

Fostering
global
evolution

2020



Half-Year Financial Report

AT 30 JUNE

Prysmian
Group

Linking
the Future

Disclaimer

This document contains forward-looking statements, specifically in the sections entitled "Events after the reporting period" and "Business outlook", that relate to future events and the operating, economic and financial results of 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 multiple factors.

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Directors' Report

DIRECTORS AND AUDITORS

Board of Directors ⁽⁴⁾	
Chairman	Claudio De Conto ⁽¹⁾ ⁽²⁾
Chief Executive Officer & General Manager	Valerio Battista
Directors	Maria Elena Cappello ^(**) ⁽²⁾
	Monica de Virgiliis ^(**) ⁽³⁾
	Francesco Gori ^(**) ⁽¹⁾ ⁽⁵⁾
	Joyce Victoria Bigio ^(**) ⁽¹⁾
	Massimo Battaini
	Pier Francesco Facchini
	Maria Letizia Mariani ^(**) ⁽¹⁾ ⁽³⁾
	Fabio Ignazio Romeo
	Paolo Amato ^(**) ⁽²⁾
	Mimi Kung ^(**) ⁽³⁾
Board of Statutory Auditors ⁽⁵⁾	
Chairman	Pellegrino Libroia
Standing Statutory Auditors	Laura Gualtieri
	Paolo Francesco Lazzati
Alternative Statutory Auditors	Michele Milano
	Claudia Mezzabotta
Independent Auditors ⁽⁶⁾	EY S.p.A.

⁽¹⁾ 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 and Nominations Committee

⁽³⁾ Members of the Sustainability Committee

⁽⁴⁾ Appointed by the Shareholders' Meeting on 12 April 2018

⁽⁵⁾ Appointed by the Shareholders' Meeting on 5 June 2019

⁽⁶⁾ Appointed by the Shareholders' Meeting on 16 April 2015

Preface

The present Half-Year Financial Report at 30 June 2020 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 2019, except as described in the Explanatory Notes in the paragraph entitled "Accounting standards, amendments and interpretations applied from 1 January 2019".

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

SIGNIFICANT EVENTS DURING THE PERIOD

Prysmian Group's leadership team invests in the Company as a sign of its commitment and confidence in recovery from the pandemic-related crisis and in the Company's long-term growth prospects

On 3 April 2020, Prysmian Group's leadership team, consisting of CEO Valerio Battista and his 20 worldwide direct reports (the "Group Leadership Team"), informed the Group that it had accepted the CEO's proposal to invest in Prysmian S.p.A. shares 50% of the net incentive earned by each based on the positive performance in financial year 2019, whose results were in line with company targets.

On 1 June 2020, Prysmian Group announced the finalisation of agreements between the Group Leadership Team and the financial intermediary engaged to execute the above share investment scheme.

Under the terms of these agreements, the Group Leadership Team has engaged a financial intermediary to purchase the Company's shares on the market for a total of approximately Euro 1,500,000, corresponding to approximately 50% of the net incentive earned by each manager in respect of financial year 2019 (the "2019 MBO").

The financial intermediary made the share purchases between the first and fifth business day after the date on which the funds for the purchases were made available to it, namely 1 June 2020.

The instructions given by each of the Group Leadership Team's managers to the financial intermediary included the authorisation to lock up the shares purchased until the end of 2022.

Long-term incentive plan

The Prysmian S.p.A. Shareholders' Meeting of 28 April 2020 approved a long-term incentive plan, designed to motivate management to create sustainable value over time, including by deferring part of their annual bonus in shares. The plan is also tied to long-term ESG objectives (Environment Social Governance).

The Shareholders' Meeting authorised a bonus capital increase, as proposed by the Board of Directors, to be reserved for Prysmian Group employees in execution of the above plan. This capital increase can reach a maximum nominal amount of Euro 1,100,000 through transfer, pursuant to art. 2349 of the Italian Civil Code, of a corresponding amount from profits or earnings reserves, with the issue of no more than 11,000,000 ordinary shares of nominal value Euro 0.10 each. At the same time, the shareholders' resolution of 12 April 2018 relating to a similar capital increase was revoked, amending article 6 of the By-laws. Recognition of the effects of the long-term incentive plan in the first half of 2020 has resulted in recording Euro 15 million in personnel costs in a specific equity reserve.

Termination of the contract relating to Carlisle Companies Incorporated's offer to acquire the business of Draka Fileca SAS

On 22 October 2019, the Group had announced the receipt of an offer of Euro 73 million from Carlisle Companies Incorporated to acquire the business of Draka Fileca SAS (directly or through one of the Carlisle subsidiaries).

On 19 June 2020, Prysmian Group announced that the contract relating to this transaction had been terminated, as the required regulatory approvals had not been obtained by the agreed deadline.

Other significant events

Western Link

On 23 November 2019, the Group announced that the customer (National Grid Electricity Transmission and Scottish Power Transmission) had taken over operation of the cable.

On 12 January 2020, the Group was informed of the fact that the Western HDVC Link had tripped on 10 January 2020. Repairs were successfully completed on 7 February 2020 with the link restored to normal service and once more available to the customer, with whom dialogue continues to reach an acceptable definition of mutual expectations.

Ravin Cables Limited

In January 2010, Prysmian Group acquired a 51% interest in the Indian company Ravin Cables Limited (the "Company"), with the remaining 49% held by other shareholders directly or indirectly associated with the Karia family (the "Local Shareholders"). As part of the transaction, Prysmian Group also paid the Company's founding shareholders a control premium.

Under the agreements signed with the Local Shareholders, after a limited transition period, management of the Company would be transferred to a Chief Executive Officer appointed by Prysmian. However, this did not occur and, in breach of the agreements, the Company's management remained in the hands of the Local Shareholders and their representatives.

Consequently, having now lost control, Prysmian Group ceased to consolidate the Company and its subsidiary Power Plus Cable Co. LLC. with effect from 1 April 2012.

In February 2012, Prysmian was thus forced to initiate arbitration proceedings before the London Court of International Arbitration (LCIA), requesting that the Local Shareholders be declared in breach of contract and ordered to sell the shares representing 49% of the Company's share capital to Prysmian.

In a ruling handed down in April 2017, the LCIA upheld Prysmian's claims and ordered the Local Shareholders to sell the shares representing 49% of the Company's share capital to Prysmian. However, the Local Shareholders did not voluntarily enforce the arbitration award and so Prysmian had to initiate proceedings in the Indian courts in order to have the arbitration award recognised in India. Having gone through two levels of justice, these proceedings were finally concluded on 13 February 2020 with the pronouncement of a ruling by the Indian Supreme Court under which the latter definitively declared the arbitration award enforceable in India. In view of the continuing failure of the Local Shareholders to comply voluntarily, Prysmian has requested the Mumbai court to enforce the arbitration award so as to purchase the shares representing 49% of the Company's share capital as soon as possible.

Business interruption risk due to the Covid-19 coronavirus

The first few months of 2020 have witnessed an abrupt deterioration in the global macroeconomic situation following the spread of the Covid-19 pandemic around the world. In response to this health emergency, governments in most countries have adopted containment measures, including travel bans, quarantines and other public emergency measures, with serious repercussions on economic activity and the entire production system. The first six months of the year have witnessed the impact of these measures on the economic performance of pandemic-hit countries.

The program of extraordinary measures, swiftly deployed since the beginning of the Covid-19 pandemic, is proving effective and in step with the objectives of safeguarding the health of employees and individuals, ensuring the continuity of operations and the supply chain and protecting profitability and cash flow. In addition, the strict health and hygiene standards introduced in factories and offices have limited the pandemic's impact on employees. The IT infrastructure and new organisation of work are making it possible to ensure productivity and continuity even with the extensive use of remote working. The supply chain has proven to be reactive and flexible, enabling high levels of uptime and responsiveness to market and customer needs. Finally, the measures to protect the profitability and solidity of the financial structure have proved effective, with annual cost efficiencies forecast at over Euro 100 million.

In addition, at the Board meeting on 30 March 2020, the Directors confirmed the views expressed at their previous meeting on 5 March 2020 about the Group's ability to generate cash flows and to support a balanced dividend policy over the long term, believing its financial structure, liquidity and available credit lines to be entirely adequate for responding to the new economic and financial environment emerging from the ongoing health emergency. However, in light of the spread of the pandemic and its potential duration, and the slowdown being caused in demand and the economic cycle, the Board of Directors submitted a dividend of Euro 0.25 per share to the Shareholders' Meeting instead of the Euro 0.50 per share proposed at its previous meeting on 5 March 2020. The Shareholders' Meeting of 28 April 2020 accordingly approved the dividend of Euro 0.25 per share, which was paid from 20 May 2020, with record date 19 May 2020 and ex-dividend date 18 May 2020.

Update on the 2011 Antitrust proceedings in Brazil

On 15 April 2020, Prysmian Group announced that the Tribunal of the Brazilian antitrust authority had issued the operative part of its decision in relation to proceedings initiated in 2011 in which it has ruled that Prysmian Group participated in anti-competitive practices in the Brazilian market for high voltage underground and submarine cables. The Tribunal has held Prysmian Group liable for the period from February 2001 to March 2004 and ordered it to pay a fine of BRL 10.2 million (approximately Euro 1.8 million), in line with the amount contained in the provisions recognised by the Group for this specific matter. Prysmian Group has filed an appeal against the CADE ruling.

Approval of financial statements at 31 December 2019 and dividend distribution

On 28 April 2020, the shareholders of Prysmian S.p.A. approved the financial statements for 2019 and the distribution of a gross dividend of Euro 0.25 per share, for a total of some Euro 66 million. The dividend was paid out from 20 May 2020, with record date 19 May 2020 and ex-dividend date 18 May 2020.

New industrial projects and initiatives

Contract for a broadband TLC cable project in Mexico

On 15 January 2020, the Group announced it had won a contract worth USD 38 million from Comision Federal de Electricidad (CFE), a government-owned company, for a cable project in Mexico called "Proyecto de Conectividad Fibra Óptica Red Eléctrica Inteligente REI".

This is the largest ever project in terms of quantity of TLC cables commissioned by a Mexican government and will connect remote regions of the country with high-speed broadband. Under the terms of the contract, Prysmian will oversee the engineering, supply and installation of at least 9,800 km of optical ground wires (OPGW) and 5,100 km of all-dielectric self-supporting (ADSS) cables. The OPGW will be produced at the Group's plant in Vilanova i la Geltrú, Spain, while the ADSS cables will be manufactured in Durango, Mexico, once again demonstrating the Group's ability to tap into its global organisation and the strong teamwork between its LATAM, HQ and OPGW operations.

Contract for Libra Mero project

On 23 January 2020, the Group announced it had won a contract from Libra, a consortium of leading international oil & gas operators, to supply Steel Tube Umbilicals for installation in the Mero offshore oilfield. The contract refers to Mero 1, an ultra-deep-water drilling field, which will consist of 17 wells and one FPSO vessel, situated approximately 180 km off Rio de Janeiro in the pre-salt Santos basin at a depth of some 2,000 metres below sea level. Oil production is due to commence in 2021.

The Mero 1 project is a milestone in the technological development of the Oil & Gas industry in Brazil, being the first in the region to use Steel Tube Umbilicals.

Contract for the construction of an offshore wind farm in France

On 4 March 2020, the Group announced it had won a contract worth approximately Euro 150 million from Réseau de Transport d'Électricité (RTE) for the construction of two submarine and onshore cable systems to connect the offshore wind farm located between the islands of Yeu and Noirmoutier to the French mainland power grid.

The submarine cables will be manufactured at Prysmian Group's centres of excellence in Pikkala (Finland) and Arco Felice (Italy), while the onshore cables will be produced in Gron (France). Installation will be carried out by the Cable Enterprise, one of the Group's three state-of-the-art cable-laying vessels. Delivery and commissioning are scheduled for 2023.

Contract for two new projects with Terna for development of the Italian power transmission grid

On 10 March 2020, following a public tender, the Group signed two major new cable solution agreements with Terna, through its subsidiary Terna Rete Italia S.p.A..

The first agreement, worth Euro 40 million with an option for a further Euro 10 million, refers to an HVAC cable system covering the Italian section of the Italy-Austria cross-border interconnection between the Glorenza and the Nauders substations, due to start operating by 2022.

The second agreement, worth Euro 40 million with an option for a further Euro 40 million and relating to the on-site supply of 220 kV HVAC cable systems, is a framework contract, valid until 2022, intended to serve the needs of power transmission systems in Southern Italy.

Both contracts include design and installation engineering, the supply of cables - manufactured at the plant in Gron, France, the Group's excellence centre for high and extra-high voltage cables - and accessories, as well as civil engineering works and other possible optional supplies.

SuedOstLink project for the first of the three German Corridors

On 5 May 2020, Prysmian Group announced that TenneT TSO GmbH, operator of the Dutch-German grid, had awarded it a contract for the SuedOstLink project in Germany, one of the world's longest HVDC underground transmission lines. Worth approximately Euro 500 million depending on options, Prysmian will be responsible for the design, manufacture, supply, installation, jointing, testing and commissioning of a 2GW underground transmission cable running through the TenneT-operated section of this first German Corridor. The project is expected to be completed in early 2026.

A-Nord project for the second of the three German Corridors

On 11 May 2020, Prysmian Group announced that Amprion GmbH, a German grid operator, had awarded it a contract for the A-Nord underground cable, part of the German "Corridor A" 2GW power transmission project. Worth over Euro 500 million, Prysmian Group will be responsible for the design, manufacture, supply, installation, jointing, testing and commissioning of a 1GW underground transmission cable covering the entire northern route of the German Corridors.

Work on the HVDC system is scheduled to begin by 2023.

Contract with Vattenfall for the first zero-subsidy offshore wind farm

On 20 May 2020, Prysmian Group finalised a contract for a project awarded by Vattenfall, a leading European energy company, to supply the submarine inter-array cable systems for the Hollandse Kust Zuid III and IV offshore wind farm in The Netherlands.

The cables, which will be manufactured at the Prysmian centre of excellence in Nordenham (Germany), are due to be delivered in 2022.

Crete-Attica submarine interconnection project in Greece

On 26 May 2020, Prysmian Group was awarded a contract worth approximately Euro 270 million by Ariadne Interconnection, a wholly-owned subsidiary of IPTO, Greece's transmission system operator, for submarine interconnections between the island of Crete and the Greek mainland (Attica region).

The first lot, worth Euro 250 million, involves the design, supply, installation and commissioning of an end-to-end HVDC cable along a 335 km route between the island of Crete and the Attica region.

The second lot, worth Euro 20 million, involves the design, supply, installation and commissioning of two submarine telecommunication links for a total length of 670 km between the island of Crete and the Attica region.

Prysmian will install the submarine cables using one of its own cable-lay vessels. Delivery and commissioning for both projects are scheduled for the period 2020-2023.

Contract for the Saint-Brieuc wind farm in France

On 27 May 2020, Ailes Marines, in charge of the development, construction, installation and operation of an offshore wind farm in the bay of Saint-Brieuc, awarded Prysmian Group a contract worth about Euro 80 million to provide the submarine inter-array cable systems for the Saint-Brieuc offshore wind farm in France. Delivery and commissioning are scheduled by the end of 2022.

SuedLink project for the third and longest of the three German Corridors

On 29 June 2020, Prysmian Group was awarded contracts for the SuedLink Corridor in Germany, the longest ever underground cable project, by the German transmission system operators TransnetBW GmbH and TenneT.

Under these contracts, worth a combined total of more than Euro 800 million, Prysmian Group will design, manufacture, supply, lay, joint, test and commission a 2GW underground cable system linking the north of Germany to its regions in the south.

The project is due to be completed in 2026.

CONSOLIDATED FINANCIAL HIGHLIGHTS*

(Euro/million)	1st half 2020	1st half 2019	% change	2019
Sales	4,985	5,849	-14.8%	11,519
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	414	508	-18.5%	983
Adjusted EBITDA ⁽¹⁾	419	521	-19.6%	1,007
EBITDA ⁽²⁾	407	492	-17.3%	907
Adjusted operating income ⁽³⁾	253	366	-30.9%	689
Operating income	173	335	-48.4%	569
Profit/(loss) before taxes	118	263	-55.1%	444
Net profit/(loss)	76	192	-60.4%	296

(Euro/million)	30.06.2020	30.06.2019	Change	2019
Net capital employed	5,530	5,774	(244)	5,236
Employee benefit obligations	499	528	(29)	494
Equity	2,515	2,427	88	2,602
of which attributable to non-controlling interests	181	185	(4)	187
Net financial debt	2,516	2,819	(303)	2,140

(Euro/million)	30.06 2020	30.06 2019	% change	2019
Net capital expenditure ⁽⁴⁾	92	88	4.5%	248
Employees (at period-end)	28,160	29,810	-5.5%	28,714
Earnings/(loss) per share				
- basic	0.30	0.72		1.11
- diluted	0.30	0.72		1.11

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

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

⁽³⁾ Adjusted operating income is defined as operating income before income and expense for company reorganisation, 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⁾ Net capital expenditure reflects cash inflow from disposals of Assets held for sale and outflow for additions to Property, plant and equipment and Intangible assets not acquired under specific financing arrangements, meaning that additions of leased assets are excluded.

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

GROUP PERFORMANCE AND RESULTS

(Euro/million)	1st half 2020	1st half 2019	% change	2019
Sales	4,985	5,849	-14.8%	11,519
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	414	508	-18.5%	983
% of sales	8.3%	8.7%		8.5%
Adjusted EBITDA	419	521	-19.6%	1,007
% of sales	8.4%	8.9%		8.7%
EBITDA	407	492	-17.3%	907
% of sales	8.2%	8.4%		7.9%
Fair value change in metal derivatives	(8)	-		15
Fair value stock options	(17)	(1)		1
Amortisation, depreciation, impairment and impairment reversal	(209)	(156)		(354)
Operating income	173	335	-48.4%	569
% of sales	3.5%	5.7%		4.9%
Net finance income/(costs)	(55)	(72)		(125)
Profit/(loss) before taxes	118	263	-55.1%	444
% of sales	2.4%	4.5%		3.9%
Taxes	(42)	(71)		(148)
Net profit/(loss)	76	192	-60.4%	296
% of sales	1.5%	3.3%		2.6%
Attributable to:				
Owners of the parent	78	190		292
Non-controlling interests	(2)	2		4
Reconciliation of Operating Income/EBITDA to Adjusted Operating Income/Adjusted EBITDA				
Operating income (A)	173	335	-48.4%	569
EBITDA (B)	407	492	-17.3%	907
Adjustments:				
Company reorganisation	9	7		85
Non-recurring expenses/(income)	-	6		(32)
Other non-operating expenses/(income)	3	16		47
Total adjustments (C)	12	29		100
Fair value change in metal derivatives (D)	8	-		(15)
Fair value stock options (E)	17	1		(1)
Assets impairment and impairment reversal (F)	43	1		36
Adjusted operating income (A+C+D+E+F)	253	366	-30.9%	689
Adjusted EBITDA (B+C)	419	521	-19.6%	1,007

The Group's sales in the first six months of 2020 came to Euro 4,985 million, compared with Euro 5,849 million in the corresponding period of 2019, posting a negative change of Euro 864 million (-14.8%).

The main factors behind this change were:

- negative organic sales growth, resulting in a decrease of Euro 689 million (-11.8%);
- unfavourable exchange rate movements, leading to a decrease of Euro 34 million (-0.6%);
- fluctuation in the price of metals (copper, aluminium and lead), causing a sales price decrease of Euro 141 million (-2.4%).

Organic sales growth by the three operating segments was as follows:

<i>Projects</i>	-13.9%;
<i>Energy</i>	-9.6%;
<i>Telecom</i>	-20.1%.

The overall negative organic sales growth of 11.8% is principally a reflection of:

- a steep decline, as expected, in the Telecom segment (-20.1%), partly due to the particularly positive first half of the previous year and the effects of Covid-19 in the first half of this year;
- a slowdown in the Trade & Installers business (-16.3%), adversely affected by the impact of Covid-19, after a good start to the year;
- strong performance by the Energy & Infrastructure business in North America (+0.9%), driven by the Onshore Wind business.

The Group's Adjusted EBITDA (before net expenses for company reorganisation, net non-recurring expenses and other net non-operating expenses) came to Euro 419 million in the first six months of 2020, down Euro 102 million (-19.6%) on the corresponding 2019 figure of Euro 521 million. The main factors affecting performance are described below:

- Energy segment: both the Energy & Infrastructure business, thanks particularly to Onshore Wind in North America, and the Industrial & Network Components business proved resilient to the macroeconomic conditions;
- Projects segment: the results were adversely affected by operational inefficiencies and delayed project progress due to the Covid-19 pandemic;
- Telecom segment: margins stabilised despite lower volumes and strong price pressure, only partially absorbed by cost efficiencies. YOFC, Chinese associate, made a significantly smaller contribution than in the previous year as a result of the Covid-19 pandemic.

On the whole, the Group is displaying good resilience to the current macroeconomic context, enabling it to maintain stable margins thanks to the adoption of swift and targeted actions to contain both fixed and variable costs and improve the business mix.

EBITDA is stated after net expenses for company reorganisation, net non-recurring expenses and other net non-operating expenses totalling Euro 12 million (Euro 29 million in the first six months of 2019).

