



AND BEST IN CLASS R&D
TO ENHANCE CUSTOMER LINKING THE FUTURE SERVICE

2013 ANNUAL REPORT

WORLDWIDE LEADER IN RENEWABLES
EXTENDED PRODUCT OFFERING



Prysmian
Group

 **PRYSMIAN**
 **Draka**

2013
ANNUAL REPORT
PRYSMIAN GROUP

Disclaimer

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

CONTENTS

LETTER TO STAKEHOLDERS	pg.	2
CONSOLIDATED FINANCIAL STATEMENTS		
Directors' Report	pg.	5
Consolidated Financial Statements	pg.	111
Explanatory Notes to the Consolidated Financial Statements	pg.	117
Certification of the Consolidated financial statements pursuant to art. 81-ter of CONSOB Regulation 11971 dated 14 May 1999 and subsequent amendments and additions	pg.	236
Audit Report	pg.	237
PARENT COMPANY FINANCIAL STATEMENTS		
Directors' Report	pg.	240
Parent Company Financial Statements	pg.	250
Explanatory Notes to the Parent Company Financial Statements	pg.	255
Certification of the Financial statements pursuant to art. 81-ter of CONSOB Regulation 11971 dated 14 May 1999 and subsequent amendments and additions	pg.	312
Report by the Board of Statutory Auditors	pg.	313
Audit Report	pg.	319

LETTER TO STAKEHOLDERS

Further improvement in net financial position, strong cash flow generation capability and commitment to cost control, have all helped to confirm our Group once again in 2013 as a benchmark in the cable industry for solidity, profitability and creation of value for stakeholders.

Market scenario

The macro environment in 2013 was still generally difficult, although trends diverged between the various markets and geographical areas and signs of partial stabilisation were seen in the second half of the year. In this context, also beset by negative exchange rate effects, the Prysmian Group has achieved its stated annual targets. Positive sales and earnings performance by the higher value-added businesses of power transmission and certain areas of the industrial cables market, in line with the Group's strategy, limited the negative impact of falling demand in sectors like power distribution, construction, renewables and telecommunications.

Business performance

Group Sales amounted to Euro 7,273 million, posting negative organic growth of -3.1% on 2012, assuming the same group perimeter and excluding metal price and exchange rate effects. The negative trend showed signs of reversing in the second half of the year, with organic growth at -0.9% compared with -5.3% in the first half. In line with its growth strategy, our Group performed well in high value-added businesses, particularly underground and submarine power transmission and certain business areas of the industrial cables market. In contrast, the power distribution business continued to experience difficulty, while the second half saw the building wires sector return to basic stability. The sharp decline in demand for telecom and renewable energy cables, underway since the end of 2012, affected the overall sales figure for 2013. The geographical distribution of Sales reflects a recovery in North and South America, except for the Telecom business, and persistent weakness in Central Europe and the Mediterranean. Asia Pacific reported strong demand for industrial cables but continuing weak demand for building wires and power distribution cables. In terms of profitability, the Group achieved its originally announced Adjusted EBITDA target, set in the range Euro 600-650 million. In fact, Adjusted EBITDA amounted to Euro 612 million, down 5.5% on 2012 mainly due to negative exchange rate effects of Euro 23 million as well as to the decline in the Telecom business. This profitability measure also confirms the signs of improvement in the second half of 2013, with Adjusted EBITDA rising to Euro 330 million from Euro 282 million in the first half. Margins improved slightly, with Adjusted EBITDA representing 8.4% of sales, up from 8.2% in 2012 (9.0% in second half 2013). Of particular positive significance was the continued improvement in Net financial position, which stood at Euro 834 million at the end of December 2013, down from Euro 918 million at 31 December 2012.

Strategy development

The process of integration with Draka has continued successfully in 2013. The target synergies have been exceeded, reaching an aggregate of Euro 120 million at the end of 2013 compared with a target of Euro 100 million. Synergies achievable in the procurement area are almost at a run-rate level (approximately Euro 45 million); Euro 60 million in savings have been obtained from fixed cost synergies and Euro 15 million from optimising the manufacturing footprint. Target synergies by 2016 are confirmed at an aggregate Euro 175 million, particularly derived from further rationalisation of the manufacturing footprint and from organisational rightsizing. This target, originally set for 2015, will be pursued while paying particular attention to the maintenance of customer service levels.

Strategic investments for growth

In line with its growth strategy, the Group has focused its investments on high-tech, high value-added businesses and in geographical areas with the best growth prospects. Approximately Euro 61 million was invested in 2013 to increase production capacity and develop the product portfolio; the major investments included the new optical cables plant in Slatina (Romania) and the new high voltage cable factory in Russia. Since its IPO in 2007, the Group has invested some Euro 462 million in total to improve product mix and develop the product portfolio, with a focus on: production capacity increases for submarine cables and systems; geographical diversification, cost reduction and development of high voltage underground products; reduction of production costs for telecom cables; and development of high value-added products (SURF) in the industrial cables business.

Human Capital Development

With the goal of strengthening the engagement and involvement of all its employees in the business and achievement of its targets, the Group successfully launched in autumn 2013 a plan to allow the Group's employees to purchase shares on favourable terms. The plan offers employees the opportunity to purchase Prysmian shares at a discount of up to 25%, funded in the form of treasury shares. The plan's first purchase window has been very successful, with applications received from more than five thousand employees, who have invested a total of almost Euro 8 million to date.

Extensive participation has also been reported in other major initiatives launched by the Group to develop the potential of its human capital. Five hundred employees have taken part in the technical and managerial training programmes organised by the Prysmian Academy. The Build the Future programme to induct high potential talents into the business has involved fifty young people from around the world.

Focus on growth

Our Group's vocation is that of a global player with a clear mission of growth. Over the past few years we have pursued this goal with perseverance and determination, knowing that growth and ability to manage change represent the most effective and concrete strategy for a group like Prysmian, answerable to a wide spectrum of stakeholders for whom we create value.

This is why we have invested in both organic growth, as outlined earlier, and external growth, confirming our Group's ability to act as a business aggregator.

The acquisition of Draka has marked a radical turning point. This has been a complex, difficult-to-execute project, which is now approaching its end with the integration almost completed. But above all, we have returned to a well-balanced and solid financial situation. Following the acquisition of Draka, the Group's debt amounted to about Euro 1,400 million, which has now returned to optimum levels, thanks to our ability to contain costs while continuing to generate strong cash flow. This allows us to look to the market, knowing that we are in a position to take advantage of any new opportunities for growth.

Valerio Battista

**Chief Executive Officer
Prysmian Group**

Consolidated Financial Statements Directors' Report

Directors and auditors	pg.	6
Financial highlights	pg.	8
Main financial and operating data	pg.	8
Key financials	pg.	10
Prysmian Group	pg.	11
Vision, Mission, Values	pg.	11
Development objectives and strategies	pg.	17
Corporate governance	pg.	20
Corporate structure at 31/12/2013	pg.	23
Organisational structure	pg.	25
Top managers	pg.	26
Prysmian and the financial markets	pg.	28
Ownership structure	pg.	28
Financial market performance	pg.	31
Investor relations	pg.	34
Significant events during the year	pg.	36
New industrial projects and initiatives	pg.	36
Finance and M&A activities	pg.	38
Reference scenario	pg.	40
Macroeconomic scenario	pg.	40
Cable industry trends	pg.	41
Group performance and results	pg.	42
Income statement	pg.	43
Segment performance: Energy business	pg.	46
Segment performance: Telecom business	pg.	57
Group statement of financial position	pg.	61
Alternative performance indicators	pg.	65
The internal control and risk management system	pg.	70
Risk factors and uncertainties	pg.	73
Sustainable approach to managing the business	pg.	87
Human resources	pg.	89
Research and development	pg.	93
An integrated supply chain	pg.	97
Prysmian for the environment	pg.	104
Incentive plans	pg.	106
Significant events after the reporting period	pg.	108
Business outlook	pg.	108
Other information	pg.	109
Certification pursuant to art. 2.6.2 of the Italian Stockmarket Regulations regarding the conditions contained in art. 36 of the Market Regulations	pg.	110
Consolidated Financial Statements	pg.	111
Explanatory Notes to the Consolidated Financial Statements	pg.	117
Certification of the consolidated financial statements pursuant to art. 81-ter of CONSOB Regulation 11971 dated 14 May 1999 and subsequent amendments and additions	pg.	236
Audit Report	pg.	237

CONSOLIDATED FINANCIAL STATEMENTS

DIRECTORS' REPORT

DIRECTORS AND AUDITORS

Board of Directors ⁽¹⁾

Chairman	Massimo Tononi (*) (3)	Chairman of BoD of Borsa Italiana S.p.A., Chairman of ISA – Istituto Atesino di Sviluppo S.p.A. and of Cassa di Compensazione e Garanzia S.p.A. Director of Mittel S.p.A., Sorin S.p.A., the London Stock Exchange and Castello SGR S.p.A.
Chief Executive Officer & General Manager	Valerio Battista	
Directors	Maria Elena Cappello (*) (**) (2)	Member of Management Board of A2A S.p.A. Director of Sace S.p.A.
	Cesare d'Amico (*) (**)	Deputy Chairman of Tamburi Investment Partners S.p.A. Director of d'Amico International Shipping S.A. and The Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Limited
	Claudio De Conto(*) (**) (2) (3)	Chairman of Star Capital SGR S.p.A. CEO of Artsana Group
	Giulio Del Ninno (*) (**) (3)	Deputy Chairman of Italgen S.p.A.
	Frank Dorjee	Deputy Chairman of Oman Cables Industry (S.A.O.G).
	Pier Francesco Facchini	Chairman of BoD of Prysmian Treasury S.r.l. (***) and Prysmian Treasury (LUX) S.à.r.l. (***)
	Fritz Wilhelm Fröhlich (*) (**) (2)	Chairman of Randstad NV Director of ASML NV and Rexel SA.
	Fabio Ignazio Romeo	Director of Oman Cables Industry (S.A.O.G.)
	Giovanni Tamburi (*) (**)	Chairman and CEO of Tamburi Investment Partners S.p.A. Director of Amplifon S.p.A., Datalogic S.p.A., Interpump S.p.A, Zignago Vetro S.p.A. and Roche Bobois Group

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

(**) Independent directors as per Italy's Self-Regulatory Code of Corporate Governance

(***) Prysmian Group company

(1) Appointed by the Shareholders' Meeting held on 18 April 2012

(2) Members of the Internal Control Committee

(3) Members of the Compensation and Nominations Committee

The appointments of the directors listed above refer to the positions they held as at 31 December 2013 in companies listed on regulated markets, or in financial, banking and insurance companies.

Board of Statutory Auditors

Chairman	Pellegrino Libroia ⁽⁴⁾
Standing Statutory Auditors	Paolo Francesco Lazzati ⁽⁴⁾ Maria Luisa Mosconi ⁽⁴⁾
Alternate Statutory Auditors	Marcello Garzia ⁽⁴⁾ Claudia Mezzabotta ⁽⁴⁾

Independent Auditors

PricewaterhouseCoopers S.p.A.

(4) Appointed by the Shareholders' Meeting held on 16 April 2013

FINANCIAL HIGHLIGHTS

MAIN FINANCIAL AND OPERATING DATA (*)

(in millions of Euro)

	2013	2012 (***)	% change	2011 (**)
Sales	7,273	7,848	-7.3%	7,583
EBITDA ⁽¹⁾	562	546	2.9%	269
Adjusted EBITDA ⁽²⁾	612	647	-5.5%	568
Operating income	360	362	-0.8%	19
Adjusted operating income ⁽³⁾	457	483	-5.4%	426
Profit/(loss) before taxes	222	242	-8.4%	(101)
Net profit/(loss) for the year	154	169	-8.6%	(145)

(in millions of Euro)

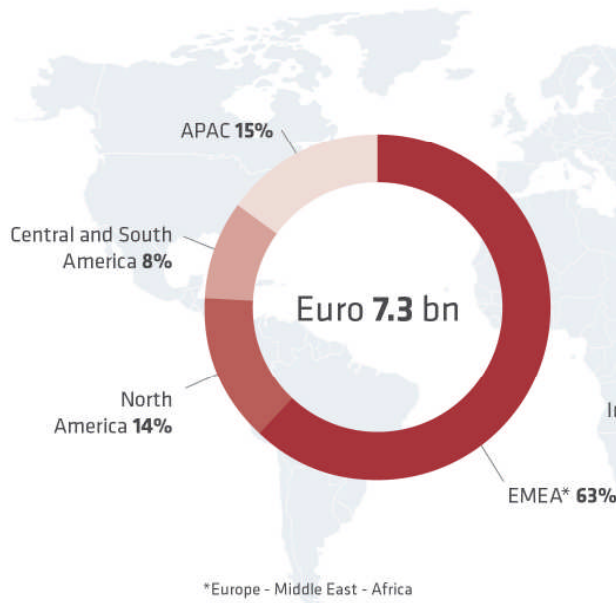
	31 December 2013	31 December 2012 (***)	Change	31 December 2011
Net capital employed	2,337	2,421	(84)	2,436
Employee benefit obligations	308	344	(36)	268
Equity	1,195	1,159	36	1,104
of which attributable to non-controlling interests	48	47	1	62
Net financial position	834	918	(84)	1,064

(in millions of Euro)

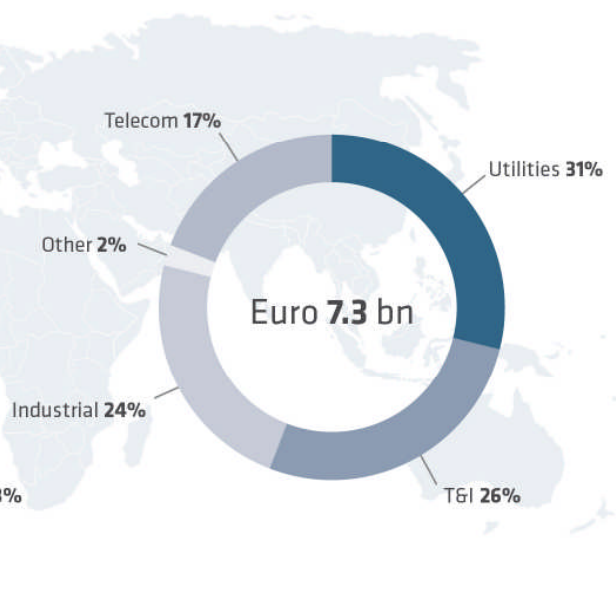
	2013	2012 (***)	% change	2011 (**)
Investments⁽⁴⁾	144	152	-5.3%	159
Employees (at period end)	19,374	19,896	-2.6%	21,547
Earnings/(loss) per share				
- basic	0.71	0.79		(0.65)
- diluted	0.71	0.78		(0.65)
Patents ^(****)	5,731	5,644		5,288
Number of plants	91	91		97
Percentage of plants certified ISO 14001	86%	82%		80%
Percentage of plants certified OHSAS 18001	49%	42%		40%

- (1) 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, the share of net profit/(loss) of associates, dividends from other companies and taxes.
- (2) Adjusted EBITDA is defined as EBITDA before non-recurring income/(expenses).
- (3) Adjusted operating income is defined as operating income before non-recurring income/(expenses) and the fair value change in metal derivatives and in other fair value items.
- (4) Investments refer to increases in Property, plant and equipment and Intangible assets.
- (*) All percentages contained in this report have been calculated with reference to amounts expressed in thousands of Euro.
- (**) Includes the Draka Group's results for the period 1 March – 31 December 2011.
- (***) The previously published figures have been amended. Further details can be found in Section C. Restatement of comparative figures at 31 December 2012 in the Explanatory Notes to the Consolidated Financial Statements.
- (****) The figures report the total number of patents, comprising patents granted plus patent applications pending worldwide.

