forms part of a process of growth and geographical diversification through the expansion of the product offering in particular in North and South America, and aims to safeguard profitability also by implementing the planned synergies. Moreover, the integration of General Cable will enable the Prysmian Group to redefine its industrial presence, allowing it to achieve significant economies of scale by rationalising its excess production capacity in certain geographical areas (especially in Southern Europe), to improve its production processes by redefining (and relocating) its activities and production capacities and to achieve efficiency within its logistics structure, both in terms of cost and of customer service.

The achievement of the benefits and synergies expected from the Acquisition will depend, among other things, on the ability to efficiently integrate General Cable and to achieve potential synergies and economies of scale by preserving the current customer portfolio, maintaining sales volumes, creating an integrated organisation, rationalising production capacity and effectively integrating the information systems. Moreover, since the companies are relatively similar in terms of product portfolio, markets, customers and industrial structure, an effective integration of General Cable will depend mainly on management's ability to create an organisational structure which is able to sustain the integration of existing structures in a timely and effective manner, to harmonise the way in which sales forces access the market and to eliminate/minimise any differences in terms of management and culture.

Failure to succeed or a partial success of the integration may restrict the chance of achieving the expected synergies and, in certain cases, lead to higher costs of industrial processes and consequently to a worsening of the competitive position on the market.

If General Cable is not integrated efficiently and in the estimated time frame, the goal of shielding itself against margin reductions may not be achieved, or may be achieved only partially. Furthermore, failure to achieve the expected synergies, an unexpected increase in estimated costs necessary to support General Cable's integration into Prysmian, as well as any deviation of General Cable's future results from those expected (in terms of both costs and revenues) could have negative effects in the future on the prospects and on the economic and financial condition and assets of the Prysmian Group.

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 indebtedness, 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.

As a result of the acquisition of General Cable, the Prysmian Group now has a significant level of financial indebtedness. As regards six-monthly monitoring[2] of compliance with financial covenants, it is reported that these have been observed at 31 December 2017 and 30 June 2018.

The Group is of the opinion that this risk is significantly mitigated, also in view of the Capital Increase subscribed in July 2018, and that it has the ability 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 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.

In light of the above, although the Group adopts a strategy to minimise its exposure to exchange rate risk, it cannot be ruled out that exchange rate fluctuations could significantly influence its results, with consequently negative effects on the Group's prospects and its economic and financial condition and assets.

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

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.

Although the Group adopts a strategy to minimise its exposure to interest rate risk, it cannot be ruled out that interest rate fluctuations could significantly influence its results, with consequently negative effects on the Prysmian Group's prospects and its economic and financial condition and assets.

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 30 June 2018, the Group's total financial resources, comprising cash and cash equivalents and undrawn committed credit lines, came to in excess of Euro 1 billion.

A 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 Prysmian Group is exposed to price risk in relation to purchases and sales of strategic materials, whose purchase price is subject to market volatility.

The main raw materials used by the Prysmian Group in its production processes are Strategic Metals (copper, aluminium and lead) and polyethylene compounds.

Prysmian enters into agreements with the related suppliers of all these products that provide for minimum annual quantities and, in the case of the most important or strategic suppliers, that have a duration of two or three years.

For Strategic Metals, the risk of fluctuations in quoted metal prices is cancelled by applying a strict back-to-back hedging policy for customer orders, while the processing component of cost is established by contract at a fixed or diminishing value from year to year; to guarantee the availability of material for the Group's requirements, over two thirds of annual requirements are covered by agreements with strategic suppliers, while the remainder is covered by smaller contracts with smaller/less integrated suppliers to ensure the necessary flexibility.

Two-year or three-year agreements are also made with the more strategic suppliers of polyethylene compounds, and annual agreements with other suppliers; these agreements commit suppliers to observing the supply quotas needed to satisfy the Group's needs, thus ensuring the availability of material. Processing costs are negotiated as part of the agreement, while the cost for the raw material (ethylene) is governed in all the main agreements by indexing formulas to keep it constantly aligned with market prices.

The Group mitigates 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 Prysmian 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, ensuring that the level of exposure to risk is kept within defined tolerance limits.

In particular, in order to manage the price risk on future trade transactions, companies in the Prysmian Group negotiate derivative contracts on Strategic Metals, setting the price of expected future purchases.

Derivative contracts are negotiated with major financial counterparties on the basis of Strategic Metal prices quoted on the London Metal Exchange ("LME"), the New York market ("COMEX") and the Shanghai Futures Exchange ("SFE").

Despite the hedging activities adopted by the Prysmian Group to control and manage price risk, the Group cannot guarantee that these activities will be efficient or sufficient or that in future it will still be able to make use of such hedging instruments.

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 for high/medium voltage submarine or underground connections are characterised by contractual forms entailing a "turnkey" type of project management that therefore demands compliance with deadlines and quality standards, guaranteed by penalties calculated as an agreed percentage of the contract value and that can even result in 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**.**

The performance of "turnkey" projects typically involves numerous difficulties due, among others, to their duration and complexity and to financial penalties for any non–performance or breach of their terms and conditions.

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, as a result of which, when approving the Quarterly Financial Report at 31 March 2018, the Directors decided to recognise a provision of Euro 20 million as the best estimate of costs to cover the related contractual penalties for this project's late delivery.

On 22 June 2018, the Board of Directors of Prysmian S.p.A. met to examine the implications of certain faults in the cable's operation. In particular, it was noted that during commissioning of the Western Link Cable, the fault detected at the end of April 2018 had recurred. In light of the tests carried out and the information received from the project's technical managers, it can be concluded with reasonable certainty that the area in which the fault has re-emerged is limited to that affected by the previous repair. In light of the information received from the project's technical managers concerning the costs and time for the new repairs needed to solve this fault, of the related risks and the liquidated damages envisaged by the Western Link Contract, the Board of Directors prudently estimates that the Company may be required to incur additional costs of approximately Euro 50 million and has recognised a provision accordingly.

On 12 September 2018, Prysmian announced that the commissioning and testing of the Western Link Interconnection project had been temporarily suspended to investigate an issue arising in the land section of the cable.

Although the technical investigations to identify the cause and estimate the possible economic impact are still in progress, Prysmian can assume that the event does not appear to have any relation to the fault identified in June 2018 in a submarine section of the interconnection and successfully repaired.
Prysmian is not recognising any further provisions, which, having been augmented during the period, are now deemed sufficient to meet the costs of the repair and of the consequent additional delay in delivering the cable, if attributable to Prysmian.

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. 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.

Although the Group has adopted the measures described above, the loss of one of the above-mentioned assets due to unforeseen natural disasters (e.g. earthquakes, storms, etc.) or other accidents (e.g. fire, terrorist attacks, etc.) and the consequent prolonged interruption in their operation could have negative effects on the prospects and the economic and financial situation and assets of the Prysmian Group.

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 enforcing 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[3], has been appointed with the mission of defining the strategic and operational Cyber Security objectives, of coordinating the main initiatives undertaken, and 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.
Although the Group has adopted the measures and initiatives described above to protect its information system, it cannot be ruled out that the Prysmian Group may have to face threats to the security of its IT infrastructure that could result in significant data loss or harm to intellectual property, extraction or alteration of information or interruption of production processes that could also have negative effects on the prospects and the economic and financial situation and assets of the Prysmian Group.

[3] 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[4]), 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

[4] 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 12. 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 30 June 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 12. 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 21 of the Explanatory Notes.

Milan, 18 September 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	30 June 2018	of which related parties (Note 21)	31 December 2017 (*)	of which related parties (Note 21)	1 January 2017 (*)	of which related parties
Non-current assets							
Property, plant and equipment	1	2,096		1,646		1,631	
Intangible assets	1	2,208		735		792	
Equity-accounted investments	2	251	251	217	217	195	195
Other investments at fair value through other comprehensive income		13		12		12	
Financial assets at amortised cost		5		2		2	
Derivatives	5	14		14		3	
Deferred tax assets		189		149		146	
Other receivables	3	48		18		21	
Total non-current assets		**4,824**		**2,793**		**2,802**	
Current assets							
Inventories	4	1,717		954		906	
Trade receivables	3	1,859	14	1,131	6	1,088	14
Other receivables	3	800	2	419	5	735	5
Financial assets at fair value through profit or loss	6	20		40		57	
Derivatives	5	33		45		40	
Financial assets at fair value through other comprehensive income		10		11		-	
Cash and cash equivalents	7	802		1,335		646	
Total current assets		**5,241**		**3,935**		**3,472**	
Assets held for sale	8	3		-		-	
Total assets		**10,068**		**6,728**		**6,274**	
Equity attributable to the Group:		**1,709**		**1,451**		**1,411**	
Share capital	9	24		22		22	
Reserves	9	1,603		1,188		1,143	
Net profit/(loss) for the period		82		241		246	
Equity attributable to non-controlling interests:		**185**		**188**		**227**	
Share capital and reserves		185		192		211	
Net profit/(loss) for the period		-		(4)		16	
Total equity		**1,894**		**1,639**		**1,638**	
Non-current liabilities							
Borrowings from banks and other lenders	10	3,163		1,466		1,114	
Other payables	11	13		8		18	
Provisions for risks and charges	12	63		33		40	
Derivatives	5	2		2		12	
Deferred tax liabilities		116		103		111	
Employee benefit obligations	13	449		355		383	
Total non-current liabilities		**3,806**		**1,967**		**1,678**	
Current liabilities							
Borrowings from banks and other lenders	10	701		370		172	
Trade payables	11	2,240	5	1,686	4	1,498	4
Other payables	11	1,040	2	692	5	875	3
Derivatives	5	34		35		24	
Provisions for risks and charges	12	315	4	321	4	339	2
Current tax payables		38		18		50	
Total current liabilities		**4,368**		**3,122**		**2,958**	
Total liabilities		**8,174**		**5,089**		**4,636**	
Total equity and liabilities		**10,068**		**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 figure

CONSOLIDATED INCOME STATEMENT

(in millions of Euro)

	Note	1st half 2018	of which related parties (Note 21)	1st half 2017 (*)	of which related parties (Note 21)
Sales of goods and services		4,364	17	3,938	19
Change in inventories of work in progress, semi-finished and finished goods		70		118	
Other income		47	2	37	2
Raw materials, consumables used and goods for resale		(2,903)	(9)	(2,562)	(6)
Fair value change in metal derivatives		(25)		(11)	
Personnel costs		(564)	(9)	(544)	(12)
of which personnel costs for company reorganisation		*(12)*		*(6)*	
of which personnel costs for stock option fair value		*(14)*		*(25)*	
Amortisation, depreciation, impairment and impairment reversals		(94)		(88)	
of which other impairment		*(1)*		-	
Other expenses		(771)		(698)	
of which non-recurring (other expenses) and releases		-		*(15)*	
of which (other expenses) for company reorganisation		*(2)*		*(3)*	
Share of net profit/(loss) of equity-accounted companies		36	36	19	19
Operating income	**14**	**160**		**209**	
Finance costs	15	(217)		(206)	
of which non-recurring finance costs		*(1)*		*(1)*	
Finance income	15	171		157	
Profit/(loss) before taxes		**114**		**160**	
Taxes	16	(32)		(47)	
Net profit/(loss) for the period		**82**		**113**	
Attributable to:					
Owners of the parent		82		113	
Non-controlling interests		-		-	
Basic earnings/(loss) per share (in Euro)	**17**	**0.36**		**0.53**	
Diluted earnings/(loss) per share (in Euro)	**17**	**0.36**		**0.52**	

(*) 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 - 2ND QUARTER *

(in millions of Euro)

	2nd quarter 2018	2nd quarter 2017 (**)
Sales of goods and services	2,485	2,089
Change in inventories of work in progress, semi-finished and finished goods	(51)	18
Other income	34	21
Raw materials, consumables used and goods for resale	(1,594)	(1,318)
Fair value change in metal derivatives	1	(14)
Personnel costs	(303)	(277)
of which personnel costs for company reorganisation	(10)	(4)
of which personnel costs for stock option fair value	*(5)*	*(14)*
Amortisation, depreciation, impairment and impairment reversals	(50)	(44)
Other expenses	(435)	(353)
of which (other expenses) for company reorganisation	*(1)*	-
Share of net profit/(loss) of equity-accounted companies	16	9
Operating income	**103**	**131**
Finance costs	(128)	(99)
Finance income	101	76
Profit/(loss) before taxes	**76**	**108**
Taxes	(22)	(32)
Net profit/(loss) for the period	**54**	**76**
Attributable to:		
Owners of the parent	54	77
Non-controlling interests	-	(1)

(*) The figures for 2nd quarter 2018 and 2017 have not been subjected to limited review by the independent auditors.