Amortisation, depreciation and impairment amounted to Euro 209 million in the first six months of 2020, reporting a year-on-year increase, primarily because of the impairment loss of Euro 43 million recognised against property, plant and equipment in the Energy segment's South Europe Region CGU, as presented in more detail in the Explanatory Notes.

The fair value change in metal derivatives, affected by a drop in metal prices (copper, aluminium and lead), was a negative Euro 8 million in the first six months of 2020 compared with a corresponding zero value in the same period of 2019.

After adopting hedge accounting for part of the metal derivatives, the Group has recognised a negative pre-tax amount of Euro 5 million in the cash flow hedge reserve.

The Group's operating income came to Euro 173 million, compared with Euro 335 million in the first six months of 2019, thus reporting a decline of Euro 162 million.

Net finance costs amounted to Euro 55 million in the first six months of 2020, versus a prior year figure of Euro 72 million.

Taxes came to Euro 42 million, representing an effective tax rate of around 36%.

Net profit for the first six months of 2020 was Euro 76 million, of which Euro 78 million attributable to the Group, compared with Euro 192 million in the first six months of 2019, of which Euro 190 million attributable to the Group.

The Group is continuing to reduce its net financial debt, which amounted to Euro 2,516 million at 30 June 2020, down Euro 303 million from Euro 2,819 million at 30 June 2019. The reduction was achieved thanks to Euro 519 million in cash flow provided in the past twelve months by operating activities after net finance costs paid (excluding cash flows arising from acquisitions and/or disposals).

The first half of 2020 saw the Group win a number of major contracts, including a 50% share of the three "German Corridors" projects worth a total of some Euro 1,800 million, confirming Prysmian Group's primary role as an energy transition facilitator. The award of these contracts has allowed the Group's order backlog to reach a record level of around Euro 3,800 million.

REVIEW OF PROJECTS OPERATING SEGMENT

(Euro/million)	1st half 2020	1st half 2019	% change	2019
Sales	708	828	-14.5%	1,844
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	80	97	-17.4%	228
% of sales	11.4%	11.7%		12.3%
Adjusted EBITDA	80	97	-16.9%	228
% of sales	11.4%	11.7%		12.4%
Adjustments	(1)	(9)		(23)
EBITDA	79	88	-10.1%	205
% of sales	11.2%	10.8%		11.1%
Amortisation and depreciation	(33)	(31)		(64)
Adjusted operating income	47	66	-27.7%	164
% of sales	6.7%	7.9%		8.9%

The *Projects* Operating Segment incorporates the high-tech businesses of High Voltage underground, Submarine Power, Submarine Telecom, and Offshore Specialties, 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 plants 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 "end-to-end" submarine cable solutions 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.

With the acquisition of General Cable, Prysmian Group has re-entered the Submarine Telecom cables business, specialised in the production and installation of data transmission cables.

The Offshore Specialties business incorporates a wide range of products for the oil industry, including umbilical cables, flexible pipes and all electrical, optical and signalling components for oil well management from seabed to offshore platform.

MARKET OVERVIEW

Market demand for Submarine Power cables has continued to show signs of recovery in the first half of the year: several bids are now at an advanced stage of the tendering process, with their award expected in the next few 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.

Market demand remained stable for Submarine Telecom cables.

In the High Voltage underground business, the HVAC market was largely stable in Europe, with mixed trends between the different countries, while reporting growth in North America but persistently soft demand in Southeast Asia, which had already turned down in 2019 and is now being exacerbated by the impact of Covid-19.

In the HVDC market, typically for interconnectors, tendering activities for major underground power lines in Germany reached their conclusion, with Prysmian Group being awarded a sizeable portion of all the projects concerned; in fact, Prysmian Group has secured about 50% of both of the Suedostlink and A-Nord contracts, worth a total of approximately Euro 1 billion, and two lots worth about Euro 850 million for the Suedlink project.

The Offshore Specialties business continued to see declining prices and volumes.

FINANCIAL PERFORMANCE

Sales to third parties by the *Projects* segment amounted to Euro 708 million in the first half of 2020, versus Euro 828 million in the same period of 2019, recording a negative change of Euro 120 million (-14.5%).

The factors behind this change were:

- negative organic sales growth, leading to a decrease of Euro 115 million (-13.9%);
- exchange rate trends, producing a decrease of Euro 5 million (-0.6%);
- no major sales price impact due to metal price fluctuations.

The *Projects* segment's negative organic growth is mostly due to the impact of the spread of the Covid-19 pandemic and due to lower sales volumes in some High Voltage markets, primarily France and APAC; the Offshore Specialties business continued to see its volumes and prices contract, reflecting developments in the Oil & Gas market, while the Submarine Telecom business recorded a limited reduction in sales.

The main Submarine Power projects on which work was performed during the period were: the interconnector between Norway and the UK (North Sea Link), the interconnector between France and the UK (IFA2), the interconnection projects in Bahrain and Greece (Crete-Peloponnese interconnector), the Viking Link interconnector and the offshore wind projects in France.

Sales in the period were the result of cable manufacturing activities by the Group's industrial facilities (Pikkala in Finland, Arco Felice in Italy, Drammen in Norway and Nordenham in Germany) and installation services, performed with the assistance of both its own assets and third-party equipment.

The value of the Group's Submarine Power order backlog stands at around Euro 1.8 billion, mainly consisting of the following contracts: the interconnector between Norway and the UK (North Sea Link); the interconnector between France and the UK (IFA2); the offshore projects in France; and contracts to supply inter-array cables for the Hornsea2 wind farm; also included in the order backlog are contracts won in the second half of 2019, amongst which the Dolwin5 offshore wind project in Germany and the interconnector

between the UK and Denmark (Viking Link) and the project for the Crete-Attica link awarded during the second quarter of 2020.

The value of the Group's High Voltage order backlog increased considerably during the period, thanks to the award of the German Corridors HVDC contracts in Germany, taking the total to just above Euro 2 billion.

The Group's total order backlog has thus reached a level of Euro 3.8 billion.

Adjusted EBITDA for the first half of 2020 came to Euro 80 million, down from the prior year figure of Euro 97 million; the main source of contraction can be laid at the door of Covid-19, causing order placement to slow or be deferred, especially in the High Voltage Underground and Offshore Specialties businesses. The pandemic also impacted the Submarine Power business by slowing down its revenue recognition, although this was partially offset by healthy levels of contract execution.

REVIEW OF ENERGY OPERATING SEGMENT

(Euro/million)	1st half 2020	1st half 2019	% change	2019
Sales	3,580	4,135	-13.4%	8,027
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	236	258	-8.6%	503
% of sales	6.6%	6.2%		6.3%
Adjusted EBITDA	238	259	-8.3%	505
% of sales	6.6%	6.3%		6.3%
Adjustments	(24)	(10)		(60)
EBITDA	214	249	-14.8%	445
% of sales	6.0%	6.0%		5.5%
Amortisation and depreciation	(96)	(90)		(182)
Adjusted operating income	142	169	-15.8%	323
% of sales	4.0%	4.1%		4.0%

The *Energy* Operating Segment, incorporating those businesses able to offer a complete and innovative product portfolio to a variety of industries, is organised around the business areas of *Energy & Infrastructure* (comprising Trade & Installers, Power Distribution and Overhead Transmission Lines) and *Industrial & Network Components* (comprising Oil & Gas, Downhole Technology, Specialties & OEM, Elevators, Automotive and Network Components).

Sales to third parties by the *Energy* operating segment came to Euro 3,580 million in the first half of 2020, compared with the corresponding 2019 figure of Euro 4,135 million, posting a negative change of Euro 555 million (-13.4%), the main components of which are as follows:

- negative organic sales growth of Euro 396 million (-9.6%);
- decrease of Euro 24 million (-0.5%) for adverse exchange rate fluctuations;
- sales price decrease of Euro 135 million (-3.3%) for metal price fluctuations.

Adjusted EBITDA came to Euro 238 million in the first half of 2020, down Euro 21 million (-8.3%) from Euro 259 million in the corresponding period of 2019, reflecting the difficulties experienced through the spread of Covid-19.

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

ENERGY & INFRASTRUCTURE

(Euro/million)

	1st half 2020	1st half 2019	% change	2019
Sales	2,362	2,763	-14.5%	5,285
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	146	158	-7.9%	307
% of sales	6.2%	5.7%		5.8%
Adjusted EBITDA	147	159	-7.6%	308
% of sales	6.2%	5.8%		5.8%
Adjusted operating income	84	98	-13.1%	185
% of sales	3.6%	3.5%		3.5%

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 lately expanded to satisfy the demand for cables serving infrastructure such as airports, ports and railway stations, by customers as diverse as international distributors, buying syndicates, installers and wholesalers.

MARKET OVERVIEW

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

During the first half of 2020, the Trade & Installers business saw demand turn down in most of the European countries served, particularly in South Europe and the UK due to difficulties induced by the Covid-19 pandemic and, in the latter case, Brexit. Decline in business in the APAC, MEAT and LATAM regions reflected not only the complications of the Covid-19 pandemic but also steep currency devaluation in Central and South American countries, making an already troubled market more uncertain. The Trade & Installers market in North America was stable compared with the same period last year.

As for Power Distribution, markets in North America continued to be buoyant, also thanks to Onshore Wind demand, which benefited from the Production Tax Credit (PTC), a tax incentive based on electricity generated and expected to be extended until mid-2021 to encourage completion of existing projects delayed because of the pandemic.

Trends in the principal European countries in recent years have reflected generally stagnant energy consumption, which in turn has adversely affected demand by the major utilities. The latter, operating in a recessionary economic environment, have either maintained cautious positions, given the impossibility of forecasting future growth, or else they have concentrated on business restructuring to improve efficiency and contain supply-side costs. This situation has exacerbated the competitive dynamics in terms of price and mix, leaving an extremely challenging environment almost everywhere.

Compared with the same period in 2019, Power Distribution first-half demand improved in North Europe thanks to growth in consumption, remained resilient in Germany and the Danube area, but recoiled slightly in South Europe and the UK.

Lastly, demand was down in the Middle East, LATAM and APAC, partly owing to the Covid-19 pandemic.

The Overhead Transmission Lines business saw its North American and LATAM volumes grow on the same period last year, in line with market expectations.

FINANCIAL PERFORMANCE

Sales to third parties by the *Energy & Infrastructure* business area amounted to Euro 2,362 million in the first half of 2020, compared with Euro 2,763 million in the corresponding period of 2019, posting a negative change of Euro 401 million (-14.5%), the main components of which are as follows:

- negative organic sales growth of Euro 292 million (-10.6%);
- negative change of Euro 20 million (-0.7%) for exchange rate fluctuations;
- sales price decrease of Euro 89 million (-3.2%) for metal price fluctuations.

The *Energy and Infrastructure* business area recorded negative organic sales growth by its Trade & Installers business, albeit with geographical differences, especially pronounced in South Europe, UK, MEAT and LATAM, the regions most affected by the Covid-19 pandemic, while North America managed to mitigate most of the volume reduction. Despite the drop in APAC volumes, mainly as a result of Covid-19, this region boosted its profitability. Middle East markets were also in retreat because of strong pressure on oil prices. Overall profitability of the Trade & Installers business was down on the same period of 2019 primarily as a consequence of Covid-19.

The Power Distribution business had negative organic growth, reflecting different performances by region: strong positive growth in North America and North Europe, stable in Central-East Europe but negative in South Europe, the Middle East, LATAM and APAC. There was an overall improvement in profitability, driven mainly by North America. Strong price pressure persisted in Europe.

The Overhead Lines business in LATAM enjoyed positive organic growth and an improvement in profitability.

Given the factors described above, Adjusted EBITDA for the first half of 2020 came to Euro 147 million, compared with Euro 159 million in the corresponding period last year, reflecting a decrease of Euro 12 million.

INDUSTRIAL & NETWORK COMPONENTS

(Euro/million)	1st half 2020	1st half 2019	% change	2019
Sales	1,122	1,248	-10.1%	2,492
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	89	98	-8.8%	195
% of sales	8.0%	7.8%		7.8%
Adjusted EBITDA	90	98	-8.7%	196
% of sales	8.0%	7.9%		7.9%
Adjusted operating income	59	71	-17.4%	140
% of sales	5.2%	5.7%		5.6%

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.

Prysmian also offers a wide range of products for the petrochemicals sector able to serve every onshore and offshore need, including the design and supply of systems for power transmission and data communication from offshore platforms and/or floating hydrocarbon storage vessels to the well-heads; flexible offshore pipes for hydrocarbon transport; Downhole Technology (DHT) solutions, which include steel tubing encased cables to control and power monitoring systems inside extraction wells both offshore and onshore.

The range of products for the petrochemicals industry also includes low and medium voltage power cables, and instrumentation and control cables. The onshore product range is able to support applications in all three segments of the petrochemical production chain: Upstream, Midstream and Downstream.

Lastly, the Group produces accessories and *network components*, as well as sophisticated control systems; for example, 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

Markets for Industrial cables, while growing as a whole, displayed inconsistencies within the various business lines and between the different geographical areas. Some market segments grew despite the pandemic, due to good existing order backlog and the resilience of customer investment programs. Some applications for the OEM sector (Cranes, Railway, Nuclear, Marine and Defence) performed well, while the Water and Electromedical segments remained stable. On the other hand, the Rolling stock segment saw its volumes fall due to the Covid-induced postponement of CRRC purchases in China. The Mining segment also

posted a significant slowdown due to lower MRO demand in the USA and the phasing of some projects in Eastern Europe and South America. The Renewables business enjoyed an uptick in demand both for Solar and Wind products which benefited from favourable phasing of some projects, completed despite the pandemic. However, both segments saw an increase in competitive pressure, affecting prices and partially eroding the healthy trend in volumes.

O&G demand was significantly inhibited by the Covid-19 pandemic and lower oil prices. The first quarter of the year saw a lull in activity in China, the first country hit by Covid-19. During the remainder of the six-month period, the slowdown in activities subsequently spread to all other geographies in tandem with the proliferation of the pandemic. The hardest hit area in the second part of the half year was North America. EMEA and Asia Pacific maintained a higher level of activity thanks to the large order backlog built up in the previous year.

The Elevator market showed a certain stability thanks to a resilient North American market, despite the Covid-induced downturn in China.

The Automotive segment, after a positive first quarter, experienced a drastic contraction in the second quarter due to Covid-19 which mainly impacted the European, North American and APAC markets. This was the result of shutdowns by the major car manufacturers after revising their production programs.

The largest reductions were seen in the mid- to low-end segments.

The Network Component market in the first half of 2020 saw a contraction in demand both in the medium voltage segment and in the HV and EHV segments due to the Covid-19 pandemic in South Europe, LATAM and APAC, while it remained stable in the rest of the world.

FINANCIAL PERFORMANCE

Sales to third parties by the *Industrial & Network Components* business area amounted to Euro 1,122 million in the first half of 2020, compared with Euro 1,248 million in the corresponding period of 2019, recording a negative change of Euro 126 million (-10.1%) due to the combined effect of the following main factors:

- negative organic sales growth of Euro 104 million (-8.4%);
- negative change of Euro 3 million (-0.2%) for exchange rate fluctuations;
- sales price decrease of Euro 19 million (-1.5%) for metal price fluctuations.

The first-half performance of the principal business lines of *Industrial & Network Components* in 2020 was in line with the same period of 2019, except for Automotive.

The Oil & Gas business posted an increase in volumes in the EMEA region thanks to execution of orders for onshore projects secured the previous year, but a retreat in the North American MRO sector following a sharp drop in drilling activity after the spread of the Covid-19 pandemic. Asia Pacific as a whole had a positive level of activity. Despite an increase in revenues thanks to project phasing, the business's overall margins declined due to contraction in the more profitable MRO and Upstream sector.

The Downhole Technology business recorded a slight contraction in volumes and profits on the previous year, reflecting lower volumes due to fewer orders.

Specialties, OEM and Renewables recorded a growth in profits on the corresponding period of 2019, demonstrating good resilience to the global economic situation, particularly thanks to the contribution of North Europe and North America and the Cranes, Railway, Nuclear and Renewables businesses especially in China. This positive performance was partially offset by a slowdown in the Mining and Infrastructure businesses as well as by slowdowns in the regions most affected by the Covid-19 pandemic such as South Europe, LATAM and APAC.

The Elevator business's profitability was in line with expectations, despite Covid-19-related difficulties on the Chinese market in the first quarter.

The Automotive business recorded a sharp downturn in volumes everywhere, especially in the second quarter of 2020.

The Network Components business witnessed a deteriorating performance in the regions hardest hit by the Covid-19 pandemic, but managed to keep margins stable. The impact was greatest in South Europe and the UK, particularly in the medium and low voltage sector, in China and LATAM, while markets in North Europe and the North American medium voltage sector showed stability or slight growth.

Given the factors described above, Adjusted EBITDA for the first half of 2020 came to Euro 90 million, down from Euro 98 million in the same period of last year, reflecting a negative change of Euro 8 million (-8.7%).

OTHER

(Euro/million)

	1st half 2020	1st half 2019	2019
Sales	96	124	250
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	1	2	1
Adjusted EBITDA	1	2	1
Adjusted operating income	(1)	-	(2)

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

REVIEW OF TELECOM OPERATING SEGMENT

(Euro/million)

	1st half 2020	1st half 2019	% change	2019
Sales	697	886	-21.3%	1,648
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	98	153	-35.0%	252
% of sales	14.0%	17.2%		15.3%
Adjusted EBITDA	101	165	-37.8%	274
% of sales	14.5%	18.6%		16.6%
Adjustments	14	(3)		-
EBITDA	115	162	-27.8%	274
% of sales	16.6%	18.3%		16.6%
Amortisation and depreciation	(37)	(34)		(72)
Adjusted operating income	64	131	-51.2%	202
% of sales	9.2%	14.8%		12.3%

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.

MARKET OVERVIEW

The downturn in the global optical fibre cables market, already observed in the last part of the previous year, was confirmed in the first six months of 2020.

Demand was also constrained by the impact of Covid-19 throughout the six-month period. The phenomenon observed on the Chinese market at the beginning of the first quarter of 2020 has spread to the rest of the world, most evidently in South Europe, North America and Latin America.

North America confirmed a slight reduction in optical fibre cable consumption, like in the last few months of the previous year, mainly due to a slowing in investments by the main operators.

In Europe, overall demand was down, with uneven behaviour in the various national markets. In such a climate, the markedly negative contribution of the South Europe region was only partially mitigated by some virtuous behaviour in North Europe. In South Europe, the main operators have adopted an aggressive destocking policy, which has sharply reduced their optical cable procurement estimates, triggering a sharp market contraction.

In Italy, Spain and France, the first countries to take measures to contain the Covid-19 virus, the first half of 2020 witnessed a drop in optical cable demand. Even though the Telecom segment is classified as strategic, difficulties in finding personnel to perform installations effectively constrained a significant acceleration in demand.

Thanks to plans under the Digital Agenda for Europe 2025, European demand is expected to revive from the fourth quarter of 2020. 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 as decided by each individual 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 South America, a region when fibre penetration rates are still low, the optical cables market reported a slight decline attributable to a slowing of investment by major telecom operators.

The copper cable market is experiencing a slowdown due to product maturity. The drop in demand, already evident during 2019, was confirmed but without showing any acceleration.

Given the high demand for internet access, the major operators have opted to renew their networks using optical fibre, rather than perform extensive maintenance work or upgrade existing networks. It is still worth retaining a presence in this segment since the gradual decommissioning of assets by competitor cable manufacturers nonetheless offers attractive opportunities.

The MMS cable market reported a downturn, most pronounced in South America and North America due to Covid-related difficulties. The decline in Latin American business reflects not only the complications of the Covid-19 pandemic but also steep currency devaluation in Central and South American countries, making an already troubled market more uncertain.

FINANCIAL PERFORMANCE

Sales to third parties by the *Telecom* operating segment came to Euro 697 million in the first six months of 2020, compared with Euro 886 million in the same period of 2019.

The negative change of Euro 189 million (-21.3%) is explained by:

- negative organic sales growth of Euro 178 million (-20.1%);
- negative change of Euro 5 million (-0.5%) in sales prices for metal price fluctuations;
- negative change of Euro 6 million (-0.7%) for exchange rate fluctuations.

The negative organic growth in 2020 six-month sales reflects the negative trend already observed since the second half of 2019 and was primarily the result of a slowdown in demand in the first six months of 2020 for optical fibre and specialty cables, further exacerbated by the impact of Covid-19.

In Europe, the trend in volumes for the first six months of 2020 was down on the previous year. A continued slowing in orders, already observed in the last part of the previous year, was accompanied by a further drop in prices.

In North America, slowdown in the installation of new ultra-broadband networks triggered a fall in demand compared with the year before, like in Australia.

In Brazil and Argentina, the Group's performance was in line with the slightly lethargic market trend.

Globally, copper cables continued their steady decline with the retirement of traditional networks in favour of new-generation ones.

The positive performance of the high value-added business of optical connectivity accessories, triggered by the development of new FTTx networks (for last mile broadband), dwindled during the six-month period. While performance improved in the UK, other European markets reported a deterioration on the same period of the previous year.

The Multimedia Solutions business saw its growth slow on the same period of 2019, mainly due to the pandemic's effects on South European and North American markets.

The return on investments in relocating some cable manufacturing sources to Eastern Europe also made a substantial contribution to the segment's overall results.