SALES 2013
BY GEOGRAFICAL AREA



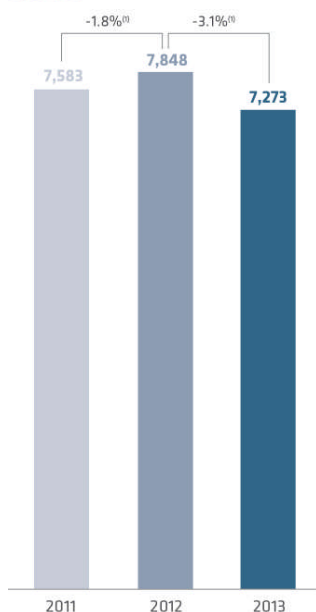
SALES 2013
BY BUSINESS AREA



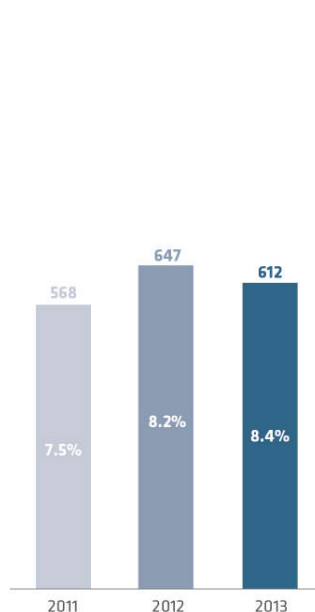
KEY FINANCIALS (*)

Amounts in millions of Euro – Percentages on sales

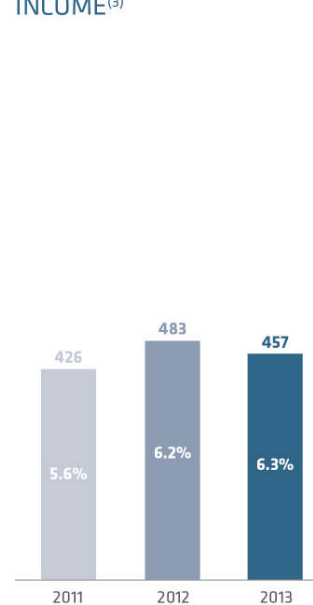
SALES



ADJ. EBITDA⁽²⁾



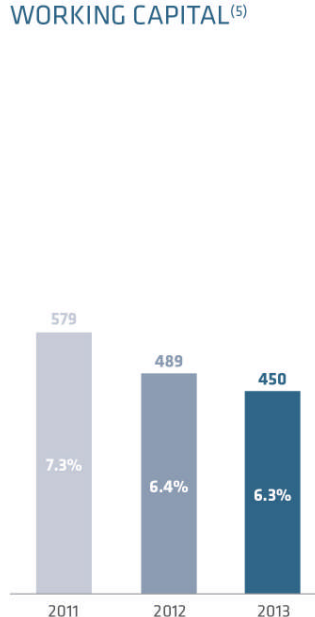
ADJ. OPERATING INCOME⁽³⁾



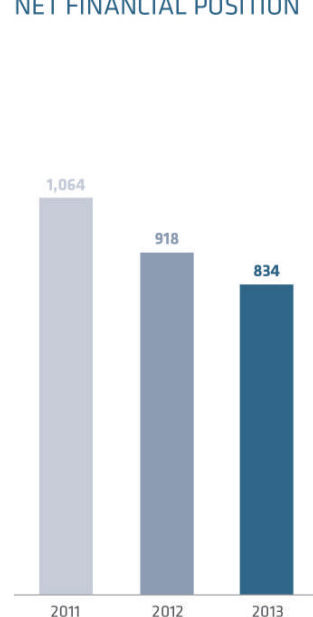
ADJ. NET PROFIT⁽⁴⁾



NET OPERATING WORKING CAPITAL⁽⁵⁾



NET FINANCIAL POSITION



1) Organic growth: growth on 2011 pro-forma amounts, calculated net of changes in the group structure, in metal prices and exchange rates.

2) Adjusted EBITDA is defined as EBITDA before non-recurring income/(expenses).

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

4) Adjusted Net Profit is defined as net profit/(loss) before non-recurring income/(expenses), the effect of derivatives and of other fair value items, exchange rate differences, non-monetary interest on the convertible bond and the related tax effects.

5) Net Operating Working Capital means Net Working Capital excluding the effect of derivatives. The percentage is calculated as Net Working Capital/Annualised last-quarter sales.

(*) Draka consolidated from 1 March 2011.

PRYSMIAN GROUP

VISION, MISSION, VALUES

VISION

We believe in the efficiency, effectiveness and sustainability of energy and information delivery as the prime driver for developing communities

Energy and Information help communities develop. That's why it's so important that they're always available. That they're supplied: Effectively. Efficiently. Sustainably. Whoever the client. Wherever they are. However harsh the environment they operate in. We're committed to keeping them connected. Every day, we all have the chance to bring our vision to life in our actions. No matter how big, or small, the things we do on a daily basis build up over time and help us deliver on our mission.

MISSION

Using advanced technological solutions, we offer our customers around the world cables and systems for energy transport and telecommunications.

We offer cables and systems for energy transport and telecommunications. A strong reputation for performance and innovation allows us to offer our customers sustainable and profitable growth opportunities. But we don't just want to be good suppliers. We want to be excellent business partners. That's why our values are so important to us. The things we do and the way we approach them are an opportunity to show our pride in our work

VALUES

Excellence.

Integrity.

Understanding.

Excellence: Good isn't good enough. We combine rigour and entrepreneurship to deliver innovative all-round solutions.

Integrity: When it comes to ethics, no challenge is too big, or too small, if it means doing things right.

Understanding: We have strong respect for different opinions and ideas, and a keen focus on our customers' needs.

PRYSMIAN GROUP

Market, innovation and technology leader in the global cables industry.

Prysmian Group is the world leader in the energy and telecom cables and systems industry. With over 130 years of experience, sales of over Euro 7 billion in 2013, approximately 19,000 employees in 50 countries and 91 production sites, the Group is strongly positioned at the high-tech end of the market and offers the most extensive range of products, services, technology and know-how currently available thanks to its 17 Research & Development centres in Europe, USA, South America and China, with more than 500 qualified R&D professionals.

Prysmian is also a public company, listed on the Italian Stock Exchange in the FTSE MIB index.

The Group, commercially present on the market with the Prysmian and Draka brands, is organised according to the various businesses in the Energy and Telecom industries, and is active in the development, design, manufacture, supply and installation of cables for a wide range of applications.

In the Energy industry, the company operates in the business of underground and submarine power transmission and distribution cables and systems, special cables for applications in many different industrial sectors and medium and low voltage cables for the construction and infrastructure industries.

In the Telecom industry, it manufactures cables and accessories for the voice, video and data transmission market, offering a comprehensive range of optical fibres, optical and copper cables and connectivity systems.

Over the years the Group has achieved important milestones through realising projects and providing innovative, leading edge solutions to satisfy the highest customer expectations and create value for stakeholders and for the Group itself.

Prysmian Group has worked for utilities and grid operators on some of the principal **submarine power interconnection** projects. These include the recent link between the Balearic Islands of Majorca and Ibiza in Spain, as well as the record Westernlink project in the United Kingdom, which boasts a number of industry firsts for voltage (600 kV), the world's highest ever rating for an insulated cable (2200 MW) and length of route (more than 400 km). The Trans Bay, Neptune and Hudson projects in the United States are illuminating large areas between San Francisco and New York City with energy from different sources.

The Group is also a world leader in submarine connections for offshore wind farms. In addition to having participated in the main European projects in recent years, Prysmian has supplied cable solutions to the DoWin3 wind farm in Germany, representing an industry milestone with its rating of 900 MW and voltage of 320 kV DC.

In the area of **underground infrastructure**, Prysmian Group has contributed to the construction of electricity grids in some of the world's largest metropolises, from New York to Buenos Aires, London to St. Petersburg, and Singapore to Hong Kong.

The Group also supports the **petrochemical industry** by offering solutions for both upstream hydrocarbon research and refining activities and downstream exploration and production activities. From umbilical cables for offshore platforms to high-tech flexible pipes for oil drilling, through to the comprehensive range of SURF products and services.

In the **renewable energy** market, Prysmian technologies support the development of some of the most important solar and wind farms in the world, such as the Ohotnikovo photovoltaic plant in Ukraine and the principal wind farms in Southern Italy.

The Group's fire-resistant cables can be found at the very heart of the most spectacular, state-of-the-art **constructions**, like the Wimbledon tennis stadium, the futuristic Marina Bay Sands in Singapore and the Shard skyscraper in London, the tallest in Western Europe. In Milan, Prysmian Group cable solutions are helping to ensure the safety of the 20 million visitors expected at the next International Exhibition in 2015.

In the **elevator industry**, the Group's elevator cables are present in some of the world's tallest or most prestigious buildings, like the new World Trade Center being completed in New York City. By cabling the Burj Khalifa in Dubai, the world's tallest building at 828 metres high, Prysmian has guaranteed the safety of every one of its 162 floors with elevator cables and fire-resistant cables the length of which is more than 1,300 times the tower's height.

Even in the **transport** business, Prysmian has reached many exceptional achievements: it has cabled some of the world's biggest aircraft and ships, like the Airbus 380 or the Royal Caribbean's GENESIS fleet, some of the fastest trains, and some of the most innovative metro systems. Three million passengers on the London Underground travel each day through 400 km of tunnels, thanks to Prysmian and Draka fire-resistant cables.

Lastly, with a wide range of fibre solutions for voice, video and data, continuous investment in R&D and around 30 dedicated factories, Prysmian Group is the world's top manufacturer of **Telecom cables**, with which it helps develop infrastructure that supports information flows and communication between communities around the world.

The quality of optic fibre and level of innovation used in its cables allow the Group to meet the most difficult and ambitious challenges.

In Australia Prysmian is helping the local government to achieve the goal of creating a Fibre-to-the-Premises network that will connect 93% of the country's residential and commercial buildings. This project confirms the Group's central role in the largest infrastructure challenge ever faced in Australia's history.

The **Energy business** is divided into the following business areas:

- **Utilities** - Prysmian engineers, produces and installs high and extra high voltage cables for underground and submarine *power transmission* directly from power stations or offshore wind farms to the primary distribution grids. The solutions offered include the most advanced "turnkey" submarine cable systems for installation at depths of up to 2,000 metres, possible thanks to the "Giulio Verne", one of the largest and most technologically advanced cable-laying vessels in the world. Through Prysmian Powerlink Services Ltd and the "Cable Enterprise" cable-laying vessel, the Group also offers high value-added services for the construction of submarine power lines, from project

management to cable installation, jointing and protection, particularly for offshore wind farms, for which Prysmian Group has the technology to supply wind turbine, inter-array and export cables. In the field of *power distribution*, the Group produces medium voltage cables and systems to connect industrial and residential buildings to primary distribution grids and low voltage ones for power distribution and the wiring of buildings. The product range is completed with *network accessories and components* to connect cables and other network elements.

- **Industrial** - The integrated cabling solutions proposed by the Group constitute the most comprehensive and technologically advanced response to the needs of a wide variety of industrial sectors.
 - *Renewable* – Active in the wind and solar energy markets, Prysmian Group realises connections for offshore wind farms, including both wind turbine and inter-array cables.
 - *Oil & Gas and SURF* – Prysmian Group offers the petrochemicals market solutions for offshore and onshore exploration and production activities, and for hydrocarbon refining. The product range includes low and medium voltage cables, power cables, and instrumentation/control cables; special DHT (Downhole Technology) cables, which include cables to control downhole instrumentation, power cables and hydraulic fluid cables; multipurpose umbilical cables to transport energy, telecommunications, fluids and chemicals, which together with high-tech flexible pipes and ducts for offshore oil drilling, allow the Group to offer the industry a comprehensive range of SURF (Subsea Umbilical, Riser and Flowline) products and services.
 - *Automotive* – The Group produces standard and specialist cables for the automotive and transport industry, collaborating with the sector's leading international manufacturers.
 - *Elevator* – Prysmian Group produces a wide range of products for the elevator market, such as flexible connectorised cables and hoistway cables, in response to global demand for high-performance, durable, highly safe cables and parts.
 - *Specialties and OEM* – Cable systems for various specific industrial applications such as trains, aircraft, ships, port systems, cranes, mining, nuclear industry, defence and the electro-medical sector.
- **Trade & Installers** – Cables and systems for the trade and installers market for the wiring of buildings and distribution of electricity to or in commercial and residential buildings. Fire-resistant and low smoke halogen-free cables complete one of the widest and most comprehensive product ranges in the world.
- **Other** - Finished goods, intermediate goods and raw materials forming part of the production process, occasionally made by Prysmian Group companies.

The **Telecom business** makes cable systems and connectivity products used in telecommunication networks. The product portfolio includes optical fibre, optical cables, connectivity components and accessories, OPGW (Optical Ground Wire) and copper cables.

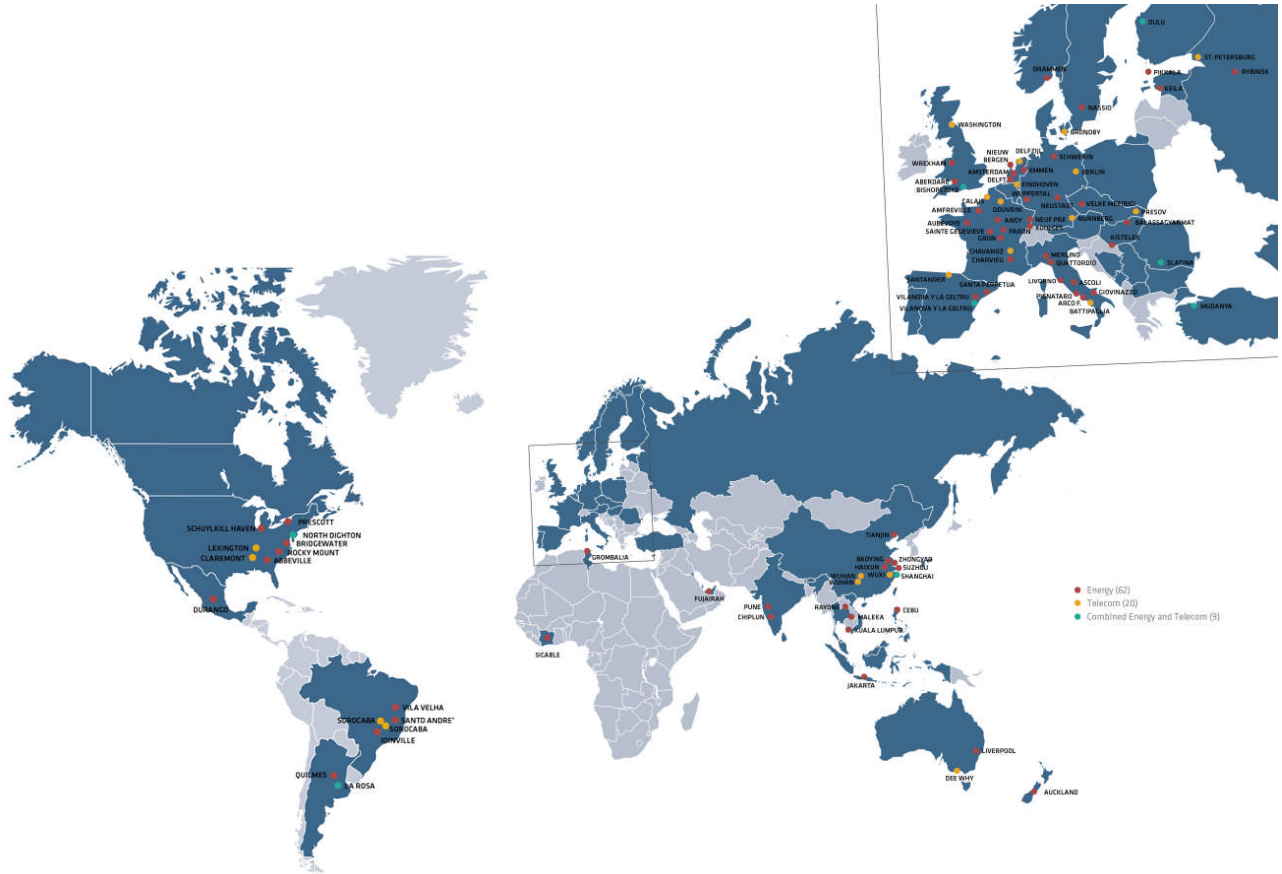
With centres of excellence in Battipaglia (Italy), Eindhoven (The Netherlands) and Douvrin (France), and 5 production sites around the world, Prysmian Group is one of the leading manufacturers of the core component of every type of optical cable: *optical fibre*. A wide range of optical fibres is designed and made to cater to the broadest possible spectrum of customer applications, including single-mode, multimode and specialty fibres. The Group also has at its disposal every currently available technology for the manufacture of optical fibre, allowing it to achieve optimal solutions for the different applications.

Optical fibres are employed in the production of a wide range of standard *optical cables* or those specifically designed for challenging or inaccessible environments, from underground ducts to overhead electricity lines, from road and rail tunnels to gas and sewage networks.

Prysmian Group also supplies passive *connectivity* solutions that ensure efficient management of optical fibre within networks. Growing demand for higher bandwidth has seen the deployment of optical fibre moving closer to the end user. The Group is extremely active in this rapidly growing sector of the market, known as *FTTx*, where its approach is based on combining existing technologies with innovative, new solutions allowing fibres to be deployed in high-rise buildings and multi-dwelling units. Many of the cables used in FTTx systems feature Prysmian's bend-insensitive BendBrightxs optical fibre, which has been specially developed for this application.

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

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



50 COUNTRIES
91 PLANTS
17 R&D CENTRES
19,000 EMPLOYEES

- EMEA**
- Ivory Coast**
- Abidjan
- Denmark**
- Brøndby
- Estonia**
- Keila
- Finland**
- Pikkala
- Oulu
- France**
- Amfreville
- Angy
- Charvieu
- Chavanoz
- Gron
- Neuf Pré
- Paron
- Xoulces
- Douvrin
- Calais
- Aubevoye
- Sainte Genevieve
- Germany**
- Neustadt
- Schwerin
- Nurnberg
- Wuppertal
- Berlin
- Italy**
- Arco Felice
- Ascoli Piceno
- Battipaglia
- Giovinazzo
- Livorno
- Merlino
- Pignataro Maggiore
- Quattordio
- Norway**
- Drammen
- Netherlands**
- Eindhoven
- Delft
- Amsterdam
- Emmen
- Delfzijl
- Nieuw Bergen
- Czech Republic**
- Velke Mezirici
- Romania**
- Slatina

- Russia**
- Rybinsk
- St. Petersburg
- Slovakia**
- Presov
- Spain**
- Vilanova y la Geltru (2)
- Santander
- Santa Perpetua
- Sweden**
- Nassjo
- Tunisia**
- Gromballa
- Turkey**
- Mudanya
- U.A.E.**
- Fujairah
- UK**
- Aberdare
- Bishopstoke
- Wrexham
- Washington
- Hungary**
- Balassagyarmat
- Kistelek
- APAC**
- Australia**
- Dee Why
- Liverpool
- China**
- Baoying
- Tianjin
- Wuxi
- Wuhan (2)
- Haixun
- Shanghai
- Suzhou
- Zhongyao
- Philippines**
- Cebu
- India**
- Pune
- Chiplun
- Indonesia**
- Cikampek
- Malaysia**
- Kuala Lumpur
- New Zealand**
- Auckland
- Thailand**
- Rayong
- Melaka
- NORTH AMERICA**
- Canada**
- Prescott
- Mexico**
- Durango
- US**
- Abbeville
- Lexington
- North Dighton
- Bridgewater
- Rocky Mount
- Claremont
- Schuylkill Haven
- SOUTH AMERICA**
- Argentina**
- La Rosa
- Quilmes
- Brazil**
- Joinville
- Sorocaba (2)
- St. André
- Vila Velha

DEVELOPMENT OBJECTIVES AND STRATEGIES

FUNDAMENTALS OF OUR GROWTH STRATEGY

Prysmian Group has a strong stakeholder orientation, focused on customer centricity and the ability to create value for shareholders, especially in the long term.