(**) The previously published figures for 2nd quarter 2017 have been restated following the adoption of IFRS 15 and IFRS 9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Euro)

	1st half 2018	1st half 2017
Net profit/(loss) for the period	**82**	**113**
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	(6)	18
Fair value gains/(losses) on cash flow hedges - tax effect	2	(4)
Currency translation differences	(24)	(108)
Total items that may be reclassified, net of tax	**(28)**	**(94)**
- items that will NOT be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on employee benefits - gross of tax	9	5
Actuarial gains/(losses) on employee benefits - tax effect	(3)	(1)
Total items that will NOT be reclassified, net of tax	**6**	**4**
Total comprehensive income/(loss) for the period	**60**	**23**
Attributable to:		
Owners of the parent	57	41
Non-controlling interests	3	(18)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - 2ND QUARTER*

(in millions of Euro)

	2nd quarter 2018	2nd quarter 2017
Net profit/(loss) for the period	**54**	**76**
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	18	21
Fair value gains/(losses) on cash flow hedges - tax effect	(6)	(4)
Currency translation differences	6	(104)
Total items that may be reclassified, net of tax	**18**	**(87)**
- items that will NOT be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on employee benefits - gross of tax	9	5
Actuarial gains/(losses) on employee benefits - tax effect	(3)	(1)
Total items that will NOT be reclassified, net of tax	**6**	**4**
Total comprehensive income/(loss) for the period	**78**	**(7)**
Attributable to:		
Owners of the parent	69	5
Non-controlling interests	9	(12)

(*) The figures for 2nd quarter 2018 and 2017 have not been subjected to limited review by the independent auditors.

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**	**1,448**	**227**	**1,638**
Allocation of prior year net result	-	-	-	246	(246)	-	-	-
Dividend distribution	-	-	-	(91)	-	(91)	(10)	(101)
Fair value - stock options	-	-	-	25	-	25	-	25
Share buyback	-	-	-	(99)	-	(99)	-	(99)
Equity component of Convertible Bond 2017	-	-	-	48	-	48	-	48
Total comprehensive income/(loss) for the period	-	14	(90)	4	113	41	(18)	23
Balance at 30 June 2017(*)	**22**	**1**	**(246)**	**1,445**	**113**	**1,457**	**212**	**1,534**

(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	-	-	-	14	-	14		14
Dividend distribution	-	-	-	(96)	-	(96)	(8)	(104)
Change of scope of consolidation	-	-	-	-	-	-	2	2
Equity component of convertible bond	2	-	-	281	-	283	-	283
Total comprehensive income/(loss) for the period	-	(2)	(29)	6	82	57	3	60
Balance at 30 June 2018	**24**	**(7)**	**(328)**	**1,938**	**82**	**1,709**	**185**	**1,894**

(*) 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)	1st half 2018	of which related parties (Note 21)	1st half 2017 (*)	of which related parties (Note 21)
	Profit/(loss) before taxes	114		160	
	Depreciation, impairment and impairment reversals of property, plant and equipment	72		65	
	Amortisation and impairment of intangible assets	22		23	
	Net gains on disposal of property, plant and equipment, intangible assets and acquisition purchase price adjustment	(1)		(1)	
	Share of net profit/(loss) of equity-accounted companies	(36)	(36)	(19)	(19)
	Share-based payments	14		25	
	Fair value change in metal derivatives and other fair value items	25		11	
	Net finance costs	46		49	
	Changes in inventories	(128)		(168)	
	Changes in trade receivables/payables	(37)	9	(127)	7
	Changes in other receivables/payables	(168)	(6)	(139)	(3)
	Taxes paid	(45)		(36)	
	Dividends received from equity-accounted companies	4	4	3	3
	Utilisations of provisions (including employee benefit obligations)	(28)		(39)	
	Increases in provisions (including employee benefit obligations) and other movements	56		44	2
A,	**Net cash flow provided by/(used in) operating activities**	**(90)**		**(149)**	
	Cash flow from acquisitions and/or disposals (1)	(1,208)		-	
	Investments in property, plant and equipment	(101)		(104)	
	Disposals of property, plant and equipment and assets held for sale	4		4	
	Investments in intangible assets	(6)		(11)	
	Investments in financial assets at fair value through profit or loss	(1)		(13)	
	Disposals of financial assets at fair value through profit or loss	16		6	
B,	**Net cash flow provided by/(used in) investing activities**	**(1,296)**		**(118)**	
	Share buyback			(99)	
	Dividend distribution	(103)		(101)	
	Early repayment of credit facility	-		(50)	
	EIB loan	(9)		(8)	
	Loans for acquisition (2)	1,700		-	
	Issuance of Convertible Bond 2017	-		500	
	Revolving credit facility	500		-	
	Repayment of General Cable Convertible Bond	(313)		-	
	Finance costs paid (3)	(187)		(201)	
	Finance income received (4)	148		156	
	Changes in other net financial receivables/payables	(864)		73	
C,	**Net cash flow provided by/(used in) financing activities**	**872**		**270**	
D,	Currency translation gains/(losses) on cash and cash equivalents	(19)		(10)	
E,	**Total cash flow provided/(used) in the period (A+B+C+D)**	**(533)**		**(7)**	
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)**	**802**		**639**	

(*) 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.

(1) The figure of Euro 1,208 million represents the difference between the cash outlay of Euro 1,290 million to acquire General Cable and the net cash and cash equivalents reported by General Cable at the time of the acquisition. More details can be found in the note on "Business combinations".

(2) The figure of Euro 1,700 million represents the amount gross of loan-arrangement costs.

(3) Finance costs paid of Euro 187 million include interest payments of Euro 32 million in the first six months of 2018 (Euro 30 million in the first six months of 2017).

(4) Finance income received of Euro 148 million includes interest income of Euro 2 million in the first six months of 2018 (Euro 4 million in the first six 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 4 December 2017, the Prysmian Group and General Cable Corporation announced that they had entered into a merger agreement. Under this agreement, Prysmian S.p.A., through Alisea Corp. (Alisea), a wholly-owned indirect subsidiary of Prysmian S.p.A., and General Cable Corporation (a company whose shares were listed on the NYSE prior to completion of the merger) had entered into an "Agreement and Plan of Merger" governing the terms and conditions of the merger of Alisea into General Cable Corporation.

On 16 February 2018, Prysmian Group acknowledged that a special meeting of 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. Present at the meeting was 75.34% of the share capital entitled to vote, of which some 99% voted in favour of the acquisition.

Between March and 2 June, all the approvals or clearances were obtained from the relevant antitrust authorities along with approval by other requisite governmental regulators and authorities (Committee on Foreign Investment in the United States - CFIUS).

The closing of the acquisition was consummated on 6 June, following which all the Alisea shares, wholly-owned by Prysmian, were converted into General Cable Corporation shares resulting from the merger with the consequence that all the General Cable Corporation shares outstanding on the effective date of the merger with Alisea were cancelled and converted into a right of their respective holders to receive cash consideration of USD 30.00 per share.

Following consummation of the transaction, General Cable Corporation shares were delisted from the NYSE on 6 June 2018.

The combined group is now present in more than 50 countries with approximately 30,000 employees. Prysmian expects the combined group to generate run-rate pre-tax cost synergies of approximately Euro 150 million by 2022 versus a total of Euro 220 million in integration costs. These synergies will come mainly from improved procurement strategy, overhead cost savings and manufacturing footprint optimisation.

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 were 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 contracted for the General Cable acquisition. Following the acquisition, these agreements have become operative through their transformation into interest rate swaps.

In addition, other 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 the EIB 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 made available lines of credit, intended to finance costs related to the General Cable acquisition; in particular:

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

(d) Acquisition Bridge Loan for Euro 700 million, lasting 2 years from the Acquisition Closing and repayable with a bullet payment at maturity.

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 by issuing ordinary shares with normal dividend rights.

On 27June 2018 the Board of Directors of Prysmian S.p.A. approved the final terms and conditions of the capital increase, approved by the Shareholders' Meeting on 12 April 2018. In particular, it was decided that the capital increase would take place through the issue of up to 32,652,314 ordinary shares with a nominal value of Euro 0.10 each, to be offered pre-emptively to all shareholders and holders of the Company's convertible bonds, namely the convertible bond known as "Prysmian S.p.A. € 500,000,000 Zero Coupon Linked Bonds due 2022", in the ratio of 2 new shares for every 15 option rights held, at an issue price of Euro 15.31 per new share, for a total amount of Euro 499,906,927.34, of which Euro 496,641,695.94 by way of share premium.

As reported in the Note 27. Subsequent events, the rights offering of up to 32,652,314 new shares was completed on 27 July 2018. The offering subsequently concluded with the complete subscription of the new shares for an aggregate amount of Euro 499,906,927.34.

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 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, following a European call for tender, 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); the contract was 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 duration and augment its value.

Contract with JG Summit Petrochemicals Group

On 21 March 2018, the Group signed an agreement with JG Summit Petrochemicals Group (JGSPG) for the supply of approximately 820 km of low and medium voltage power cables, instrumentation and control cables and telecom cables for applications in the petroleum and petrochemicals industry.

JGSPG consists of JG Summit Petrochemical Corporation (JGSPC) - the largest manufacturer of polyolefins in the Philippines and the first and only integrated PE and PP resin manufacturer in the country - and JG Summit Olefins Corporation (JGSOC) - the company that operates the first and only naphtha cracking plant in the Philippines. Both companies are wholly-owned subsidiaries of JG Summit Holdings, Inc. (JGSHI), one of the country's largest and most diversified conglomerates, with business interests in food manufacturing, air transportation, real estate and property development, petrochemicals, banking, publishing, power generation and telecommunications.

The JGSPG complex is located 120 km south of Manila in Batangas City, overlooking the scenic Batangas Bay. At present, JGSPG has a 250-hectare fully integrated world-class manufacturing complex that also houses the naphtha cracking and polymer manufacturing plants.