Adjusted EBITDA for the first six months of 2020 came to Euro 101 million, reporting a decrease of Euro 64 million (-37.8%) from Euro 165 million in the same period of 2019. This decline is mainly attributable to the negative results of the Group as described above and to those of the associate Yangtze Optical Fibre and Cable Joint Stock Limited Company in China, involving a negative impact of some Euro 9 million, only partially mitigated by a stabilisation in margins despite pressure on prices and achieved thanks to cost efficiencies.

RESULTS BY GEOGRAPHICAL AREA

As stated in the Explanatory Notes to this Half-Year Financial Report, the Group's operating segments are: *Energy*, *Projects* and *Telecom*, reflecting the structure used in the periodic reports prepared to review business performance. The primary performance indicator used in these reports, presented by macro type of business (*Energy*, *Projects* and *Telecom*), is 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.

In order to provide users of the financial statements with information that is more consistent with the Group's greater geographical diversification following the General Cable acquisition, Sales and Adjusted EBITDA are reported below by geographical area, even though the primary operating segments remain those by business. For this purpose, 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.

(Euro/million)

	Sales		Adjusted EBITDA	
	1st half 2020	1st half 2019	1st half 2020	1st half 2019
EMEA*	2,661	3,147	173	254
North America	1,609	1,751	205	191
LATAM	334	466	26	47
Asia Pacific	381	485	15	29
Total	4,985	5,849	419	521

(*) EMEA = Europe, Middle East and Africa

EMEA

The EMEA region recorded negative year-on-year organic sales growth of -12.7% in the first six months of 2020 (-13.0% excluding the *Projects* segment), reflecting adverse performances particularly in South Europe, the UK and the Middle East following the spread of the Covid-19 pandemic. Telecom, Projects and Trade & Installers were the weakest areas of business.

North America

North America recorded negative year-on-year organic sales growth of -5.8% in the first six months of 2020 (-6.0% excluding the *Projects* segment).

The Energy & Infrastructure business enjoyed a strong performance, mainly thanks to Onshore Wind (Power Distribution) and Overhead Transmission Lines. Margins benefited from a favourable business mix and the successful integration between Prysmian and General Cable.

LATAM

LATAM recorded negative organic sales growth of -20.7% in the first six months of 2020 (-20.9% excluding the *Projects* segment).

This region was severely impacted by the negative consequences of the Covid-19 pandemic, only partially offset by the positive results for Overhead Transmission Lines.

APAC

APAC recorded negative year-on-year organic sales growth of -19.1% in the first six months of 2020 (-14.7% excluding the *Projects* segment), while Adjusted EBITDA turned down sharply because of Covid-19 impacts in China (including on the results of the associate YOFC), especially in the first quarter of 2020. The second quarter, however, saw a fast recovery, above all in China.

Covid-19 effects

First-half sales in 2020 have decreased by 14.8% year-on-year, a reduction of Euro 864 million. Group Management has estimated that around 60% of this reduction is attributable to the decrease in sales versus pre-pandemic forecasts caused by delays in the award of contracts and the drop in demand experienced by the businesses most sensitive to the economic cycle, as well as by restrictions imposed by some governments on production activities.

As far as operating costs are concerned, Management has estimated the impact of shutting down certain production facilities in response to preventive measures adopted by some governments and of having operated at a much lower capacity than usual to be approximately Euro 29 million, net of related government financial support. In addition, the Group has recorded about Euro 9 million for ineffective hedges and inventory write-downs after items underlying derivatives were no longer realised due to the pandemic.

In addition to the above, approximately Euro 7 million in costs, treated as EBITDA adjustments, were incurred to disinfect workplaces and buy personal protective equipment in order to allow industrial activities to continue safely and in compliance with the mandatory standards of hygiene dictated by the situation.

The spread of the Covid-19 pandemic has led to the recognition of certain impacts specifically as a result of adjusting the estimates and assumptions made by Group Management. In particular, as set out in more detail in explanatory note "1. Property, plant and equipment and intangible assets", Covid-19 has been treated by Group Management as a compelling indicator of impairment, leading to the performance of impairment tests for all the Group's CGUs, both top and second tier ones, and resulting in the recognition of an impairment loss of some Euro 43 million against the property, plant and equipment of the South Europe CGU.

GROUP STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(Euro/million)	30.06.2020	30.06.2019	Change	31.12.2019
Net fixed assets	5,153	5,226	(73)	5,301
Net working capital	1,088	1,258	(170)	755
Provisions and net deferred taxes	(711)	(710)	(1)	(820)
Net capital employed	5,530	5,774	(244)	5,236
Employee benefit obligations	499	528	(29)	494
Total equity	2,515	2,427	88	2,602
<i>of which attributable to non-controlling interests</i>	<i>181</i>	<i>185</i>	<i>(4)</i>	<i>187</i>
Net financial debt	2,516	2,819	(303)	2,140
Total equity and sources of funds	5,530	5,774	(244)	5,236

NET FIXED ASSETS

(Euro/million)	30.06.2020	30.06.2019	Change	31.12.2019
Property, plant and equipment	2,705	2,749	(44)	2,804
Intangible assets	2,124	2,147	(23)	2,154
Equity-accounted investments	311	307	4	314
Other investments at fair value through other comprehensive income	13	13	-	13
Assets and liabilities held for sale (*)	-	10	(10)	16
Net fixed assets	5,153	5,226	(73)	5,301

(*) Excluding the value of financial assets and liabilities held for sale.

At 30 June 2020, net fixed assets amounted to Euro 5,153 million, compared with Euro 5,301 million at 31 December 2019, posting a decrease of Euro 148 million mainly due to the combined effect of the following factors:

- Euro 83 million in net capital expenditure on property, plant and equipment and intangible assets;
- Euro 209 million in depreciation, amortisation and impairment charges for the period;
- Euro 42 million in increases in property, plant and equipment for IFRS 16;
- Euro 63 million in negative currency translation differences affecting property, plant and equipment and intangible assets;
- Euro 3 million for the net decrease in equity-accounted investments, mainly comprising a positive Euro 5 million for the share of net profit/(loss) of equity-accounted companies, less Euro 2 million in dividend payments and Euro 4 million in negative currency translation differences.

NET WORKING CAPITAL

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

(Euro/million)	30.06.2020	30.06.2019	Change	31.12.2019
Inventories	1,507	1,666	(159)	1,523
Trade receivables	1,507	1,898	(391)	1,475
Trade payables	(1,728)	(2,246)	518	(2,062)
Other receivables/(payables)	(198)	(49)	(149)	(187)
Net operating working capital	1,088	1,269	(181)	749
Derivatives	-	(11)	11	6
Net working capital	1,088	1,258	(170)	755

Net working capital of Euro 1,088 million at 30 June 2020 was Euro 170 million lower than the corresponding figure of Euro 1,258 million at 30 June 2019. Net operating working capital amounted to Euro 1,088 million (11.3% of annualised sales) at 30 June 2020, down Euro 181 million from Euro 1,269 million (10.3% of sales) at 30 June 2019, reflecting the following factors:

- a reduction in working capital employed in multi-year Submarine projects, reflecting their stage of completion relative to their respective contractual deadlines;
- a decrease in working capital due to the reduced levels of activity as a consequence of the Covid-19 pandemic;
- a reduction associated with fluctuations in currencies and the price of metals (copper, aluminium).

NET FINANCIAL DEBT

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

(Euro/million)	30.06.2020	30.06.2019	Change	31.12.2019
Long-term financial payables				
CDP Loans	100	100	-	100
EIB Loans	110	126	(16)	118
Non-convertible bond	748	746	2	746
Convertible Bond 2017	483	472	11	478
Term Loan	996	994	2	995
Unicredit Loan	199	199	-	199
Mediobanca Loan	100	100	-	100
Intesa Loan	149	-	149	149
Derivatives	14	17	(3)	15
Lease liabilities	143	111	32	135
Other financial payables	10	12	(2)	12
Total long-term financial payables	3,052	2,877	175	3,047
Short-term financial payables				
CDP Loans	100	-	100	100
EIB Loans	17	17	-	17
Non-convertible bond	4	4	-	14
Term Loan	-	1	(1)	1
Bridge Loan	-	401	(401)	-
Derivatives	9	8	1	10
Lease liabilities	47	41	6	44
Other financial payables	55	52	3	36
Total short-term financial payables	232	524	(292)	222
Total financial liabilities	3,284	3,401	(117)	3,269
Long-term financial receivables	3	2	1	2
Long-term bank fees	3	4	(1)	4
Financial assets at amortised cost	5	4	1	4
Short-term derivatives	1	2	(1)	6
Short-term financial receivables	3	7	(4)	2
Short-term bank fees	2	2	-	2
Financial assets at fair value through profit or loss	19	20	(1)	27
Financial assets at fair value through other comprehensive income	11	11	-	11
Financial assets held for sale	-	-	-	1
Cash and cash equivalents	721	530	191	1,070
Total financial assets	768	582	186	1,129
Net financial debt	2,516	2,819	(303)	2,140

Net financial debt of Euro 2,516 million at 30 June 2020 has increased by Euro 376 million from Euro 2,140 million at 31 December 2019.

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

(Euro/million)	1st half 2020	1st half 2019	Change	12 months (from 1 July 2019 to 30 June 2020)	2019
EBITDA	407	492	(85)	822	907
Changes in provisions (including employee benefit obligations) and other movements	(70)	(88)	18	(54)	(72)
Gains)/losses on disposal of property, plant and equipment	(12)	(1)	(11)	(12)	(1)
Share of net profit/(loss) of equity-accounted companies	(5)	(13)	8	(16)	(24)
Net cash flow from operating activities (before changes in net working capital)	320	390	(70)	740	810
Changes in net working capital	(378)	(516)	138	205	67
Taxes paid	(30)	(44)	14	(97)	(111)
Dividends from investments in equity-accounted companies	2	2	-	9	9
Net cash flow from operating activities	(86)	(168)	82	857	775
Cash flow from acquisitions and/or disposals	2	-	2	(5)	(7)
Net cash flow used in operating investing activities	(92)	(88)	(4)	(252)	(248)
Free cash flow (unlevered)	(176)	(256)	80	600	520
Net finance costs	(59)	(67)	8	(86)	(94)
Free cash flow (levered)	(235)	(323)	88	514	426
Dividend distribution	(69)	(118)	49	(70)	(119)
Capital contributions and other changes in equity	-	(1)	1	3	2
Net cash flow provided/(used) in the period	(304)	(442)	138	447	309
Opening net financial debt	(2,140)	(2,222)	82	(2,819)	(2,222)
Net cash flow provided/(used) in the period	(304)	(442)	138	447	309
Increase due to IFRS 16	(42)	(159)	117	(94)	(211)
Other changes	(30)	4	(34)	(50)	(16)
Closing net financial debt	(2,516)	(2,819)	303	(2,516)	(2,140)

With reference to the first six months of 2020, net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 320 million.

This cash flow was absorbed by the increase of Euro 378 million in net working capital. After Euro 30 million in tax payments and Euro 2 million in dividend receipts, cash flow from operating activities therefore resulted in a net outflow of Euro 86 million in the first six months of 2020.

Net operating capital expenditure amounted to Euro 92 million in the first six months of 2020, a large part of which on projects to increase and rationalise production capacity and to develop new products.

In addition, Euro 59 million in net finance costs were paid during the first six months of 2020.

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

- Euro 740 million in net cash flow provided by operating activities before changes in net working capital;
- Euro 205 million in cash flow provided by the decrease in net working capital, Euro 9 million in dividend receipts, Euro 97 million in tax payments, all of which contributing to Euro 857 million in net cash inflow from operating activities;
- Euro 252 million in net operating capital expenditure over the past 12 months;
- Euro 86 million in payments for net finance costs and Euro 70 million for dividends.

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 accepted 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 and liabilities held for sale, excluding financial assets and liabilities held for sale
- **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 involving 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
 - Loan arrangement fees recorded in Other non-current receivables
 - Short-term financial receivables recorded in Other current receivables
 - Loan arrangement fees 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 2020

(Euro/million)

	Note	30.06.2020		31.12.2019	
		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		2,705		2,804
Goodwill and other intangible assets	1		2,124		2,154
Equity-accounted investments	2		311		314
Other investments at fair value through other comprehensive income			13		13
Assets and liabilities held for sale	8		-		16
Total net fixed assets	A		5,153		5,301
Net working capital					
Inventories		B	1,507		1,523
Trade receivables		C	1,507		1,475
Trade payables		D	(1,728)		(2,062)
Other receivables/payables net of which:		E	(198)		(187)
Other receivables - non-current			25		32
Tax receivables	3		7		10
Receivables from employees	3		1		1
Advances to suppliers	3		4		4
Other	3		13		17
Other receivables - current			737		812
Tax receivables	3		227		227
Receivables from employees and pension plans	3		8		6
Advances to suppliers	3		17		15
Other	3		85		114
Construction contracts	3		400		450
Other payables - non-current			(7)		(11)
Tax and social security payables	11		(1)		(2)
Payables to employees	11		(1)		(1)
Other	11		(5)		(8)
Other payables - current			(884)		(969)
Tax and social security payables	11		(213)		(201)
Advances from customers	11		(284)		(357)
Payables to employees	11		(128)		(160)
Accrued expenses	11		(117)		(139)
Other	11		(142)		(112)
Current tax payables			(69)		(51)
Total net operating net working capital	F = B+C+D+E		1,088		749
Derivatives of which:		G	-		6
Forward currency contracts on commercial transactions (cash flow hedges) - current	5		2		1
Forward currency contracts on commercial transactions - current	5		(3)		(3)
Metal derivatives (cash flow hedges) - non-current	5		(6)		-
Metal derivatives - non-current	5		10		4
Metal derivatives - current	5		(3)		4
Total net working capital	H = F+G		1,088		755

(Euro/million)

			30.06.2020		31.12.2019	
	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			(38)		(60)
Provisions for risks and charges - current	12			(656)		(717)
Deferred tax assets				182		170
Deferred tax liabilities				(199)		(213)
Total provisions	I			(711)		(820)
Net capital employed	L = A+H+I			5,530		5,236
Employee benefit obligations	M	13		499		494
Total equity	N	9		2,515		2,602
<i>of which attributable to non-controlling interests</i>				181		187
Net financial debt						
Total long-term financial payables	O			3,052		3,047
CDP Loans	10		100		100	
EIB Loans	10		110		118	
Non-convertible bond	10		748		746	
Convertible bond 2017	10		483		478	
Term Loan	10		996		995	
Unicredit Loan	10		199		199	
Mediobanca Loan	10		100		100	
Intesa Loan	10		149		149	
Derivatives	5		14		15	
<i>of which:</i>						
<i>Interest rate swaps</i>	5		14		15	
Lease liabilities			143		135	
Other payables			10		12	
Total short-term financial payables	P			232		222
CDP Loans	10		100		100	
EIB Loans	10		17		17	
Non-convertible bond	10		4		14	
Term Loan	10		-		1	
Derivatives	5		9		10	
<i>of which:</i>						
<i>Interest rate swaps</i>	5		6		6	
<i>Forward currency contracts on financial transactions</i>	5		3		4	
Lease liabilities	10		47		44	
Other payables	10		55		36	
Total financial liabilities	Q = O+P			3,284		3,269
Long-term financial receivables	R	3	(3)		(2)	
Long-term bank fees	R	3	(4)		(4)	
Short-term financial receivables	R	3	(3)		(2)	
Short-term derivatives	R	5	(1)		(6)	
<i>of which:</i>						
<i>Forward currency contracts on financial transactions (current)</i>	5		(1)		(6)	
Short-term bank fees	R	3	(2)		(2)	
Financial assets at amortised cost	S			(4)		(4)
Financial assets at fair value through other comprehensive income	T			(11)		(11)
Financial assets at fair value through profit or loss	U	6		(19)		(27)
Financial assets held for sale		8		-		(1)
Cash and cash equivalents	V	7		(721)		(1,070)
Total financial assets	Z = R+S+T+U+V			(768)		(1,129)
Total net financial debt	W = Q+Z			2,516		2,140
Total equity and sources of funds	Y = M+N+W			5,530		5,236

Reconciliation between the principal income statement indicators and the Income Statement contained in the Consolidated Financial Statements and Explanatory Notes at 30 June 2020

(Euro/million)

		1st half 2020	1st half 2019
		Amounts from income statement	Amounts from income statement
Sales	A	4,985	5,849
Change in inventories of finished goods and work in progress		(42)	97
Other income		44	24
Raw materials, consumables and supplies		(3,089)	(3,730)
Personnel costs		(712)	(745)
Other expenses		(801)	(1,017)
Operating costs	B	(4,600)	(5,371)
Share of net profit/(loss) of equity-accounted companies	C	5	13
Fair value stock options	D	17	1
EBITDA	E = A+B+C+D	407	492
Other non-recurring expenses and revenues	F	-	(6)
Company reorganisation	G	(9)	(7)
Other non-operating expenses	I	(3)	(16)
Total adjustments to EBITDA	L = F+G+I	(12)	(29)
Adjusted EBITDA	M = E-L	419	521
Share of net profit/(loss) of equity-accounted companies	N	5	13
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	O = M-N	414	508

(Euro/million)

		1st half 2020	1st half 2019
		Amounts from income statement	Amounts from income statement
Operating income	A	173	335
Other non-recurring expenses and revenues		-	(6)
Company reorganisation		(9)	(7)
Other non-operating expenses		(3)	(16)
Total adjustments to EBITDA	B	(12)	(29)
Fair value change in metal derivatives	C	(8)	-
Fair value stock options	D	(17)	(1)
Non-recurring impairment and releases	E	(43)	(1)
Adjusted operating income	G=A-B-C-D-E	253	366

BUSINESS OUTLOOK

In the first half of 2020, the macroeconomic scenario deteriorated abruptly due to the worldwide spread of the Covid-19 pandemic. In response to this health emergency, nearly all countries took containment measures such as restrictions on movement, quarantines and other public emergency initiatives, with severe repercussions on global economic activity and the entire manufacturing system.

In response to this crisis, the International Monetary Fund, among the major financial institutions, significantly reduced its economic growth estimates for 2020. According to its forecasts as updated in June 2020, the global economy is expected to decline by 4.9% in 2020, compared to the expected growth of 3.3% forecast at the beginning of January. In any event, these forecasts are subject to a high degree of uncertainty, due to the lack of visibility regarding various factors, such as the duration of the pandemic, the intensity and efficacy of the containment measures, progress in the health arena, and the pace of the recovery of demand.

The extraordinary impacts of the Covid-19 pandemic impacted also Prysmian Group's results, firstly in China, where production and market demand were severely affected throughout the first quarter, to then start to recover as of the second quarter. As of mid-March, the impact spread also to other geographical areas affected by the pandemic (Europe, Middle East, North and South America), particularly in the businesses related to the construction sector (e.g., Trade & Installers) and characterised by significant installation activities.

Prysmian Group's long-term growth drivers, mainly related to the energy transition to renewable sources, the upgrade of telecommunication networks and the electrification process, remain unchanged. The Group may also rely on broad diversification by business and geographical areas, a solid financial structure, an efficient, flexible supply chain and a lean organisation — all factors enabling the Group to face the emergency with confidence.

In light of the above considerations, today the Group is updating its 2020 guidance previously released to the market on 5 March and then withdrawn on 12 May. In financial year 2020, in the absence of significant changes in the evolution of the health emergency and consequent further discontinuities and slowdowns in the global economic activities, the Group forecasts that it will earn an adjusted EBITDA within a range of €800 to €850 million and generate cash flows within a range of €200 to €300 million (free cash flow before acquisitions, disposals and dividends). These forecasts are based on the Company's current business scope, assume exchange rates in line with the average for financial year 2019 and do not include impacts on cash flow relating to antitrust decisions and the related follow-on cases.

FORESEEABLE RISKS IN 2020¹

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 2020 are described below according to their nature.

STRATEGIC RISKS

Risks associated with the competitive environment

Many of the products offered by Prysmian Group, primarily in the Trade & Installers and Power Distribution businesses, are made in conformity with specific industrial standards and so are interchangeable with those offered by major competitors. Price is therefore a key factor in customer choice of supplier. The entry into mature markets (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 Group's expected margins.

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

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

Risks associated with changes in macroeconomic conditions and demand

Factors such as trends in GDP 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, then reduce investments that would otherwise develop the market. Government incentives for alternative energy sources and for developing telecom networks also face reduction for the same reason. Prysmian Group's transmission business (high voltage submarine cables) and Power Distribution and Telecom businesses, all highly concentrated in the European market, are being

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.

affected by shifting contractions of demand within this market, caused by the region's prolonged economic downturn.

To counter this risk, the Group is pursuing, on the one hand, a policy of geographical diversification in non-European countries and, on the other, a strategy to reduce costs by rationalising its manufacturing footprint around the world in order to mitigate possible negative effects on the Group's performance in terms of lower sales and shrinking margins.

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

Key customer dependency risks

The many and diverse types of customers (power transmission and telecom systems operators, distributors, installers, etc.) and their distribution across an equally wide number of different countries mitigate customer dependency risk at a group level.

However, in some countries and businesses, one customer may account for a significant share of the total, like for example the Offshore Specialties business, where Prysmian Group has an important business relationship with Petrobras, a Brazilian oil company, for the supply of umbilical cables, developed and manufactured at the factory in Vila Velha, Brazil. Given this country's ongoing economic problems, in turn depressing the local umbilical cables market, and growing competitive pressures surrounding product technological innovation, business sustainability in Brazil could be impacted, in whole or in part.