The Prysmian Group's position as world leader in the energy and telecom cables and systems industry is the result of strategic choices, consistent with its medium to long-term growth objectives which are based on the shared principles of the corporate *Vision* and *Mission*.

Prysmian states in its *Vision* that it believes in "the efficiency, effectiveness and sustainability of energy and information delivery as the prime driver for developing communities". In accordance with its *Mission*, the Group is therefore committed to developing and applying technologically advanced solutions to provide its "customers worldwide with cables and systems for energy and telecommunications" that represent effective, efficient and sustainable solutions to their needs.

Prysmian aims to serve as an "enabler", in partnership with its customers, for the economic and social development of the countries in which it operates, thereby demonstrating the key role played by the cable industry itself. By promoting industry-wide improvements through development of state-of-the-art products, the Group therefore identifies its growth strategy with the ability to innovate.

Prysmian places stakeholders at the centre of its business strategy, the core guidelines of which are based on:

Customer Centricity, meaning the ability to anticipate and satisfy customer needs by offering innovative products and cable systems, inspired by a solution-driven approach. Further information can be found in the following paragraph on Market Approach.

Creating Value for Shareholders, in terms of total return on investment and profitability in the short run, but above all in the medium to long term.

The critical success factors for the Prysmian Group are expressed through implementation of the following strategies:

Ability to anticipate/satisfy customer needs. The technologies and processes used must be capable of developing products and solutions that anticipate and satisfy the needs of its customers. This is why the Group constantly strives to improve its competencies in the areas of Research and Development, human resource development and environmental sustainability.

Balanced and sustainable growth. The ability to combine short and medium to long-term objectives, measurable not only by financial performance to meet shareholders' expected return on capital, but also by seeking healthy creation of value through the adoption of a system of governance and a business model that allows such results to be sustained in the long run.

"Healthy" management and financial discipline. The Group aims to implement "healthy" and prudent principles in its financial management. In particular, it pays great attention to operating profitability and cash generation, with a particular focus on working capital management and the reduction of fixed costs

and capital employed in order to maximise cash flow generation and the return on investment. The Group also aims to maintain adequate financial leverage for its strategy of organic and acquisition-led growth.

Transparency, good Governance and confidence of markets and investors. The Group pays particular attention to its relations with financial markets, shareholders and investors, also because of its public company status. Its focus in this sense is on ensuring precise maintenance of commitments and delivery of target results. Transparency and credibility are also expressed in a system of corporate governance based on compliance with the related rules and guidelines and the adoption of standards drawn from international best practices.

Expansion and balanced growth. The Group's development strategy follows the dual track of growth in size and continuous improvement in profitability. When deciding in which business sectors and geographical areas to expand, the Group tends to give priority to the maintenance of adequate levels of profitability, even at the expense of growth in market share, whose preservation is nonetheless treated as vitally important, especially in high value-added market segments. The Group therefore pursues both organic growth of the business, based on a selective investment policy and development of commercial and production synergies, and acquisition-led growth. The search for growth opportunities, both organically and through acquisitions, is primarily focused on higher value-added high-tech businesses, such as High Voltage Underground and Submarine Cables and Systems, Cables for the Renewable Energy sector, Cables for the Extraction, Mining and Petrochemicals sector, Industrial Cables for infrastructure, as well as Optical Fibres and Optical Cables for the development of broadband networks. These businesses are linked to long-term investment programmes and so are less affected by economic cycles. In terms of geographical expansion, the Group mainly invests in countries and markets capable of ensuring high rates of growth and profitability. The role of Prysmian in the fragmented cable industry will continue to be that of an "aggregator", capable of serving as a leader in the current processes of rationalisation and consolidation.

Rationalisation and efficiency of industrial and commercial processes. Prysmian has consolidated over time the ability to optimise its industrial processes, including by integrating and rationalising acquired companies. In line with its objectives, the Group is successfully pursuing synergies with Draka, on both the organizational and commercial fronts, involving integration of product ranges and enhancement of customer service.

MARKET APPROACH

Prysmian Group has perfected a market approach over the years that puts the customer at the centre of its strategic, organisational and business choices. Its commitment to analysing customer expectations and their evolution over time allows the Group to develop organisational and operating models that translate into fast, efficient and targeted responses to the markets concerned.

At the heart of this approach is "**Customer Centricity**", which expresses itself in the ability to anticipate and satisfy customer needs through its constant presence, from product design through to delivery, and provision of a level of service that is monitored against specific, agreed parameters.

The Prysmian Group is able to develop solutions that not only meet specific standards but also satisfy precise customer needs. In particular, the Group is able to serve very different segments and markets thanks to its ad hoc matrix organisational structure that lets it have a local presence even for major global

projects. This means that markets with high local specificity are served by country commercial and development teams, and that markets with global products and customers are followed by integrated business unit teams, while other segments requiring a local presence and cooperation between countries draw on the matrix structure's potential.

Customer centrality and satisfaction are a strategic approach that is implemented by having a fast, smooth organisation throughout the supply chain, capable of expediting decision-making and time to market by adapting itself to the needs of the various industries by continuously investing in innovation.

One of the ways of implementing customer centricity is through "**Factory Reliability**", a process that makes it possible not only to improve the reliability of planning and the execution of manufacturing output, in terms of both mix and volumes in ever faster response times, but also to have stricter control over inventory levels for every type of stock (raw materials, intermediate and finished goods); this enables the Group to deal effectively and efficiently with upswings and downswings in sales volumes and consequent variation in manufacturing output.

In addition to the Customer Centricity and Factory Reliability propositions, Prysmian Group has also started "**Supply Chain Integration**" projects with some of its most important global customers with the goal of improving process effectiveness and efficiency throughout the supply chain, from the producers of raw materials and intermediate goods used in manufacturing through to the end cable user.

CORPORATE GOVERNANCE

Effective and efficient, in order to create long-term sustainable value and produce a virtuous circle with business integrity at its heart.

Prysmian is aware of the importance of a good corporate governance system in order to achieve strategic objectives and create long-term sustainable value, by establishing a system that is **effective** in complying with the legal and regulatory framework, **efficient** in terms of cost-effectiveness, and **fair** towards all the Group's stakeholders.

Accordingly, the Prysmian Group keeps its corporate governance system constantly in line with latest recommendations and regulations, adhering to national and international best practices.

In addition, the Group has put in place standards, rules and procedures that govern and guide the conduct of activities by all its organisational and operating structures, as well as ensuring that all business transactions are carried out effectively and transparently.

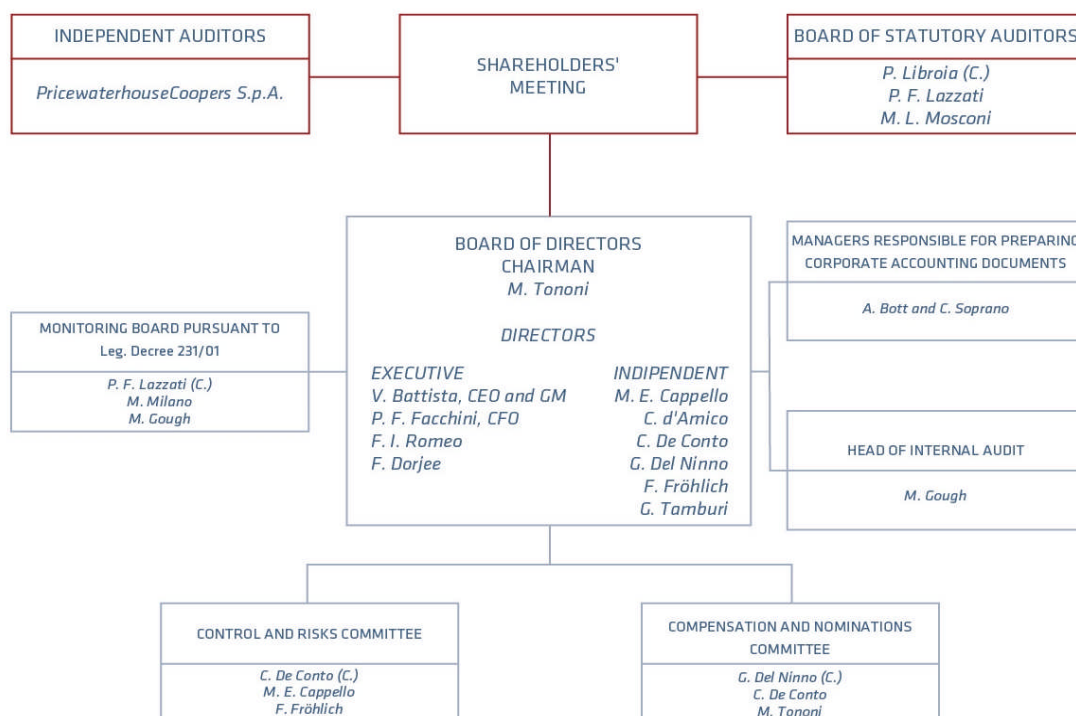
During 2013, with a view to continuous improvement of its corporate governance system, Prysmian Group undertook several initiatives to implement the recommendations of the Self-Regulatory Code¹, adopted by the Company, and to strengthen the principles of transparency and integrity.

Corporate Governance Structure. Prysmian's Corporate Governance structure is based on the central role of the Board of Directors (as the most senior body responsible for managing the Company in the interests of shareholders) in providing strategic guidance, in ensuring the transparency of the decision-making process and in establishing an effective system of internal control and risk management, including decision-making processes for both internal and external matters. The model of governance and control adopted by Prysmian is the traditional one, with the presence of a general Shareholders' Meeting, a Board of Directors and a Board of Statutory Auditors.

A summary of the Company's corporate governance structure now follows, along with a description of its main features.

¹ "Italian Stock Exchange Self-Regulatory Code for Listed Companies - Ed. 2011" drawn up by the Corporate Governance Committee of Borsa Italiana S.p.A.

GOVERNANCE STRUCTURE



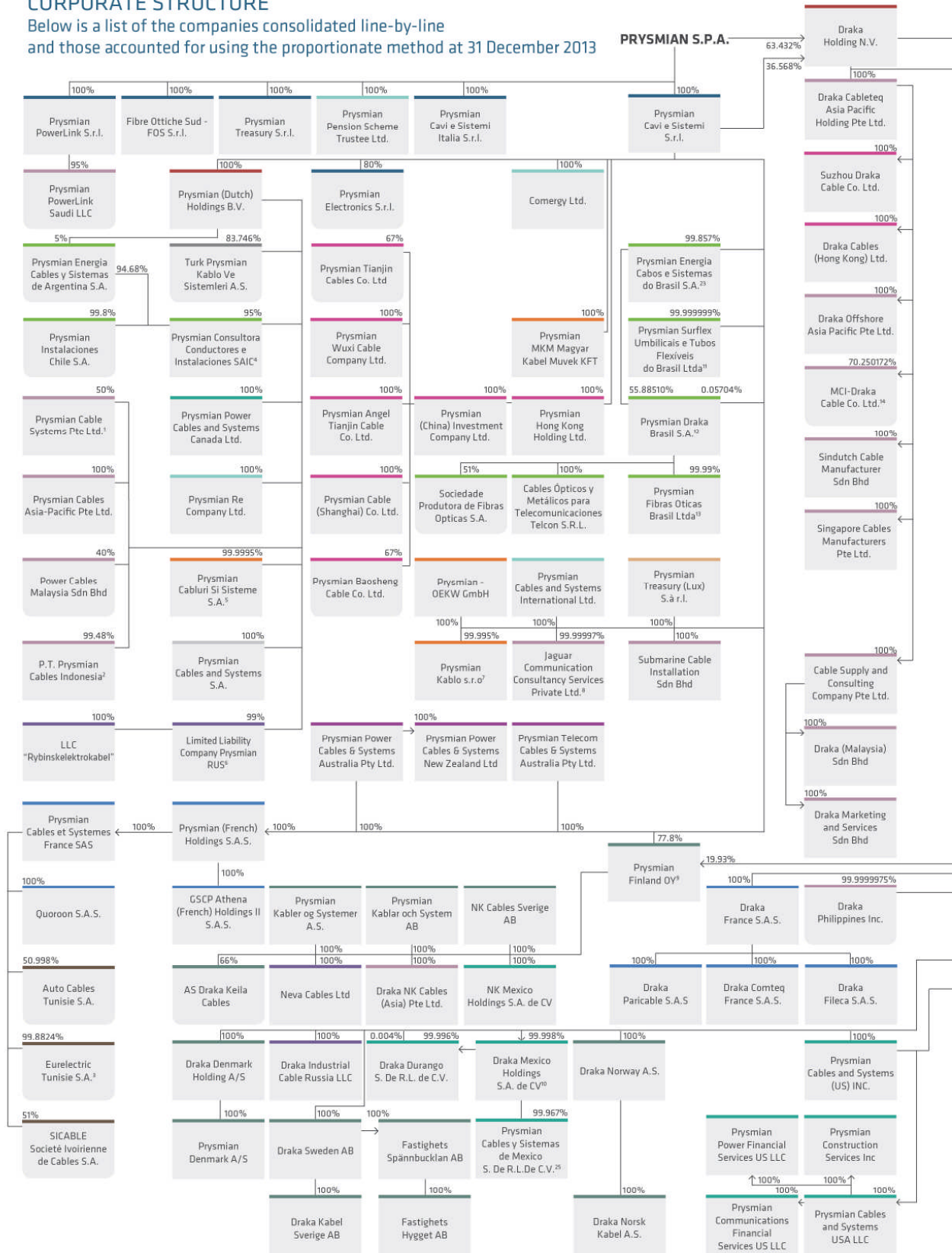
In accordance with art. 14 of the By-laws, the Company is currently managed by a Board of Directors consisting of eleven directors - who will remain in office until the date of the annual general meeting that approves the financial statements for the year ended 31 December 2014 - of whom seven are non-executive. The Board of Directors is vested with the broadest possible powers of ordinary and extraordinary administration, except those which by law are the exclusive prerogative of the shareholders in general meeting. In line with the recommendations of the Code, the non-executive directors are sufficiently numerous and have enough authority to ensure that their judgement carries significant weight in Board decision-making. Six of the non-executive directors are independent within the meaning of art. 148, par. 3 of the Unified Financial Act and of art. 3.C.1. and art. 3.C.2. of the Self-Regulatory Code, while one non-executive director is independent within the meaning of art. 148, par. 3 of the Unified Financial Act. The Board of Directors has appointed a Chief Executive Officer and General Manager from among its members and granted him all the authority and powers of ordinary administration needed or useful for fulfilling the Company's business purpose.