The Group will provide a complete package of power, instrumentation and control, and telecom cables for Plant & Petrochemical applications for phase 1 of the OSBL (Outside Battery Limits) expansion project, planned for the existing JG Summit facilities and due to commence during 2018.

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.

Contract for 66 kV submarine cable for Borssele III & IV offshore wind farms in the North Sea

On 18 June 2018, the Group was awarded a contract by Van Oord Offshore Wind B.V. for the development of a submarine inter-array cable system for the Borssele III & IV offshore wind farms.

Prysmian will be responsible for the design, manufacture, supply and testing of approximately 175 km of 66 kV three-core XLPE-insulated cables in various cross sections and all related accessories for the Borssele III & IV wind farms. These two farms, forming part of the extensive Borssele Wind Farm Zone located near the southern boundary of the Dutch Exclusive Economic Zone (EEZ), approximately 25 km from the shore, will have a total installed capacity of 731.5 MW with individual wind turbine capacity of 9.54 MW.

The cables, all of which will be manufactured at Prysmian's centre of excellence in Pikkala (Finland), are due to be delivered in early 2020.

Other significant 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.

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). In addition, the La Rosa facility in Argentina will undergo further development. 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, as a result of which, when approving the Quarterly Financial Report at 31 March 2018, the Directors decided to recognise a provision of Euro 20 million as the best estimate of costs to cover the related contractual penalties for this project's late delivery.

On 22 June 2018, the Board of Directors of Prysmian S.p.A. met to examine the implications of certain faults in the cable's operation. In particular, it was noted that during commissioning of the Western Link Cable, the fault detected at the end of April 2018 had recurred. In light of the tests carried out and the information received from the project's technical managers, it can be concluded with reasonable certainty that the area in which the fault has re-emerged is limited to that affected by the previous repair.

In light of the information received from the project's technical managers concerning the costs and time for the new repairs needed to solve this fault, of the related risks and the liquidated damages envisaged by the Western Link Contract, the Board of Directors prudently estimates that the Company may be required to incur additional costs of approximately Euro 50 million and has recognised a provision accordingly.

On 12 September 2018, Prysmian announced that the commissioning and testing of the Western Link Interconnection project had been temporarily suspended to investigate an issue arising in the land section of the cable.

Although the technical investigations to identify the cause and estimate the possible economic impact are still in progress, Prysmian can assume that the event does not appear to have any relation to the fault identified in June 2018 in a submarine section of the interconnection and successfully repaired.

Prysmian is not recognising any further provisions, which, having been augmented during the period, are now deemed sufficient to meet the costs of the repair and of the consequent additional delay in delivering the cable, if attributable to Prysmian.

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 realisable amount of Euro 5 million.

Establishment of privacy department and appointment of internal data protection officer pursuant to European Regulation 2016/679 ("GDPR")

In view of the entry into force of the GDPR (on 25 May 2018), on 10 May 2018, the Board of Directors of Prysmian S.p.A. decided to establish a department to oversee the area of personal data protection and identified and appointed an internal data protection officer (or DPO) whose duties include monitoring the correct application of the GDPR within the Group, supporting senior management in identifying adequate data protection measures and, consequently, processing data correctly in accordance with the law. The role of DPO is held by Mr. Giorgio Totis who continues to act as Group Compliance Director.

New organisation for integration with General Cable

On 11 June 2018, Prysmian Group announced its new organisation and began its integration with General Cable.

The new organisation combines the strengths of both Prysmian and General Cable and is based on centralised governance and integrated management of global businesses, clear responsibilities for results, a focus on efficiency and technological innovation and a customer-centric approach enabled by teams dedicated to key customer accounts.

The new organisational matrix is structured along 3 lines: Group centralised functions, which aim to foster the creation of a highly integrated "One Company"; Regions, which must ensure proximity to the market; and Business areas (Energy, Telecom and Projects), which are responsible for product and cross-selling strategies.

With regard to segment information, considering that such a short time has elapsed since approving the new organisational structure and that the Group's management is still reviewing the overall reporting system, at 30 June 2018 it has been considered appropriate to retain the operating segment reporting structure respectively adopted by the Prysmian Group and General Cable prior to the acquisition, as presented in section “F. Segment Information”.

B. FORM AND CONTENT

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

The information contained in these Explanatory Notes must be read in conjunction with the Directors' Report, an integral part of the Half-Year Financial Report, and the annual IFRS Consolidated Financial Statements at 31 December 2017.

The present Half-Year Financial Report was approved by the Board of Directors of Prysmian S.p.A. on 18 September 2018 and has undergone a limited review by the independent auditors.

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.
The Prysmian Group has prepared the present Half-Year Financial Report at 30 June 2018 in accordance with art. 154-ter of Legislative Decree 58/1998.

When preparing the Half-Year 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 Half-Year 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.

It should be noted that the financial statements of Argentinean consolidated companies at 30 June 2018 have been prepared in the functional currency. Unless there are significant changes in the trend in Argentinian inflation, the effects of applying *IAS 29 - Reporting in Hyperinflationary Economies* will be taken into account in the financial reports at 30 September 2018 and 31 December 2018.

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.
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.
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.

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.

Acquisitions

As described in Section A.1 Significant events, the Group completed the acquisition of all the ordinary shares of General Cable on 6 June 2018. The acquisition was completed through merging Alisea Corp. (a Delaware corporation and wholly-owned indirect subsidiary of Prysmian S.p.A.) with General Cable Corporation.
This has led to a significant enlargement of the scope of consolidation, which as from 1 June 2018 includes all the assets, liabilities, revenues and expenses of subsidiaries and investees of General Cable Corporation. More details can be found in Section E. Business Combinations.

Liquidations

On 8 May 2018, the process of liquidating the Swiss company Prysmian Cables and Systems S.A. in liquidation was completed with its removal from the local company registry.

New company formations

P.O.R. S.A.S. was formed on 13 April 2018 and is wholly owned by Draka France S.A.S.

Mergers

On 1 May 2018, the US companies Draka Cableteq USA Inc. and Gulf Coast Downhole Technologies LLC completed their merger into Prysmian Cables and Systems USA LLC.

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.

On 30 May 2018, the Danish company Prysmian Denmark A/S changed its name to Prysmian Group Denmark A/S.

On 26 June 2018, the Swedish company Draka Sweden AB changed its name to Prysmian Group North Europe AB.

Appendix A to these notes contains a list of the companies included in the scope of consolidation at 30 June 2018.

C. RESTATEMENT OF COMPARATIVE FIGURES

The consolidated financial statements at 1 January 2017 and at 31 December 2017, presented in the current half-year 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;
- "Sales of goods and services" have been increased by around Euro 2 million, while "Taxes" have been increased by around Euro 2 million.

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 six 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 profit or loss";
- current "Available-for-sale financial assets" have been reclassified in "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)	-
Financial assets at fair value through profit or loss			57	57
Derivatives	40			40
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)	-
Financial assets at fair value through profit or loss			40	40
Derivatives	45			45
Available-for-sale financial assets	11		(11)	-
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**

Consolidated Income Statement at 30 June 2017

(in millions of Euro)

	1st half 2017 published	Effect of IFRS 15 application	Effect of IFRS 9 application	1st half 2017 restated
Sales of goods and services	3,936	2		3,938
Change in inventories of work in progress, semi-finished and finished goods	118			118
Other income	37			37
Raw materials, consumables used and goods for resale	(2,562)			(2,562)
Fair value change in metal derivatives	(11)			(11)
Personnel costs	(544)			(544)
of which personnel costs for company reorganisation	(6)			(6)
of which personnel costs for stock option fair value	*(25)*			*(25)*
Amortisation, depreciation, impairment and impairment reversals	(88)			(88)
Other expenses	(698)			(698)
of which non-recurring (other expenses) and releases	*(15)*			*(15)*
of which (other expenses) for company reorganisation	*(3)*			*(3)*
Share of net profit/(loss) of equity-accounted companies	19			19
Operating income	**207**	**2**	**-**	**209**
Finance costs	(206)			(206)
of which non-recurring finance costs	*(1)*			*(1)*
Finance income	157			157
of which non-recurring finance income	-			-
Profit/(loss) before taxes	**158**	**2**	**-**	**160**
Taxes	(45)	(2)		(47)
Net profit/(loss) for the period	**113**	**-**	**-**	**113**
Attributable to:				-
Owners of the parent	113			113
Non-controlling interests	-			-
Basic earnings/(loss) per share (in Euro)	**0.53**			**0.53**
Diluted earnings/(loss) per share (in Euro)	**0.52**			**0.52**

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 Half-Year 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)

				30 June 2018
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value				
Derivatives through profit or loss	-	40	-	40
Hedging derivatives	-	7	-	7
Financial assets at amortised cost	-	5	-	5
Financial assets at fair value through profit or loss	20	-	-	20
Financial assets at fair value through other comprehensive income	10	-	-	10
Other investments at fair value through other comprehensive income		-	13	13
Total assets	**30**	**52**	**13**	**95**
Liabilities				
Financial liabilities at fair value through profit or loss	-	-	-	-
Derivatives	-	18	-	18
Hedging derivatives	-	18	-	18
Total liabilities	**-**	**36**	**-**	**36**

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 profit or loss of Euro 20 million, classified in fair value Level 1, refer to funds in which the Brazilian and Argentinian subsidiaries temporarily invest their liquidity.
Financial assets at fair value through other comprehensive income of Euro 10 million, classified in fair value Level 1, refer to Italian government securities.
During the first six 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. BUSINESS COMBINATIONS

As described in Section A. Significant events, Prysmian Group acquired control of General Cable Corporation on 6 June 2018. The acquisition date is being taken as 1 June 2018 for accounting purposes.

The total consideration paid for the acquisition is approximately Euro 1,290 million.
Acquisition-related costs amount to around Euro 19 million, before tax effects of some Euro 5 million.
These costs have been classified in "Non-operating expenses", of which Euro 15 million accounted for in 2017 and Euro 4 million in 2018.

The assets and liabilities of General Cable have been determined on a provisional basis, since the main acquisition accounting processes were still incomplete at the current reporting date.
In compliance with IFRS 3, the fair value of the assets, liabilities and contingent liabilities will be finalised within twelve months of the acquisition date.

The excess of the purchase consideration over the provisional fair value of net assets acquired has been recognised as goodwill, quantified as Euro 1,461 million.

Such goodwill is primarily justified by the expected future income from integrating the two groups, including the benefits of run-rate and as yet unrecorded higher values of the net assets acquired. The allocation of the acquisition purchase price is in progress, in accordance with the relevant accounting standards.

Details of the assets and goodwill are as follows:

(in millions of Euro)	
Cash out	1,303
Derivatives (collar) for acquisition	(13)
Acquisition price (A)	**1,290**
Fair value of net assets acquired (B)	**(169)**
Non-controlling interest	2
Goodwill (A-B)	**1,461**
Purchase consideration	1,290
Cash and cash equivalents held by acquiree	(82)
Acquisition cash flow	**1,208**

Details of the provisional fair values of the assets/liabilities acquired are as follows:

(in millions of Euro)	
Property, plant and equipment	434
Intangible assets	18
Assets held for sale	1
Financial assets at amortised cost	3
Derivatives	16
Deferred taxes	25
Inventories	656
Trade and other receivables	710
Trade and other payables	(651)
Borrowings from banks and other lenders	(1,312)
Employee benefit obligations and Provisions for risks and charges	(151)
Cash and cash equivalents	82
Net assets acquired (B)	**(169)**

During the first half of 2018, the acquired perimeter (General Cable) accounted for Euro 382 million of the Prysmian Group's total sales of goods and services, and contributed Euro 3 million to the result for the period. If General Cable had been consolidated from 1 January 2018, its contribution to sales of goods and services would have been Euro 1,800 million, while its contribution to the half-year result would have been around Euro 13 million.