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

Risk of instability in the Group's countries of operation

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

Significant changes in the macroeconomic, political, tax or legislative environment of such countries could have an adverse impact on the Group's business, results of operations and financial condition; consequently, as already mentioned in an earlier paragraph, the Group constantly monitors developments in the global geopolitical environment which could require it to revise existing business strategies and/or adopt mechanisms to safeguard its competitive position.

FINANCIAL RISKS

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 obtaining 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 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.

Given the current amount of financial resources and undrawn committed credit lines, totalling in excess of Euro 1 billion at 30 June 2020, and six-monthly monitoring² of financial covenant compliance (fully satisfied at 30 June 2020), the Group is of the opinion that this risk is significantly mitigated and that it is able to raise sufficient financial resources and at a competitive cost. A more detailed analysis of the risk in question can be found in the 2019 Annual Financial Report.

Exchange rate volatility

Prysmian Group operates internationally and is therefore exposed to exchange rate risk on the currencies of the different countries in which it operates. 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.

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 2019 Annual Financial Report.

Interest rate volatility

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

A more detailed analysis of the risk in question can nonetheless be found in the "Financial Risk Management" section of the 2019 Annual Financial Report.

Credit risk

Credit risk is represented by Prysmian Group's exposure to potential losses arising from the failure of business or financial partners to discharge their obligations. This risk is monitored centrally by the Group Finance department, while customer-related credit risk is managed operationally by the individual subsidiaries. The Group does not have any excessive concentrations of credit risk, but given the economic and social difficulties faced by some countries in which it operates, the exposure could undergo a deterioration that would require closer monitoring. Accordingly, the Group has procedures in place to ensure that its business partners are of proven reliability and that its financial partners have high credit ratings. In addition, in mitigation of credit risk, the Group has a global trade credit insurance program covering almost all its operating companies; this is managed centrally by the Risk Management department, which monitors, with the assistance of the Group's Credit Management function, the level of exposure to risk and intervenes when tolerance limits are exceeded due to possible difficulty in finding coverage on the market.

A more detailed analysis of the risk in question can nonetheless be found in the "Financial Risk Management" section of the 2019 Annual Financial Report.

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 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 availability of sufficient committed credit lines, and timely renegotiation of loans

before their maturity. Given the dynamic nature of the business in which Prysmian Group operates, the Group Finance department prefers flexible forms of funding in the form of committed credit lines.

As at 30 June 2020, the Group's total financial resources 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 2019 Annual Financial Report.

Commodity price volatility risk

The main commodities purchased by Prysmian Group are copper and aluminium, accounting for more than 50% of the total raw materials used to manufacture its products. The Group neutralises the impact of possible variations in the price of copper and aluminium and, although less significant, of lead through hedging activities and automatic sales price adjustment mechanisms. Hedging activities are based on sales contracts or sales forecasts, which if not met, could expose the Group to the risk of price volatility in the underlying assets.

A dedicated team within the Group Purchasing department monitors and coordinates centrally those sales transactions requiring the purchase of metals and the related hedging activities carried out by each subsidiary, ensuring that the level of exposure to risk is kept within defined tolerance limits.

A more detailed analysis of the risk in question can nonetheless be found in the "Financial Risk Management" section of the 2019 Annual Financial Report.

OPERATIONAL RISKS

Liability for product quality/defects

Possible defects in the design and manufacture of Prysmian Group's products could give rise to civil or criminal liability towards its 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 further 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 power cables are characterised by contractual forms entailing a "turnkey" or end-to-end 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 pay damages as well as indirect effects on the supply chain in the event of late delivery or manufacturing 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 a wide range of tests on 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 running from the manufacturing stage through to delivery.

In addition, the ERM assessments for this particular risk have led the Risk Management department, with the support of the Sales department, to implement a systematic process of Project Risk Assessment for all "turnkey" projects, involving the assignment of a Project Risk Manager, right from the bidding stage, with the aim of identifying, assessing and monitoring over time the Group's exposure to specific risks and of foreseeing the necessary mitigation actions. The decision to present a bid proposal to a customer will therefore also depend on the results of risk assessment.

With regard to incidents involving Western Link, an electrical transmission cable between Scotland, Wales and England, please refer to the section on Significant Events in the period within the Explanatory Notes.

Business interruption risk due to 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 the cable-laying vessels owned by the Group (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 incidents (e.g. fire, terrorist attacks, etc.) and the consequent prolonged business interruption could have a critical economic impact on the Group's performance.

Work began in 2018 on building the "Leonardo da Vinci", a new cable-laying vessel with a best-in-class specification. As a result, the risk of dependence on the "Giulio Verne" has reduced significantly.

Prysmian addresses asset dependency risk by having:

- a systematic Loss Prevention program, managed centrally by the Risk Management department, which, through periodic on-site inspections, allows the adequacy of existing systems of protection to be assessed and any necessary remedial actions decided to mitigate the estimated residual risk. As at 31 December 2019, the Group's operating plants were sufficiently protected and there were no significant exposures to 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 schemes covering damage to assets and loss of associated contribution margin due to business interruption, such as to minimise the financial impact of this risk on cash flow.

Environmental risks

The Group's production activities in Italy and abroad are subject to specific environmental regulations, amongst which those concerning the management of raw materials, energy resources and hazardous substances, of water discharges, air emissions, waste, including pollution prevention and minimisation of impacts on environmental factors (soil, subsoil, water resources, atmosphere).

Such regulations are enforcing increasingly strict standards on companies, which are therefore obliged to incur significant compliance costs.

Considering the Group's large number of plants, the probability of an accident, with consequences not only for the environment but also for the continuity of production, cannot be ignored or the resulting economic and reputational impact, which could be significant. 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.

The percentage of Prysmian production sites, including former General Cable ones, certified under ISO 14001 and OHSAS 18001/ ISO 45001 amounts to 82% and 70% respectively. In addition, other types of organisation within the Group have also been certified, such as R&D, installation activities, kitting and distribution centres, etc.

With the aim of raising the percentage of certified sites still further, a four-year program of "new" certifications has been established involving many former General Cable production units, where the initial objective will be to assess their environmental, health and safety risks, in line with the Group's systematic approach.

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, technology 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, a clear Information Security strategy has been defined in this regard setting out the governance structure adopted by the Group and the guidelines for managing cyber risk within IT architectures and business processes. A special Information Security Committee, consisting of the key figures involved in managing cyber risk³, 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 significant events or crises. Lastly, specific e-learning training sessions have been provided to all the Group's IT staff with the aim of raising their awareness of this issue.

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 with 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 it operates. 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 effective application of these rules, with no type of violation tolerated.

However, despite this ongoing endeavour, strict vigilance and periodic information campaigns, it is not possible to rule out future episodes of misconduct in breach of policies, 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

In today's increasingly globalised business environment, with a proliferation of channels and ways to access information, as well as growth in the volume and types of data managed, Prysmian is addressing the various data management issues, ranging from compliance with recent legislation to defence against potential threats to confidentiality, integrity and availability of information.

Accordingly, it is fundamental to have an overall vision when managing sensitive information, not only with respect to regulatory compliance - as described in the Group's Annual Financial Report, under Risk Factors and Uncertainties - but also with respect to security and business priorities.

Furthermore, Europe's General Data Protection Regulation (GDPR), which came into force in May 2018, has now become one of the main reference points for a renewed commitment to data protection, particularly personal data.

The personal data protection program adopted by Prysmian is based on the following key elements, involving the entire corporate structure:

- o Implementation of a data-based model, through mapping the personal data processed by company departments and keeping a record of processing activities;
- o Definition of a governance model, intended to comply with the requirements of the GDPR and other emerging data protection regulations, featuring: an organisational structure under which the Data Protection Officer (DPO) serves in an advisory and monitoring capacity where personal data management is concerned, with the duties and related responsibilities delegated to those materially engaged in data processing activities;
- o A set of policies and documents supporting the model (company policies, disclosure statements, internal appointments, clauses applicable to suppliers, etc.);

- o Adoption of appropriate technical and organisational measures to ensure a level of security appropriate to the risk, also with the help of new tools such as Data Protection Impact Assessment introduced by the GDPR;
- o Definition of communication and training material specifically for those parties identified within the data protection organisational model, so that all the parties involved are aware of the revised regulatory requirements and take steps to fulfil them;
- o Review of video surveillance systems, with particular reference to the new European guidelines and the regulations applicable in Italy.

Monitoring and support have been provided to Prysmian's many European legal entities in applying the model to ensure its consistent application and the establishment of an internationally shared corporate culture in this regard.

The activities to comply with the recent European legislation will be capitalised on as much as possible in the compliance activities required by other national regulations, including the "*Ley General de Proteccion de Datos*".

Following the acquisition of General Cable, a process of monitoring and support has been initiated to roll out Prysmian's centrally-defined data protection model to the newly acquired legal entities, again with the aim of implementing a data protection model that is as uniform, consistent and compliant as possible with the GDPR rules and the new data protection regulations applicable to Prysmian.

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 a variety of relevant legislation, 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 fight and repress corruption.

The Group's business model, with a global presence in over 50 countries and a multitude of product applications, brings it into constant contact with numerous third parties (suppliers, intermediaries, agents and customers). In particular, the management of large international projects in the Energy (submarine and high voltage) and Oil & Gas businesses involves having business relationships even in countries with a potential risk of corruption (as per the Corruption Perception Index⁴), 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.

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.

In continuity with the previous year, Prysmian Group moved forward in 2019 with the activities defined in its Anti-Bribery Compliance Program, inspired by the ISO 37001 guidelines for Anti-bribery management systems, published on 15 October 2016, and intended to strengthen its monitoring of and focus on compliance issues. This program, in addition to providing greater control over the management of bribery risk, also aims to minimise the risk of punishment if crimes of 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 issues or negative events that undermine the reputation of third parties with whom Prysmian Group deals.

In this regard, it is noted that in 2019 the Group implemented a "Third Party Program", a new Group Policy aimed at preventing and managing the risk of corruption arising from relationships with third parties (such as distributor agents, and certain categories of suppliers). In particular, prior to establishing any business relationship with third parties, it is mandatory to perform - through a dedicated online platform - due diligence checks on the third party. As a result, each third party receives a risk rating (high, medium, low) and is consequently submitted to an approval process, differing according to the level of risk.

Following the acquisition of General Cable, Prysmian Group's Anti-Bribery Compliance Program has been updated and expanded to include the additional activities in this area envisaged by the General Cable Compliance Program.

In addition, during 2019 General Cable and Prysmian's compliance policies were revised, updated and merged in order to have single documents valid for the entire Group.

With specific reference to the anti-bribery program, the relevant Policy and the Policy on Gifts and Entertainment Expenses were both revised.

Lastly, in line with the Group's ongoing commitment to ensure that the financial and personal interests of its employees and consultants do not conflict with the ability to perform their duties in a professional, ethical and transparent manner, a new policy on Conflict of Interest was issued in 2019.

The new policy requires all employees and consultants to disclose all potential conflicts of interest, which will then be duly analysed and evaluated in order to agree on any necessary corrective actions to mitigate or eliminate the conflict.

Further details about the actions taken by the Group to prevent corrupt practices can be found in the specific section of the 2019 Disclosure of Non-Financial Information.

Risks of non-compliance with antitrust law

Competition rules on 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.

Like with other Policies, following the acquisition of General Cable, the Antitrust Code of Conduct has also been updated in order to have a single document, valid for the entire Prysmian Group and designed to provide an overview of the problems associated with applying antitrust law and the consequent standards of conduct to follow.

More detailed documents on the antitrust regulations in force in the European Union and North America have also been adopted.

The Antitrust Code of Conduct is an integral part of the training program and is intended to provide an overview of the issues concerning application of EU and Italian competition law on collusive practices and abuse of dominant positions, within which specific situations are 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 continued in 2019, mostly for the Group's sales force and organised in collaboration with external lecturers and legal advisors, as did e-learning modules, available on the company intranet and aimed at continuously supporting and raising awareness of and attention to this issue.

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, the Group reports a provision for risks and charges at 30 June 2020 of approximately Euro 216 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.

OTHER RISKS

Brexit risks

In June 2016 the UK electorate voted in a referendum to withdraw from the European Union (EU). In January 2020 the UK Parliament passed the Withdrawal Agreement Bill setting out the terms of Brexit. Since the referendum vote, uncertainty surrounding Brexit has reduced the level of investment in the UK and suppressed GDP growth. Although a withdrawal agreement has now been negotiated in principle, uncertainty will continue to affect investments and consumption, which consequently will impact company profitability. The risk of a no deal Brexit still remains if a long-term relationship agreement is not successfully negotiated; this risk is expected to generate a significant negative impact for UK demand and investments in the medium term with a limited impact also at EU level.

Business interruption risk due to the Covid-19 coronavirus

The first few months of 2020 have witnessed an abrupt deterioration in the global macroeconomic situation following the spread of the Covid-19 pandemic around the world. In response to this health emergency,

governments in most countries have adopted containment measures, including travel bans, quarantines and other public emergency measures, with serious repercussions on economic activity and the entire production system. The first six months of the year have witnessed the impact of these measures on the economic performance of pandemic-hit countries.

The program of extraordinary measures, swiftly deployed since the beginning of the Covid-19 pandemic, is proving effective and in step with the objectives of safeguarding the health of employees and individuals, ensuring the continuity of operations and the supply chain and protecting profitability and cash flow. In addition, the strict health and hygiene standards introduced in factories and offices have limited the pandemic's impact on employees. The IT infrastructure and new organisation of work are making it possible to ensure productivity and continuity even with the extensive use of remote working. The supply chain has proven to be reactive and flexible, enabling high levels of uptime and responsiveness to market and customer needs. Finally, the measures to protect the profitability and solidity of the financial structure have proved effective, with annual cost efficiencies forecast at over Euro 100 million.

In addition, at the Board meeting on 30 March 2020, the Directors confirmed the views expressed at their previous meeting on 5 March 2020 about the Group's ability to generate cash flows and to support a balanced dividend policy over the long term, believing its financial structure, liquidity and available credit lines to be entirely adequate for responding to the new economic and financial environment emerging from the ongoing health emergency. However, in light of the spread of the pandemic and its potential duration, and the slowdown being caused in demand and the economic cycle, the Board of Directors submitted a dividend of Euro 0.25 per share to the Shareholders' Meeting instead of the Euro 0.50 per share proposed at its previous meeting on 5 March 2020. The Shareholders' Meeting of 28 April 2020 accordingly approved the dividend of Euro 0.25 per share, which was paid from 20 May 2020, with record date 19 May 2020 and ex-dividend date 18 May 2020.

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, 30 July 2020

ON BEHALF OF THE BOARD OF DIRECTORS

THE CHAIRMAN
Claudio De Conto

Consolidated financial statements and explanatory notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Euro/million)

	Note	30.06.2020	of which related parties	31.12.2019	of which related parties
Non-current assets					
Property, plant and equipment	1	2,705		2,804	
Goodwill	1	1,590		1,590	
Other intangible assets	1	534		564	
Equity-accounted investments	2	311	311	314	314
Other investments at fair value through other comprehensive income		13		13	
Financial assets at amortised cost		5		4	
Derivatives	5	10		7	
Deferred tax assets		182		170	
Other receivables	3	31		38	
Total non-current assets		5,381		5,504	
Current assets					
Inventories	4	1,507		1,523	
Trade receivables	3	1,507	8	1,475	7
Other receivables	3	742	1	816	3
Financial assets at fair value through profit or loss	6	19		27	
Derivatives	5	42		33	
Financial assets at fair value through other comprehensive income	-	11		11	
Cash and cash equivalents	7	721		1,070	
Total current assets		4,549		4,955	
Assets held for sale	8	-		27	
Total assets		9,930		10,486	
Equity					
Share capital	9	27		27	
Reserves	9	2,229		2,096	
Group share of net profit/(loss)	9	78		292	
Equity attributable to the Group		2,334		2,415	
Equity attributable to non-controlling interests		181		187	
Total equity		2,515		2,602	
Non-current liabilities					
Borrowings from banks and other lenders	10	3,038		3,032	
Employee benefit obligations	13	499		494	
Provisions for risks and charges	12	38		60	
Deferred tax liabilities		199		213	
Derivatives	5	20		18	
Other payables	11	7		11	
Total non-current liabilities		3,801		3,828	
Current liabilities					
Borrowings from banks and other lenders	10	223		212	
Provisions for risks and charges	12	656	6	717	4
Derivatives	5	54		35	
Trade payables	11	1,728	5	2,062	5
Other payables	11	884	1	969	4
Current tax payables		69		51	
Total current liabilities		3,614		4,046	
Liabilities held for sale	8	-		10	
Total liabilities		7,415		7,884	
Total equity and liabilities		9,930		10,486	

CONSOLIDATED INCOME STATEMENT

(Euro/million)					
	Note	1st half 2020	of which related parties	1st half 2019	of which related parties
Sales		4,985	11	5,849	15
Change in inventories of finished goods and work in progress		(42)		97	
Other income		44	3	24	2
Total sales and income		4,987		5,970	
Raw materials, consumables and supplies		(3,089)	(5)	(3,730)	(6)
Fair value change in metal derivatives		(8)		-	
Personnel costs		(712)	(5)	(745)	(5)
Amortisation, depreciation, impairment and impairment reversals		(209)		(156)	
Other expenses		(801)	(4)	(1,017)	-
Operating income before share of net profit/(loss) of equity-accounted companies		168		322	
Share of net profit/(loss) of equity-accounted companies		5	5	13	13
Operating income	14	173		335	
Finance costs	15	(289)		(209)	
Finance income	15	234		137	
Profit/(loss) before taxes		118		263	
Taxes	16	(42)		(71)	
Net profit/(loss)		76		192	
Of which:					
Attributable to non-controlling interests		(2)		2	
Group share		78		190	
Basic earnings/(loss) per share (in Euro)	17	0.30		0.72	
Diluted earnings/(loss) per share (in Euro)	17	0.30		0.72	

OTHER COMPREHENSIVE INCOME

(Euro/million)		
	1st half 2020	1st half 2019
Net profit/(loss)	76	192
Other comprehensive income:		
A) Change in cash flow hedge reserve:	3	(8)
- Profit/(loss) for the period	4	(10)
- Taxes	(1)	2
B) Change in currency translation reserve	(109)	31
C) Actuarial gains/(losses) on employee benefits (*):	(7)	(54)
- Profit/(loss) for the period	(13)	(70)
- Taxes	6	16
Total other comprehensive income (A+B+C):	(113)	(31)
Total comprehensive income/(loss)	(37)	161
Of which:		
Attributable to non-controlling interests	(2)	2
Group share	(35)	159

(*) Components of comprehensive income that will not be reclassified to profit or loss in subsequent periods.

CONSOLIDATED INCOME STATEMENT - 2ND QUARTER*

(Euro/million)	2nd quarter 2020	2nd quarter 2019
Sales	2,398	3,078
Change in inventories of finished goods and work in progress	(128)	(19)
Other income	31	12
Total sales and income	2,301	3,071
Raw materials, consumables and supplies	(1,381)	(1,878)
Fair value change in metal derivatives	28	(17)
Personnel costs	(336)	(375)
Amortisation, depreciation, impairment and impairment reversals	(129)	(80)
Other expenses	(372)	(551)
Operating income before share of net profit/(loss) of equity-accounted companies	111	170
Share of net profit/(loss) of equity-accounted companies	4	5
Operating income	115	175
Finance costs	(108)	(91)
Finance income	80	57
Profit/(loss) before taxes	87	141
Taxes	(31)	(38)
Net profit/(loss)	56	103
Of which:		
Attributable to non-controlling interests	1	1
Group share	55	102

OTHER COMPREHENSIVE INCOME- 2ND QUARTER*

(Euro/million)	2nd quarter 2020	2nd quarter 2019
Net profit/(loss)	56	103
Other comprehensive income:		
A) Change in cash flow hedge reserve:	38	(4)
- Profit/(loss) for the period	48	(3)
- Taxes	(10)	(1)
B) Change in currency translation reserve	(62)	(53)
C) Actuarial gains/(losses) on employee benefits (**):	(10)	(54)
- Profit/(loss) for the period	(13)	(70)
- Taxes	3	16
Total other comprehensive income (A+B+C):	(34)	(111)
Total comprehensive income/(loss)	22	(8)
Of which:		
Attributable to non-controlling interests	(2)	(3)
Group share	24	(5)

(*) The figures for 2nd quarter 2020 and 2019 have not been submitted to limited review by the independent auditors.