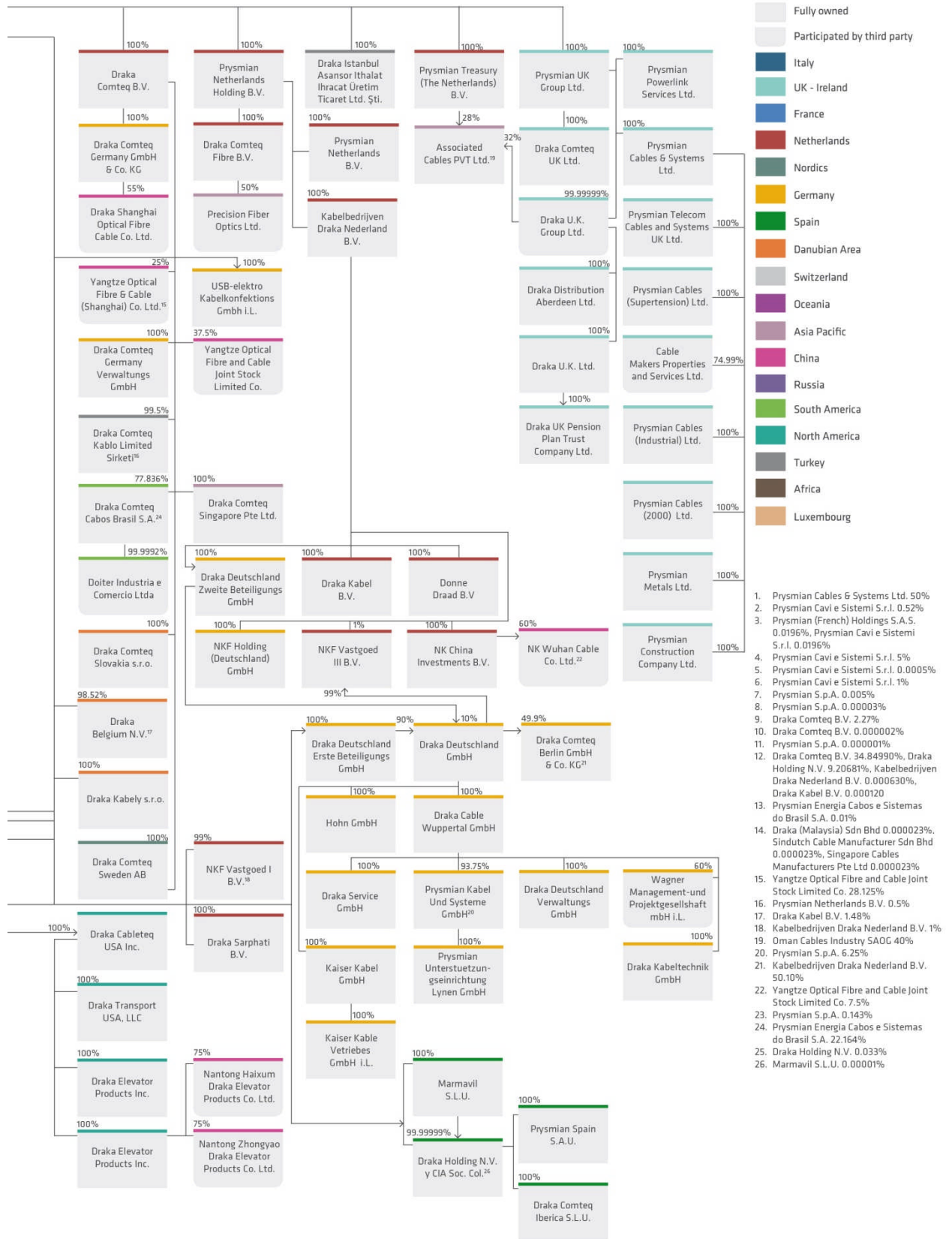
The management of the Company is the sole responsibility of the directors, who undertake the actions necessary to implement its business purpose. The Board of Directors is also responsible for the Group's internal control and risk management system and is therefore required to verify its adequacy and to adopt specific guidelines for this system, with the support of the other parties involved in the internal control and risk management system, namely the Control and Risks Committee, the Director in charge of establishing and maintaining the internal control and risk management system, the Head of Internal Audit, the Managers responsible for preparing the corporate accounting documents, as well as the Compensation and Nominations Committee, the Board of Statutory Auditors and the Company's Monitoring Board.

Further information (i) on the corporate governance system of Prysmian S.p.A. (ii) on its ownership structure, as required by art.123-bis of Legislative Decree 58 dated 24 February 1998 (the "Unified Financial Act") and (iii) on directors' disclosures about directorships or statutory auditorships held in other listed or relevant companies, can be found in the "Report on Corporate Governance and Ownership Structure", prepared in accordance with art. 123-bis of Legislative Decree 58 dated 24 February 1998 (the "Unified Financial Act") and available in the Investor Relations/Corporate Governance section of the Company's website at www.prysmiangroup.com.

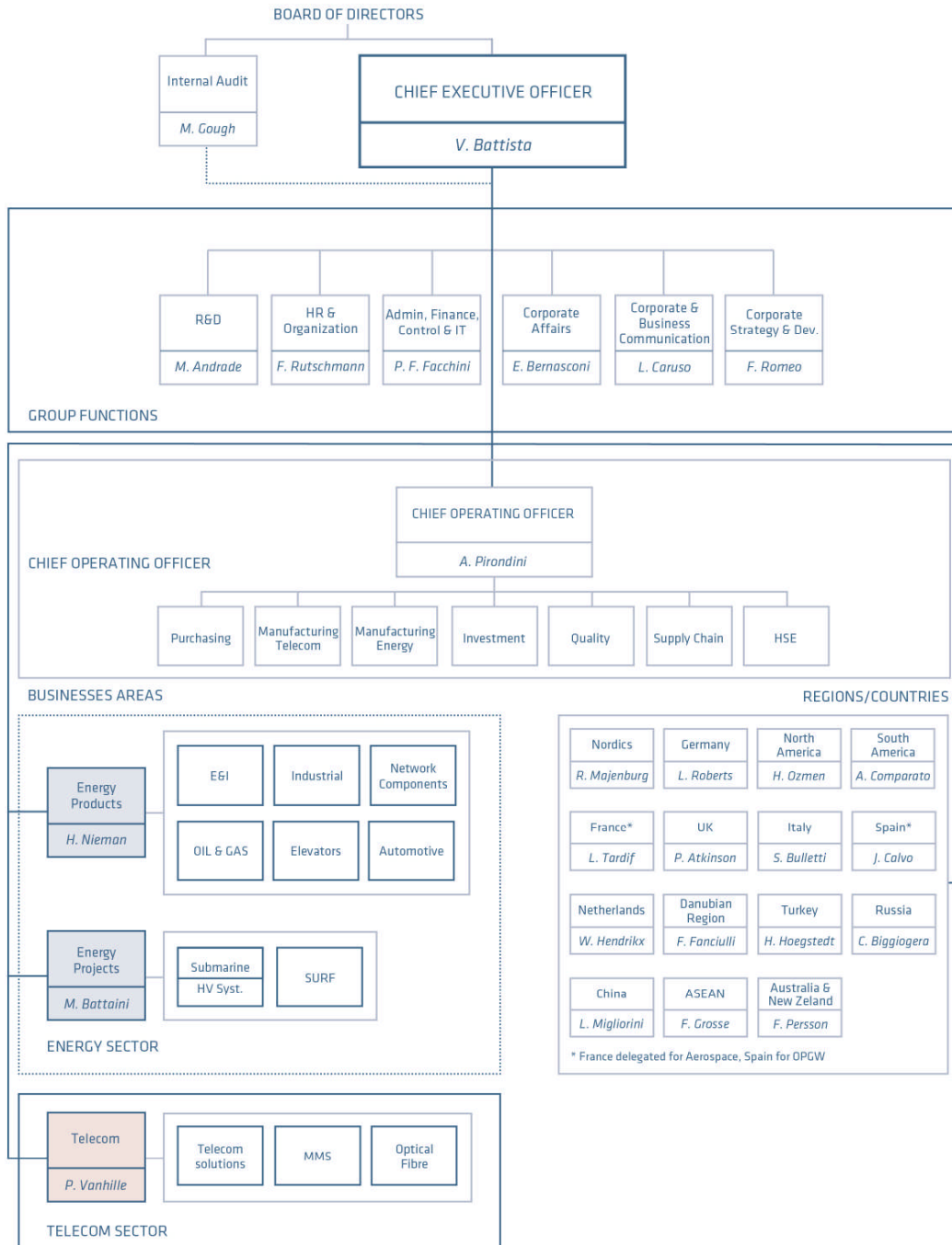
CORPORATE STRUCTURE

Below is a list of the companies consolidated line-by-line and those accounted for using the proportionate method at 31 December 2013





ORGANISATIONAL STRUCTURE (*)



(*) The organisation chart reflects the organisational structure as from 1 January 2014. In particular, A. Pirondini, H. Nieman, F. Romeo and M. Battaini have been in office since 1 January 2014, while L. Roberts and F. Persson have been in office since 1 March 2014.

TOP MANAGERS (*)

VALERIO BATTISTA

Chief Executive Officer

A graduate in Mechanical Engineering from Florence University, Valerio Battista is a manager with extensive knowledge and understanding of the industrial sector after more than 20 years of experience, initially with the Pirelli Group and then with the Prysmian Group, whose top position he has held since 2005. He held positions of increasing responsibility within the Pirelli Group, including for the restructuring and reorganisation of Pirelli Cavi, which in the period 2002-2004 was transformed into one of the most profitable and competitive companies in its industry. In 2005 he played a key part in the creation of the Prysmian Group, leading to its flotation in 2007. The Group of which he is currently CEO is world leader in the energy and telecom cables industry, with approximately 19,000 employees and 91 plants around the world.

FABIO ROMEO

Chief Strategy Officer

Fabio Romeo has been Chief Strategy Officer since January 2014. After graduating in Electronic Engineering from Milan's Polytechnic University in 1979, he then obtained an M.S. and a Ph.D. in Electrical Engineering and Computer Sciences from the University of California, Berkeley. He began his career with Tema (ENI Group) as Product Manager for its chemical plants and in 1982 he moved to Honeywell as a technical advisor to the Group's CEO. In 1989 he joined Magneti Marelli as Innovation Manager of the Electronics division, later becoming Director of the Electronics Systems division. In 2001 he moved to the Pirelli Group, where he held the positions of Director in charge of the Truck business unit and Director in charge of the Pirelli Cable division's Utilities business. From 2005, he held the position of Director of Prysmian's Energy Cables division, becoming the Group's Executive Vice President of the Energy Business in 2011.

PIER FRANCESCO FACCHINI

Chief Financial Officer

Pier Francesco Facchini became CFO of the Prysmian Group in January 2007. He graduated in Business Economics in 1991 from the "Luigi Bocconi" University in Milan. His first professional experience was with Nestlè Italia, where he held different positions in the Accounting and Finance department between 1991 and 1995. From 1995 up to 2001, he worked for the Panalpina Group where he held the position of Regional Financial Controller for the Asia-Pacific region. During his career with the Panalpina Group he was also appointed CFO of Panalpina Korea and Panalpina Italia Trasporti Internazionali S.p.A.. In April 2001 he was appointed Finance Director of Fiat Auto's Consumer Services business unit, leaving in 2003 to become CFO of the Benetton Group, a post he held until November 2006.

(*) As from 1 January 2014 the Group has adopted a new organisational structure and made new managerial appointments, as reflected above.

ANDREA PIRONDINI**Chief Operating Officer**

Andrea Pirondini has been Chief Operating Officer of Prysmian Group since January 2014. He has a degree in Business Administration from the Bocconi University in Milan. He started his career in Pirelli Group in 1989, holding various positions in the UK, Italy, Turkey, Russia and Egypt over a 24-year period, both in the Tyres and Cables & Systems businesses, where he was involved in restructuring the manufacturing system for energy cables. In 2012 he was appointed Chief Commercial Officer of Pirelli Tyre S.p.A., a position he held until December 2013.

MASSIMO BATTAINI**Senior Vice President Energy Projects**

Massimo Battaini has been Senior Vice President Energy Projects since January 2014. He has a degree in Mechanical Engineering from the Polytechnic University of Milan and an MBA from SDA Bocconi (Milan). He started his career with the Pirelli Group in 1987 and held various positions in R&D and Operations over an 18-year period. After running the Business Development department for two years, covering the three Business Divisions of Tyres, Energy Cables and Telecom Cables, in 2002 he became Operations Director of Energy and Telecom Cables and Systems for Pirelli Group. In 2005 he was appointed CEO of Prysmian UK, and in January 2011 Chief Operating Office of Prysmian Group.

HANS NIEMAN**Senior Vice President Energy Products**

Hans Nieman has been Senior Vice President Energy Business Products since January 2014. After graduating in Literature from the University of Amsterdam, he embarked on a diplomatic career with the Dutch Ministry of Foreign Affairs, holding several national and international posts. He started working in the cable industry about 20 years ago after switching to the private sector in 1992, and has since held various positions in NKF, Pirelli and Prysmian. He became CEO of the Submarine and High Voltage Cables division in 2002, and was appointed CEO of Prysmian Germany in 2010, a position he held until 2014.

PHILIPPE VANHILLE**Senior Vice President Telecom Business**

Philippe Vanhille has been Senior Vice President Telecom Business since May 2013. After graduating as a Mechanical Engineer in Lyon (France) in 1989, he began his career as a Research Engineer for Renault Formula 1 development. He moved to the cable industry in 1991 with Alcatel Cable. Over the past 20 years he has held a number of senior Operations and General Management positions within the cable industry for Alcatel and Draka, and subsequently in the energy, copper telecom and optical fibre sectors. He was head of Draka's Optical Fibre Business Unit at the time of the Prysmian merger, holding the same position in Prysmian Group until his appointment as Senior VP Telecom Business.

PRYSMIAN AND THE FINANCIAL MARKETS

OWNERSHIP STRUCTURE

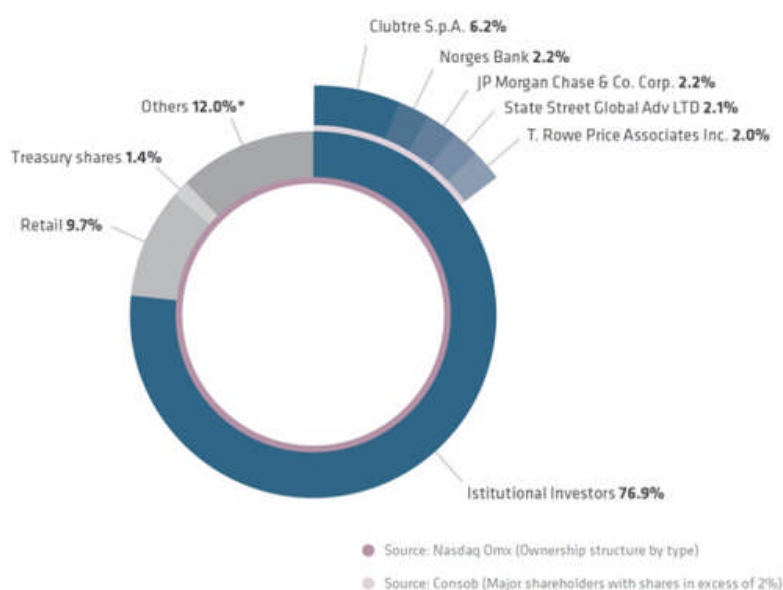
Prysmian Group is a genuinely Public Company: its free float is equal to 100% of the shares, with more than 70% of its capital held by institutional investors.

The listing of Prysmian's ordinary shares, resulting from the sale of 46% of the shares held by Goldman Sachs Group Inc., took place on 3 May 2007 at a price of Euro 15.0 per share, corresponding to a capitalisation of Euro 2.7 billion. Subsequent to the listing, Goldman Sachs Group Inc. gradually reduced its interest in the company, control of which it had acquired in July 2005, by placing the remaining 54% of the shares with institutional and selected investors in several successive stages: i) 22% in November 2007, ii) 14% in November 2009, iii) 17% in March 2010. Valerio Battista, Prysmian's Chief Executive Officer, announced on occasion of the last sale that he had purchased 1,500,000 shares, corresponding to around 0.8% of share capital and taking his total shareholding to 1.2%, which he raised to approximately 1.4% during the course of subsequent years.

At 31 December 2013, the Company's free float was equal to 100% of the outstanding shares and major shareholdings (in excess of 2%) accounted for approximately 15% of total share capital, meaning there were no majority or controlling interests. Prysmian is now one of Italy's few globally present industrial companies that has achieved Public Company status in recent years.

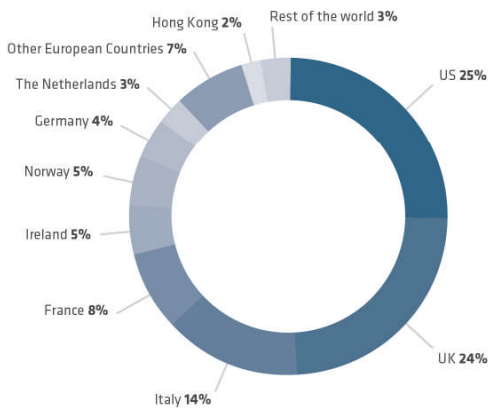
At 31 December 2013, the share capital of Prysmian S.p.A. amounted to Euro 21,459,171.00, comprising 214,591,710 ordinary shares with a nominal value of Euro 0.10 each. The ownership structure at this date is shown below.

OWNERSHIP STRUCTURE BY TYPE AND MAJOR SHAREHOLDERS

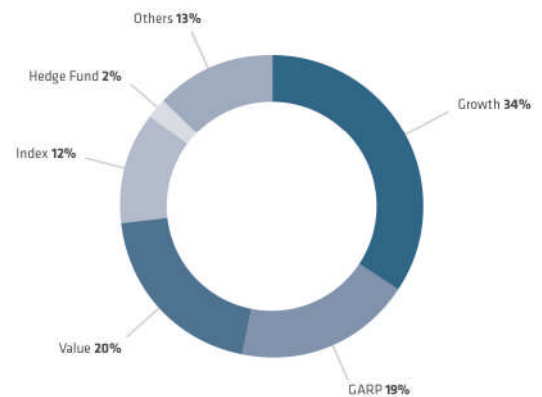


* Mainly includes shares held by non-institutional investors and shares with third-party custodians held for trading

INSTITUTIONAL INVESTORS BY GEOGRAPHICAL AREA



INSTITUTIONAL INVESTORS BY INVESTMENT APPROACH



Source: Nasdaq OMX

The ownership structure by geographical area confirms the predominant presence of US and UK investors, who at the end of 2013 accounted for around 50% of the capital held by institutional investors; they were followed by Italian institutional investors with 14% and by the French with 8%. Lastly, worth noting is the increase in the proportion of Asian investors since the prior year, particularly those from Singapore and Japan.