F. SEGMENT INFORMATION

Preface

Following the acquisition of General Cable Corporation, the Group announced on 11 June 2018 the launch of a new organisational structure. Considering the very short time since approving the new organisational structure, the Group is still reviewing its reporting system and implementing the necessary changes to its information systems. For the reporting period ended 30 June 2018 it has been considered appropriate to retain the operating segments respectively adopted by the Prysmian Group and General Cable prior to the acquisition.

Segment information

In light of the above, the operating segments for the pre-acquisition Prysmian Group are:

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

With regard to the General Cable group, the operating segments are:

- North America;
- Europe;
- Latin America.

With regard to Prysmian's pre-acquisition organisation, 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.

With regard to the financial results reported by the acquired perimeter (General Cable), 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 the geographical areas in which the acquired perimeter (General Cable) operates (North America, Europe and Latin America), 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.

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.

F.1 OPERATING SEGMENTS

The following tables present information by operating segment:

(in millions of Euro)

									1st half 2018 (*)
	Energy Projects	Energy Products	Oil&GAS	Telecom	North America	Europe	Latin America	Corporate	Group total
Sales [1]	684	2,521	134	645	216	109	57	(2)	4,364
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**50**	**118**	**3**	**107**	**14**	**9**	**2**	**-**	**303**
% of sales	7.4%	4.7%	1.9%	16.6%	6.4%	8.4%	4.7%		6.9%
Adjusted EBITDA (A)	**50**	**120**	**3**	**141**	**14**	**9**	**2**	**-**	**339**
% of sales	7.4%	4.8%	1.9%	21.8%	6.4%	8.4%	4.7%		7.8%
EBITDA (B)	**49**	**113**	**2**	**137**	**7**	**8**	**1**	**(24)**	**293**
% of sales	7.3%	4.4%	1.4%	21.3%	3.4%	7.6%	2.2%		6.7%
Amortisation and depreciation (C)	(21)	(40)	(5)	(22)	(3)	(1)	(1)	-	(93)
Adjusted operating income (A+C)	**29**	**80**	**(2)**	**119**	**11**	**8**	**1**	**-**	**246**
% of sales	4.2%	3.2%	-1.7%	18.4%	5.1%	7.0%	3.0%		5.7%
Fair value change in metal derivatives (D)									(25)
Fair value stock options (E)									(14)
Asset (impairment) and impairment reversal (F)	(1)	-	-	-	-	-	-	-	(1)
Operating income (B+C+D+E+F)									**160**
% of sales									3.7%
Finance income									(217)
Finance costs									171
Taxes									(32)
Net profit/(loss)									**82**
% of sales									2.0%
Attributable to:									
Owners of the parent									82
Non-controlling interests									-
RECONCILIATION BETWEEN EBITDA AND ADJUSTED EBITDA									
EBITDA (A)	**49**	**113**	**2**	**137**	**7**	**8**	**1**	**(24)**	**293**
Adjustments:									
Company reorganisation	1	4	1	3	3	1	-	1	14
of which General Cable integration costs	-	-	-	-	*3*	*1*	-	*1*	*5*
Non-recurring expenses/(income)	-	-	-	-	-	-	-	-	-
of which Antitrust	-	-	-	-	-	-	-	-	-
Other non-operating expenses/(income)	-	3	-	1	4	-	1	23	32
of which General Cable acquisition-related costs	-	-	-	-	-	-	-	*4*	*4*
of which General Cable integration costs	-	-	-	-	-	-	-	*18*	*18*
of which release of General Cable inventory step-up (2)	-	-	-	-	*4*	-	*1*	-	*5*
Total adjustments (B)	**1**	**7**	**1**	**4**	**7**	**1**	**1**	**24**	**46**
Adjusted EBITDA (A+B)	**50**	**120**	**3**	**141**	**14**	**9**	**2**	**-**	**339**

(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.

(2) Refers to the higher cost of using finished goods and raw materials measured at General Cable's acquisition-date fair value.

(*) The results of General Cable have been consolidated for the period 1 June - 30 June 2018.

(in millions of Euro)

						1st half 2017 (*)
	Energy Projects	**Energy Products**	**Oil&GAS**	**Telecom**	**Corporate**	**Group total**
Sales [(1)]	687	2,467	138	646	-	3,938
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**118**	**132**	**2**	93	**-**	**345**
% of sales	17.2%	5.4%	1.1%	14.3%		8.8%
Adjusted EBITDA (A)	**118**	**135**	**2**	109	**-**	**364**
% of sales	17.2%	5.5%	1.1%	16.8%		9.2%
EBITDA (B)	**103**	**128**	**1**	**106**	**(5)**	**333**
% of sales	15.0%	5.2%	0.4%	16.4%		8.5%
Amortisation and depreciation (C)	(20)	(39)	(9)	(20)	-	(88)
Adjusted operating income (A+C)	**98**	**96**	**(7)**	**89**	**-**	**276**
% of sales	14.3%	3.9%	-5.1%	13.7%		7.0%
Fair value change in metal derivatives (D)						(11)
Fair value stock options (E)						(25)
Asset (impairment) and impairment reversal (F)	-	-	-	-	-	-
Operating income (B+C+D+E+F)						**209**
% of sales						5.3%
Finance income						157
Finance costs						(206)
Taxes						(47)
Net profit/(loss)						**113**
% of sales						2.9%
Attributable to:						
Owners of the parent						113
Non-controlling interests						-
RECONCILIATION BETWEEN EBITDA AND ADJUSTED EBITDA						
EBITDA (A)	**103**	**128**	**1**	**106**	**(5)**	**333**
Adjustments:						
Company reorganisation	-	4	1	2	2	9
Non-recurring expenses/(income)	15					15
of which Antitrust	*15*	-	-	-	-	*15*
Other non-operating expenses/(income)	-	3	-	1	3	7
Total adjustments (B)	**15**	**7**	**1**	**3**	**5**	**31**
Adjusted EBITDA (A+B)	**118**	**135**	**2**	**109**	**-**	**364**

(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.

(*) The previously published figures for 1st half 2017 have been restated following the introduction of IFRS 15 and IFRS 9.

F.2 GEOGRAPHICAL AREAS

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

(in millions of Euro)

	1st half 2018 (**)	1st half 2017 (***)
Sales of goods and services	**4,364**	**3,938**
EMEA*	**2,835**	**2,656**
(of which Italy)	601	624
North America	**771**	**590**
Latin America	**277**	**214**
Asia Pacific	**481**	**478**

(*) EMEA = Europe, Middle East and Africa

(**) The results of General Cable have been consolidated for the period 1 June - 30 June 2018.

(***) The previously published figures for 1st half 2017 have been restated following the introduction of IFRS 15 and IFRS 9.

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:			
- Business combinations	434	1,479	1,461
- Investments	101	6	-
- Disposals	(3)	-	-
- Depreciation and amortisation	(71)	(22)	-
- Impairment	(1)	-	-
- Currency translation differences	(8)	10	*6*
- Reclassifications (to)/from Assets held for sale	(2)	-	-
Total movements	**450**	**1,473**	**1,467**
Balance at 30 June 2018	**2,096**	**2,208**	***1,905***
Of which:			
- Historical cost	3,419	2,606	*1,925*
- Accumulated depreciation/amortisation and impairment	(1,323)	(398)	*(20)*
Net book value	**2,096**	**2,208**	***1,905***

(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	104	11	-
- Disposals	(4)	-	-
- Depreciation and amortisation	(65)	(23)	-
- Currency translation differences	(41)	(21)	*(7)*
Total movements	**(6)**	**(33)**	***(7)***
Balance at 30 June 2017	**1,625**	**759**	***441***
Of which:			
- Historical cost	2,855	1,113	*461*
- Accumulated depreciation/amortisation and impairment	(1,230)	(354)	*(20)*
Net book value	**1,625**	**759**	***441***

In the above tables, movements in "Business combinations" refer to the acquired perimeter (General Cable), as better described in Section E. Business Combinations.

A total of Euro 101 million has been invested in property, plant and equipment in the first six months of 2018. This expenditure is analysed as follows:

- 60%, or Euro 59 million, for projects to increase and rationalise production capacity and develop new products;
- 26%, or Euro 25 million, for projects to improve industrial efficiency;
- 14%, or Euro 14 million, for structural projects.

A total of Euro 6 million has been invested in intangible assets in the first six months of 2018, most of which for IT projects and ongoing implementation of SAP to standardise the information system throughout the Group.

There are Euro 2 million in liens on 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)

	30 June 2018	31 December 2017
Investments in associates	246	212
Investments in joint ventures	5	5
Total equity-accounted investments	**251**	**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	44.93%
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 and in July 2018 it was also listed on the Shanghai Stock Exchange.
At 30 June 2018, the fair value of the investment in Yangtze Optical Fibre and Cable Joint Stock Limited Company was Euro 625 million, compared with a carrying amount of Euro 203 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)

			30 June 2018
	Non-current	Current	Total
Trade receivables	-	1,943	1,943
Allowance for doubtful accounts	-	(84)	(84)
Total trade receivables	**-**	**1,859**	**1,859**
Other receivables:			
Tax receivables	6	138	144
Financial receivables	12	9	21
Prepaid finance costs	1	2	3
Receivables from employees	2	6	8
Pension plan receivables	-	2	2
Construction contracts	-	532	532
Advances to suppliers	3	19	22
Other	24	92	116
Total other receivables	**48**	**800**	**848**
Total	**48**	**2,659**	**2,707**

(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 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

The increase of Euro 728 million in trade receivables mostly refers to the first-time consolidation of General Cable.

4. INVENTORIES

These are detailed as follows:

(in millions of Euro)

	30 June 2018	31 December 2017
Raw materials	474	284
of which allowance for obsolete and slow-moving raw materials	*(41)*	*(33)*
Work in progress and semi-finished goods	408	230
of which allowance for obsolete and slow-moving work in progress and semi-finished goods	*(13)*	*(8)*
Finished goods (*)	835	440
of which allowance for obsolete and slow-moving finished goods	*(70)*	*(50)*
Total	**1,717**	**954**

(*) Finished goods also include goods for resale.

The first-time consolidation of General Cable has led to a significant increase in the value of inventories.