(**) Components of comprehensive income that will not be reclassified to profit or loss in subsequent periods.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Euro/million)

	Share capital	Cash flow hedge reserve	Currency translation reserve	Other reserves	Group share of net profit/(loss)	Equity attributable to the Group	Equity attributable to non-controlling interests	Total
Balance at 31 December 2018	27	(14)	(313)	2,428	58	2,186	188	2,374
Allocation of prior year net result	-	-	-	58	(58)	-	-	-
Fair value - stock options	-	-	-	1	-	1	-	1
Dividend distribution	-	-	-	(113)	-	(113)	(5)	(118)
Incidental expenses for capital increase	-	-	-	(1)	-	(1)	-	(1)
Effect of hyperinflation	-	-	-	10	-	10	-	10
Total comprehensive income/(loss)	-	(7)	30	(54)	190	159	2	161
Balance at 30 June 2019	27	(21)	(283)	2,329	190	2,242	185	2,427

(Euro/million)

	Share capital	Cash flow hedge reserve	Currency translation reserve	Other reserves	Group share of net profit/(loss)	Equity attributable to the Group	Equity attributable to non-controlling interests	Total
Balance at 31 December 2019	27	(14)	(249)	2,359	292	2,415	187	2,602
Allocation of prior year net result	-	-	-	292	(292)	-	-	-
Fair value - stock options	-	-	-	17	-	17	-	17
Dividend distribution	-	-	-	(66)	-	(66)	(4)	(70)
Effect of hyperinflation	-	-	-	3	-	3	-	3
Total comprehensive income/(loss)	-	1	(107)	(7)	78	(35)	(2)	(37)
Balance at 30 June 2020	27	(13)	(356)	2,598	78	2,334	181	2,515

CONSOLIDATED STATEMENT OF CASH FLOWS

(Euro/million)

	1st half 2020	of which related parties	1st half 2019	of which related parties
Profit/(loss) before taxes	118		263	
Amortisation, depreciation and impairment	209		156	
Net gains on disposal of property, plant and equipment	(12)		(1)	
Share of net profit/(loss) of equity-accounted companies	(5)	(5)	(13)	(13)
Dividends received from equity-accounted companies	2	2	2	2
Share-based payments	17		1	
Fair value change in metal derivatives	8		-	
Net finance costs	55		72	
Changes in inventories	(13)		(151)	
Changes in trade receivables/payables	(348)	(1)	(163)	(5)
Changes in other receivables/payables	(17)	(1)	(202)	4
Change in employee benefit obligations	(6)		(8)	
Change in provisions for risks and other movements	(64)		(80)	
Net income taxes paid	(30)		(44)	
A. Cash flow from operating activities	(86)		(168)	
Cash flow from acquisitions and/or disposals	2		-	
Investments in property, plant and equipment	(93)		(82)	
Disposals of property, plant and equipment and assets held for sale	8		3	
Investments in intangible assets	(7)		(9)	
Disposals of financial assets at fair value through profit or loss	2		5	
Disposals of financial assets at amortised cost	-		1	
B. Cash flow from investing activities	(88)		(82)	
Incidental expenses for capital increase	-		(1)	
Dividend distribution	(69)		(118)	
Proceeds of new loans	-		100	
Repayments of loans	(8)		(109)	
Changes in other net financial receivables/payables ⁽¹⁾	(24)		(28)	
Finance costs paid ⁽²⁾	(272)		(194)	
Finance income received ⁽³⁾	213		127	
C. Cash flow from financing activities	(160)		(223)	
D. Exchange (losses) gains on cash and cash equivalents	(15)		1	
E. Net increase/(decrease) in cash and cash equivalents (A+B+C+D)	(349)		(472)	
F. Cash and cash equivalents at the beginning of the period	1,070		1,002	
G. Cash and cash equivalents at the end of the period (E+F)	721		530	

⁽¹⁾ Cash flow from financing activities includes Euro 27 million in lease payments accounted for in accordance with IFRS 16.

⁽²⁾ Finance costs paid of Euro 272 million include interest payments of Euro 38 million in first 6 months 2020 (Euro 40 million in first 6 months 2019).

⁽³⁾ Finance income received of Euro 213 million includes interest income of Euro 2 million in first 6 months 2020 (Euro 2 million in first 6 months 2019).

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.

The present Half-Year Financial Report was approved by the Board of Directors of Prysmian S.p.A. on 30 July 2020 and has undergone a limited review by the independent auditors.

A.1 SIGNIFICANT EVENTS IN 2020

Prysmian Group's leadership team invests in the Company as a sign of its commitment and confidence in recovery from the pandemic-related crisis and in the Company's long-term growth prospects

On 3 April 2020, Prysmian Group's leadership team, consisting of CEO Valerio Battista and his 20 worldwide direct reports (the "Group Leadership Team"), informed the Group that it had accepted the CEO's proposal to invest in Prysmian S.p.A. shares 50% of the net incentive earned by each based on the positive performance in financial year 2019, whose results were in line with company targets.

On 1 June 2020, Prysmian Group announced the finalisation of agreements between the Group Leadership Team and the financial intermediary engaged to execute the above share investment scheme.

Under the terms of these agreements, the Group Leadership Team has engaged a financial intermediary to purchase the Company's shares on the market for a total of approximately Euro 1,500,000, corresponding to approximately 50% of the net incentive earned by each manager in respect of financial year 2019 (the "2019 MBO").

The financial intermediary made the share purchases between the first and fifth business day after the date on which the funds for the purchases were made available to it, namely 1 June 2020.

The instructions given by each of the Group Leadership Team's managers to the financial intermediary included the authorisation to lock up the shares purchased until the end of 2022.

Long-term incentive plan

The Prysmian S.p.A. Shareholders' Meeting of 28 April 2020 approved a long-term incentive plan, designed to motivate management to create sustainable value over time, including by deferring part of their annual bonus in shares. The plan is also tied to long-term ESG objectives (Environment Social Governance).

The Shareholders' Meeting authorised a bonus capital increase, as proposed by the Board of Directors, to be reserved for Prysmian Group employees in execution of the above plan. This capital increase can reach a maximum nominal amount of Euro 1,100,000 through transfer, pursuant to art. 2349 of the Italian Civil Code, of a corresponding amount from profits or earnings reserves, with the issue of no more than 11,000,000 ordinary shares of nominal value Euro 0.10 each. At the same time, the shareholders' resolution of 12 April 2018 relating to a similar capital increase was revoked, amending article 6 of the By-laws. Recognition of the effects of the long-term incentive plan in the first half of 2020 has resulted in recording Euro 15 million in personnel costs in a specific equity reserve.

Termination of the contract relating to Carlisle Companies Incorporated's offer to acquire the business of Draka Fileca SAS

On 22 October 2019, the Group had announced the receipt of an offer of Euro 73 million from Carlisle Companies Incorporated to acquire the business of Draka Fileca SAS (directly or through one of the Carlisle subsidiaries).

On 19 June 2020, Prysmian Group announced that the contract relating to this transaction had been terminated, as the required regulatory approvals had not been obtained by the agreed deadline.

New industrial projects and initiatives

Contract for a broadband TLC cable project in Mexico

On 15 January 2020, the Group announced it had won a contract worth USD 38 million from Comision Federal de Electricidad (CFE), a government-owned company, for a cable project in Mexico called "Proyecto de Conectividad Fibra Óptica Red Eléctrica Inteligente REI".

This is the largest ever project in terms of quantity of TLC cables commissioned by a Mexican government and will connect remote regions of the country with high-speed broadband. Under the terms of the contract, Prysmian will oversee the engineering, supply and installation of at least 9,800 km of optical ground wires (OPGW) and 5,100 km of all-dielectric self-supporting (ADSS) cables. The OPGW will be produced at the Group's plant in Vilanova i la Geltrú, Spain, while the ADSS cables will be manufactured in Durango, Mexico, once again demonstrating the Group's ability to tap into its global organisation and the strong teamwork between its LATAM, HQ and OPGW operations.

Contract for Libra Mero project

On 23 January 2020, the Group announced it had won a contract from Libra, a consortium of leading international oil & gas operators, to supply Steel Tube Umbilicals for installation in the Mero offshore oilfield. The contract refers to Mero 1, an ultra-deep-water drilling field, which will consist of 17 wells and one FPSO vessel, situated approximately 180 km off Rio de Janeiro in the pre-salt Santos basin at a depth of some 2,000 metres below sea level. Oil production is due to commence in 2021.

The Mero 1 project is a milestone in the technological development of the Oil & Gas industry in Brazil, being the first in the region to use Steel Tube Umbilicals.

Contract for the construction of an offshore wind farm in France

On 4 March 2020, the Group announced it had won a contract worth approximately Euro 150 million from Réseau de Transport d'Électricité (RTE) for the construction of two submarine and onshore cable systems to connect the offshore wind farm located between the islands of Yeu and Noirmoutier to the French mainland power grid.

The submarine cables will be manufactured at Prysmian Group's centres of excellence in Pikkala (Finland) and Arco Felice (Italy), while the onshore cables will be produced in Gron (France). Installation will be carried out by the Cable Enterprise, one of the Group's three state-of-the-art cable-laying vessels. Delivery and commissioning are scheduled for 2023.

Contract for two new projects with Terna for development of the Italian power transmission grid

On 10 March 2020, following a public tender, the Group signed two major new cable solution agreements with Terna, through its subsidiary Terna Rete Italia S.p.A..

The first agreement, worth Euro 40 million with an option for a further Euro 10 million, refers to an HVAC cable system covering the Italian section of the Italy-Austria cross-border interconnection between the Glorenza and the Nauders substations, due to start operating by 2022.

The second agreement, worth Euro 40 million with an option for a further Euro 40 million and relating to the on-site supply of 220 kV HVAC cable systems, is a framework contract, valid until 2022, intended to serve the needs of power transmission systems in Southern Italy.

Both contracts include design and installation engineering, the supply of cables - manufactured at the plant in Gron, France, the Group's excellence centre for high and extra-high voltage cables - and accessories, as well as civil engineering works and other possible optional supplies.

SuedOstLink project for the first of the three German Corridors

On 5 May 2020, Prysmian Group announced that TenneT TSO GmbH, operator of the Dutch-German grid, had awarded it a contract for the SuedOstLink project in Germany, one of the world's longest HVDC underground transmission lines. Worth approximately Euro 500 million depending on options, Prysmian will be responsible for the design, manufacture, supply, installation, jointing, testing and commissioning of a 2GW underground transmission cable running through the TenneT-operated section of this first German Corridor. The project is expected to be completed in early 2026.

A-Nord project for the second of the three German Corridors

On 11 May 2020, Prysmian Group announced that Amprion GmbH, a German grid operator, had awarded it a contract for the A-Nord underground cable, part of the German "Corridor A" 2GW power transmission project. Worth over Euro 500 million, Prysmian Group will be responsible for the design, manufacture, supply, installation, jointing, testing and commissioning of a 1GW underground transmission cable covering the entire northern route of the German Corridors.

Work on the HVDC system is scheduled to begin by 2023.

Contract with Vattenfall for the first zero-subsidy offshore wind farm

On 20 May 2020, Prysmian Group finalised a contract for a project awarded by Vattenfall, a leading European energy company, to supply the submarine inter-array cable systems for the Hollandse Kust Zuid III and IV offshore wind farm in The Netherlands.

The cables, which will be manufactured at the Prysmian centre of excellence in Nordenham (Germany), are due to be delivered in 2022.

Crete-Attica submarine interconnection project in Greece

On 26 May 2020, Prysmian Group was awarded a contract worth approximately Euro 270 million by Ariadne Interconnection, a wholly-owned subsidiary of IPTO, Greece's transmission system operator, for submarine interconnections between the island of Crete and the Greek mainland (Attica region).

The first lot, worth Euro 250 million, involves the design, supply, installation and commissioning of an end-to-end HVDC cable along a 335 km route between the island of Crete and the Attica region.

The second lot, worth Euro 20 million, involves the design, supply, installation and commissioning of two submarine telecommunication links for a total length of 670 km between the island of Crete and the Attica region.

Prysmian will install the submarine cables using one of its own cable-lay vessels. Delivery and commissioning for both projects are scheduled for the period 2020-2023.

Contract for the Saint-Brieuc wind farm in France

On 27 May 2020, Ailes Marines, in charge of the development, construction, installation and operation of an offshore wind farm in the bay of Saint-Brieuc, awarded Prysmian Group a contract worth about Euro 80 million to provide the submarine inter-array cable systems for the Saint-Brieuc offshore wind farm in France. Delivery and commissioning are scheduled by the end of 2022.

SuedLink project for the third and longest of the three German Corridors

On 29 June 2020, Prysmian Group was awarded contracts for the SuedLink Corridor in Germany, the longest ever underground cable project, by the German transmission system operators TransnetBW GmbH and TenneT.

Under these contracts, worth a combined total of more than Euro 800 million, Prysmian Group will design, manufacture, supply, lay, joint, test and commission a 2GW underground cable system linking the north of Germany to its regions in the south.

The project is due to be completed in 2026.

Other significant events***Western Link***

On 23 November 2019, the Group announced that the customer (National Grid Electricity Transmission and Scottish Power Transmission) had taken over operation of the cable.

On 12 January 2020, the Group was informed of the fact that the Western HDVC Link had tripped on 10 January 2020. Repairs were successfully completed on 7 February 2020 with the link restored to normal

service and once more available to the customer, with whom dialogue continues to reach an acceptable definition of mutual expectations.

Ravin Cables Limited

In January 2010, Prysmian Group acquired a 51% interest in the Indian company Ravin Cables Limited (the "Company"), with the remaining 49% held by other shareholders directly or indirectly associated with the Karia family (the "Local Shareholders"). As part of the transaction, Prysmian Group also paid the Company's founding shareholders a control premium.

Under the agreements signed with the Local Shareholders, after a limited transition period, management of the Company would be transferred to a Chief Executive Officer appointed by Prysmian. However, this did not occur and, in breach of the agreements, the Company's management remained in the hands of the Local Shareholders and their representatives.

Consequently, having now lost control, Prysmian Group ceased to consolidate the Company and its subsidiary Power Plus Cable Co. LLC. with effect from 1 April 2012.

In February 2012, Prysmian was thus forced to initiate arbitration proceedings before the London Court of International Arbitration (LCIA), requesting that the Local Shareholders be declared in breach of contract and ordered to sell the shares representing 49% of the Company's share capital to Prysmian.

In a ruling handed down in April 2017, the LCIA upheld Prysmian's claims and ordered the Local Shareholders to sell the shares representing 49% of the Company's share capital to Prysmian. However, the Local Shareholders did not voluntarily enforce the arbitration award and so Prysmian had to initiate proceedings in the Indian courts in order to have the arbitration award recognised in India. Having gone through two levels of justice, these proceedings were finally concluded on 13 February 2020 with the pronouncement of a ruling by the Indian Supreme Court under which the latter definitively declared the arbitration award enforceable in India. In view of the continuing failure of the Local Shareholders to comply voluntarily, Prysmian has requested the Mumbai court to enforce the arbitration award so as to purchase the shares representing 49% of the Company's share capital as soon as possible.

Business interruption risk due to the Covid-19 coronavirus

The first few months of 2020 have witnessed an abrupt deterioration in the global macroeconomic situation following the spread of the Covid-19 pandemic around the world. In response to this health emergency, governments in most countries have adopted containment measures, including travel bans, quarantines and other public emergency measures, with serious repercussions on economic activity and the entire production system. The first six months of the year have witnessed the impact of these measures on the economic performance of pandemic-hit countries.

The program of extraordinary measures, swiftly deployed since the beginning of the Covid-19 pandemic, is proving effective and in step with the objectives of safeguarding the health of employees and individuals, ensuring the continuity of operations and the supply chain and protecting profitability and cash flow. In addition, the strict health and hygiene standards introduced in factories and offices have limited the pandemic's impact on employees. The IT infrastructure and new organisation of work are making it possible to ensure productivity and continuity even with the extensive use of remote working. The supply chain has proven to be reactive and flexible, enabling high levels of uptime and responsiveness to market and

customer needs. Finally, the measures to protect the profitability and solidity of the financial structure have proved effective, with annual cost efficiencies forecast at over Euro 100 million.

In addition, at the Board meeting on 30 March 2020, the Directors confirmed the views expressed at their previous meeting on 5 March 2020 about the Group's ability to generate cash flows and to support a balanced dividend policy over the long term, believing its financial structure, liquidity and available credit lines to be entirely adequate for responding to the new economic and financial environment emerging from the ongoing health emergency. However, in light of the spread of the pandemic and its potential duration, and the slowdown being caused in demand and the economic cycle, the Board of Directors submitted a dividend of Euro 0.25 per share to the Shareholders' Meeting instead of the Euro 0.50 per share proposed at its previous meeting on 5 March 2020. The Shareholders' Meeting of 28 April 2020 accordingly approved the dividend of Euro 0.25 per share, which was paid from 20 May 2020, with record date 19 May 2020 and ex-dividend date 18 May 2020.

Update on the 2011 Antitrust proceedings in Brazil

On 15 April 2020, Prysmian Group announced that the Tribunal of the Brazilian antitrust authority had issued the operative part of its decision in relation to proceedings initiated in 2011 in which it has ruled that Prysmian Group participated in anti-competitive practices in the Brazilian market for high voltage underground and submarine cables. The Tribunal has held Prysmian Group liable for the period from February 2001 to March 2004 and ordered it to pay a fine of BRL 10.2 million (approximately Euro 1.8 million), in line with the amount contained in the provisions recognised by the Group for this specific matter. Prysmian Group has filed an appeal against the CADE ruling.

Approval of financial statements at 31 December 2019 and dividend distribution

On 28 April 2020, the shareholders of Prysmian S.p.A. approved the financial statements for 2019 and the distribution of a gross dividend of Euro 0.25 per share, for a total of some Euro 66 million. The dividend was paid out from 20 May 2020, with record date 19 May 2020 and ex-dividend date 18 May 2020.

B. FORM AND CONTENT

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

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 2019.

All the amounts shown in the Group's financial statements 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 2020 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. In making these valuations, estimates and assumptions, Management has taken due account of the actual and potential effects of the Covid-19 pandemic, which have involved specifically reviewing certain items in the financial statements. Accordingly, Management has considered it appropriate to adjust its assessments of the recoverability of trade receivables and has carried out a full test of the potential impairment of property, plant and equipment and intangible assets, the results of which are described in Note 1. Property, plant and equipment and intangible assets.

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 2019, 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 2020 after receiving endorsement from the competent authorities;
3. the application of hedge accounting to part of the metal derivatives portfolio, as described below.

Metal derivatives

As from 1 January 2020, the Group has designated certain commodity price derivatives as hedging instruments. The Group's operations expose it to price fluctuation risk arising from variability in the prices of certain commodities such as copper, aluminium and lead. In order to mitigate this risk, the Group enters into derivative contracts, like over-the-counter futures and float-to-floats, with third parties (brokers).

The Group limits derivative transactions with third parties to only the net exposures that arise each time at Group level. At present, this centralised management system is not applied to Group companies in North America, China and Brazil since these areas operate directly and independently on local markets.

As from 1 January 2020, the Group has designated some derivatives denominated in EUR and GBP entered into with brokers and aimed at mitigating the risk of fluctuations in copper and aluminium prices, as hedging instruments associated with highly probable transactions ("cash flow hedges"). These derivative financial instruments, which qualify for recognition as hedging instruments, are designed to hedge the price risk of commodities that are the subject of highly probable future purchase transactions (hedged items). The derivative that sets the commodity's purchase price is designated as a hedging instrument, since it relates to a physical commodity purchase that will be made. When the physical purchase is made, the Group unwinds the buy derivatives with sell derivatives. The effectiveness of the hedging relationship is assessed both at the inception of each derivative instrument and after its closure. The fair values of the various derivative financial instruments used as hedging instruments are presented in Note 5. Derivatives. Movements in the "Cash flow hedge reserve" forming part of equity are reported in Note 9. Share capital and reserves.

The new accounting treatment, based on cash flow hedge accounting, has been applied to the fair value changes since 31 December 2019 in derivatives outstanding at 30 June 2020 (just for those commodities included in the period covered by the cash flow hedge accounting method), both those entered into since 31 December 2019 and those already recorded at 31 December 2019.

As a result of the above, in the first half of 2020, the Group has recognised a negative movement of Euro 5 million pre-tax in the cash flow hedge reserve forming part of equity for the negative change in the fair value of derivatives designated as hedging instruments during the first half of the year.

Accounting standards, amendments and interpretations applied from 1 January 2020

The following accounting standards, amendments and interpretations are applicable with effect from 1 January 2020:

New Standards, Amendments and Interpretations	Mandatory application commencing
Amendments to IFRS 3: Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020

The new standards, amendments and interpretations have had no material impact on the Group's consolidated financial statements.

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

At the date of preparing the present report, there is one new accounting standard *IFRS 17 Insurance Contracts* which will be applicable from 1 January 2021. Preliminary review indicates that this new standard has no material impact on the Group's consolidated financial statements.

B.3 CHANGES IN THE SCOPE OF CONSOLIDATION

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

The changes in the scope of consolidation at 30 June 2020, compared with 31 December 2019, are listed below. In any case, such changes have not had a material impact on the Group's consolidated financial statements at 30 June 2020.

Liquidations

Liquidated companies	Nation	Date
General Cable Middle East	Mauritius	13 January 2020
Draka Cables (Hong Kong) Ltd	China	28 January 2020
Draka Distribution Aberdeen Ltd	United Kingdom	28 January 2020
Tasfiye Halinde Draka Comteq Kablo Ltd. Şti	Turkey	25 June 2020

There have been no mergers or name changes involving Group companies in the period since 31 December 2019.

Appendix A to these notes contains a list of the companies included in the scope of consolidation at 30 June 2020.

C. FINANCIAL RISK MANAGEMENT

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

The current Half-Year Financial Report does not contain all the information about financial risks presented in the Annual Financial Report at 31 December 2019, which should be consulted for a more detailed analysis.

With reference to the risks described in the Annual Financial Report at 31 December 2019, there have been no material changes in the types of risks to which the Group is exposed or in its policies for managing such risks.

(a) Fair value measurement

IFRS 13 requires assets and liabilities recognised in the statement of financial position at fair value to be classified according to a hierarchy that reflects the significance of the inputs used in measuring fair value.

Financial instruments are classified according to the following fair value measurement 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.