Approximately 73% of the share capital held by institutional investors is represented by investment funds with Value, Growth or GARP strategies, therefore focused on a medium to long-term time horizon. There has also been a steady increase in the proportion of shareholders adopting an Index investment strategy, based on the principal stock indices; in fact, this increase is consistent with the greater weight of the Prysmian stock within such indices.

Annual General Meeting

About 56% of share capital represented with participation by more than 1,200 shareholders.

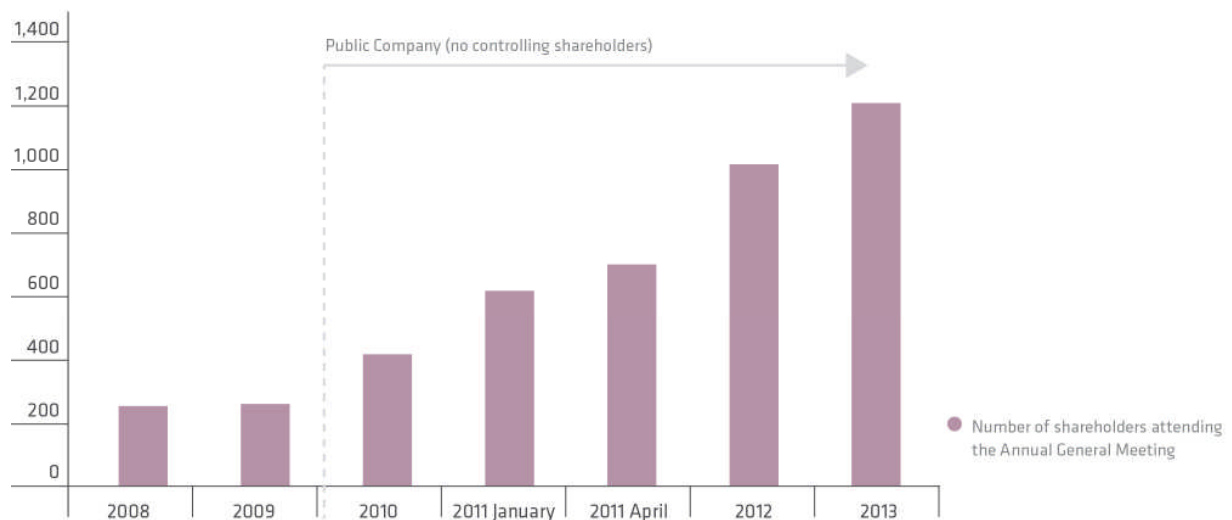
On 16 April 2013, the Annual General Meeting of shareholders of Prysmian S.p.A. was held in single call to vote on several items on the agenda, including the approval of the 2012 financial statements, the appointment of the Board of Statutory Auditors, the authorisation of a share buy-back and disposal programme, the approval of a share ownership plan for Group employees and the authorisation of the convertibility of the equity-linked bond with a nominal value of Euro 300 million. The meeting, which was attended by more than one thousand two hundred shareholders, in person or by proxy, representing approximately 56% of the share capital, approved every item on the agenda with a majority vote. In particular, the motions regarding the Group employee share purchase plan and the convertible bond were adopted with a more than 97% vote in favour, thus confirming full support for these decisions taken by the Board of Directors.

The Annual General Meeting also approved the distribution of a dividend of Euro 0.42 per share, double the amount distributed in 2012 of Euro 0.21. The dividend was paid on 25 April 2013, involving a total pay-out of Euro 89 million (compared with Euro 44 million the previous year).

ANNUAL GENERAL MEETING: SHARE CAPITAL



ANNUAL GENERAL MEETING: NUMBER OF ATTENDEES IN PERSON OR BY PROXY



FINANCIAL CALENDAR 2014

25 February 2014	Group Annual Report and draft Annual Report of Prysmian S.p.A. at 31 December 2013
16 April 2014	Annual General Meeting to approve Annual Report
8 May 2014	First-Quarter Report at 31 March 2014
31 July 2014	Half-Year Report at 30 June 2014
6 November 2014	Third-Quarter Report at 30 September 2014

FINANCIAL MARKET PERFORMANCE

In a gradually stabilising global economic environment, placing the major stock markets in generally positive territory in 2013, the Prysmian stock increased its value by about 25%.

Prysmian S.p.A. has been listed on the Italian Stock Exchange since 3 May 2007 and has been included since September 2007 in the FTSE MIB index, comprising the top 40 Italian companies by capitalisation and stock liquidity. The Prysmian stock has since joined the principal world and sector indices, including the Morgan Stanley Capital International index and the Dow Jones Stoxx 600, made up of the world's largest companies by capitalisation, and the FTSE ECPI Italia SRI Leaders, composed of a select basket of stocks of Italian companies that demonstrate excellent Environmental, Social and Governance (ESG) practice.

During 2013, persistent weakness in the Eurozone and slowdown by both the Asian emerging economies and the United States left the world economy to continue the decelerating trend in progress since the second half of 2011. Overall, global demand in 2013 nonetheless reported a slight increase mainly due to the growth achieved by emerging markets which, although significantly lower, confirmed their ability to deliver much higher growth rates than the advanced economies. In the United States, the fiscal consolidation measures adopted to reduce public debt, partially held back the economic recovery underway, although in the course of the year, private domestic demand became steadily stronger and the unemployment rate came down. In Europe, the economic downturn, already exacerbated by the introduction of deficit-cutting measures in several Eurozone countries and consequent tightening of fiscal pressure, gradually stabilised in the second half of the year. Despite the partial improvement in competitiveness and gradual recovery in exports, Europe continues to display strong structural weakness in its peripheral countries, especially with regard to the lack of recovery in domestic demand and the continuing rise in unemployment rates.

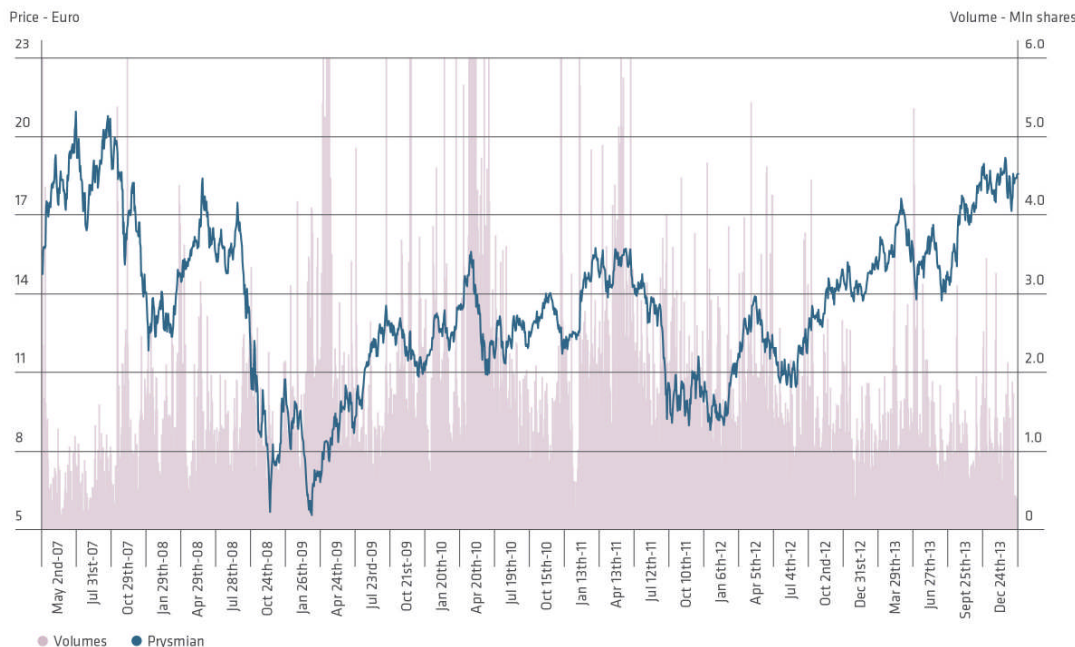
Given the gradual stabilisation of the economic situation, especially in the second half of the year, the major world equity markets were generally positive, also thanks to measures by central banks to support the banking system, ensuring ample liquidity while maintaining very low rates at the same time; this also made it possible to severely limit speculation about the sustainability of debt in some Eurozone countries. The US indices managed to close the year in positive territory, with rises of between 26% and 38%; even the European stock markets recorded an overall positive performance: in particular, the German stock market rose by 25%, the French one by 18%, the Italian one by 17% and the British one by 14%. Even the Spanish index, which recorded a negative performance in 2012, was up 21%. In contrast, Asian and emerging markets had a mixed performance: strong progress by the Japanese stock market (+57%) and stable or slightly positive performances in Korea (+1%) and India (+3%) contrasted with decidedly negative performance by markets in Brazil (-15%) and China (-13%).

In this context, the Prysmian stock increased its value by approximately 25% over the course of 2013, rising well above its initial listing price (Euro 15 on 3 May 2007), and significantly outperforming its competitors and benchmark indices, thereby increasing its weight within such indices. The stock's performance, including dividend pay-outs (total shareholder return), was a gain of +27% over the course of 2013 and +38% since its listing date. The MSCI Europe Capital Goods index reported a rise of 23% over the year and a fall of -6% since Prysmian's listing date, while the FTSE MIB was up 17% from the start of the year but down -57% since the date of the Company's IPO. By way of reference, the principal financial

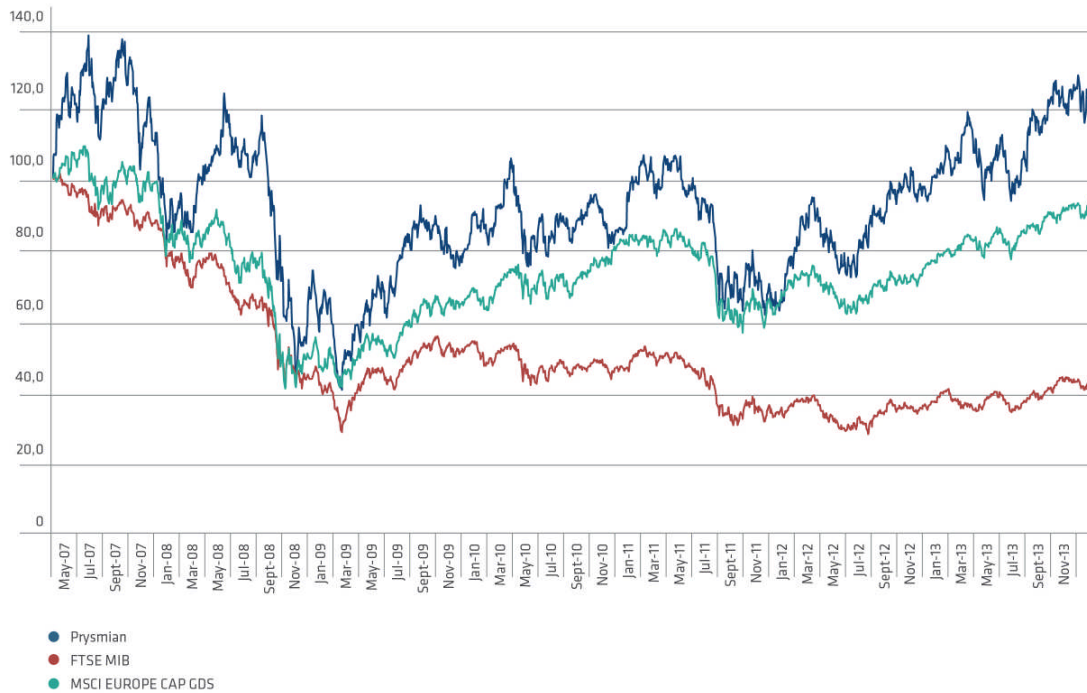
markets performed as follows in 2013: FTSE MIB (Italy): +17%; CAC 40 (France): +18%; IBEX (Spain): +21%; FTSE 100 (UK): +14%; DAX (Germany): +25%; Dow Jones (US): +26%; S&P 500 (US): +30%; Nikkei (Japan): +57%; MSCI Europe Capital Goods: +23%.

During the first quarter of 2013, the Prysmian stock steadily strengthened in the wake of the company's good FY 2012 results, passing the Euro 17 mark, partly mirroring the positive trend in the major European indices. However, from the month of March, there were fresh pressures on European stock exchanges and sovereign debt markets following renewed uncertainties about growth in Europe, the outcome of the Italian general election and especially the crisis in Cyprus, which highlighted the difficulties of coordination between European and national authorities. The Prysmian stock was affected by the bearish trend, falling in April back to its level at the start of the year. In May and June, global financial markets reflected the emergence of investor uncertainty about the future duration of the quantitative easing policy in the United States and the spread of concerns about the credit outlook in China; in this high volatility period, the stock reached its low for 2013 of Euro 14. Starting from July, conditions in international financial markets and the Eurozone slowly improved, thanks to a slight but steady recovery in global economic activity and the maintenance of expansionary monetary policies by the central banks. In this context, the Prysmian stock entered a bullish phase, supported by the improvement in its quarterly results and the positive recommendations of financial analysts, outperforming all the main stock indices and returning above the Euro 19 mark, close to its historic post-flotation high in 2007; it stabilised at this price in the last few months of the year, eventually closing the year at Euro 18.71, up 25% from Euro 15.01 at the end of 2012.

PERFORMANCE OF PRYSMIAN STOCK SINCE IPO



PERFORMANCE OF PRYSMIAN STOCK VERSUS BENCHMARKS SINCE IPO



During 2013, the stock's liquidity held steady at average daily trading volumes of approximately 1.2 million shares, with an average daily turnover of Euro 20 million, basically in line with the previous year.

PRYSMIAN SHARE: PRINCIPAL DATA

	2013	2012	2011	2010	2009	2008	2007*
Price at 31 December	18.71 Euro	15.01 Euro	9.60 Euro	12.75 Euro	12.19 Euro	11.10 Euro	16.89 Euro
Change over period	24.7%	56.4%	-24.7%	4.6%	9.8%	-34.3%	12.6%
Average price	16.68 Euro	13.00 Euro	12.90 Euro	13.13 Euro	10.60 Euro	13.76 Euro	18.36 Euro
Maximum price	19.30 Euro	15.43 Euro	15.95 Euro	15.81 Euro	13.84 Euro	18.54 Euro	21.00 Euro
Minimum price	14.03 Euro	9.77 Euro	9.25 Euro	11.27 Euro	6.10 Euro	6.21 Euro	15.34 Euro
Market capitalisation at period end	4,015 Mil Euro	3,220 Mil Euro	2,057 Mil Euro	2,321 Mil Euro	2,209 Mil Euro	2,004 Mil Euro	3,040 Mil Euro
Average capitalisation	3,578 Mil Euro	2,787 Mil Euro	2,701 Mil Euro	2,388 Mil Euro	1,918 Mil Euro	2,482 Mil Euro	3,305 Mil Euro
Average daily trading volume	1.2 Mil	1.5 Mil	2.2 Mil	2.3 Mil	1.9 Mil	1.3 Mil	1.0 Mil
Average daily turnover	20 Mil Euro	20 Mil Euro	28 Mil Euro	30 Mil Euro	19 Mil Euro	18 Mil Euro	17 Mil Euro
Number of shares at 31 December	214,591,710	214,508,781	214,393,481	182,029,302	181,235,039	180,546,227	180,000,000

* Period of reference: 3 May (stock listing date) - 31 December 2007

Source: Nasdaq OMX

INVESTOR RELATIONS

Over 400 meetings in the major financial centres of Europe, America and Asia. Conduct and procedures designed to give credibility to market communication flows.

Creating value for shareholders, and other stakeholders, is a key priority for Prysmian as part of its commitment to accuracy, clarity and transparency in the communication of business strategy, objectives and results. The Group's actions and procedures are designed to provide the market with credible information, thus boosting market confidence and encouraging a long-term investment approach. The Group seeks to avoid unequal access to information and to ensure effective compliance with the principle that all investors and potential investors have the right to receive the same information in order to make informed investment decisions.

On occasion of the publication of its quarterly results, the Group organises conference calls with institutional investors and financial analysts and also invites industry press representatives to take part. In addition, the Group promptly informs existing and potential shareholders of any action or decision that could have a material impact on their investment.

Contact with the financial market was particularly intense in 2013, involving more than 400 one-to-one or group meetings at the Company's offices, roadshows in the major financial centres of Europe, North America and Asia, as well as participation at conferences organised by major international brokers. In particular, the increasing attention paid to the Group's activities by socially responsible investors (SRI) was confirmed by their growing number at SRI dedicated meetings and road shows in Paris, London and Zurich. The Group also organised several visits during the year for institutional investors and financial analysts to see its production facilities in Europe, the USA and Asia, in order to give them a more detailed knowledge of its products and production processes.

Coverage of the Prysmian stock remained very high and geographically diversified, even though the equity research sector continued its process of consolidation during the year, both in Italy and worldwide. There are now 23 independent analysts who regularly cover the Prysmian stock (25 at the end of 2012): Banca Akros, Banca Aletti, Banca IMI, Banca Profilo, Barclays Capital, Berenberg, BofA Merrill Lynch, Citi, Credit Suisse, Equita, Espirito Santo, Exane BNP Paribas, Fidentiis, Goldman Sachs, Hammer Partners, HSBC, Intermonte, JP Morgan, Kepler Cheuvreux, Mediobanca, Morgan Stanley, Natixis and UBS.