5. DERIVATIVES

These are detailed as follows:

(in millions of Euro)

	30 June 2018	
	Asset	**Liability**
Non-current		
Forward currency contracts on commercial transactions (cash flow hedges)	2	1
Total hedging derivatives	**2**	**1**
Metal derivatives	12	1
Total other derivatives	**12**	**1**
Total non-current	**14**	**2**
Current		
Interest rate swaps (cash flow hedges)	-	10
Forward currency contracts on commercial transactions (cash flow hedges)	5	7
Total hedging derivatives	**5**	**17**
Forward currency contracts on commercial transactions	12	7
Forward currency contracts on financial transactions	1	2
Metal derivatives	15	8
Total other derivatives	**28**	**17**
Total current	**33**	**34**
Total	**47**	**36**

Interest rate derivatives designated as cash flow hedges refer to:

- interest rate swaps, 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 contracted by the Group to acquire General Cable;
- 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 PROFIT OR LOSS

Financial assets at fair value through profit or loss, amounting to Euro 20 million (Euro 40 million at 31 December 2017), basically refer to units in funds that mainly invest in short and medium-term government securities. The subsidiaries that invest temporarily available liquidity in such funds are mainly Brazilian and Argentinian ones.

7. CASH AND CASH EQUIVALENTS

These are detailed as follows:

(in millions of Euro)

	30 June 2018	31 December 2017
Cash and cheques	5	2
Bank and postal deposits	797	1,333
Total	**802**	**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 530 million at 30 June 2018, compared with Euro 359 million at 31 December 2017.

8. ASSETS HELD FOR SALE

These are detailed as follows:

(in millions of Euro)

	30 June 2018	31 December 2017
Assets held for sale:		
Buildings	2	-
Other property, plant and equipment	1	-
Total assets held for sale	**3**	**-**

Assets held for sale primarily refer to the plant in Ascoli Piceno, sold in July 2018.

9. SHARE CAPITAL AND RESERVES

Consolidated equity has recorded a positive change of Euro 255 million since 31 December 2017, mainly reflecting the net effect of:

- negative currency translation differences of Euro 24 million;
- the negative post-tax change of Euro 4 million in the fair value of derivatives designated as cash flow hedges;
- the positive change of Euro 14 million in the share-based compensation reserve linked to stock option plans;
- the distribution of Euro 104 million in dividends;
- an increase of Euro 283 million following conversion of the Convertible Bond 2013;
- an increase of Euro 6 million in the reserve for actuarial gains and losses on employee benefits;
- the net profit for the period of Euro 82 million;
- the increase of Euro 2 million in non-controlling interests arising from the acquisition of General Cable.

At 30 June 2018, the share capital of Prysmian S.p.A. comprises 235,491,932 shares, each of nominal value Euro 0.10 for a total of Euro 23,549,193.20.

Movements in the ordinary shares and treasury shares of Prysmian S.p.A. are reported in the following table:

	Ordinary shares	Treasury shares	Total
Balance at 31 December 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 (3)	18,009,178		18,009,178
Allotments and/or sales (4)		1,309,647	1,309,647
Balance at 30 June 2018	**235,491,932**	**(5,185,234)**	**230,306,698**

(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) Issue of new shares following conversion of the Convertible Bond 2013 (12,677,769 shares) and to serve the long-term incentive plan (LTI Plan) for Group employees (5,331,409 shares).

(4) Allotment and/or sale of treasury shares to serve the long-term incentive plan (LTI Plan) for Group employees (1,278,001 shares) and the share purchase plan (YES Plan) for Group employees (31,646 shares).

Treasury shares

Movements in treasury shares during the first six months of 2018 mainly refer to the allotment and sale of treasury shares serving the long-term incentive plan and the 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)
Balance at 31 December 2016	**2,618,317**	**261,832**	**1.25%**	**12.02**	**33,610,906**
- Allotments and sales	(127,379)	(12,738)	-	19.28	(2,455,867)
- Share buyback	4,003,943	400,394	-	25.03	100,232,035
Balance at 31 December 2017	**6,494,881**	**649,488**	**2.99%**	**20.23**	**131,387,074**
- Allotments and sales	(1,309,647)	(130,965)	-	19.92	(26,088,168)
Balance at 30 June 2018	**5,185,234**	**518,524**	**2.20%**	**20.31**	**105,298,906**

Authorisation to buy and dispose of treasury shares

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

10. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

(in millions of Euro)

			30 June 2018
	Non-current	**Current**	**Total**
Borrowings from banks and other lenders	255	112	367
Term Loan	993	1	994
Bridge Loan	698		698
Syndicated Revolving Credit Facility 2014		500	500
Non-convertible bond	744	4	748
Convertible Bond 2017	462	-	462
General Cable Convertible Bond	-	83	83
Finance lease obligations	11	1	12
Total	**3,163**	**701**	**3,864**

(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)

	30 June 2018	31 December 2017
CDP Loan	100	100
Syndicated Revolving Credit Facility 2014	500	-
EIB Loans	160	169
Term Loan	994	-
Bridge Loan	698	-
Other borrowings	107	58
Borrowings from banks and other lenders	**2,559**	**327**
Non-convertible bond	748	757
Convertible Bond 2013	-	283
Convertible Bond 2017	462	456
General Cable Convertible Bond	83	-
Total	**3,852**	**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 30 June 2018, the facility had been drawn down by Euro 500 million to help refinance the debt of the acquired perimeter (General Cable), as well as to meet the Prysmian Group's post-acquisition current financial needs.

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 with the EIB 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 30 June 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 30 June 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 30 June 2018 approximates the related carrying amount.

Financing for the General Cable acquisition

On 2 March 2018, Prysmian S.p.A. entered into a credit agreement (the Acquisition Financing Agreement) with the object of obtaining the financial resources needed to pay the consideration for the acquisition of General Cable Corporation, to refinance the existing debt of General Cable Corporation and its subsidiaries and to finance the fees, commissions, costs and expenses surrounding the acquisition.

This financing consists of two lines of credit:

• "Term Loan": a term loan for Euro 1 billion, repayable on the fifth anniversary of the acquisition closing date (6 June 2023);
• "Bridge Loan": a term loan for Euro 700 million, repayable with a bullet payment within 2 years of the acquisition closing date (6 June 2020).

The interest rates applied to the new loans are indexed to 6M and 3M Euribor.

Both facilities had been drawn down in full at 30 June 2018. The fair value of both lines of credit at 30 June 2018 approximates their carrying amount.

The following table summarises the committed lines available to the Group at 30 June 2018 and 31 December 2017:

(in millions of Euro)

			30 June 2018
	Total lines	Drawn	Undrawn
Syndicated Revolving Credit Facility 2014	1,000	(500)	500
CDP Loan	100	(100)	-
Term Loan	1,000	(1,000)	-
Bridge Loan	700	(700)	-
EIB Loans	160	(160)	-
Total	**2,960**	**(2,460)**	**500**

(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**

All the above loans are subject to financial covenants, more details about which can be found in Note 25. Group financial covenants.

Bonds

The Prysmian Group had the following bonds outstanding as at 30 June 2018:

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 half of 2018 the entire bond was converted into shares.

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 763 million at 30 June 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 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	14
Related costs	(4)
Balance at 30 June 2018	**462**

As at 30 June 2018, the fair value of the Convertible Bond 2017 (equity component and debt component) is Euro 496 million, of which the fair value of the debt component is Euro 476 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).

General Cable convertible bond

This bond, originating from the acquisition of General Cable, was issued on 18 December 2009 for an amount of USD 429.5 million; it allowed bondholders the option in the event of an acquisition, to request repayment of the nominal value plus a premium.

As at 30 June 2018, the residual debt was Euro 83 million, not yet having been fully paid off. Almost all of the debt was subsequently paid off in July 2018.

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	Convertible Bonds	Non-convertible bonds	Loans for acquisition	Other borrowings (included borrowings ex General Cable) / Finance lease obligations	Total
Balance at 31 December 2017	**100**	**169**	**739**	**757**	**-**	**71**	**1,836**
Business combinations	-	-	396	-	-	915	1,311
Currency translation differences	-	-	-	-	-	(3)	(3)
New funds	-	-	-	-	1,700	33	1,733
Repayments	-	(9)	(313)	-	-	(897)	(1,219)
Drawn revolving facility	-	-	-	-	-	500	500
Conversion of Convertible Bond 2013	-	-	(283)	-	-	-	(283)
Interest and other movements	-	-	6	(9)	(8)	-	(11)
Total movements	**-**	**(9)**	**(194)**	(9)	**1,692**	**548**	**2,028**
Balance at 30 June 2018	**100**	**160**	**545**	**748**	**1,692**	**619**	**3,864**

(in millions of Euro)

	CDP Loan	EIB Loans	Convertible Bonds	Non-convertible bonds	Loans for acquisition	Other borrowings / Finance lease obligations (1)	Total
Balance at 31 December 2016	**-**	**75**	**289**	**755**	**-**	**167**	**1,286**
Currency translation differences	-	-	-	-	-	(8)	(8)
New funds	-		446	-	-	59	505
Repayments	-	(8)	-	-	-	(67)	(75)
Amortisation of bank and financial fees and other expenses	-	-	1	1	-	-	2
Interest and other movements	-	-	9	(10)	-	-	(1)
Total movements	**-**	**(8)**	**456**	**(9)**	**-**	**(16)**	**423**
Balance at 30 June 2017	**-**	**67**	**745**	**746**	**-**	**151**	**1,709**

(1) Includes the Revolving Credit Facility 2014.

NET FINANCIAL DEBT

(in millions of Euro)

	Note	30 June 2018	31 December 2017
Long-term financial payables			
CDP Loan	10	100	100
EIB Loans	10	143	152
Non-convertible bond	10	744	743
Convertible Bond 2017	10	462	456
Term Loan	10	993	-
Bridge Loan	10	698	-
Finance leases	10	11	12
Other financial payables	10	12	3
Total long-term financial payables		**3,163**	**1,466**
Short-term financial payables			
Syndicated Revolving Credit Facility 2014	10	500	-
EIB Loans	10	17	17
Non-convertible bond	10	4	14
Convertible Bond 2013	10	-	283
General Cable Convertible Bond	10	83	-
Term Loan	10	1	-
Finance leases	10	1	1
Interest rate swaps	5	10	-
Forward currency contracts on financial transactions	5	2	1
Other financial payables		95	55
Total short-term financial payables		**713**	**371**
Total financial liabilities		**3,876**	**1,837**
Long-term financial receivables	3	12	2
Long-term bank fees	5	1	1
Financial assets at amortised cost		5	2
Forward currency contracts on financial transactions (current)	5	1	1
Short-term financial receivables	3	9	7
Short-term bank fees	3	2	2
Financial assets at fair value through profit or loss	6	20	40
Financial assets at fair value through other comprehensive income		10	11
Cash and cash equivalents	7	802	1,335
Net financial debt		**3,014**	**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	30 June 2018	31 December 2017
Net financial debt - as reported above		**3,014**	**436**
Long-term financial receivables and other assets		17	4
Long-term bank fees	5	1	1
Net forward currency contracts on commercial transactions	5	(4)	(9)
Forward currency contracts for General Cable acquisition (cash flow hedge)	5	-	17
Net metal derivatives	5	(18)	(30)
Recalculated net financial debt		**3,010**	**402**

11. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in millions of Euro)

			30 June 2018
	Non-current	**Current**	**Total**
Trade payables	-	2,240	2,240
Total trade payables	**-**	**2,240**	**2,240**
Other payables:			
Tax and social security payables	3	202	205
Advances from customers	-	297	297
Payables to employees	-	185	185
Accrued expenses	-	165	165
Other	10	191	201
Total other payables	**13**	**1,040**	**1,053**
Total	**13**	**3,280**	**3,293**

(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 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

The increase of Euro 554 million in trade payables is mostly attributable to the first-time consolidation of General Cable.