(Euro/million)

	Level 1	Level 2	Level 3	30.06.2020 Total
Assets				
<i>Financial assets at fair value:</i>				
Derivatives through profit or loss	-	40	-	40
Hedging derivatives	-	12	-	12
Financial assets at amortised cost	-	5	-	5
Financial assets at fair value through profit or loss	19	-	-	19
Financial assets at fair value through other comprehensive income	11	-	-	11
Other investments at fair value through other comprehensive income	-	-	13	13
Total assets	30	57	13	100
Liabilities				
<i>Financial liabilities at fair value:</i>				
Derivatives through profit or loss	-	38	-	38
Hedging derivatives	-	36	-	36
Total liabilities	-	74	-	74

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 allowances for impairment, are treated as a good approximation of fair value.

Financial assets at fair value through profit or loss of Euro 19 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 11 million, classified in fair value Level 1, refer to Italian government securities.

During the first half of 2020 there were no transfers of financial assets and liabilities between the different levels of the fair value hierarchy.

(b) Valuation techniques

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

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

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

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

D. SEGMENT INFORMATION

The Group's operating segments are:

- *Energy*, whose smallest identifiable CGU is the Region;
- *Projects*, whose smallest identifiable CGUs are the High Voltage, Submarine Power, Submarine Telecom and Offshore Specialties businesses;
- *Telecom*, whose smallest CGU is the operating segment itself.

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* and *Telecom*) and the results of operating segments primarily on the basis of Adjusted EBITDA, defined as earnings (loss) for the period before non-recurring items, the fair value change in metal price derivatives and in other fair value items, amortisation, depreciation and impairment, finance costs and income and taxes.

This report also provides information about the statement of financial position for the Group as a whole but not by operating segment.

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

A) *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, Submarine Power, Submarine Telecom and Offshore Specialties.

B) *Energy* 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, Power Distribution and Overhead lines;
2. Industrial & Network Components: this comprises Specialties and OEM, Elevators, Automotive, Network Components, core Oil & Gas and DHT;
3. Other: occasional sales of residual products.

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

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

Group operating activities are organised and managed separately according to the nature of the products and services provided: each segment offers different products and services to different markets. Sales of

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

Assets and liabilities by operating segment are not included in the data reviewed by management and so, as permitted by IFRS 8, this information is not presented in the current report.

D.1 OPERATING SEGMENTS

The following tables present information by operating segment:

(Euro/million)

								1st half 2020
	Projects	Energy			Telecom	Corporate	Group total	
		E&I	Industrial & NWC	Other	Total Energy			
Sales ⁽¹⁾	708	2,362	1,122	96	3,580	697	-	4,985
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	80	146	89	1	236	98	-	414
% of sales	11.4%	6.2%	8.0%		6.6%	14.0%		8.3%
Adjusted EBITDA (A)	80	147	90	1	238	101	-	419
% of sales	11.4%	6.2%	8.0%		6.6%	14.5%		8.4%
Adjustments	(1)	(19)	(3)	(2)	(24)	14	(1)	(12)
EBITDA (B)	79	128	87	(1)	214	115	(1)	407
% of sales	11.2%	5.4%	7.7%		6.0%	16.6%		8.2%
Amortisation and depreciation (C)	(33)	(63)	(31)	(2)	(96)	(37)	-	(166)
Adjusted operating income (A+C)	47	84	59	(1)	142	64	-	253
% of sales	6.7%	3.6%	5.2%		4.0%	9.2%		5.1%
Fair value change in metal derivatives (D)								(8)
Fair value stock options (E)								(17)
Asset (impairment) and impairment reversal (F)					(43)			(43)
Operating income (B+C+D+E+F)								173
% of sales								3.5%
Finance income								234
Finance costs								(289)
Taxes								(42)
Net profit/(loss)								76
% of sales								1.5%
Attributable to:								
Owners of the parent								78
Non-controlling interests								(2)

⁽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.

(Euro/million)

	1st half 2019						
	Projects	Energy			Telecom	Corporate	Group total
		E&I	Industrial & NWC	Other	Total Energy		
Sales ⁽¹⁾	828	2,763	1,248	124	4,135	886	5,849
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	97	158	98	2	258	153	508
% of sales	11.7%	5.7%	7.8%		6.2%	17.2%	8.7%
Adjusted EBITDA (A)	97	159	98	2	259	165	521
% of sales	11.7%	5.8%	7.9%		6.3%	18.6%	8.9%
Adjustments	(9)	(3)	(6)	(1)	(10)	(3)	(29)
EBITDA (B)	88	156	92	1	249	162	492
% of sales	10.8%	5.7%	7.5%		6.0%	18.3%	8.4%
Amortisation and depreciation (C)	(31)	(61)	(27)	(2)	(90)	(34)	(155)
Adjusted operating income (A+C)	66	98	71	-	169	131	366
% of sales	7.9%	3.5%	5.7%		4.1%	14.8%	6.3%
Fair value change in metal derivatives (D)							-
Fair value stock options (E)							(1)
Asset (impairment) and impairment reversal (F)							(1)
Operating income (B+C+D+E+F)							335
% of sales							5.7%
Finance income							137
Finance costs							(209)
Taxes							(71)
Net profit/(loss)							192
% of sales							3.3%
Attributable to:							
Owners of the parent							190
Non-controlling interests							2

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

D.2 GEOGRAPHICAL AREAS

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

(Euro/million)

	1st half 2020	1st half 2019
Sales	4,985	5,849
EMEA*	2,661	3,147
(of which Italy)	502	576
North America	1,609	1,751
Latin America	334	466
Asia Pacific	381	485

(*) EMEA = Europe, Middle East and Africa

1. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

(Euro/million)

	Property, plant and equipment	Intangible assets	of which Goodwill
Balance at 31 December 2019	2,804	2,154	1,590
Movements in 2020:			
- Investments	77	7	-
- Increases for leases (IFRS 16)	42	-	-
- Disposals	(1)	-	-
- Depreciation and amortisation	(130)	(36)	-
- Impairment	(43)	-	-
- Currency translation differences	(63)	-	-
- Reclassifications (to)/from Assets held for sale	12	-	-
- Monetary revaluation for hyperinflation	1	-	-
- Other	6	(1)	-
Total movements	(99)	(30)	-
Balance at 30 June 2020	2,705	2,124	1,590
Of which:			
- Historical cost	4,549	2,664	1,610
- Accumulated depreciation and impairment	(1,844)	(540)	(20)
Net book value	2,705	2,124	1,590

(Euro/million)

	Property, plant and equipment	Intangible assets	of which Goodwill
Balance at 31 December 2018	2,629	2,162	1,571
Movements in 2019:			
- Investments	82	9	-
- Increases for leases (IFRS 16)	159	-	-
- Disposals	(2)	-	-
- Depreciation and amortisation	(119)	(36)	-
- Impairment	(1)	-	-
- Currency translation differences	9	9	5
- Reclassifications (to) Assets held for sale	(7)	-	-
- Monetary revaluation for hyperinflation	3	-	-
- Other	(4)	3	-
Total movements	120	(15)	5
Balance at 30 June 2019	2,749	2,147	1,576
Of which:			
- Historical cost	4,275	2,618	1,596
- Accumulated depreciation and impairment	(1,526)	(471)	(20)
Net book value	2,749	2,147	1,576

Investments in property, plant and equipment amount to Euro 77 million in the first half of 2020, while those in intangible assets are Euro 7 million (mostly for IT projects). This expenditure is analysed as follows:

- 51%, or Euro 43 million, for projects to increase and rationalise production capacity (amongst which continued expenditure on the new Leonardo Da Vinci cable-lay vessel) and develop new products;
- 15%, or Euro 12 million, for projects to improve industrial efficiency;
- 34%, or Euro 29 million, for structural work at different production facilities and for IT projects.

Right-of-use assets under IFRS 16 - Leases

The following table summarises the effects of IFRS 16 on the statement of financial position at 30 June 2020:

(Euro/million)

	30.06.2020	Effects IFRS 16	30.06.2020 with IFRS 16
Non-current assets			
Property, plant and equipment	2,529	176	2,705
Total assets	2,529	176	2,705
Non-current liabilities			
Borrowings from banks and other lenders	2,904	134	3,038
Current liabilities			
Borrowings from banks and other lenders	177	46	223
Total liabilities	3,081	180	3,261

Since the effects of deferred tax assets and liabilities (duly offset) are not material, they have not been reported in the previous table.

The following table reports movements during 2020 in right-of-use assets recognised in Property, plant and equipment in accordance with IFRS 16:

(Euro/million)

	Right-of-use assets IFRS 16
Balance at 31 December 2019	167
Movements in 2020:	
- Investments (Divestments), net	42
- Depreciation	(27)
- Currency translation differences	(6)
Total movements	9
Balance at 30 June 2020	176
Of which:	
- Historical cost	242
- Accumulated depreciation and impairment	(66)
Net book value	176

The following table summarises the effects of IFRS 16 on the income statement for 2020:

(Euro/million)

	30.06.2020	Effects IFRS 16	30.06.2020 with IFRS 16
Adjusted EBITDA	391	28	419
Amortisation, depreciation and impairment	(182)	(27)	(209)
Finance costs	(286)	(3)	(289)
Net profit/(loss)	78	(2)	76

As for the Statement of cash flows, "Changes in other net financial receivables/payables" include Euro 27 million for lease payments.

Impairment test of property, plant and equipment

The spread of the new "Covid-19" coronavirus around the world has been treated by Management as a compelling indicator of impairment for the Group, leading to the performance of impairment tests for all its CGUs, both top and second tier ones. The cash flow projection for each CGU was determined as follows:

- a) for the second half of 2020, post-tax cash flow was taken from the December 2020 forecast for each CGU prepared by the Group in June;
- b) for 2021, the Group calculated post-tax cash flow based on each CGU's projected growth rate versus 2020;
- c) for 2022, the Group calculated post-tax cash flow by assuming that each CGU's compound average growth rate (CAGR) from 2020 to 2022 is the same as the CAGR forecast over the same period;
- d) for 2023, the Group calculated post-tax cash flow by applying the forecast growth rate for this year to the previous year's cash flow;
- e) the above figures were then adjusted to take account of specific variables expected for each CGU according to their particular operating segment and geographical area;
- f) terminal value was calculated using a 2% perpetual growth rate, consistent with expected long-term growth forecasts.

The WACC (Weighted Average Cost of Capital) used for discounting cash flows to determine value in use for each CGU was calculated specifically taking account the geographical area and operating segment to which each CGU belonged.

With particular reference to the Energy segment's South Europe Region CGU, for which an impairment loss of Euro 43 million was recognised, the WACC used to discount its cash flows was as follows:

- a) from 6.5% to 10.7%, according to the CGU's different sub-areas, for 2020 and 2021, the years in which it is believed the CGU will still be under the effects of the Covid-19 pandemic;
- b) from 5.9% to 9.2%, according to the CGU's different sub-areas, for 2022 and beyond.

Goodwill

As at 30 June 2019, Prysmian Group reported Euro 1,590 million in Goodwill.

Goodwill impairment test

The Group's activities are organised in three operating segments: *Projects*, *Energy* and *Telecom*. The *Projects* segment consists of the High Voltage, Submarine Power, Submarine Telecom and Offshore Specialties CGUs; the *Energy* segment consists of a number of CGUs corresponding to the Regions or Countries in keeping with the new organisation structure; lastly, the *Telecom* segment consists of a single CGU that coincides with the operating segment itself. Goodwill, acquired on the occasion of business combinations, has been allocated to groups of CGUs, corresponding to the operating segments, which are expected to benefit from the synergies of such combinations and which represent the lowest level at which Management monitors business performance.

Goodwill has therefore been allocated to each of the operating segments: *Projects*, *Energy* and *Telecom*.

The following table reports the amount of goodwill allocated to each operating segment:

(Euro/million)	31.12.2019	Currency translation differences	30.06.2020
Energy goodwill	1,055	2	1,057
Projects goodwill	238	(2)	236
Telecom goodwill	297	-	297
Total goodwill	1,590	-	1,590

The Group tests the recoverability of goodwill at the end of every financial year when preparing its annual consolidated financial statements. However, as stated earlier, the spread of the new Covid-19 coronavirus in the first months of 2020 has been treated by Management as a compelling indicator of impairment for the Group, requiring it to carry out impairment testing to verify the recoverability of the value of goodwill even when preparing the Half-Year Financial Report.

The value in use of the *Projects* and *Energy* segments was calculated as the sum of the value in use of all their constituent CGUs which, as described earlier, have been tested specifically, while this approach was not necessary for the *Telecom* segment which constitutes a stand-alone CGU.

The cash flows for all CGUs, except for those for which specific variables were identified, were determined as follows:

- a) for the second half of 2020, post-tax cash flow was taken from the December 2020 forecast prepared by the Group in June;
- b) for 2021, the Group calculated post-tax cash flow based on the projected growth rate versus 2020;
- c) for 2022, the Group calculated post-tax cash flow by assuming that the CGUs' compound average growth rate (CAGR) from 2020 to 2022 is the same as the CAGR expected over the same period;
- d) for 2023, the Group calculated post-tax cash flow by applying the forecast growth rate to the previous year;
- e) terminal value was calculated using a 2% perpetual growth rate, consistent with expected long-term world growth forecasts.

The rate used to discount cash flows was determined on the basis of market information about the cost of money and asset-specific risks (Weighted Average Cost of Capital, WACC).

The outcome of the test has shown that the recoverable amount of the individual operating segments is higher than their net invested capital (including the allocation of goodwill). In particular, recoverable amount is higher than carrying amount for the *Projects* operating segment (135%), *Energy* operating segment (111%) and *Telecom* operating segment (148%).

The WACC used for the *Projects* segment was 6.5% for 2020 and 2021 and 6.2% for 2022 and beyond. For recoverable amount to be equal to carrying amount, a theoretical WACC of 10.4% would have to be used. The WACC used for the *Energy* segment was 6.5% for 2020 and 2021 and 6.3% for 2022 and beyond. For recoverable amount to be equal to carrying amount, a theoretical WACC of 10.1% would have to be used. The WACC used for the *Telecom* segment was 6.0% for 2020 and 2021 and 5.7% for 2022 and beyond. For recoverable amount to be equal to carrying amount, a theoretical WACC of 11.3% would have to be used.

In order to take account of the greater uncertainty prevailing in the years assumed to be impacted by the Covid-19 pandemic, it was decided that all three segments should use a different WACC for 2020 and 2021 to that for 2022 and beyond.

For recoverable amount to be equal to carrying amount, the growth rate for all segments would have to be negative.

2. EQUITY-ACCOUNTED INVESTMENTS

Details are as follows:

(Euro/million)

	30.06.2020	31.12.2019
Investments in associates	311	314
Total equity-accounted investments	311	314

Investments in associates

Information about the main investments in associates:

Company name	Registered office	% owned
Yangtze Optical Fibre and Cable Joint Stock Limited Company	China	23.73%
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd	China	42.80%
Kabeltrommel Gmbh & Co.K.G.	Germany	43.18%
Power Cables Malaysia Sdn Bhd	Malaysia	40.00%
Elkat Ltd.	Russia	40.00%

Yangtze Optical Fibre and Cable Joint Stock Limited Company is a Chinese company formed in 1988 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 2020, the fair value of the investment in Yangtze Optical Fibre and Cable Joint Stock Limited Company was Euro 299 million (based on the price quoted on the Hong Kong market), compared with a carrying amount of Euro 262 million.

Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd, formed in 2002 and based in Shanghai (China), is an associate 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.

Power Cables Malaysia Sdn Bhd is based in Malaysia. The company, a leader in the local market, manufactures and sells power cables and conductors and is mainly specialised in high voltage products.

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 is not significant, with the Group's share of profit or loss of associates having offset the dividends collected from them.

3. TRADE AND OTHER RECEIVABLES

Details are as follows:

(Euro/million)			30.06.2020
	Non-current	Current	Total
Trade receivables	-	1,604	1,604
Allowance for doubtful accounts	-	(97)	(97)
Total trade receivables	-	1,507	1,507
Other receivables:			
Tax receivables	7	227	234
Financial receivables	3	3	6
Prepaid finance costs	3	2	5
Receivables from employees	1	5	6
Pension plan receivables	-	3	3
Construction contracts	-	400	400
Advances to suppliers	4	17	21
Other	13	85	98
Total other receivables	31	742	773
Total	31	2,249	2,280

(Euro/million)			31.12.2019
	Non-current	Current	Total
Trade receivables	-	1,563	1,563
Allowance for doubtful accounts	-	(88)	(88)
Total trade receivables	-	1,475	1,475
Other receivables:			
Tax receivables	10	227	237
Financial receivables	2	2	4
Prepaid finance costs	4	2	6
Receivables from employees	1	4	5
Pension plan receivables	-	2	2
Construction contracts	-	450	450
Advances to suppliers	4	15	19
Other	17	114	131
Total other receivables	38	816	854
Total	38	2,291	2,329

4. INVENTORIES

Details are as follows:

(Euro/million)	30.06.2020	31.12.2019
Raw materials	472	439
<i>of which allowance for obsolete and slow-moving raw materials</i>	<i>(54)</i>	<i>(47)</i>
Work in progress and semi-finished goods	361	329
<i>of which allowance for obsolete and slow-moving work in progress and semi-finished goods</i>	<i>(16)</i>	<i>(15)</i>
Finished goods (*)	674	755
<i>of which allowance for obsolete and slow-moving finished goods</i>	<i>(78)</i>	<i>(78)</i>
Total	1,507	1,523

(*) Finished goods also include goods for resale.

5. DERIVATIVES

Details are as follows:

(Euro/million)	30.06.2020	
	Asset	Liability
Non-current		
Interest rate derivatives (cash flow hedges)	-	14
Metal derivatives (cash flow hedges)	-	6
Total hedging derivatives	-	20
Metal derivatives	10	-
Total other derivatives	10	-
Total non-current	10	20
Current		
Interest rate derivatives (cash flow hedges)	-	6
Forward currency contracts on commercial transactions (cash flow hedges)	7	5
Metal derivatives (cash flow hedges)	5	5
Total hedging derivatives	12	16
Forward currency contracts on commercial transactions	3	6
Forward currency contracts on financial transactions	1	3
Metal derivatives	26	29
Total other derivatives	30	38
Total current	42	54
Total	52	74

(Euro/million)		31.12.2019	
		Asset	Liability
Non-current			
Interest rate derivatives (cash flow hedges)		-	15
Forward currency contracts on commercial transactions (cash flow hedges)		1	1
Total hedging derivatives		1	16
Metal derivatives		6	2
Total other derivatives		6	2
Total non-current		7	18
Current			
Interest rate derivatives (cash flow hedges)		-	6
Forward currency contracts on commercial transactions (cash flow hedges)		4	3
Total hedging derivatives		4	9
Forward currency contracts on commercial transactions		3	6
Forward currency contracts on financial transactions		6	4
Metal derivatives		20	16
Total other derivatives		29	26
Total current		33	35
Total		40	53

Interest rate derivatives designated as cash flow hedges refer to:

- interest rate swaps, for an overall notional value of Euro 1,000 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.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss, amounting to Euro 19 million (Euro 27 million at 31 December 2019), basically refer to units in funds that mainly invest in short and medium-term government securities. It is primarily the subsidiaries in Brazil and Argentina that invest temporarily available liquidity in such funds.

7. CASH AND CASH EQUIVALENTS

Details are as follows:

(Euro/million)		30.06.2020	31.12.2019
Cash and cheques		2	1
Bank and postal deposits		719	1,069
Total		721	1,070

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 425 million at 30 June 2020, while at 31 December 2019 the figure was Euro 724 million.

8. ASSETS AND LIABILITIES HELD FOR SALE

At 30 June 2020 there are no assets and liabilities held for sale, compared with Euro 17 million at 31 December 2019 referring to the net assets and liabilities of Draka Fileca SAS, a group company for which the Group had received a binding offer, subject to meeting specific conditions, of Euro 73 million from Carlisle Companies Incorporated on 22 October 2019. On 19 June 2020, the Group announced that the contract relating to this transaction had been terminated, as the required regulatory approvals had not been obtained by the agreed deadline, meaning that the assets and liabilities of Draka Fileca SAS have been reclassified to the appropriate balance sheet lines.

9. SHARE CAPITAL AND RESERVES

Consolidated equity has recorded a negative change of Euro 87 million since 31 December 2019, mainly reflecting the net effect of:

- negative currency translation differences of Euro 109 million;
- the positive post-tax change of Euro 3 million in the fair value of derivatives designated as cash flow hedges;
- a negative change of Euro 7 million in the reserves for actuarial gains and losses on employee benefits;
- a positive change of Euro 17 million in the share-based compensation reserve linked to stock option plans;
- the net profit for the period of Euro 76 million;
- an increase of Euro 3 million for the effects of hyperinflation;
- a decrease of Euro 70 million for the distribution of dividends.

At 30 June 2020, the share capital of Prysmian S.p.A. comprises 268,144,246 shares, each of nominal value Euro 0.10 for a total of Euro 26,814,424.60.

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 2018	268,144,246	(5,097,213)	263,047,033
Allotments and sales ⁽¹⁾	-	206,051	206,051
Balance at 31 December 2019	268,144,246	(4,891,162)	263,253,084
Allotments and sales ⁽²⁾	-	5,686	5,686
Balance at 30 June 2020	268,144,246	(4,885,476)	263,258,770

⁽¹⁾ Allotment and/or sale of treasury shares under the YES Group employee share purchase plan (206,051 shares).