The Investor Relations office has also maintained regular contacts with institutional investors through the website www.prysmiangroup.com, with its recently updated graphics and contents, which contains recordings of conference calls and presentations to the financial community, corporate documents, press releases and all other information concerning the Group, in Italian and English. The Investor Relations section also includes the financial calendar, documents relating to shareholders' meetings, the Code of Ethics, the contact details of analysts who cover the stock as well as specific sections about Corporate Governance, Risk Factors and Share Performance.

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SIGNIFICANT EVENTS DURING THE YEAR

NEW INDUSTRIAL PROJECTS AND INITIATIVES

Numerous important new contracts won for submarine interconnections. Major involvement of the Group in Italy in Expo 2015 projects. Significant investment completed in Romania with expansion of the factory in Slatina.

ENERGY BUSINESS

Utilities – Submarine cables

During the year, the Group secured several new contracts, mainly in the Utilities business area.

In the submarine interconnections market, Prysmian was awarded two new contracts in February, worth a total of approximately Euro 45 million for the Normandie3 interconnector that will transmit electricity to Jersey in the Channel Islands from the French mainland. This is the third such interconnector to be installed as part of a major ten-year investment programme by Jersey Electricity to upgrade its transmission grid infrastructure.

In April, the Group renewed its commitment in the sea of Spain with a contract worth approximately Euro 85 million for the second circuit of the Majorca-Ibiza interconnection, which will be integrated into the mainland's electricity grid through the existing "Romulo" link, previously built by Prysmian.

In May, a contract was signed worth more than USD 100 million to supply and install submarine cables for a part of ExxonMobil Corporation's offshore operations in the United States. The project involves replacing approximately 50 km of power cables with new cables designed for depths up to 450 metres. The cables will supply electricity from shore-based generating stations to offshore oil platforms.

In Italy, the Group announced an agreement in September for the first submarine cable link between the island of Capri and Torre Annunziata (Naples). The contract, worth some Euro 70 million, is part of a wider project planned by the customer Terna S.p.A.. This project, known as the "Insula Project", aims to connect the main Italian islands - Sardinia, Sicily, Elba, the islands of the Gulf of Naples, the Venetian Lagoon - to the mainland, using high-tech submarine cables.

In the field of submarine connections for offshore wind farms, two major projects warrant attention. In February, Prysmian was awarded a major contract worth more than Euro 350 million by TenneT, an operator of grids in The Netherlands and Germany, for the DolWin3 interconnection in Germany that will connect offshore wind farms in the North Sea to mainland Germany. The Group will supply a cable system for this project with record carrying capacities: 900 MW of power and voltage of 320 kV DC.

The following month, another contract worth more than Euro 50 million was signed for the connection of the Deutsche Bucht offshore wind farm in Germany. This is the twelfth project that the Group has been awarded in connection with plans to develop renewable energy in the North Sea, confirming its role as a strategic partner in this industry.

Utilities – Underground cables

In the field of underground power transmission and distribution, an important milestone was reached in 2013 with the commissioning of the first electrical system using high voltage P-Laser cable. Produced up until now for medium voltage applications, P-Laser is the first high-performance eco-sustainable cable for electrical grids, that is made with recyclable raw materials. The first 150 kV system, for a section approximately 5 km long, was commissioned in August in the province of Milan, Italy, for Terna S.p.A.. A real milestone, it represents the first step towards a radical change in the way that the global electrical system operates, offering many benefits to all users in coming years in terms of efficiency, quality and security of supply.

On the occasion of the Italy-Russia summit held in Trieste in November, Prysmian Group signed a technological cooperation agreement with JSC "Rosseti", Russia's largest grid operator, to develop power transmission and distribution technology in Russia. The agreement involves a programme of information exchange in order to analyse and develop solutions for high voltage power transmission systems of up to 500 kV.

As part of a USD 55 million investment in the Russian market to start local production of medium and high voltage cables, Prysmian has recently inaugurated a new factory in Rybinsk in the Yaroslavl region, completing another step in its expansion plans in this country.

Industrial

In the Industrial business area, in March the Group announced a project in the Military & Defence sector to supply the new US aircraft carrier, U.S.S. Gerald R. Ford, with 15 kV medium voltage cables and optical fibre cables. The 15 kV power cable, specially developed by Prysmian for use in this class of ships, is a vital part of the new electrical system that has three times the capacity of other aircraft carriers.

In October, a major frame agreement was signed with Petrobras, the Brazilian oil company, worth around USD 260 million for the design and supply of umbilical systems for use in offshore oil extraction. Petrobras also extended to 2016 the existing frame agreement for flexible pipes, for a total of USD 95 million, of which USD 20 million in orders have already been placed for the Macabu, Jubarte and Marlim Leste fields. The confirmation of the technical and commercial partnership with Petrobras, in place for more than 35 years, is an important step forward in expanding the Group's range of oil industry products and services.

Among other projects was the inauguration, in October, of Iberdrola's "Cortes - La Muela" hydroelectric power station, the largest in Spain and one of the biggest in Europe. Prysmian Group has supplied extra high and medium voltage power cables, instrumentation and control cables, as well as the related accessories.

Trade & Installers

In the Trade & Installers business area, the Group has been very active in Italy's construction sector in connection with new infrastructure projects for the Universal Exhibition in Milan, Expo 2015.

Prysmian will cable the site hosting the Universal Exposition's services and structures, the so-called "Piastra" (Service Areas). The contract is for the supply of 50 km of P-Laser high-performance eco-sustainable medium voltage cables, as well as 300 km of low voltage cables from the Afumex range, which, in the event of fire, combine reduced flame spread with very low emission of irritant and corrosive gases.

During the year the Group was also awarded contracts to supply low and medium voltage Afumex cables for installation along new stretches of the BreBeMi motorway, linking Milan and Brescia, and the Pedemontana Lombarda motorway, in the belt around the Expo site.

Another contract relates to the supply of special fire-safety, eco-friendly power distribution cables for the Isozaki Tower, under construction in the new Citylife district of Milan. Designed by Japanese architect Arata Isozaki, the eponymous Tower will exceed 200 metres in height to become one of Italy's tallest buildings. The Isozaki Tower is one of the iconic images of Expo 2015.

Several T&I contracts were also won in the United Kingdom. These included the cabling of the 13,000 capacity First Direct Arena in Leeds, which has been installed with FP200 Gold fire-resistant cables.

TELECOM BUSINESS

In the Telecom business, the Group completed a major investment with the expansion of its factory in Slatina, Romania, which has become one of Europe's new centres of excellence for optical cables for the telecom industry.

The Slatina plant has just celebrated its 40th anniversary, having started its manufacturing activity in 1973 with the production of energy cables and having enlarged in 2009 with the first module to produce optical fibre cables. The plant occupies a site of almost 100,000 m². It employs more than 400 people and has an annual production capacity for 30,000 tonnes of energy cables (from High Voltage cables up to 110kV and building wires, to Instrumentation, Control and Power Distribution cables), for nearly 1,500,000 km of optical cables and 500,000 km of copper telecom cables (covering almost all the demand for both optical and copper cables). The investment in the new plant is part of a major project to further strengthen the Group's global competitiveness in an ever-evolving industry. Today Prysmian is a world leader in the field of telecommunication cables, with 11% market share and 24 manufacturing facilities around the globe.

In terms of technological innovation, in June the Group presented the new range of nano loose tube cables. These products, with smaller diameter and increased fibre density, allow up to 192 fibres to be inserted into standard 10/12 mm ducts and up to 96 fibres into standard 8/10 mm ducts.

FINANCE AND M&A ACTIVITIES

Finalisation of Euro 100 million loan from the European Investment Bank, intended to fund Prysmian Group's European Research & Development programmes over the period 2013-2016.

On 22 February 2013, the Prysmian Group made an early repayment of Euro 186 million against the Term Loan disbursed on 3 May 2012. This repayment was in respect of payments due in 2013 (Euro 124 million) and in the first half of 2014 (Euro 62 million).

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

The Company completed the placement of the Bonds on 8 March 2013, while their settlement took place on 15 March 2013.

The financial resources raised allowed the Group to repay Euro 300 million, on the same date, against the Term Loan disbursed on 3 May 2012. This repayment referred to the amount due in December 2014.

At a meeting held on 16 April 2013, the Company's shareholders authorised:

- the convertibility of the 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 1,344,411.30, by issuing, in single or multiple instalments, up to 13,444,113 ordinary shares of the Company, with the same characteristics as its outstanding ordinary shares, exclusively and irrevocably to serve the Bond's conversion.

The initial conversion price of the Bonds into the Company's existing and/or new ordinary shares is Euro 22.3146 per share.

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

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

The trade receivables securitization programme, started by the Group in 2007, was terminated in July 2013 upon reaching its end date.

On 18 December 2013, the European Investment Bank (EIB) and Prysmian S.p.A. announced the finalisation of a loan for Euro 100 million, to fund the Group's European Research & Development (R&D) programmes over the period 2013-2016. The loan represents about 50% of the planned investment expenditure in Europe during the period concerned. The Prysmian Group's global total R&D budget for the four-year period is approximately Euro 300 million.

The EIB loan is particularly intended to support projects developed in the Group's R&D centres in six countries: France, Great Britain, The Netherlands, Spain, Germany and Italy. Italy, which is due to receive a significant share of the funding, is home to the Group's R&D headquarters as well as to a number of centres of manufacturing excellence for optical fibre and submarine power transmission cables and systems. The Prysmian Group has 17 R&D centres around the world, located in Europe, North and South America and Asia, with over 500 researchers and technicians and a portfolio of approximately 5,700 patents.

REFERENCE SCENARIO

MACROECONOMIC SCENARIO

The global situation partially stabilised during the second half of the year, even if economic activity remained generally weak despite continuing expansionary monetary policies by central banks. Slowing growth in emerging economies contributed to this weakness.

The year 2013 was characterised by a weak macro environment, with a general slowdown reported in most of the world economies, whether developed or emerging.

In particular, first-half economic activity expanded at a sluggish pace, continuing the downward trend underway since the second half of 2011, held back by recession in the Eurozone and by a gradual slowing of growth in emerging countries and in the United States.

The macro environment partially stabilised in the second and third quarters of 2013; however, despite the continuation of expansionary monetary policies by central banks, growth in global economic activity remained weak overall, reflecting among other things, a slowdown in growth rates in emerging economies, as well as uncertainty over impending public finance decisions in the United States, due to the fiscal consolidation measures undertaken to reduce deficit levels. In the latter part of the year, the risks to the global economy eased slightly due to fewer uncertainties about US government policy in support of domestic private consumption, to the gradual decline in the unemployment rate in the United States, and to a decline in risk premiums on government debt in European countries, leading to a reduction in spreads on government bonds. However, despite general stabilisation in the macro environment, the dynamics of the global economy remained generally weak, with unemployment rates still high in many developed economies and industrial output stagnant or declining in several others. Growth estimates for international trade in 2013 were gradually revised down over the course of the year, with world output projected to strengthen only from 2014.

Despite the difficult political and macroeconomic scenario, global demand in 2013 nonetheless reported an overall increase: in fact, global GDP grew by +3.0%* on the previous year (compared with growth of +3.1%* and +3.9%* in 2012 and 2011 respectively), driven by the significant, albeit slowing, growth achieved by Asia's emerging economies (China +7.7%*, ASEAN5 – Indonesia/Malaysia/Philippines/Thailand/Vietnam +5.0%*).

China, in particular, has confirmed a high growth rate (+7.7%*) in line with the previous year but still a far cry from that in the recent past (+11.2% average annual growth in the period 2006-2010), reflecting the slowdown in global demand as well as some difficulties in its domestic market.

In the United States, despite the positive signs on the domestic demand side and a gradual decline in the unemployment rate, uncertainties over the federal budget and the possible tapering of quantitative easing contributed to slower growth than in the previous year: GDP grew by +1.9%* in 2013, down from +2.8%* the previous year.

Europe saw another slight deterioration in economic activity, although the first signs of stabilisation emerged in the latter part of the year, especially in countries like Germany, France and the United Kingdom. Eurozone GDP contracted by -0.4%* on 2012, compared with -0.7%* in the previous year. In general, the negative economic trend, which began in the second half of 2011, was further exacerbated by consolidation of the deficit-cutting measures in several Eurozone countries (for example, Greece, Portugal, Spain, Italy and France), involving not only public spending cuts but also higher taxes, with an adverse impact on domestic demand and consumer confidence.

* Source: IMF, World Economic Outlook Update – January 2014

CABLE INDUSTRY TRENDS

The slowdown starting in 2011 continued in 2013, albeit with major differences between geographical areas and between the various market segments. Stable or low growth for high value-added businesses, special cables for the OEM market and the offshore oil industry.

The world cable market was still sluggish in 2013, in line with the slowing trend underway since 2011, reflecting the uncertainty of the macro environment and the reduction in investments primarily in Europe. However, there were major differences within the industry both geographically and between the various market segments.

In geographical terms, the negligible increase in global cable demand was driven by high-growth regions, such as the Middle East, Asia and, albeit to a lesser extent, South America. In fact, these regions saw continued investments to expand and upgrade infrastructures and buildings in response to growing demand by industrial operators and local communities. In the United States, the slowdown in the pace of economic recovery was reflected in a modest growth in demand. Lastly, in Europe the recessionary scenario and debt crisis in several EU countries further exacerbated not only the construction market but also infrastructure investment and energy consumption, resulting in a general reduction in demand for energy cables and systems.

Even the various market segments displayed great diversity in 2013. On the one hand, performance by higher value-added businesses was stable or marginally better; this was the case for high and extra high voltage submarine cables for offshore wind farm connections in Europe, for special cables for OEMs and for cables for the offshore oil industry, whose major players increased their investments on the previous year, on the strength of the high average price of Brent crude, reaching around USD 109 a barrel in 2013. On the other hand, demand declined for power distribution cables, especially in Europe, and for building wires, in line with the general slowdown of this market, particularly in countries like Italy, Germany, France, Spain and Australia. Demand for special renewable energy cables (onshore wind, solar) was sharply down, especially in Europe, due to the absence of incentives to support investments in this sector. As for optical fibre cables, global growth in 2013 was exclusively attributable to countries in Asia, particularly China and India, while demand fell steeply in the United States, due to the ending of incentives, and in Europe, albeit by somewhat less.

Lastly, demand for copper telecom cables continued to fall, in line with the trend since 2004 that has benefited optical fibre cables.

GROUP PERFORMANCE AND RESULTS

(in millions of Euro)

	2013	2012 (**)	% change	2011 (*)
Sales	7,273	7,848	-7.3%	7,583
Adjusted EBITDA	612	647	-5.5%	568
% of sales	8.4%	8.2%		7.5%
EBITDA	562	546	2.9%	269
% of sales	7.7%	7.0%		3.4%
Fair value change in metal derivatives	(8)	14		(62)
Remeasurement of minority put option liability	-	7		(1)
Fair value stock options	(14)	(17)		(7)
Amortisation, depreciation and impairment	(180)	(188)	-4.3%	(180)
Operating income	360	362	-0.8%	19
% of sales	4.9%	4.6%		0.3%
Net finance income/(costs)	(153)	(137)		(129)
Share of net profit/(loss) of associates and dividends from other companies	15	17		9
Profit/(loss) before taxes	222	242	-8.4%	(101)
% of sales	3.1%	3.1%		-1.3%
Taxes	(68)	(73)		(44)
Net profit/(loss) for the year	154	169	-8.6%	(145)
% of sales	2.1%	2.2%		-1.9%
Attributable to:				
Owners of the parent	149	166		(136)
Non-controlling interests	5	3		(9)

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

Operating income (A)	360	362	-0.8%	19
EBITDA (B)	562	546	2.9%	269
Non-recurring expenses/(income):				
Company reorganisation	50	74		56
Antitrust	(6)	1		205
Draka integration costs	-	9		12
Tax inspections	-	3		-
Environmental remediation and other costs	(3)	3		5
Italian pensions reform	-	1		-
Gains on asset disposals	(5)	(3)		(1)
Draka acquisition costs	-	-		6
Effects of Draka change of control	-	-		2
Release of Draka inventory step-up	-	-		14
Other net non-recurring expenses	14	13		-
Total non-recurring expenses/(income) (C)	50	101		299
Fair value change in metal derivatives (D)	8	(14)		62
Fair value stock options (E)	14	17		7
Remeasurement of minority put option liability (F)	-	(7)		1
Impairment of assets (G)	25	24		38
Adjusted operating income (A+C+D+E+F+G)	457	483	-5.4%	426
Adjusted EBITDA (B+C)	612	647	-5.5%	568

(*) Includes the Draka Group's results for the period 1 March – 31 December 2011.

(**) The previously published figures have been amended. Further details can be found in Section C. Restatement of comparative figures at 31 December 2012 in the Explanatory Notes to the Consolidated Financial Statements.

The Prysmian Group's sales in 2013 came to Euro 7,273 million, compared with Euro 7,848 million in 2012.

Excluding changes in metal prices and exchange rates, organic growth was negative (-3.1%), analysed between the two operating segments as follows:

- Energy - 1.0%;
- Telecom - 12.0%.