Advances from customers include the liability for construction contracts, amounting to Euro 255 million at 30 June 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.

12. PROVISIONS FOR RISKS AND CHARGES

These are detailed as follows:

(in millions of Euro)

			30 June 2018
	Non-current	Current	Total
Restructuring costs	1	26	27
Contractual and legal risks	12	230	242
Environmental risks	8	8	16
Tax risks	27	20	47
Contingent liabilities	3	2	5
Other risks and charges	12	29	41
Total	**63**	**315**	**378**

(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 risks	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 reporting period:

(in millions of Euro)

	Restructuring costs	Contractual and legal risks	Environmental risks	Tax risks	Contingent liabilities	Other risks and charges	Total
Balance at 31 December 2017	**26**	**253**	**7**	**23**	**5**	**40**	**354**
Business combinations	-	4	8	25	-	2	39
Increases	9	8	1	-	-	2	20
Utilisations	(8)	(14)	-	-	-	-	(22)
Releases	-	(7)	-	(1)	-	-	(8)
Currency translation differences	-	-	-	-	-	(3)	(3)
Other	-	(2)	-	-	-	-	(2)
Total movements	**1**	**(11)**	**9**	**24**	**-**	**1**	**24**
Balance at 30 June 2018	**27**	**242**	**16**	**47**	**5**	**41**	**378**

The provision for contractual and legal risks amounts to Euro 242 million at 30 June 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 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. 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. were accepted by the General Court of the European Union. Prysmian did not incur 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. 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.

On 12 July 2018, the General Court of the European Union issued rulings on the appeals lodged by the Prysmian Group, including General Cable. These rulings have dismissed the appeals against the fines imposed by that decision. The Prysmian Group, including General Cable, does not agree with the conclusions reached by the General Court of the European Union and will appeal to the Court of Justice of the European Union.

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 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 sentencing 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 filed by the Australian competition authority. The court concerned issued a ruling on 13 March 2018, dismissing 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. challenged this ruling. On 8 August 2018, the Australian High Court dismissed the appeal filed by the company against the decision by the court of second instance, thereby definitively closing proceedings.

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.

By an order dated 8 August 2018, the Court has dismissed the statements of objection filed, among others, by the defendant Prysmian Group companies, which in turn have appealed against this order to the relevant court.

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.

On 24 November 2017, the local competition authority notified the Group's Spanish subsidiaries of a decision under which they were 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. The appeal decision is still pending.

The decision of 24 November 2017 also held the Spanish subsidiaries of General Cable liable for breach of local antitrust law. However, they have obtained immunity from paying the related fine (quantified at about Euro 12.6 million) having filed for leniency and collaborated with the local competition authority in its investigations. The Spanish subsidiaries of General Cable have also appealed against the decision of the local competition authority; the appeal decision is still pending.

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 30 June 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.

13. EMPLOYEE BENEFIT OBLIGATIONS

These are detailed as follows:

(in millions of Euro)

	30 June 2018	31 December 2017
Pension plans	280	269
Employee indemnity liability (Italian TFR)	16	17
Medical benefit plans	26	27
Termination and other benefits	127	42
Incentive plans	-	-
Total	**449**	**355**

The increase of Euro 94 million in employee benefit obligations is mostly attributable to the first-time consolidation of General Cable.
Movements in employee benefit obligations have had an overall impact of Euro 9 million on the period's income statement, of which Euro 4 million classified in personnel costs and Euro 5 million in finance costs.

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

	1st half 2018	1st half 2017
Average number (*)	21,293	20,818

	30 June 2018	31 December 2017
Closing number	29,940	21,050

(*) The period average refers only to employees of the Prysmian Group with reference to its structure pre-acquisition of General Cable.

14. OPERATING INCOME

Operating income is a profit of Euro 160 million in the first six months of 2018 (compared with a profit of Euro 209 million in the first six months of 2017) and is stated after the following adjustments:

(in millions of Euro)

	1st half 2018	1st half 2017
Company reorganisation [(1)]	(14)	(9)
Non-recurring (expenses)/income [(2)]	-	(15)
of which Antitrust	-	*(15)*
Other non-operating (expenses)/income [(3)]	(27)	(7)
of which General Cable acquisition-related costs	*(4)*	-
of which General Cable integration costs	*(18)*	-
of which release of General Cable inventory step-up	*(5)*	-
Total adjustments	**(41)**	**(31)**

[(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.

15. FINANCE COSTS AND INCOME

Finance costs are detailed as follows:

(in millions of Euro)

	1st half 2018	1st half 2017
Interest on loans	3	-
Interest on non-convertible bond	9	9
Interest on convertible bond 2013 - non-monetary component	1	4
Interest on convertible bond 2013 - monetary component	-	2
Interest on convertible bond 2017 - non-monetary component	5	4
Amortisation of bank and financial fees and other expenses	3	2
Employee benefit interest costs	5	4
Other bank interest	3	6
Costs for undrawn credit lines	2	2
Sundry bank fees	7	7
Non-recurring other finance costs	1	1
Other	2	1
Finance costs	**41**	**42**
Net losses on forward currency contracts	-	12
Losses on derivatives	**-**	**12**
Foreign currency exchange losses	176	150
Other non-operating financial costs	-	2
Total finance costs	**217**	**206**

Finance income is detailed as follows:

(in millions of Euro)

	1st half 2018	1st half 2017
Interest income from banks and other financial institutions	2	3
Other finance income	2	2
Finance income	**4**	**5**
Net gains on interest rate swaps	8	-
Gains on derivatives	**8**	**-**
Foreign currency exchange gains	159	152
Total finance income	**171**	**157**

16. TAXES

Taxes have been estimated on the basis of the expected average tax rate for the full year. The tax charge for the first six months of 2018 is Euro 32 million, while the tax rate is 28%.

17. EARNINGS/(LOSS) PER SHARE

Both basic and diluted earnings (loss) per share have been calculated by dividing the net result for the period attributable to owners of the parent by the average number of the Company's outstanding shares.
Diluted earnings/(loss) per share have been affected by the options under the employee share purchase plan (YES Plan). Diluted earnings/(loss) per share have not been affected by the Convertible Bond 2017, whose conversion is currently out of the money, or by the options under the long-term incentive plan 2018-2020 which, based on the amount of aggregate EBITDA to 30 June 2018, are not grantable.

(in millions of Euro)

	1st half 2018	1st half 2017
Net profit/(loss) attributable to owners of the parent	82	113
Weighted average number of ordinary shares (thousands)	226,902	211,137
Basic earnings per share (in Euro)	**0.36**	**0.53**
Net profit/(loss) attributable to owners of the parent for purposes of diluted earnings per share	82	118
Weighted average number of ordinary shares (thousands)	226,902	211,137
Adjustments for:		
New shares from conversion of bonds into shares (thousands)	-	13,444
Dilution from incremental shares arising from exercise of stock options (thousands)	53	56
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	226,955	224,637
Diluted earnings per share (in Euro)	**0.36**	**0.52**

18. CONTINGENT LIABILITIES

As a global operator, the Group is exposed to legal risks primarily, by way of example, in the areas of product liability and environmental, antitrust and tax rules and regulations. The outcome of legal disputes and proceedings currently in progress cannot be predicted with certainty. An adverse outcome in one or more of these proceedings could result in the payment of costs that are not covered, or not fully covered, by insurance, which would therefore have a direct effect on the Group's financial position and results.
As at 30 June 2018, contingent liabilities against which the Group has not recognised any provisions for risks and charges, insofar as it considers an outflow of resources likely but the amount of which can be measured with sufficient reliability, amount to approximately Euro 114 million.
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.

19. 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 326 million at 30 June 2018 (Euro 363 million at 31 December 2017).

20. SEASONALITY

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

21. RELATED PARTY TRANSACTIONS

Transactions between Prysmian S.p.A. and 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 the related party transactions during the six months ended 30 June 2018:

(in millions of Euro)

					30 June 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	251	-	**251**	251	99.9%
Trade receivables	14	-	**14**	1,859	0.8%
Other receivables	2	-	**2**	848	0.2%
Trade payables	5	-	**5**	2,240	0.2%
Other payables	-	2	**2**	1,053	0.2%
Provisions for risks and charges	-	4	**4**	378	1.1%

(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	100.2%
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%

(in millions of Euro)

					1st half 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	17	-	**17**	4,364	0.4%
Other income	2	-	**2**	47	4.3%
Raw materials, consumables used and goods for resale	(9)	-	**(9)**	(2,903)	0.3%
Personnel costs	-	(9)	**(9)**	(564)	1.6%
Other expenses	-	-	**-**	(771)	0.0%
Share of net profit/(loss) of equity-accounted companies	36	-	**36**	36	99.9%

(in millions of Euro)

					1st half 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	19	-	**19**	3,938	0.5%
Other income	2	-	**2**	37	5.4%
Raw materials, consumables used and goods for resale	(6)	-	**(6)**	(2,562)	0.2%
Personnel costs	-	(12)	**(12)**	(544)	2.2%
Other expenses	-	-	**-**	(698)	0.0%
Share of net profit/(loss) of equity-accounted companies	19	-	**19**	19	100.0%

(*) 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.

Transactions with associates

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

Compensation of Directors, Statutory Auditors and Key Management Personnel

The compensation of the Directors, Statutory Auditors and Key Management Personnel totals Euro 9 million at 30 June 2018 (Euro 10 million in the first six months of 2017).

22. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions were carried out during the first six months of 2018.

23. COMMITMENTS

Contractual commitments, already given to third parties at 30 June 2018 and not yet reflected in the financial statements, amount to Euro 106 million for property, plant and equipment and Euro 4 million for intangible assets.

As at 30 June 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.

24. 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.

25. GROUP FINANCIAL COVENANTS

The principal credit agreements in place at 30 June 2018, details of which are presented in Note 10. Borrowings from banks and other lenders, require the Group to comply with a series of covenants on a consolidated basis. The main covenants, classified by type, are listed below:

a) Financial covenants

- Ratio between EBITDA and Net finance costs (as defined in the relevant agreements);
- Ratio between Net Financial Debt and EBITDA (as defined in the relevant agreements).

The covenants contained in the various credit agreements are as follows:

	EBITDA/Net finance costs(1) not less than	Net financial debt / EBITDA(1) not more than
	4.00x	3.00x

(1) The ratios are calculated on the basis of the definitions contained in the relevant credit agreements. The Net Financial Debt-EBITDA ratio can go as high as 3.5 following extraordinary transactions like acquisitions, no more than three times, including on non-consecutive occasions.

b) Non-financial covenants

A number of non-financial covenants have been established in line with market practice applying to transactions of a similar nature and size. These covenants involve a series of restrictions on the grant of secured guarantees to third parties, on the conduct of acquisitions or equity transactions, and on amendments to the Company's by-laws.

Default events

The main default events are as follows:

• default on loan repayment obligations;

• breach of financial covenants;

• breach of some of the non-financial covenants;

• declaration of bankruptcy or subjection of Group companies to other insolvency proceedings;

• issuance of particularly significant judicial rulings;

• occurrence of events that may adversely and significantly affect the business, the assets or the financial conditions of the Group.

Should a default event occur, the lenders are entitled to demand full or partial repayment of the amounts lent and not yet repaid, together with interest and any other amount due. No collateral security is required.