⁽²⁾ Allotment and/or sale of treasury shares under the YES Group employee share purchase plan (5,686 shares).

Treasury shares

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 2018	5,097,213	509,722	1.90%	20.31	103,545,528
- Allotments and sales	(206,051)	(20,605)	-	19.92	(4,104,536)
Balance at 31 December 2019	4,891,162	489,117	1.82%	20.33	99,440,992
- Allotments and sales	(5,686)	(569)	-	19.92	(113,265)
Balance at 30 June 2020	4,885,476	488,548	1.82%	20.33	99,327,727

10. BORROWINGS FROM BANKS AND OTHER LENDERS

Details are as follows:

(Euro/million)			30.06.2020
	Non-current	Current	Total
Borrowings from banks and other lenders	220	172	392
Term Loan	996	-	996
Unicredit Loan	199	-	199
Mediobanca Loan	100	-	100
Intesa Loan	149	-	149
Non-convertible bond	748	4	752
Convertible Bond 2017	483	-	483
Lease liabilities	143	47	190
Total	3,038	223	3,261

(Euro/million)			31.12.2019
	Non-current	Current	Total
Borrowings from banks and other lenders	230	153	383
Term Loan	995	1	996
Unicredit Loan	199	-	199
Mediobanca Loan	100	-	100
Intesa Loan	149	-	149
Non-convertible bond	746	14	760
Convertible Bond 2017	478	-	478
Lease liabilities	135	44	179
Total	3,032	212	3,244

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

(Euro/million)		30.06.2020	31.12.2019
CDP Loans		200	200
EIB Loans		127	135
Term Loan		996	996
Unicredit Loan		199	199
Mediobanca Loan		100	100
Intesa Loan		149	149
Other borrowings		65	48
Borrowings from banks and other lenders		1,836	1,827
Non-convertible bond		752	760
Convertible Bond 2017		483	478
Total		3,071	3,065

The Group's principal credit agreements in place at the reporting date are as follows:

Revolving Credit Facility 2019

On 3 April 2019, the Group renewed a Euro 1,000 million five-year revolving credit facility with a syndicate of leading Italian and international banks. The funds are available for business and working capital needs, including the refinancing of existing facilities. The Revolving Credit Facility 2019 can also be used for the issue of guarantees. At 30 June 2020, this facility was not being used.

CDP Loans

On 25 September 2017, Prysmian S.p.A. entered into an agreement with Cassa Depositi e Prestiti S.p.A. (CDP) for a long-term cash loan for a maximum total amount of Euro 100 million. This loan, maturing on 30 September 2020, was drawn down in its entirety on 29 September 2017. It has been 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. At 30 June 2020, the fair value of the CDP Loan 2017 approximates its carrying amount.

On 28 October 2019, the Group entered into a second agreement with Cassa Depositi e Prestiti S.p.A. for a Euro 100 million long-term loan for 4 years and 6 months from the date of signing, with a bullet repayment at maturity. The purpose of this loan is to finance part of the Group's capital expenditure and expenditure on research, development and innovation in Italy and Europe. At 30 June 2020, the fair value of the CDP Loan 2019 approximates its carrying amount.

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 commencing 5 August 2015 and ending 5 February 2021.

On 10 November 2017, Prysmian S.p.A. entered into a second loan agreement 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. Interest rate swaps have been arranged in respect of this loan, for an overall notional value of Euro 110 million, with the objective of hedging variable interest rate flows over the period 2018-2024.

At 30 June 2020, the fair value of the EIB Loans approximates their carrying amount.

After repayments against the EIB Loan 2013, the outstanding balance on the EIB Loans as at 30 June 2020 was Euro 127 million.

Term Loan

The Term Loan was drawn down by the Group in June 2018 for the purpose of having the necessary financial resources to pay the General Cable purchase consideration, to refinance the existing debt of General Cable and its subsidiaries and to finance acquisition-related fees, commissions, costs and

expenses. The Term Loan is for Euro 1 billion and is repayable on the fifth anniversary of the acquisition closing date (6 June 2023).

The interest rates applied are indexed to 6M and 3M Euribor, as the company so chooses.

The line was drawn down in full upon acquiring General Cable.

At 30 June 2020, the fair value of the Term Loan approximates its carrying amount.

Unicredit Loan

On 15 November 2018, Prysmian S.p.A. entered into an agreement with Unicredit for a long-term cash loan for a maximum amount of Euro 200 million for 5 years from the date of signing. The agreement envisages a bullet repayment at maturity. The interest rate applied is indexed to 6M and 3M Euribor, as the company so chooses. At 30 June 2020, the fair value of this loan approximates its carrying amount.

Mediobanca Loan

On 20 February 2019, the Group entered into an agreement with Mediobanca for a Euro 100 million long-term loan for 5 years from the date of signing, with a bullet repayment at maturity. The interest rate applied is indexed to 6M and 3M Euribor, as the company so chooses. At 30 June 2020, the fair value of this loan approximates its carrying amount.

Intesa Loan

On 11 October 2019, the Group entered into an agreement with Intesa Sanpaolo for a Euro 150 million long-term loan for 5 years from the date of signing, with a bullet repayment at maturity. At 30 June 2020, the fair value of this loan approximates its carrying amount.

The fair value of the loans has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

The following table summarises the committed lines available to the Group at 30 June 2020 and 31 December 2019:

(Euro/million)

			30.06.2020
	Total lines	Drawn	Undrawn
Revolving Credit Facility 2019	1,000	-	1,000
Term Loan	1,000	(1,000)	-
CDP Loans	200	(200)	-
Unicredit Loan	200	(200)	-
Intesa Loan	150	(150)	-
EIB Loans	127	(127)	-
Mediobanca Loan	100	(100)	-
Total	2,777	(1,777)	1,000

(Euro/million)

			31.12.2019
	Total lines	Drawn	Undrawn
Revolving Credit Facility 2019	1,000	-	1,000
Term Loan	1,000	(1,000)	-
CDP Loans	200	(200)	-
Unicredit Loan	200	(200)	-
Intesa Loan	150	(150)	-
EIB Loans	135	(135)	-
Mediobanca Loan	100	(100)	-
Total	2,785	(1,785)	1,000

Bonds

As at 30 June 2020, Prysmian Group has the bond issues in place described in the following paragraphs.

Non-convertible bond issued in 2015

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 was admitted to the Luxembourg Stock Exchange, where it is traded on the related regulated market.

At 30 June 2020, the non-convertible bond has a fair value of Euro 768 million. 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

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 bond matures in 2022.

In addition there is an 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.

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 five-year Convertible Bond 2017 has resulted in the recognition of an equity component of Euro 48 million and a debt component of Euro 452 million, determined at the bond issue date.

<i>(Euro/million)</i>	
Issue value of convertible bond	500
Equity reserve for convertible bond	(48)
Issue date net balance	452
Interest - non-monetary	34
Related costs	(3)
Balance at 30 June 2020	483

At 30 June 2020, the fair value of the Convertible Bond 2017 (equity component and debt component) is Euro 484 million, almost all of which attributable to the debt component. 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. The Bond was almost entirely extinguished in the two months following the acquisition, with the remaining debt at 30 June 2020 equal to USD 0.4 million.

Other borrowings from banks and other lenders and Lease liabilities

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

(Euro/million)

	CDP Loans	EIB Loans	Conv. Bond	Non- conv. Bond	Term Loan	Unicredit, Mediobanca and Intesa Loans	Lease liabilities	Other borrowings	Total
Balance at 31 December 2019	200	135	478	760	996	448	179	48	3,244
Currency translation differences	-	-	-	-	-	-	(4)	(1)	(5)
New funds	-	-	-	-	-	-	-	33	33
New lease liabilities	-	-	-	-	-	-	42	-	42
Repayments	-	(8)	-	-	-	-	(27)	(15)	(50)
Interest and other movements	-	-	5	(8)	-	-	-	-	(3)
Total movements	-	(8)	5	(8)	-	-	11	17	17
Balance at 30 June 2020	200	127	483	752	996	448	190	65	3,261

	CDP Loans	EIB Loans	Conv. Bond	Non- conv. Bond	Loans for General Cable acquisition	Unicredit, Mediobanca and Intesa Loans	Lease liabilities	Other borrowings	Total
Balance at 31 December 2018	100	152	467	759	1,494	199	10	78	3,259
Currency translation differences	-	-	-	-	-	-	-	(1)	(1)
New funds	-	-	-	-	-	100	-	24	124
Repayments	-	(9)	-	-	(100)	-	(17)	(37)	(163)
Amortisation of bank and financial fees and other expenses	-	-	-	-	2	-	-	-	2
Adoption IFRS 16	-	-	-	-	-	-	159	-	159
Interest and other movements	-	-	5	(9)	-	-	-	-	(4)
Total movements	-	(9)	5	(9)	(98)	100	142	(14)	117
Balance at 30 June 2019	100	143	472	750	1,396	299	152	64	3,376

NET FINANCIAL DEBT

(Euro/million)

	Note	30.06.2020	31.12.2019
CDP Loans	10	100	100
EIB Loans	10	110	118
Non-convertible bond	10	748	746
Convertible Bond 2017	10	483	478
Term Loan	10	996	995
Unicredit Loan	10	199	199
Mediobanca Loan	10	100	100
Intesa Loan	10	149	149
Lease liabilities	10	143	135
Interest rate swaps	5	14	15
Other financial payables	10	10	12
Total long-term financial payables		3,052	3,047
CDP Loans	10	100	100
EIB Loans	10	17	17
Non-convertible bond	10	4	14
Term Loan	10	-	1
Unicredit Loan	10	-	-
Intesa Loan	10	-	-
Lease liabilities	10	47	44
Interest rate swaps	5	6	6
Forward currency contracts on financial transactions	5	3	4
Other financial payables	10	55	36
Total short-term financial payables		232	222
Total financial liabilities		3,284	3,269
Long-term financial receivables	3	3	2
Long-term bank fees	3	3	4
Financial assets at amortised cost		5	4
Forward currency contracts on financial transactions (current)	5	1	6
Short-term financial receivables	3	3	2
Short-term bank fees	3	2	2
Financial assets at fair value through profit or loss	6	19	27
Financial assets at fair value through other comprehensive income		11	11
Financial assets held for sale	8	-	1
Cash and cash equivalents	7	721	1,070
Total financial assets		768	1,129
Net financial debt		2,516	2,140

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

(Euro/million)

	Note	30.06.2020	31.12.2019
Net financial debt - as reported above		2,516	2,140
Long-term financial receivables and other assets	3	8	6
Long-term bank fees	3	3	4
Net forward currency contracts on commercial transactions	5	1	2
Net metal derivatives	5	(1)	(8)
Recalculated net financial debt		2,527	2,144

11. TRADE AND OTHER PAYABLES

Details are as follows:

(Euro/million)			30.06.2020
	Non-current	Current	Total
Trade payables	-	1,728	1,728
Total trade payables	-	1,728	1,728
Other payables:			
Tax and social security payables	1	213	214
Advances from customers	-	284	284
Payables to employees	1	128	129
Accrued expenses	-	117	117
Other	5	142	147
Total other payables	7	884	891
Total	7	2,612	2,619

(Euro/million)			31.12.2019
	Non-current	Current	Total
Trade payables	-	2,062	2,062
Total trade payables	-	2,062	2,062
Other payables:			
Tax and social security payables	2	201	203
Advances from customers	-	357	357
Payables to employees	1	160	161
Accrued expenses	-	139	139
Other	8	112	120
Total other payables	11	969	980
Total	11	3,031	3,042

Trade payables include around Euro 146 million (Euro 236 million at 31 December 2019) for the supply of strategic metals (copper, aluminium and lead), whose payment terms are longer than normal for this type of transaction.

Advances from customers include the liability for construction contracts, amounting to Euro 232 million at 30 June 2020 compared with Euro 299 million at 31 December 2019. This liability represents the excess of amounts invoiced over costs incurred plus accumulated profits (or losses), recognised using the percentage of completion method.

12. PROVISIONS FOR RISKS AND CHARGES

Details are as follows:

(Euro/million)			30.06.2020 (*)
	Non-current	Current	Total
Restructuring costs	-	33	33
Legal, contractual and other risks	23	438	461
Environmental risks	4	100	104
Tax risks	11	85	96
Total	38	656	694

(*) Provisions for risks at 30 June 2020 include Euro 170 million for contingent liabilities.

(Euro/million)			31.12.2019 (*)
	Non-current	Current	Total
Restructuring costs	15	57	72
Legal, contractual and other risks	26	468	494
Environmental risks	-	107	107
Tax risks	19	85	104
Total	60	717	777

(*) Provisions for risks at 31 December 2019 include Euro 170 million for contingent liabilities.

The following table presents the movements in these provisions during the reporting period:

(Euro/million)					
	Restructuring costs	Legal, contractual and other risks	Environmental risks	Tax risks	Total
Balance at 31 December 2019	72	494	107	104	777
Increases	1	24	-	1	26
Utilisations	(40)	(18)	(2)	-	(60)
Releases	(1)	(25)	-	-	(26)
Currency translation differences	-	(12)	-	(14)	(26)
Other	1	(2)	(1)	5	3
Total movements	(39)	(33)	(3)	(8)	(83)
Balance at 30 June 2020	33	461	104	96	694

The provision for contractual, legal and other risks amounts to Euro 461 million at 30 June 2020 (Euro 494 million at 31 December 2019). This provision mainly includes provisions related to and arising from business combinations, provisions for risks on ongoing and completed contracts and the provision for Antitrust investigations, details of which now follow.

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.

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 dismissed the appeals and confirmed the previously imposed fines. Prysmian Group, including General Cable, disagreed with the conclusions reached by the General Court of the European Union and has appealed to the Court of Justice of the European Union. The appeal filed by Prysmian was heard on 23 October 2019. In a ruling handed down on 14 November 2019, the Court of Justice of the European Union dismissed General Cable's appeal, thus conclusively confirming the fine previously imposed by the European Commission. As a result, the Group has gone ahead and paid a fine for Euro 2 million.

The ruling on the appeal filed by Prysmian is expected to be delivered in September 2020.

Pirelli & C. S.p.A. has 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, the Directors, assisted also by their legal advisors and in consistency with the accounting policies, have recognised a level of provisions deemed appropriate to cover the potential liabilities related to the matters in question.

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

In Brazil, the local antitrust authority started an investigation into several manufacturers of high voltage underground and submarine cables, amongst whom Prysmian, notified of this investigation in 2011. Prysmian's preliminary defence was rejected by the local competition authority in a statement issued in February 2015. On 3 January 2019, the authority informed Prysmian that the investigative stage had been completed, in response to which Prysmian submitted its brief on 18 January 2019. On 11 February 2019, as a result of its investigation the general superintendence of the Brazilian antitrust authority (Administrative

Council for Economic Defense – "CADE") published a statement of objections (Technical Note) in the Brazilian Federal Official Gazette.

On 15 April 2020, the CADE Tribunal issued the operative part of the decision under which it held Prysmian liable for the contested infringement in the period from February 2001 to March 2004 and ordered it to pay a fine of BRL 10.2 million (approximately Euro 1.8 million). Prysmian Group has filed an appeal against the CADE ruling.

In view of the circumstances described, the Directors, assisted also by their legal advisors and in consistency with the accounting policies, have taken steps to have a level of provisions in the financial statements in line with the fine imposed.

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 of 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 manufacturers censured in the European Commission decision have in turn been stayed pending the outcome of the main action brought by National Grid and Scottish Power. The main proceedings are still pending, with a date recently set for the court case to begin in November 2020 when the merits of the dispute will be addressed. On 29 July 2020, an agreement was finalised between Prysmian Group and Scottish Power whereby the dispute between the parties was settled out of court. The pending lawsuit relating to the dispute with Scottish Power will therefore be abandoned and no longer pursued.

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 of 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.

During the month of June 2020, the Prysmian companies concerned presented their defence as well as serving a summons on another party to which the EU decision was addressed.

On 2 April 2019, a writ of summons was served, on behalf of Terna S.p.A., on Pirelli, Nexans and companies in the Prysmian Group, demanding compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in its April 2014 decision. This action has been brought before the Court of Milan. On 24 October 2019, the Prysmian companies concerned responded by presenting their preliminary defence. By an order dated 3 February 2020, the Court has upheld the points raised by the defendants and given Terna until 11 May 2020 to add to its writ of summons and scheduled a hearing for 29 September 2020. Terna has duly added to its summons, which was filed within the prescribed deadline.

In addition, on 4 April 2019, the Group learned that the following legal actions had been brought in the Court of London, both of which involving claims for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission:

- action by Scottish and Southern Energy (SSE) Group companies against certain Prysmian Group companies involving a series of onshore and submarine projects. On 5 September 2019, a writ of summons was served in which the plaintiffs substantiated and quantified their claim for damages. On 5 November 2019, the Prysmian Group companies concerned responded by presenting their preliminary defence.
- action by Greater Gabbard Offshore Winds Limited and SSE companies against certain Group companies. On 5 September 2019, a writ of summons was served in which the plaintiffs substantiated and quantified their claim for damages. On 5 November 2019, the Prysmian Group companies concerned responded by presenting their preliminary defence.

On 23 April 2020, the initial hearing was held for both the above proceedings, which are being dealt with jointly and are now at an investigative stage.

In view of the circumstances described, the Directors, assisted also by their legal advisors, have recognised a level of provisions deemed appropriate to cover the potential liabilities related to the matters in question.

Prysmian S.p.A. and Prysmian Cavi e Sistemi S.r.l. have been summoned by Nexans France SAS and Nexans SA to appear before the Court of Dortmund (Germany) in notifications dated 24 and 25 May 2018 respectively. The plaintiffs have asked the Court concerned to ascertain the existence of joint and several liability between Prysmian S.p.a. and Prysmian Cavi e Sistemi S.r.l., on the one hand, and Nexans France SAS and Nexans SA, on the other, for any damages suffered by third parties in Germany as a result of the alleged cartel in the market for high voltage underground and submarine power cables condemned in the European Commission's decision. The Court concerned has issued a stay of execution dated 3 June 2019 pending the outcome of the appeal against the European Commission's decision brought before the European Courts by both Prysmian and Nexans.

On 2 April 2019, certain Group companies received a letter sent on behalf of Tennet TSO BV claiming compensation for damages purportedly suffered as a result of the alleged anti-competitive practices

condemned by the European Commission. However, the letter does not include any quantification of the damages and explicitly states that its purpose, among others, is to avoid expiry of the statute of limitations. Even though a negative outcome is considered likely, the Directors have been unable to estimate the amount to provide against this and the other actions listed above because the plaintiffs have not quantified their claims.

On 2 April 2019, a writ of summons was served, on behalf of Electricity & Water Authority of Bahrain, GCC Interconnection Authority, Kuwait Ministry of Electricity and Water and Oman Electricity Transmission Company, on certain cable manufacturers, including companies in the Prysmian Group, on Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. This action has been brought in the Court of Amsterdam and once again involves a claim for compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission. The writ of summons does not contain any quantification of the damages. On 18 December 2019, the Prysmian Group companies concerned presented their preliminary defence. The hearing on the preliminary legal defence brought by the Prysmian Group companies has been set for 8 September 2020. Based on the information currently available, the Directors are of the opinion not to make any provision.

Lastly, Prysmian Cavi e Sistemi S.r.l. and Prysmian S.p.A. were served with a writ of summons on 24 October 2019 from Pirelli & C. S.p.A. in which the latter seeks to be released from any third-party claim for damages relating to the practices forming the subject of the European Commission's decision and to be compensated for the damages allegedly incurred and quantified, which it has suffered through Prysmian having sought, in certain pending proceedings, to attribute liability to Pirelli for the illegal practices determined by the European Commission in the period from 1999 to 2005. Based on the information currently available, and believing this potential liability unlikely to crystallise, the Directors are of the opinion not to make any provision.

Antitrust - Other claims for damages

On 22 March 2019, National Grid communicated that it had brought a new action in the High Court of London against certain Group companies in which it claims compensation for damages purportedly suffered through alleged anti-competitive practices employed over a period running from the 1970s until 1997. On 12 June 2019, a writ of summons was served in which National Grid substantiated and quantified its claim for damages. On 18 October 2019, the Prysmian Group companies concerned responded by presenting their preliminary defence. The parties have agreed to stay the proceedings until the European Court of Justice has handed down its ruling on the appeal brought by Prysmian against the European Commission's decision of 2 April 2014.

In view of the preliminary status of the litigation and the uncertainty surrounding the grounds of the plaintiff's claim, the Directors, also assisted by their legal advisors, have not considered it necessary to recognise any provision.

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.

As at the date of writing the present report, the Chilean Antitrust Authority is conducting an investigation into the Chilean subsidiary Colada Continua Chilena S.A..

In view of the circumstances described, the Directors, also assisted by their legal advisors and in consistency with the accounting policies, have adjusted the related provisions for risks to a level deemed appropriate to cover the potential liabilities for the matters in question.

Antitrust - Claims for damages ensuing from other investigations

In February 2020, a writ of summons was served on a number of cable manufacturers, including Prysmian Group's Spanish subsidiaries, under which companies belonging to the Iberdrola Group have claimed compensation for damages supposedly suffered as a result of the alleged anti-competitive practices condemned by the Spanish competition authority in its decision of 24 November 2017. The case is pending before the Court of Barcelona.