The above organic decrease figures exclude for the Telecom segment, the consolidation of the remaining 50% of Telcon Fios e Cabos para Telecomunicações S.A. for the period 1 January – 31 March 2013 (because consolidated line-by-line from 1 April 2012), and for the Energy segment, the consolidation of the results of Prysmian Powerlink Services Ltd (formerly Global Marine Systems Energy Ltd) in the period January - November 2013 (because consolidated from 15 November 2012), as well as the effect of not consolidating the results of Ravin Cables Limited (India) and Power Plus Cable CO LLC (Middle East) for the first three months of 2013. It has been impossible for the Prysmian Group to be able to obtain reliable, updated financial information about these last two companies since the second quarter of 2012; as a result, their figures have been consolidated only up until 31 March 2012.

The Energy segment was adversely impacted by the general contraction in volumes mainly in the Trade & Installers, Renewables and Power Distribution businesses, partially offset by the positive performance of Submarine Cable projects and certain sectors of the Industrial business. The Telecom segment confirmed the downward trend in demand for optical fibre cables in the Americas due, in the United States, to the ending of government investment incentives and, in South America, to the waiting period prior to the release of the new stimulus programme, initially scheduled for 2013 but now likely in 2014.

Group Adjusted EBITDA (before Euro 50 million in net non-recurring expenses) came to Euro 612 million, posting a decrease of Euro 35 million on the corresponding figure in 2012 of Euro 647 million (-5.5%).

INCOME STATEMENT

The Net result for 2013 was a profit of Euro 154 million, compared with a profit of Euro 169 million at 31 December 2012.

The Group's sales came to Euro 7,273 million at the end of 2013, compared with Euro 7,848 million in the previous year, posting a negative change of Euro 575 million (-7.3%).

This decrease was due to the following factors:

- negative organic growth of Euro 241 million (-3.1%);
- negative exchange rate effects of Euro 251 million (-3.2%);
- negative change of Euro 142 million (-1.7%) in sales prices due to fluctuations in metal prices (copper, aluminium and lead);

- positive change of Euro 15 million (+0.2%) for the line-by-line consolidation of Telcon Fios e Cabos para Telecomunicações S.A. (consolidated since 1 April 2012);
- positive change of Euro 64 million (+0.8%) for the consolidation of Prysmian Powerlink Services Ltd (formerly Global Marine Systems Energy Ltd) as from November 2012;
- negative change of Euro 20 million (-0.3%) due to non-consolidation of the results of Ravin Cables Limited (India) and Power Plus Cable CO LLC (Middle East – 49% consolidated), deconsolidated since 1 April 2012.

Despite negative organic growth, reflecting tensions on world markets throughout the year, the strategic validity of the Draka Group's acquisition and integration is nonetheless confirmed. The enlargement of the Group's perimeter has made it possible to improve the geographical distribution of sales, in favour of markets in Northern Europe, North America and Asia in general, as well as to enlarge the range of products offered, especially in the Oil&Gas, Elevator, Surf and Optical Cables/Fibres businesses. However, this has not been sufficient to offset the steep decline in demand in Central-South European markets and in lower value-added businesses, like Trade & Installers, Power Distribution and Renewables, nor the sharp slowdown in demand for Optical Fibre cables in the Americas. The Group's actions to improve customer service, combined with technological innovation, quality improvements and greater flexibility of production by its high value-added businesses (Submarine, High Voltage underground and Industrial Cables) have allowed it to take quick advantage of market opportunities, nonetheless still marked by extremely tough competition.

Adjusted EBITDA amounted to Euro 612 million, down 5.5% from Euro 647 million in the previous year. The decrease of Euro 35 million is entirely due to the Telecom segment, while the Energy segment saw a slight increase in Adjusted EBITDA. The result for 2013 was also affected by Euro 23 million in negative exchange rate effects compared with 2012; these were largely due to steep depreciation of the Brazilian Real, the Australian Dollar, the US Dollar and the Turkish Lira. This negative impact was partially offset by a reduction in overhead costs, achieved thanks to synergies from integrating the Draka Group.

EBITDA includes Euro 50 million in net non-recurring expenses (Euro 101 million in 2012), mainly attributable to costs for reorganisation projects and for improving the Group's industrial efficiency.

Group operating income was a positive Euro 360 million at 31 December 2013, compared with a positive Euro 362 million in 2012, posting a negative change of Euro 2 million mainly due to the reduction in Group EBITDA and to the fair value change in metal derivatives, as partially offset by a decrease in net non-recurring expenses.

Net finance costs, inclusive of the share of net profit/(loss) of associates and dividends from other companies, were Euro 138 million at 31 December 2013, up from Euro 120 million (+15.0%) at the end of the previous year.

The increase of Euro 18 million includes Euro 5 million for the accelerated amortisation of bank fees on the Credit Agreement 2010 following the early repayment of Euro 486 million during February and March 2013. This early repayment has led to the discontinuance of cash flow hedge accounting, resulting in the recognition of additional net losses of Euro 15 million on interest rate swaps, previously recognised in equity.

Taxes amounted to Euro 68 million, representing an effective tax rate of around 30.4%.

The net result for 2013 was a profit of Euro 154 million, compared with a profit of Euro 169 million in 2012, recording a negative change of 8.6%.

Adjusted net profit¹ was Euro 268 million, compared with Euro 280 million in the previous year.

¹ Adjusted net profit is defined as net profit/(loss) before non-recurring income and expenses, the fair value change in metal derivatives and in other fair value items, the effect of currency and interest rate derivatives, exchange rate differences, non-monetary interest on the convertible bond and the related tax effects.

SEGMENT PERFORMANCE: ENERGY BUSINESS

Slightly higher profitability despite lower sales.

(in millions of Euro)

	2013	2012	% change	2011 (*)
Sales to third parties	6,018	6,382	-5.7%	6,268
Adjusted EBITDA	492	487	1.0%	447
% of sales	8.2%	7.6%		7.1%
EBITDA	469	417	12.5%	186
% of sales	7.8%	6.5%		2.9%
Amortisation and depreciation	(105)	(108)	-2.9%	(99)
Adjusted operating income	387	379	2.1%	348
% of sales	6.4%	5.9%		5.5%
Reconciliation of EBITDA to Adjusted EBITDA				
EBITDA (A)	469	417	12.5%	186
Non-recurring expenses/(income):				
Company reorganisation	33	53		42
Antitrust	(6)	1		205
Draka integration costs	-	4		2
Tax inspections	-	1		-
Environmental remediation and other costs	(3)	3		5
Italian pensions reform	-	1		-
Release of Draka inventory step-up	-	-		8
Gains on asset disposals	(4)	(3)		(1)
Other net non-recurring expenses	3	10		-
Total non-recurring expenses/(income) (B)	23	70		261
Adjusted EBITDA (A+B)	492	487	1.0%	447

(*) Includes the Draka Group's results for the period 1 March – 31 December 2011.

Energy business sales to third parties amounted to Euro 6,018 million in 2013, compared with Euro 6,382 million in 2012, posting a negative change of Euro 364 million (-5.7%).

This negative change is attributable to the following principal factors:

- negative exchange rate effects of Euro 209 million (-3.3%);
- negative organic growth of Euro 65 million (-1.0%);
- negative change of Euro 134 million (-2.1%) in sales prices due to fluctuations in metal prices;
- negative change of Euro 20 million (-0.3%) due to non-consolidation of the results of Ravin Cables Limited (India) and Power Plus Cable CO LLC (Middle East – 49% consolidated), both of which deconsolidated since 1 April 2012;
- positive change of Euro 64 million (+1.0%) due to consolidation of Prysmian Powerlink Services Ltd (formerly Global Marine Systems Energy Ltd) as from November 2012.

Adjusted EBITDA for 2013 came to Euro 492 million, posting an increase of Euro 5 million (+1.0%) on the corresponding figure of Euro 487 million in 2012.

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

The pro-forma figures for full year 2011, in which the Draka Group's data are consolidated from 1 January, have been the subject of a number of reclassifications within each business area in order to make them fully comparable with the figures in subsequent periods. Given the limited usefulness and lack of significance for comparative purposes, it has been decided not to present the consolidated figures by business area for full year 2011 (which included Draka for only the period March-December).

UTILITIES

(in millions of Euro)

	2013	2012	% change	% organic sales change	2011 (*) Pro-forma
Sales to third parties	2,224	2,287	-2.8%	-1.4%	2,318
Adjusted EBITDA	281	270			264
% of sales	12.6%	11.8%			11.4%
Adjusted operating income	240	234			238
% of sales	10.8%	10.2%			10.3%

(*) The pro-forma figures are calculated by aggregating the Draka Group's results for the two-month pre-acquisition period (January-February) with the consolidated figures.

The Utilities business area encompasses Prysmian's Energy segment activities involving the engineering, production and installation of cables and accessories for power transmission and distribution. The Group engineers, produces and installs high and extra high voltage cables to *transport* electricity from power

stations and within transmission and primary distribution grids. The highly customised, high-tech products serving this market include cables insulated with oil or fluid-impregnated paper for voltages up to 1,100 kV and extruded polymer insulated cables for voltages up to 500 kV. Prysmian also provides a number of services relating to power transmission systems, including installation and post-installation services, grid management and maintenance services, including grid performance monitoring, grid cable repair and maintenance, as well as emergency services, such as reinstatement of service following damage. In addition, Prysmian Group engineers, produces and installs turnkey submarine cable systems for power *transmission* and *distribution*. The products offered include cables with different types of insulation (cables insulated with oil or fluid-impregnated paper for transmission of up to 500 kV AC and DC; extruded polymer insulated cables for transmission of up to 400 kV AC and up to 300 kV DC). The Group - able to offer solutions satisfying the most stringent international standards (SATS/IEEE, IEC, NEK) - uses specific technologies for power transmission and distribution in underwater environments. Prysmian also produces medium voltage cables and 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. Lastly, the Group also makes accessories such as joints and terminations for low, medium, high and extra high voltage cables, as well as accessories to connect cables with each other and with other network equipment, suitable for industrial, construction or infrastructure applications and for power transmission and distribution systems.

MARKET OVERVIEW

Both the power distribution and generation markets continued to report differences between the various geographical areas and a tougher competitive environment, while the High Voltage market saw slightly more activity than in the previous year.

During 2013, the markets in which the Prysmian Group's Utilities business area operates saw a consolidation of the signs of uncertainty already emerging in the second half of 2012.

Both the power distribution and generation markets, in which demand declined throughout 2012, further confirmed the differences between the various geographical areas and tougher competitive environment.

Activity levels in the High Voltage market - traditionally highly international both in terms of demand and supply - were slightly higher than in the previous year, particularly thanks to the positive mix of investment projects realised in the period.

This was particularly positive in view of the generally uncertain macroeconomic scenario regarding future energy consumption and access to funding, in response to which the largest utilities, particularly in Europe and North America, adopted a selective approach to new investment projects. The focus in Europe, and North and South America was on rationalisation and/or maintenance projects to improve efficiency and reduce energy generation costs, while the focus in the Middle East and Southeast Asia was on extending and completing major projects. There was continued competitive pressure on prices for operators in growing economies, like China and India, not only due to a large number of competitors but also because of the need to limit financial exposure in the face of uncertain investment returns.

With reference to the Submarine cables market, the upturn in play since the second half of 2012 became even stronger in 2013 thanks to investments by utilities to build new offshore wind farms and commence major new interconnection projects.

Although this trend was particularly evident in parts of the world, whose energy demands had grown over the past two years, such as Northern Europe, North America, the Arab Emirates and emerging countries in Southeast Asia, new infrastructure upgrade projects also appeared in regions hard hit by the financial crisis, like the Mediterranean.

In contrast, demand in the Power Distribution market slowed even more in the period, confirming the downward trend already seen in the first half of the year that had commenced in the final quarter of the previous year.

Energy consumption trends in the principal European countries were basically flat, adversely affecting demand by the major utilities. The latter, operating in a recessionary economic environment, either maintained an extremely cautious approach given the difficulties in forecasting future growth, or else they concentrated on restructuring to improve efficiency and reduce costs of supply. As a result, the competitive environment in terms of price and mix remained extremely challenging almost everywhere.

In contrast, markets in North America confirmed the signs of recovery seen during 2012 and the first half of 2013, after a three-year period during which operators had reduced work on grids to the bare minimum.

The Network Components market can be broadly divided into products for high and extra high voltage networks and products for medium and low voltage use.

As regards High Voltage components, demand followed the downtrend trend in the number of projects in this sector, mainly caused by delays by the major utilities in awarding projects; volumes were also affected by the mix of the High Voltage order book, reflecting a common trend of more fragmented and erratic demand, concentrated on smaller scale but technologically more complex projects than in the past, accompanied by more exacting requirements regarding quality and after-sales service.

Demand for submarine accessories was stable with an upward trend as a direct consequence of projects currently in progress around the world.

Lastly, the market for medium and low voltage accessories recorded opposing trends in different geographical areas: weak in Europe, mainly due to the lack of grid investment projects; still positive on the American continent, where routine maintenance of secondary distribution networks supported investments by the main energy suppliers; down in China, where the market was affected by strong competitive price pressures.

FINANCIAL PERFORMANCE

Thanks to excellent performance by Submarine Cables and good project mix for the High Voltage underground business line, Adjusted EBITDA reached Euro 281 million, up from Euro 270 million at 31 December 2012.

Sales to third parties by the Utilities business area amounted to Euro 2,224 million at the end of 2013, compared with Euro 2,287 million in 2012, posting a negative change of Euro 63 million (-2.8%) due to the combined effect of the following main factors:

- negative organic growth of Euro 33 million (-1.4%);
- negative exchange rate effects of Euro 53 million (-2.4%);
- negative change of Euro 25 million (-1.1%) in sales prices due to fluctuations in metal prices;
- negative change of Euro 16 million (-0.7%) due to non-consolidation of the results of Ravin Cables Limited (India) and Power Plus Cable CO LLC (Middle East – 49% consolidated), both of which deconsolidated since 1 April 2012;
- positive change of Euro 64 million (+2.8%) due to consolidation of Prysmian Powerlink Services Ltd (formerly Global Marine Systems Energy Ltd) as from November 2012.

The negative organic growth in 2013 reflects a number of opposing factors, such as the positive trend in the Submarine Cables business line that nonetheless failed to fully offset the growing weakness in other businesses, especially Power Distribution.

Reflecting the contraction in demand on European markets, the High Voltage business line's sales posted a slight decline. This was the combined result of projects awarded to Prysmian in markets with growing energy infrastructure requirements, such as the Middle and Far East, along with a number of projects for European utilities on domestic markets (in particular TenneT, Terna, EDF), and of the delay in implementing projects planned in Russia due to local political uncertainty. The order book at 31 December 2013 assures sales visibility for almost all of 2014.

Sales by the Network Components business line were down on the previous year, with a decline in volumes of Medium and Low Voltage accessories on the major European domestic markets but stable volumes for High Voltage products. In contrast, sales on the Chinese market reported a steep decline due to lower demand accompanied by growing price pressure in the face of stiff local competition.

Sales by the Submarine business line increased significantly on the previous year, in line with the completion of work on the major projects acquired. The main projects on which work was performed during the period were Messina II (Italy), the Helwin 2, Sylwin 1 and Borwin 2 offshore wind farm projects in Germany, Phu Quoc in Vietnam, as well as continuation of the Western HVDC Link project in the United Kingdom, work on which had started during the third quarter of 2012.

The value of the Group's Submarine order book at the end of 2013 (Euro 2,000 million) was in line with the level at the end of September, providing sales visibility for a period of about three years. The high level of the order book is thanks to contracts for interconnectors in the English Channel (Normandie3), in the Balearic Islands (Mallorca-Ibiza), over the Dardanelles Strait, between the island of Capri and Torre Annunziata and between Montenegro and Italy (Monita), and to contracts for offshore wind platform connections (DoIWin3, Deutsche Bucht) and for the supply and installation of submarine cables for the offshore operations of ExxonMobil Corporation in the United States.

In order to satisfy these contracts, investments have been made to expand production capacity at the Pikkala plant in Finland, already operational at the end of 2011, and at the Arco Felice plant in Italy.

Thanks to the excellent performance of the Submarine Cables business and the good project mix of the High Voltage underground business, and despite the continued weakness of Power Distribution, Adjusted EBITDA for the Utilities business area increased to Euro 281 million, from Euro 270 million in 2012.

TRADE & INSTALLERS

The product range has been further expanded to satisfy demand for infrastructure cabling in airports, ports and railway stations.

(in millions of Euro)

	2013	2012	% change	% organic sales change	2011 (*) Pro-forma
Sales to third parties	1,914	2,159	-11.3%	-4.3%	2,233
Adjusted EBITDA	72	77			73
% of sales	3.7%	3.6%			3.3%
Adjusted operating income	47	49			35
% of sales	2.4%	2.3%			1.6%

(*) The pro-forma figures are calculated by aggregating the Draka Group's results for the two-month pre-acquisition period (January-February) with the consolidated figures.

The Prysmian Group produces a comprehensive range of rigid and flexible low voltage cables for distributing power to and within residential and commercial buildings, always in full observance of international standards. 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 specified safety standards. The product range has been recently expanded to satisfy cabling demands for infrastructure such as airports, ports and railway stations, by customers as diverse as international distributors, buying syndicates, installers and wholesalers.

MARKET OVERVIEW

Markets in Europe with severe credit restrictions suffered, while the downward trend continued in North America. Markets in South America confirmed an upturn in volumes, driven by industrial and residential construction.

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

Construction industry demand, already under pressure since the second half of 2012, declined during 2013, particularly in Central and Southern Europe, while remaining more stable in Eastern Europe and the Nordic region.