Actual financial ratios reported at period end, calculated at a consolidated level for the Prysmian Group, are as follows:

	30 June 2018	31 December 2017
EBITDA / Net finance costs (1)	9.24x	15.37x
Net financial debt / EBITDA (1)	3.34x	0.58x

(1) The ratios are calculated on the basis of the definitions contained in the relevant credit agreements.

The above financial ratios comply with both covenants contained in the relevant credit agreements and there are no instances of non-compliance with the financial and non-financial covenants indicated above, since, following extraordinary transactions like acquisitions, the agreements allow the Net Financial Debt-EBITDA ratio to go as high as 3.50 no more than three times, including on non-consecutive occasions.

26. EXCHANGE RATES

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

	Closing rates at		Average rates in	
	30 June 2018	**31 December 2017**	**1st half 2018**	**1st half 2017**
Europe				
British Pound	0.886	0.887	0.88	0.861
Swiss Franc	1.157	1.17	1.17	1.077
Hungarian Forint	329.77	310.33	314.113	309.421
Norwegian Krone	9.512	9.84	9.593	9.179
Swedish Krona	10.453	9.844	10.151	9.597
Czech Koruna	26.02	25.535	25.5	26.784
Danish Krone	7.453	7.445	7.448	7.437
Romanian Leu	4.663	4.659	4.654	4.537
Turkish Lira	5.319	4.524	4.951	3.939
Polish Zloty	4.373	4.177	4.221	4.269
Russian Rouble	73.158	69.392	71.96	62.806
North America				
US Dollar (*)	1.166	1.199	1.21	1.083
Canadian Dollar	1.544	1.504	1.546	1.445
South America				
Brazilian Real	4.495	3.967	4.148	3.445
Argentine Peso	33.633	22.366	26.236	17.019
Chilean Peso	757.26	737.29	740.216	714.89
Mexican Peso	22.882	23.661	23.085	21.044
Oceania				
Australian Dollar	1.579	1.535	1.569	1.436
New Zealand Dollar	1.725	1.685	1.691	1.53
Africa				0
CFA Franc	655.957	655.957	655.957	655.957
Tunisian Dinar	3.052	2.974	2.982	2.557
Asia				
Chinese Renminbi (Yuan)	7.717	7.804	7.709	7.445
United Arab Emirates Dirham	4.281	4.404	4.445	3.976
Hong Kong Dollar	9.147	9.372	9.486	8.42
Singapore Dollar	1.59	1.602	1.605	1.521
Indian Rupee	79.813	76.606	79.49	71.176
Indonesian Rupiah	16654.04	16239.12	16,665	14,434
Japanese Yen	129.04	135.01	131.606	121.78
Thai Baht	38.565	39.121	38.419	37.59
Philippine Peso	62.174	59.795	62.936	54.077
Omani Rial	0.448	0.461	0.465	0.416
Malaysian Ringgit	4.708	4.854	4.767	4.751
Qatari Riyal	4.244	4.366	4.406	3.942
Saudi Riyal	4.372	4.497	4.539	4.062

(*) The consolidation of General Cable has used for the period-end exchange rate, the EUR/USD rate at 30 June 2018 of 1.1666, and for the period average rate, a rate of 1.164 referring to just the month of June.

27. SUBSEQUENT EVENTS

Ruling of the General Court of the European Union regarding antitrust investigations

On 12 July 2018, the General Court of the European Union issued rulings on the appeals lodged by the Prysmian Group, including General Cable, against the decision of the European Commission dated 2 April 2014 and whose content had already been anticipated by Prysmian on the same date.

These rulings have dismissed the appeals against the fines imposed by that decision. Most of the other defendants had appealed against the Commission's decision and even these appeals have been dismissed.

Further details can be found in Note 12. Provisions for risks and charges.

Interest rate hedging derivatives

In July 2018, the Group entered into interest rate hedging derivatives, transforming variable into fixed rate, with the purpose of reducing variable rate risk. In particular, forward rate agreements have been arranged, for an overall notional value of Euro 300 million, with the objective of hedging variable interest rate flows over the period 2018-2020 on financing the Group has contracted for the General Cable acquisition. These agreements have become operative in September 2018 through their transformation into interest rate swaps.

Shanghai Stock Exchange listing and capital increase by Yangtze Optical Fibre and Cable Joint Stock Limited

On 20 July 2018, Yangtze Optical Fibre and Cable Joint Stock Limited Company (an equity-accounted associate) completed its listing on the Shanghai Stock Exchange; the company was already listed on the Hong Kong Stock Exchange. The Shanghai listing has increased the number of shares from a previous total of 682,114,598 to 757,905,108. Since Draka Comteq B.V. has kept its holding (of 179,827,794 shares) unchanged, its stake in this company has gone from 26.37% to 23.73%. The share dilution has given rise to a gain, recorded in the second half of 2018.

Resignation of the Chairman of the Board of Directors

On 25 July 2018, Massimo Tononi, Chairman of the Board of Directors, tendered his resignation as Chairman, as a member of the Board of Directors and as a member of the Company's Compensation, Nominations and Sustainability Committee, with effect from the end of the Board of Directors' meeting which approves the current Half-Year Financial Report at 30 June 2018. Mr. Tononi's resignation has been tendered following his appointment in Cassa Depositi e Prestiti S.p.A., as a result of which he believes it right to step down from all positions held in other companies.

Capital increase

Further to the capital increase approved by the Shareholders' Meeting of 12 April 2018, the rights offering of up to 32,652,314 new shares was completed on 27 July 2018. The offering concluded with the complete subscription of the 32,652,314 new shares for an aggregate amount of Euro 499,906,927.34.

Contract to cable offshore wind farms in France

On 29 August 2018, the Group was awarded three important projects to develop cable connections for offshore wind farms in France. Prysmian has been engaged to design, supply and install inter-array cables for the two offshore wind farms, Fécamp and Courseulles-sur-Mer, located off the north coast of France.

The contracts for these two major wind farms are worth over Euro 200 million and are expected to be finalised in early autumn.

Contract for submarine interconnection in Greece

On 4 September 2018, the Group was awarded a new contract worth approximately Euro 21 million by IPTO (Independent Power Transmission Operator), the Transmission System Operator of the Greek electricity grid, for two interconnections between the Cyclades islands (Evia, Andros and Tinos) in Greece.

The project involves the design, supply and installation, as well as related onshore civil engineering works, of two turnkey high voltage cable systems, which will boost power transmission between the Cyclades islands, ensuring a robust, reliable and sustainable power supply.

The submarine cables will be manufactured in the Arco Felice plant (Naples), a Group centre of technological and manufacturing excellence, while the underground cables will be produced in Pignataro (Naples).

The submarine and underground cables will be manufactured over the course of 2018 and 2019, while delivery and commissioning is scheduled for the third quarter of 2019.

Western Link

On 12 September 2018, Prysmian announced that the commissioning and testing of the Western Link Interconnection project had been temporarily suspended to investigate an issue arising in the land section of the cable.

Although the technical investigations to identify the cause and estimate the possible economic impact are still in progress, Prysmian can assume that the event does not appear to have any relation to the fault identified in June 2018 in a submarine section of the interconnection and successfully repaired.

Prysmian is not recognising any further provisions, which, having been augmented during the period, are now deemed sufficient to meet the costs of the repair and of the consequent additional delay in delivering the cable, if attributable to Prysmian.

Milan, 18 September 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:

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 Group 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.
P.O.R. S.A.S.	Marne La Vallée	Euro	100.000	100,00%	Draka France S.A.S.
Silec Cable, S. A. S.	Montreau-Fault-Yonne	Euro	60.037.000	100,00%	Grupo General Cable Sistemas, S.L.
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
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.
Norddeutsche Seekabelwerke GmbH	Nordenham	Euro	50.000.025	100,00%	Grupo General Cable Sistemas, S.L.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
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.
General Cable Holdings (UK) Limited	London	British Pound	20.232.054	100,00%	GK Technologies, Incorporated
General Cable Services Europe Limited	London	British Pound	1.178.495	100,00%	General Cable Holdings (UK) Limited
NSW Technology Limited	Aberdeen	British Pound	50.000.025	100,00%	Norddeutsche Seekabelwerke GmbH
Ireland					
Prysmian Re Company Designated Activity Company	Dublin	Euro	20.000.000	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	80.000.000	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.
General Cable Italia S.r.l.	Milan	Euro	10.000	100,00%	Grupo General Cable Sistemas, S.L.
Norway					
Draka Norsk Kabel A.S.	Drammen	Norwegian Krone	22.500.000	100,00%	Draka Holding B.V.
General Cable Nordic A/S	Vestby	Norwegian Krone	1.674.000	100,00%	Grupo General Cable Sistemas, S.L.
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.
General Cable Holdings Netherlands C.V.	Amsterdam	Euro	159.319.137	95,50%	GK Technologies, Incorporated
				1,00%	GC Global Holdings, Inc.
				3,50%	Phelps Dodge National Cables Corporation