In July 2020, a writ of summons was served on a number of cable manufacturers, including Prysmian Group's Spanish subsidiaries, under which companies belonging to the Endesa Group have claimed compensation for damages supposedly suffered as a result of the alleged anti-competitive practices condemned by the Spanish competition authority in its decision of 24 November 2017. The case is pending before the Court of Barcelona.

Based on the information currently available, and believing these potential liabilities unlikely to crystallise, the Directors are of the opinion not to make any provision.

As at 30 June 2020, the provision for the above Antitrust matters amounts to approximately Euro 216 million. Despite the uncertainty of the outcome of the investigations and legal actions 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

Details are as follows:

(Euro/million)	30.06.2020	31.12.2019
Pension plans	416	409
Italian statutory severance benefit	15	15
Medical benefit plans	27	27
Termination and other benefits	41	43
Total	499	494

Movements in employee benefit obligations have had an overall impact of Euro 10 million on the period's income statement, of which Euro 7 million classified in personnel costs and Euro 3 million in finance costs.

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

	1st half 2020	1st half 2019
Average number	28,421	29,519
	30.06.2020	31.12.2019
Closing number	28,160	28,714

14. OPERATING INCOME

Operating income is a profit of Euro 173 million in the first six months of 2020 (compared with a profit of Euro 335 million in the first six months of 2019) and is stated after the following adjustments:

(Euro/million)	1st half 2020	1st half 2019
Company reorganisation ⁽¹⁾	(9)	(7)
Non-recurring (expenses)/income ⁽²⁾	-	(6)
Other non-operating (expenses)/income ⁽³⁾	(3)	(16)
Total adjustments	(12)	(29)

⁽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:

(Euro/million)	1st half 2020	1st half 2019
Interest on loans	7	9
Interest on non-convertible bond	9	9
Interest on convertible bond 2013 - non-monetary component	5	5
Interest Rate Swaps	3	3
Interest on lease liabilities	3	2
Amortisation of bank and financial fees and other expenses	3	4
Employee benefit interest costs net of interest on plan assets	3	6
Other bank interest	2	5
Costs for undrawn credit lines	2	3
Sundry bank fees	6	7
Non-recurring other finance costs	1	1
Finance costs for hyperinflation	-	7
Other	5	5
Finance costs	49	66
Net losses on forward currency contracts	5	-
Losses on derivatives	5	-
Foreign currency exchange losses	235	143
Total finance costs	289	209

Finance income is detailed as follows:

(Euro/million)	1st half 2020	1st half 2019
Interest income from banks and other financial institutions	2	2
Other finance income	1	7
Finance income	3	9
Net gains on forward currency contracts	-	5
Gains on derivatives	-	5
Foreign currency exchange gains	231	123
Total finance income	234	137

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 2020 is Euro 42 million, while the tax rate is approximately 36%.

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 either the Convertible Bond 2017, whose conversion is currently out of the money, or by the options under the long-term incentive plan

2020-2022 since aggregate EBITDA in the first six months of the three-year plan had not yet triggered their allotment.

(Euro/million)	1st half 2020	1st half 2019
Net profit/(loss) attributable to owners of the parent	78	190
Weighted average number of ordinary shares (thousands)	263,254	263,059
Basic earnings per share (in Euro)	0.30	0.72
Net profit/(loss) attributable to owners of the parent for purposes of diluted earnings per share	78	190
Weighted average number of ordinary shares (thousands)	263,254	263,059
Adjustments for:		
Dilution from incremental shares arising from exercise of stock options (thousands)	63	5
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	263,317	263,064
Diluted earnings per share (in Euro)	0.30	0.72

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 2020, the contingent liabilities for which the Group has not recognised any provision for risks and charges, on the grounds that an outflow of resources is unlikely, but which can nonetheless be estimated reliably, amount to approximately Euro 141 million.

19. RECEIVABLES FACTORING

The Group has factored some of its trade receivables on a without-recourse basis. The amount of receivables factored but not yet paid by customers was Euro 220 million at 30 June 2020 (Euro 339 million at 31 December 2019).

20. SEASONALITY

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

21. RELATED PARTY TRANSACTIONS

Transactions between Prysmian S.p.A. and its subsidiaries 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 2020:

(Euro/million)

					30.06.2020
	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	311	-	311	311	100.0%
Trade receivables	8	-	8	1,507	0.6%
Other receivables	1	-	1	773	0.1%
Trade payables	5	-	5	1,728	0.3%
Other payables	-	1	1	891	0.1%
Provisions for risks and charges	-	6	6	694	0.9%

(Euro/million)

					31.12.2019
	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	314	-	314	314	100.0%
Trade receivables	7	-	7	1,475	0.5%
Other receivables	3	-	3	854	0.4%
Trade payables	5	-	5	2,062	0.2%
Other payables	-	4	4	980	0.4%
Provisions for risks and charges	-	4	4	777	0.5%

(Euro/million)					
				1st half 2020	
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total
Sales	11	-	11	4,985	0.2%
Other income	3	-	3	44	6.8%
Raw materials, consumables and supplies	(5)	-	(5)	(3,089)	0.2%
Personnel costs	-	(5)	(5)	(712)	0.7%
Other expenses	(4)	-	(4)	(801)	0.5%
Share of net profit/(loss) of equity-accounted companies	5	-	5	5	100.0%

(Euro/million)					
				1st half 2019	
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total
Sales	15	-	15	5,849	0.3%
Other income	2	-	2	24	8.3%
Raw materials, consumables and supplies	(6)	-	(6)	(3,730)	0.2%
Personnel costs	-	(5)	(5)	(745)	0.7%
Other expenses	-	-	-	(1,017)	0.0%
Share of net profit/(loss) of equity-accounted companies	13	-	13	13	100.0%

Transactions with associates

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

Compensation of Directors, Statutory Auditors and Key Management Personnel

The compensation of the Directors, Statutory Auditors and Key Management Personnel totals Euro 5 million at 30 June 2020 (Euro 5 million in the first six months of 2019).

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 half of 2020.

23. COMMITMENTS

Contractual commitments, already given to third parties at 30 June 2020 and not yet reflected in the financial statements, amount to Euro 188 million for property, plant and equipment and Euro 7 million for intangible assets.

As at 30 June 2020, 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 28 April 2020, the shareholders of Prysmian S.p.A. approved the financial statements for 2019 and the distribution of a gross dividend of Euro 0.25 per share, for a total of some Euro 66 million. The dividend was paid out from 20 May 2020, with record date 19 May 2020 and ex-dividend date 18 May 2020.

25. FINANCIAL COVENANTS

The principal credit agreements in place at 30 June 2020, 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 relevant 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.

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 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 by Group companies or their involvement in other insolvency proceedings;
- issuing of particularly significant court orders;
- 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 2020	31 December 2019
EBITDA / Net finance costs ⁽¹⁾	13.21x	14.42x
Net financial debt / EBITDA ⁽¹⁾	2.56x	1.99x

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.

26. EXCHANGE RATES

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

	Closing rates at		Period average rates	
	30.06.2020	31.12.2019	1st half 2020	1st half 2019
Europe				
British Pound	0.912	0.851	0.875	0.874
Swiss Franc	1.065	1.085	1.064	1.129
Hungarian Forint	356.58	330.53	345.261	320.42
Norwegian Krone	10.912	9.864	10.732	9.73
Swedish Krona	10.495	10.447	10.66	10.518
Czech Koruna	26.74	25.408	26.333	25.685
Danish Krone	7.453	7.472	7.465	7.465
Romanian Leu	4.84	4.783	4.817	4.742
Turkish Lira	7.722	6.663	7.143	6.359
Polish Zloty	4.456	4.257	4.412	4.292
Russian Rouble	79.63	69.956	76.669	73.744
North America				
US Dollar	1.12	1.123	1.102	1.13
Canadian Dollar	1.532	1.46	1.503	1.507
South America				
Colombian Peso	4,203	3,689	4,062	3,604
Brazilian Real	6.132	4.528	5.424	4.345
Argentine Peso	78.901	67.28	71.184	46.851
Chilean Peso	918.72	844.86	895.228	763.387
Costa Rican Colón	649.854	642.012	629.245	677.634
Mexican Peso	25.947	21.22	23.843	21.654
Peruvian Sol	3.953	3.726	3.764	3.755
Oceania				
Australian Dollar	1.634	1.6	1.677	1.6
New Zealand Dollar	1.748	1.665	1.76	1.682
Africa				
CFA Franc	655.957	655.957	655.957	655.957
Angolan Kwanza	646.933	540.037	586.947	361.777
Tunisian Dinar	3.201	3.139	3.151	3.394
Asia				
Chinese Renminbi (Yuan)	7.922	7.821	7.751	7.668
United Arab Emirates Dirham	4.113	4.126	4.047	4.149
Hong Kong Dollar	8.679	8.747	8.553	8.861
Singapore Dollar	1.565	1.511	1.541	1.536
Indian Rupee	84.624	80.187	81.705	79.124
Indonesian Rupiah	16,184	15,596	16,078	16,039
Japanese Yen	120.66	121.94	119.267	124.284
Thai Baht	34.624	33.415	34.824	35.714
Philippine Peso	55.834	56.9	55.825	58.981
Omani Rial	0.431	0.432	0.424	0.434
Malaysian Ringgit	4.799	4.595	4.684	4.654
Qatari Riyal	4.076	4.089	4.011	4.112
Saudi Riyal	4.199	4.213	4.132	4.237

27. EVENTS AFTER THE REPORTING PERIOD

Prysmian Group acquires EHC Global, a Canadian-based leading manufacturer of strategic components and provider of integrated solutions for the vertical transportation industry

Prysmian Group announced on 22 July 2020 that it had signed an agreement to acquire 100% of EHC Global in a transaction valued at CAD 130 million, subject to regulatory approvals and other customary closing conditions.

Established in 1977, EHC Global is a leading manufacturer and supplier of escalator handrails, rollers, elevator belts, strategic components and integrated solutions for the vertical transportation industry. EHC Global also provides a comprehensive range of maintenance and installation services for escalators and moving walkways. The business is headquartered in Oshawa, Canada, and has manufacturing and distribution locations in North America, South America, Europe and China. EHC Global generated revenues of CAD 119 million and an Adjusted EBITDA of more than CAD 18 million in 2019. The acquisition of EHC Global is in line with Prysmian Group's strategy to develop and strengthen its value-added businesses. EHC Global is a complementary add-on to Prysmian's Draka Elevator business, broadening its product portfolio to include a wide range of escalator products and services. The transaction is expected to complete during the fourth quarter of 2020.

Milan, 30 July 2020

ON BEHALF OF THE BOARD OF DIRECTORS

THE CHAIRMAN

Claudio De Conto

SCOPE OF CONSOLIDATION – APPENDIX A

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

Fully consolidated subsidiaries on a line-by-line basis:

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Europe					
Austria					
Prysmian OEKW GmbH	Wien	Euro	2,053,007.56	100.00%	Prysmian Cavi e Sistemi S.r.l.
Belgium					
Draka Belgium N.V.	Antwerpen	Euro	61,973.38	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					
Prysmian Group Baltics AS	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.	Marne La Vallée	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 Deutschland GmbH
				6.25%	Prysmian S.p.A.
Prysmian Unterstuetzungseinrichtung Lynen GmbH	Eschweiler	Deutsche Mark	50,000	100.00%	Prysmian Kabel und Systeme 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%	Prysmian Kabel und Systeme GmbH
Draka Deutschland Zweite Beteiligungs GmbH	Wuppertal	Euro	25,000	100.00%	Prysmian Netherlands B.V.
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	50,025,000	100.00%	Grupo General Cable Sistemas, S.L.

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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.
Cable Makers Properties & Services Limited	Esher	British Pound	39.08	75.00%	Prysmian Cables & Systems Ltd.
				25.00%	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 Comteq UK Ltd.	Eastleigh	British Pound	14,000,002	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	2	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	24,891,054	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	1	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. in liquidation	Milan	Euro	10,000	100.00%	Grupo General Cable Sistemas, S.L.
Norway					
Prysmian Group Norge AS	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	52,229,320.50	100.000%	Prysmian S.p.A.
Draka Kabel B.V.	Amsterdam	Euro	2,277,976.68	100.00%	Prysmian Netherlands B.V.
Donne Draad B.V.	Nieuw Bergen	Euro	28,134.37	100.00%	Prysmian Netherlands B.V.
NKF Vastgoed I B.V.	Delft	Euro	18,151.21	99.00%	Draka Holding B.V.
				1.00%	Prysmian Netherlands B.V.
NKF Vastgoed III B.V.	Delft	Euro	18,151.21	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

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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 Telecomunicações SA	Pero Pinheiro	Euro	13,500,000	100.00%	General Cable Investments, SGPS, Sociedade Unipessoal, S.A.
Czech Republic					
Draka Kabely, s.r.o.	Velké Meziříčí	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
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.
Spain					
Prysmian Cables Spain, S.A. (Sociedad Unipersonal)	Vilanova I la Geltrú	Euro	58,178,234.22	100.00%	Draka Holding, S.L.
Draka Holding, S.L. (Sociedad Unipersonal)	Santa Perpetua de Mogoda	Euro	24,000,000	100.00%	Draka Holding B.V.
GC Latin America Holdings, S.L.	Abrera	Euro	151,042,030	100%	General Cable Holdings (Spain), S.L.
General Cable Holdings (Spain), S.L.	Abrera	Euro	138,304,698.48	99.349%	GK Technologies, Incorporated
				0.6510%	General Cable Overseas Holdings, LLC
Grupo General Cable Sistemas, S.L.	Abrera	Euro	22,116,018.7	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.
Prysmian Group 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	216,733,652	83.746%	Draka Holding B.V.
				0.461%	Turk Prysmian Kablo Ve Sistemleri A.S.
				15.792%	Third parties
Hungary					
Prysmian MKM Magyar Kabel Muvek Kft.	Budapest	Hungarian Forint	5,000,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.

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Legal name	Office	Currency	Share capital	% ownership	Direct parent company
North America					
Canada					
Prysmian Cables and Systems Canada Ltd.	New Brunswick	Canadian Dollar	1,000,000	100.00%	Draka Holding B.V.
Draka Elevator Products, Incorporated	New Brunswick	Canadian Dollar	n/a	100.00%	Prysmian Cables and Systems USA, LLC
General Cable Company Ltd.	Halifax	Canadian Dollar	123,167,968	100.00%	General Cable Canada Holdings LLC
Cayman Islands					
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.	Carson City	US Dollar	330,517,608	100.00%	Draka Holding B.V.
Prysmian Cables and Systems USA, LLC	Wilmington	US Dollar	10	100.00%	Prysmian Cables and Systems (US) Inc.
Prysmian Construction Services Inc.	Wilmington	US Dollar	1,000	100.00%	Prysmian Cables and Systems USA, LLC
Draka 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.	Wilmington	US Dollar	1,000	100.00%	General Cable Industries, Inc.
GC Global Holdings, Inc.	Wilmington	US Dollar	1,000	100.00%	General Cable Overseas Holdings, LLC
General Cable Canada Holdings LLC	Wilmington	US Dollar	0	100.00%	General Cable Industries, Inc.
General Cable Corporation	Wilmington	US Dollar	1	100.00%	Prysmian Cables and Systems (US) Inc.
General Cable Industries LLC	Wilmington	US Dollar	0	100.00%	General Cable Industries, Inc.
General Cable Industries, Inc.	Wilmington	US Dollar	10	100.00%	GK Technologies, Incorporated
General Cable Overseas Holdings, LLC	Wilmington	US Dollar	0	100.00%	GK Technologies, Incorporated
General Cable Technologies Corporation	Wilmington	US Dollar	1,000	100.00%	General Cable Industries, Inc.
Phelps Dodge Enfield Corporation	Wilmington	US Dollar	800,000	100.00%	General Cable Industries, Inc.
Phelps Dodge International Corporation	Wilmington	US Dollar	100,000	100.00%	General Cable Industries, Inc.
Phelps Dodge National Cables Corporation	Wilmington	US Dollar	10	100.00%	General Cable Industries, Inc.
GK Technologies, Incorporated	West Trenton	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	992,359,215	40.01%	Prysmian Consultora Conductores e Instalaciones SAIC
				59.74%	Draka Holding B.V.
				0.11%	Prysmian Cabos e Sistemas do Brasil S.A.
				0.13%	Third parties
Prysmian Consultora Conductores Instalaciones SAIC	Buenos Aires	Argentine Peso	543,219,572	95.00%	Draka Holding B.V.
				5.00%	Prysmian Cavi e Sistemi S.r.l.

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Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Brazil					
Prysmian Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real	547,630,604.56	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	536,087,471	99.99%	Grupo General Cable Sistemas, S.L.
				0.01%	General Cable Holdings (Spain) 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	99.80%	General Cable Holdings (Spain), S.L.
				0.20%	Third parties
Colombia					
Productora de Cables Procables S.A.S.	Bogotá	Colombian Peso	1,902,964,285	99.96%	GC Latin America Holdings, S.L.
				0.04%	GK Technologies, Incorporated
Costa Rica					
Conducen, S.R.L.	Heredia	Costa Rican Colon	1,845,117,800	73.52%	GC Latin America Holdings, SL
				26.48%	Cahosa S.A.
Ecuador					
Cables Electricos Ecuatorianos C.A. CABLEC	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.	Antiguo Cuscatlan (La Libertad)	US Dollar	22,858	99.95%	Conducen, S.R.L.
				0.05%	Third parties
Guatemala					
Proveedora de Cables y Alambres PDCA Guatemala, S.A.	Guatemala City	Guatemalan Quetzal	100,000	99.00%	Conducen, S.R.L.
				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	80.41733609%	General Cable Industries, Inc.
				19.58266361%	Conducen, S.R.L.
				0.00000015%	General Cable Technologies Corporation
				0.00000015%	GK Technologies, Incorporated
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%	Conducen, S.R.L.
				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	99.998%	General Cable de Mexico, S.A de C.V.
				0.002%	General Cable Technologies Corporation

PRYSMIAN GROUP | CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
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, S.R.L.
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	90,327,867.50	99.99999%	GC Latin America Holdings, S.L.
				0.00001%	Third Parties
Africa					
Angola					
General Cable Condel, Cabos de Energia e Telecomunicações SA	Luanda	Angolan Kwanza	20,000,000	99.80%	General Cable Celcat, Energia e Telecomunicações 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 - Société Ivoirienne de Cables S.A.	Abidjan	CFA Franc	740,000,000	51.00%	Prysmian Cables et Systèmes France S.A.S.
				49.00%	Third parties
Mauritius					
GC Specialty & Automotive	Port Louis	US Dollar	200	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.	Illovo	South African Rand	1,000	100.00%	GK Technologies, Incorporated
National Cables (Pty) Ltd.	Illovo	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.
New Zealand					
Prysmian New Zealand Ltd.	Auckland	New Zealand Dollar	10,000	100.00%	Prysmian Australia Pty Ltd.
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	48,000,100	100.00%	General Cable Holdings New Zealand

PRYSMIAN GROUP | CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

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	Yixing (Jiangsu Province)	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.	Beijing	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 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)	304,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Prysmian Technology Jiangsu Co. Ltd.	Yixing	Euro	51,150,100	100.00%	Prysmian (China) Investment Company Ltd.
Prestolite Wire (Shanghai) Company, Ltd	Shanghai	US Dollar	300,000	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	92,602,218	99.999999%	Prysmian Cavi e Sistemi S.r.l.
				0.000001%	Prysmian S.p.A.

PRYSMIAN GROUP | CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Indonesia					
PT.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 (SPC)	Sohar	Omani Riyal	4,366,000	100.00%	Oman Cables Industry (SAOG)
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	28,630,503.70	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	10,225,837.65	43.18%	Prysmian Kabel und Systeme GmbH
				1.75%	Norddeutsche Seekabelwerke GmbH
				55.07%	Third parties
Kabeltrommel GmbH	Troisdorf	Deutsche Mark	51,000	41.18%	Prysmian Kabel und Systeme GmbH
				5.82%	Norddeutsche Seekabelwerke GmbH
				53.00%	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.	Quilicura (Santiago)	Chile Peso	100	41.00%	Cobre Cerrillos S.A.
				59.00%	Third parties
Asia					
China					
Yangtze Optical Fibre and Cable Joint Stock Limited Co.	Wuhan	Chinese Renminbi (Yuan)	757,905,108	23.73%	Draka Comteq B.V.
				76.27%	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
Cayman Islands					
Phelps Dodge Yantai China Holdings, Inc.	George Town	US Dollar	99	66.67%	YA Holdings, Ltd.
				33.33%	Terzi
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 2020 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 2020 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:

- during the first half of 2020, 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 uniformity with the Group's system of procedures and controls.

3. It is also certified that:

3.1 The half-year condensed consolidated financial statements at 30 June 2020:

- 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 important events that took place in the first six months of the year and their impact on the half-year condensed consolidated financial statements, together with a description of the main risks and uncertainties in the remaining six months of the year. The interim directors' report also contains a fair review of the disclosures about significant related party transactions.

Milan, 30 July 2020

Chief Executive Officer

Managers responsible for preparing corporate accounting documents

Valerio Battista

Carlo Soprano

Alessandro Brunetti

Audit Report

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 other comprehensive income, the statement of changes in equity and statement of cash flows and the related explanatory notes of Prysmian S.p.A. and its subsidiaries (the "Prysmian Group") as of 30 June 2020. 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 2020 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, 3 August 2020

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

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