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Portugal					
General Cable Investments, SGPS, Sociedade Unipessoal, S.A.	Funchal	Euro	8.500.020	100,00%	GK Technologies, Incorporated
General Cable Celcat, Energia e Telecomunicaçoes SA	Pero Pinheiro	Euro	13.500.000	100,00%	General Cable Investments, SGPS, Sociedade Unipessoal, S.A.
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
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)
GC Latin America Holdings, S.L.	Barcelona	Euro	151.042.030	100%	General Cable Holdings (Spain), S.L.
General Cable Holdings (Spain), S.L.	Barcelona	Euro	138.304.698	99,349%	GK Technologies, Incorporated
				0,6510%	General Cable Overseas Holdings, LLC
Grupo General Cable Sistemas, S.L.	Barcelona	Euro	22.116.019	93,75%	General Cable Holdings (Spain), S.L.
				6,25%	GC Latin America Holdings, S.L.
Sweden					
Prysmian Group North Europe AB	Nässjö	Swedish Krona	100.100	100,00%	Draka Holding B.V.
Draka Kabel Sverige AB	Nässjö	Swedish Krona	100.000	100,00%	Prysmian Group North Europe AB
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.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
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%	Prysmian Cables and Systems USA, LLC
General Cable Company Ltd.	Brampton	Canadian Dollar	113.729.519	100,00%	General Cable Canada Holdings LLC
Cayman Islands					
Phelps Dodge Yantai China Holdings, Inc.	George Town	US Dollar	99	66,67%	YA Holdings, Ltd.
				33,33%	Third parties
YA Holdings, Ltd.	George Town	US Dollar	50.000	100,00%	General Cable Company Ltd.
Dominican Republic					
General Cable Caribbean, S.R.L.	Santa Domingo Oeste	Dominican Peso	2.100.000	99,995%	GK Technologies, Incorporated
				0,005%	Diversified Contractors, Inc.
Trinidad and Tobago					
General Cable Trinidad Limited	Port of Spain	Trinidadian Dollar	100	100,00%	GK Technologies, Incorporated
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 Elevator Products, Inc.	Boston	US Dollar	1	100,00%	Prysmian Cables and Systems USA LLC
Draka Transport USA LLC	Boston	US Dollar	0	100,00%	Prysmian Cables and Systems USA LLC
Diversified Contractors, Inc.	Highland Heights	US Dollar	1.000	100,00%	General Cable Industries, Inc.
GC Global Holdings, Inc.	Highland Heights	US Dollar	1.000	100,00%	General Cable Overseas Holdings, LLC
General Cable Canada Holdings LLC	Highland Heights	US Dollar	0	100,00%	General Cable Industries, Inc.
General Cable Corporation	Highland Heights	US Dollar	508.136,42	100,00%	Prysmian Cables and Systems (US) Inc.
General Cable Industries LLC	Highland Heights	US Dollar	0	100,00%	General Cable Industries, Inc.
General Cable Industries, Inc.	Highland Heights	US Dollar	10	100,00%	GK Technologies, Incorporated
General Cable Overseas Holdings, LLC	Highland Heights	US Dollar	0	100,00%	GK Technologies, Incorporated
General Cable Technologies Corporation	Highland Heights	US Dollar	1.000	100,00%	General Cable Industries, Inc.
Phelps Dodge Enfield Corporation	Doral	US Dollar	800.000	100,00%	General Cable Industries, Inc.
Phelps Dodge International Corporation	Doral	US Dollar	100.000	100,00%	General Cable Industries, Inc.
Phelps Dodge National Cables Corporation	Doral	US Dollar	10	100,00%	General Cable Industries, Inc.
GK Technologies, Incorporated	Highland Heights	US Dollar	1.000	100,00%	General Cable Corporation
Central/South America					
Argentina					
Prysmian Energia Cables y Sistemas de Argentina S.A.	Buenos Aires	Argentine Peso	135.549.900	46,776%	Prysmian Consultora Conductores e Instalaciones SAIC
				52,933%	Draka Holding B.V.
				0,134%	Prysmian Cabos e Sistemas do Brasil S.A.
				0,158%	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.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
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.
General Cable Brasil Indústria e Comércio de Condutores Elétricos Ltda	Poços de Caldas	Brazilian Real	211.017.972	100%	Grupo General Cable Sistemas, S.L.
Chile					
Prysmian Cables Chile SpA	Santiago	Chile Peso	1.900.000.000	100,00%	Prysmian Cabos e Sistemas do Brasil S.A.
Cobre Cerrillos S.A.	Cerrillos	US Dollar	74.574.400	99,77%	General Cable Holdings (Spain), S.L.
				0,23%	Third parties
Colombia					
PDIC Colombia S.A.	Bogotà	Colombian Peso	594.064.000	95,00%	Conducen, SRL
				5,00%	Alcap Comercial S.A.
Productora de Cables Procables S.A.S.	Bogotà	Colombian Peso	1.902.964.285	99,96%	GC Latin America Holdings, S.L.
				0,04%	GK Technologies, Incorporated
Costa Rica					
Conducen, SRL	Heredia	Costa Rican Colon	18.451.178	73,52%	GC Latin America Holdings, SL
				26,48%	Cahosa S.A.
Ecuador					
Cables Electricos Ecuatorianos C.A.	Quito	US Dollar	243.957	67,14%	General Cable Holdings (Spain), S.L.
				32,86%	Third parties
El Salvador					
Conducen Phelps Dodge Centroamerica-El Salvador, S.A. de C.V.	Cuscatlan	US Dollar	22.858	99,95%	Conducen, SRL
				0,05%	Third parties
Guatemala					
Proveedora de Cables y Alambres PDCA Guatemala, S.A.	Guatemala City	Guatemalan Quetzal	100.000	99,00%	Conducen, SRL
				1,00%	Third parties
Honduras					
Electroconductores de Honduras, S.A. de C.V.	Tegucigalpa	Honduran Lempira	27.600.000	59,39%	General Cable Holdings (Spain), S.L.
				40,61%	Cahosa 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	173.050.500	99,9983%	Draka Holding B.V
				0,0017%	Draka Mexico Holdings S.A. de C.V.
General Cable de Mexico, S.A de C.V.	Tetla	Mexican Peso	1.329.621.471	80,40%	General Cable Industries, Inc.
				19,60%	Conduce, SRL
General de Cable de Mexico del Norte, S.A. de C.V.	Piedras Negras	Mexican Peso	10.000	99,80%	GK Technologies, Incorporated
				0,20%	General Cable Industries, Inc.
PDIC Mexico, S.A. de C.V.	San Jose	Mexican Peso	50.000	99,998%	Conduce, SRL
				0,002%	Third parties
Prestolite de Mexico, S.A. de C.V.	Sonora	Mexican Peso	50.000	99,80%	General Cable Industries, Inc.
				0,20%	GK Technologies, Incorporated
Servicios Latinoamericanos GC, S.A. de C.V.	Puebla	Mexican Peso	50.000	99,00%	General Cable de Mexico, S.A de C.V.
				1,00%	General Cable Technologies Corporation

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Nicaragua					
Conducen Nicaragua y Compania de Responsabilidad Limitada	Managua	Nicaraguan Cordoba	n/a	99,00%	Conducen, SRL
				1,00%	GK Technologies, Incorporated
Panama					
Alambres y Cables de Panama, S.A.	Panama	US Dollar	800.000	78,08%	General Cable Industries, Inc.
				21,92%	Cahosa S.A.
Alcap Comercial S.A.	Panama	US Dollar	10.000	100,00%	Conducen, SRL
Cahosa S.A.	Panama	US Dollar	n/a	100,00%	GK Technologies, Incorporated
Peru					
General Cable Peru S.A.C.	Santiago de Surco(Lima)	Peruvian Sol	90.327.868	99,99999%	GC Latin America Holdings, S.L.
				0,00001%	Third Paries
Africa					
Angola					
General Cable Condel, Cabos de Energia e Telecomunicaçoes SA	Luanda	Angolan Kwanza	20.000.000	99,80%	General Cable Celcat, Energia e Telecomunicaçoes SA
				0,20%	Third parties
Botswana					
General Cable Botswana (Pty) Ltd.	Gaborone West Industrial	Botswana Pula	100	100%	National Cables (Pty) Ltd.
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
Mauritius					
GC Specialty & Automotive	Port Louis	US Dollar	200	100%	GK Technologies, Incorporated
General Cable Middle East	Port Louis	US Dollar	2.897.150	100%	GK Technologies, Incorporated
General Cable Trading	Port Louis	US Dollar	31.097.100	100%	GK Technologies, Incorporated
South Africa					
General Cable Phoenix South Africa Pty. Ltd.	Phoenix	South African Rand	1.000	100,00%	GK Technologies, Incorporated
National Cables (Pty) Ltd.	Johannesburg	South African Rand	101	69,30%	Phelps Dodge National Cables Corporation
				30,70%	General Cable Holdings Netherlands C.V.
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
Oceania					
Australia					
Prysmian Australia Pty Ltd.	Liverpool	Australian Dollar	56.485.736	100,00%	Prysmian Cavi e Sistemi S.r.l.
General Cable Australia (Pty) Ltd.	Mount Waverley	Australian Dollar	14.335.558	100,00%	General Cable Holdings New Zealand
New Zealand					
Prysmian New Zealand Ltd.	Auckland	New Zealand Dollar	10.000	100,00%	Prysmian Australia Pty Ltd.
GCNZ India Cable 1 Limited	Christchurch	New Zealand Dollar	7.001.682	100,00%	General Cable Holdings New Zealand
GCNZ India Cable 2 Limited	Christchurch	New Zealand Dollar	7.001.682	100,00%	General Cable Holdings New Zealand
General Cable Holdings New Zealand	Christchurch	New Zealand Dollar	160.671.634	86,17%	GK Technologies, Incorporated
				12,96%	General Cable Industries, Inc.
				0,87%	GC Global Holdings, Inc.
General Cable New Zealand Limited	Christchurch	New Zealand Dollar	48.000.000	100,00%	General Cable Holdings New Zealand
General Cable Superconductors Investments Limited	Christchurch	New Zealand Dollar	200	100,00%	General Cable Holdings New Zealand

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
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	60,00%	Draka Elevator Product Inc.
				40,00%	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.
Phelps Dodge Yantai Cable Co., Ltd.	Yantai	US Dollar	18.000.000	60,00%	Phelps Dodge Yantai China Holdings, Inc.
				40,00%	Third parties
Prestolite Wire (Shanghai) Company, Ltd	Shanghai	US Dollar	1.000.000	100,00%	General Cable Industries, Inc.
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	40.067.800	99,99997%	Prysmian Cavi e Sistemi S.r.l.
				0,00003%	Prysmian S.p.A.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
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.
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
General Cable Asia Pacific & Middle East Co., Ltd.	Bangkok	Thai Baht	30.000.000	100,00%	GK Technologies, Incorporated

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
				1,75%	Norddeutsche Seekabelwerke GmbH
				55,07%	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
Nostag GmbH & Co. KG	Oldenburg	Euro	540.000	33,00%	Norddeutsche Seekabelwerke GmbH
				67,00%	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
Central/South America					
Chile					
Colada Continua Chilena S.A.	Santiago	Chile Peso	100	41,00%	Cobre Cerrillos S.A. (41 shares)
				59,00%	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 and 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.

CERTIFICATION OF THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION 11971 DATED 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Valerio Battista, as Chief Executive Officer, and Carlo Soprano and Alessandro Brunetti, as managers responsible for preparing the corporate accounting documents of Prysmian S.p.A., certify, also taking account of the provisions of paragraphs 3 and 4, art. 154-bis of Italian Legislative Decree 58 dated 24 February 1998, that during the first half of 2018 the accounting and administrative processes for preparing the half-year condensed consolidated financial statements:

• have been adequate in relation to the business's characteristics and

• have been effectively applied.

2. The adequacy of the accounting and administrative processes for preparing the half-year condensed consolidated financial statements at 30 June 2018 has been evaluated on the basis of a procedure established by Prysmian in compliance with the internal control framework published by the Committee of Sponsoring Organizations of the Treadway Commission, which represents the generally accepted standard model internationally.

It is nonetheless reported that:

- the integration of companies in the General Cable Group, acquired in June 2018, is currently in progress. These companies have not yet adopted a system of procedures and controls consistent with that established for the rest of the Prysmian Group;

- during the first half of 2018, some of the Prysmian Group's companies have been involved in the information system changeover project. The process of fine-tuning the new system's operating and accounting functions is still in progress for some of them; in any case, the system of controls in place ensures consistency with the Group's system of procedures and controls.

3. They also certify that:

3.1 The half-year condensed consolidated financial statements at 30 June 2018:

a. have been prepared in accordance with applicable international accounting standards recognised by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;
b. correspond to the underlying accounting records and books of account;
c. are able to provide a true and fair view of the issuer's statement of financial position and results of operations and of the group of companies included in the consolidation.

3.2 The interim directors' report contains a fair review of performance and the results of operations, and of the situation of the issuer and the group of companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Milan, 18 September 2018

Chief Executive Officer	*Managers responsible for preparing corporate accounting documents*	
Valerio Battista	**Carlo Soprano**	**Alessandro Brunetti**

Audit Report

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Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Prysmian S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes of Prysmian S.p.A. and its subsidiaries (the "Prysmian Group") as of 30 June 2018. The Directors of Prysmian S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Prysmian Group as of 30 June 2018 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 20 September 2018

EY S.p.A.
Signed by: Pietro Carena, Partner

This report has been translated into the English language solely for the convenience of international readers

Prysmian
Group