Like in the second half of 2012, persistent uncertainty about the construction industry's future prospects prevailed over the positive effects of lower metal and commodity prices; as a result, the largest industry players continued to maintain minimum stocks and constant pressure on sales prices.

Like in the past, countries in Europe, such as Spain and Italy, were particularly hard hit due to the negative consequences for the property market of severe restrictions on bank credit. Even Germany and The Netherlands were affected by a stationary trend in demand for new build; this led to growing price

pressures, also due to ever increasing competition by small foreign operators from Southern Europe and North Africa seeking outlets for their surplus capacity in the richer markets of Central and Northern Europe.

The year 2013 also confirmed the downturn in North American markets – already affected by flat demand for products serving infrastructure construction – due to delays in confirming tax incentives for energy-efficient buildings.

By contrast, markets in South America confirmed an upturn in volumes on the previous year, driven by both the industrial and residential construction sectors.

Lastly, the Australian construction market saw a decline in demand, and was characterised by strong competitive pressures from Asian operators, despite the Australian dollar's depreciation during the year.

FINANCIAL PERFORMANCE

Continued strategy of focusing on top international customers and developing tactical actions to avoid losing opportunities, by differentiating the offer in the various markets.

Sales to third parties by the Trade & Installers business area amounted to Euro 1,914 million in 2013, compared with Euro 2,159 million in 2012, posting a negative change of Euro 245 million (-11.3%) due to the combined effect of the following main factors:

- negative change of Euro 71 million (-3.3%) in sales prices due to fluctuations in metal prices;
- organic decrease of Euro 93 million (-4.3%), due to the general downturn in Central Mediterranean countries and North America that was only partially offset by the growth in sales volumes in South America;
- negative exchange rate effects of Euro 81 million (-3.7%).

During 2013, Prysmian Group continued its strategy of focusing on commercial relationships with top international customers and its development of tactical actions to avoid losing sales opportunities, by differentiating its offer in the various markets.

This led to a very selective commercial strategy, focused on improving the sales mix in favour of products for the "safety of people and property" (Fire resistant/LSOH), but also on accepting, if necessary, a reduction of market share in low-margin markets; this strategy allowed the Group to mitigate the decline in business profitability.

In Asia, Prysmian Group proved unable to grow in line with the increasing demand by the construction industry, resulting in a slight loss of market share.

In North America, despite the downturn in demand, Prysmian Group enjoyed an increase in profitability due to improved sales mix and the achievement of manufacturing efficiencies at its Canadian production site in Prescott.

Prysmian Group strengthened its position in South America, where it managed to increase its market share while keeping prices at an adequate level thanks to its wide range of products.

The combined factors described above led to an Adjusted EBITDA of Euro 72 million in 2013, down from Euro 77 million (-6.4%) the year before.

INDUSTRIAL

A continuous process of specialisation permits ever greater customisation of products and solutions.

(in millions of Euro)

	2013	2012	% change	% organic sales change	2011 (*) Pro-forma
Sales to third parties	1,765	1,801	-2.0%	4.1%	1,824
Adjusted EBITDA	134	139			116
% of sales	7.6%	7.7%			6.4%
Adjusted operating income	99	99			79
% of sales	5.6%	5.5%			4.3%

(*) The pro-forma figures are calculated by aggregating the Draka Group's results for the two-month pre-acquisition period (January-February) with the consolidated figures.

The extensive product range, developed specifically for the Industrial market, stands out for the highly customised nature of the solutions offered. These products serve a broad range of industries, including Oil&Gas, Transport, Infrastructure, Mining and Renewable Energy. The Group offers solutions to the Oil&Gas industry for both upstream hydrocarbon research and refining activities and downstream exploration and production activities. The product range is therefore very wide and includes low and medium voltage power and instrumentation/control cables, as well as multipurpose umbilical cables for transporting energy, telecommunications, fluids and chemicals when connecting submarine sources and collectors to FPSO (Floating, Production, Storage and Offloading) platforms. In the *Transport* sector, the range of cables offered by Prysmian is used in the construction of trains, ships and motor vehicles; in the infrastructure sector, the principal applications for its cables are found in railways, docks and airports. The product range also includes cables for the mining industry, the automotive industry and for elevators, cables for applications in the renewable energy sector, cables for military applications and for nuclear power stations, able to withstand high levels of radiation.

MARKET OVERVIEW

Stable or growing demand for core sectors like OEM, Elevator and Automotive contrasted with a downturn for renewable energy, hit worldwide by the ending of incentives.

Trends on Industrial cable markets in 2013 displayed considerable inconsistencies between the various business lines and large differences between the diverse geographical areas.

As already seen with the Accessories business, the common trend, even in the industrial cables business, was one of more fragmented and erratic demand, concentrated on smaller scale but technologically more complex projects than in the past, accompanied by more exacting requirements regarding quality and after-sales service.

Within the industrial business, some market segments showed stable or growing demand, like the strategic OEM, Elevator and Automotive markets, while others experienced a contraction in volumes, like the renewable energy market, which saw a worldwide slump in demand with the ending or postponement of government incentives to develop solar or onshore wind farms.

In the Oil&Gas and port facilities sectors, international demand declined due to delays in several projects in the Middle and Far East, while nonetheless remaining strong in South America and Oceania.

Demand in the industrial infrastructure and mineral resources sectors continued to be weak in 2013 and below 2012, primarily due to falling commodity prices and significant production overcapacity.

As far as applications for the transport sector are concerned, the major European players adopted a cautious stance due to poor visibility as to when to resume investments and to recent deficit-cutting policies in the Eurozone's major economies; demand in other parts of the world remained buoyant. One particular exception was the rail transport sector in North America, which posted record demand in 2013 as a result of urban and suburban railway reconstruction following the hurricane that hit the east coast in the second half of 2012.

The divergent pattern of demand described above was also confirmed in the automotive sector. While volumes increased on the prior year in areas outside Europe, mainly the Americas and Asia, the restrictive financial policies in Europe forced the ending of incentives in support of the automotive industry with a consequent impact on the level of demand in local markets.

Lastly, renewable energy was the sector within the industrial business that most suffered from a slump in demand. This was primarily the case in Southern Europe, where the restrictive financial policies adopted by the main governments either cut special incentives or made it more difficult to access credit for onshore wind projects.

FINANCIAL PERFORMANCE

Organic growth in sales, thanks to increased demand in high value-added businesses.

Sales to third parties by the Industrial business area amounted to Euro 1,765 million in 2013, compared with Euro 1,801 million in 2012. The reduction of Euro 36 million (-2.0%) is due to the following factors:

- positive organic growth of Euro 75 million (+4.1%), largely due to the growth in volumes in high value-added businesses (Specialties&OEM, Oil&Gas and Elevator) despite the slowdown in the renewable energy sector; positive results for the Automotive business;
- negative change of Euro 5 million (-0.2%) due to non-consolidation of the results of Ravin Cables Limited (India) and Power Plus Cable CO LLC (Middle East – 49% consolidated), both of which deconsolidated since 1 April 2012;
- negative exchange rate effects of Euro 69 million (-3.9%);
- negative change of Euro 37 million (-2.0%) in sales prices due to fluctuations in metal prices.

In Europe, Prysmian Group benefited from a solid order book for the top-end OEM sector (cables for Cranes and Mining for South American and Asian markets) and continued to focus its commercial efforts on the Oil&Gas industry, where it was able to benefit from the growth in demand by the North Sea oil industry, served by the Norwegian and British markets, despite a steep downturn in exports to energy-producing nations in the Middle East.

However, this managed to offset only in part the dramatic decline in volumes in the renewable energy sector, most evident in Southern Europe.

The strategy of technological specialisation of the solutions offered allowed Prysmian Group to consolidate its Elevator market leadership in North America and to expand into the Chinese and European markets, where it is still underexposed.

As for SURF products, sales of umbilical cables and flexible pipes, manufactured for the South American market at the Vila Velha plant, were in line with 2012 despite the rescheduling of investment projects requiring flexible pipes. The Down-Hole-Technology (DHT) business performed particularly well in North America, thanks to the renewed contract with Schlumberger.

Asia Pacific and Brazil were the regions that offered the Group the most attractive growth opportunities, thanks to consolidation of its market share in Australia and the award of major international projects in Brazil.

Adjusted EBITDA came to Euro 134 million in 2013, down Euro 5 million (-3.6%) on Euro 139 million in 2012, mainly due to lower volumes in the renewable energy sector and the postponement of onshore and offshore projects in the Middle and Far East.

OTHER

(in millions of Euro)

	2013	2012	2011 (*) Pro-forma
Sales to third parties	115	135	167
Adjusted EBITDA	5	1	5
Adjusted operating income	1	(3)	2

(*) The pro-forma figures are calculated by aggregating the Draka Group's results for the two-month pre-acquisition period (January-February) with the consolidated figures.

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.

SEGMENT PERFORMANCE: TELECOM BUSINESS

Prysmian fully satisfies demand by business and residential customers for ever faster connections and broadband services, by supplying high-performance networks offering high standards of fibre management.

(in millions of Euro)

	2013	2012	% change	2011 (*)
Sales to third parties	1,255	1,466	-14.4%	1,315
Adjusted EBITDA	120	160	-25.0%	121
% of sales	9.6%	10.9%		9.1%
EBITDA	100	138	-27.5%	103
% of sales	8.0%	9.4%		7.7%
Amortisation and depreciation	(50)	(56)		(43)
Adjusted operating income	70	104	-32.3%	78
% of sales	5.6%	7.1%		5.8%

Reconciliation of EBITDA to Adjusted EBITDA

	2013	2012	% change	2011
EBITDA (A)	100	138	-27.5%	103
Non-recurring expenses/(income):				
Company reorganisation	13	16		12
Draka integration costs	-	1		-
Tax inspections	-	2		-
Gains on asset disposals	(1)	-		-
Release of Draka inventory step-up	-	-		6
Other net non-recurring expenses	8	3		-
Total non-recurring expenses/(income) (B)	20	22		18
Adjusted EBITDA (A+B)	120	160	-25.0%	121

(*) Includes the Draka Group's results for the period 1 March – 31 December 2011.

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

Optical fibre

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

Optical cables

Optical fibres are employed in the production of standard optical cables or those specially designed for challenging or inaccessible environments. The optical cables, constructed using just a single fibre or up to as many as 1,728 fibres, can be pulled (or blown) into ducts, buried directly underground or suspended on overhead devices such as telegraph poles or electricity pylons. Cables are also installed in road and rail tunnels, gas and sewage networks and inside various buildings where they must satisfy specific fire-resistant requirements.

Prysmian Group operates in the telecommunications market with a wide range of cable solutions and systems that respond to the demand for a wider bandwidth by major network operators and service providers. The product portfolio covers every area of the industry, including long-distance and urban systems, and solutions such as optical ground wire (OPGW), Rapier (easy break-out), JetNet (mini blown cable), Airbag (dielectric direct buried cable) and many more.

Connectivity

Whether deployed in outdoor or indoor applications, Prysmian Group's OAsys connectivity solutions are designed for versatility, covering all cable management needs whatever the network type.

These include aerial and underground installations, as well as cabling in central offices (or exchanges) or customer premises.

Prysmian Group is at the forefront of designing next generation products specifically for Fibre-To-The-Home (FTTH) networks.

FTTx

Increasing bandwidth requirements, from both business and residential customers, are having a profound effect upon the optical network performance level required, which in turn demands high standards of fibre management. Optimal fibre management in every section of the network is increasingly a matter of priority in order to minimise power loss and overcome the problems caused by ever greater space limitations.

The Group has developed the suite of xsNet products for "last mile" access networks, which is also very suited to optical fibre deployment in sparsely populated rural areas.

Most of the cables used in FTTx/FTTH systems feature Prysmian's bend-insensitive BendBrightxs optical fibre, which has been specially developed for this application.

FTTA (Fibre-To-The-Antenna)

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

Copper cables

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

Multimedia solutions

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

MARKET OVERVIEW

2013 saw growth in demand in the Chinese and Indian markets, in contrast with general stability in Europe and a steep drop in demand in North America and Brazil.

Forecasts for the optical fibre cables market made at the start of the year predicted that the size of the global market would grow although with large regional differences. In fact, 2013 saw demand grow in fast-developing markets (China) and in those with high communication infrastructure needs (India), while markets in Europe were basically stable. Carrying on the 2012 second-half trend, 2013 saw a steep drop in demand in North America, due to the ending of government incentives, and in Brazil, where operators were slow to take advantage of the investment-friendly tax measures introduced by the government in the first half of the year.

The Access/Broadband/FTTx market grew marginally in 2013, with demand driven by the development of optical fibre communication infrastructure, although the low maturity of these products implies different evolution in demand by geographical area.

The copper cables market continues to slow not only because of the economic downturn in the past two years, causing some major operators to downsize their larger investment projects, but also because of product maturity. The downturn in this market was increasingly evident in 2013, with high demand for internet access leading the major operators to opt to renew their networks using optical fibre, rather than perform maintenance or upgrade work on existing networks.

FINANCIAL PERFORMANCE

Lower demand in North and South America was not fully offset despite major projects in the UK, Spain and Australia, with a consequent decline in revenues.

Telecom business sales to third parties amounted to Euro 1,255 million in 2013, compared with Euro 1,466 million at 31 December 2012, posting a negative change of Euro 211 million (-14.4%).

This change is attributable to the following factors:

- negative exchange rate effects of Euro 42 million (-2.9%);
- organic decrease of Euro 176 million (-12.0%), due to the first-half downturn in demand for optical fibre and copper cables;

- positive change of Euro 15 million (+1.0%) for the line-by-line consolidation of Telcon Fios e Cabos para Telecomunicações S.A. (consolidated since 1 April 2012);
- negative change of Euro 8 million (-0.5%) in sales prices due to fluctuations in metal prices.

The negative organic growth in 2013 primarily reflects the downturn in demand for optical fibre cables in North and South America. This effect more than offset positive trends coming not only from large-scale projects, such as those started for BT (United Kingdom), Telefonica (Spain), Orange (France) and NBN (Australia), but also from emerging markets and channels, such as Eastern Europe and India. The sudden slump in demand in North America, linked to the ending of government investment incentives, triggered a more competitive market environment. In this scenario, our major competitors adopted particularly aggressive pricing policies, winning market share at Prysmian Group's expense.

In Brazil, the market awaited implementation of the announced plan of government incentives to support new communications infrastructure. This plan, which aims to incentivise the development of technology and local production, should be very beneficial for all telecom operators. The delay meant that investments during the year were confined to infrastructure maintenance work, negatively affecting the manufacturers of network materials as a result. Like in North America, the low level of activity led to a reduction in market prices. In addition, some foreign manufacturers started to create local production bases in order to profit from the expected economic benefits.

In Europe, the highly competitive nature of the market, with the presence of many small and medium-sized local producers, put prices under strong pressure, despite growing volumes, causing the sector's profits to fall as a result. In addition, the market for copper telecom cables continued to suffer from a gradual phasing out in favour of next-generation networks. Lastly, there was a slight growth during the year in the optical connectivity sector, driven by the development of FTTx networks (last mile broadband access), particularly in France, the UK and the Netherlands.

Adjusted EBITDA came to Euro 120 million in 2013, reporting a decrease of Euro 40 million (-25.0%) from Euro 160 million at 31 December 2012.

GROUP STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	31 December 2013	31 December 2012 (*)	Change	31 December 2011
Net fixed assets	2,190	2,300	(110)	2,255
Net working capital	444	482	(38)	552
Provisions	(297)	(361)	64	(371)
Net capital employed	2,337	2,421	(84)	2,436
Employee benefit obligations	308	344	(36)	268
Total equity	1,195	1,159	36	1,104
of which attributable to non-controlling interests	48	47	1	62
Net financial position	834	918	(84)	1,064
Total equity and sources of funds	2,337	2,421	(84)	2,436

* The previously published figures have been amended. Further details can be found in Section C. Restatement of comparative figures at 31 December 2012 contained in the Explanatory Notes to the Consolidated Financial Statements.

Net fixed assets amounted to Euro 2,190 million at 31 December 2013, compared with Euro 2,300 million at 31 December 2012, posting a decrease of Euro 110 million mainly due to the combined effect of the following factors:

- Euro 144 million in investments in property, plant and equipment and intangible assets;
- Euro 5 million in retirements and disposals of property, plant and equipment;
- Euro 180 million in depreciation, amortisation and impairment charges for the year;
- Euro 73 million in negative currency translation differences.

Net working capital of Euro 444 million at 31 December 2013 was Euro 38 million lower than the corresponding figure of Euro 482 million at 31 December 2012, or Euro 39 million lower excluding the impact of the fair value change in derivatives, and was affected by the following main factors:

- a significant growth in working capital employed in multi-year Submarine projects, linked to their stage of completion with respect to the agreed delivery dates;
- a reduction linked to the increase of Euro 36 million in amounts due to employees for the 2011-2013 long-term incentive plan, previously classified in employee benefit obligations;
- a reduction in the level of working capital related to the decline in volumes and strategic metal price trends compared with the previous year;
- a growth of Euro 78 million in without-recourse factoring transactions;
- a containment in working capital due to efficiencies implemented by the Group during the reporting period;
- a decrease of Euro 10 million for exchange rate differences.

The net financial position of Euro 834 million at 31 December 2013 has decreased by Euro 84 million since 31 December 2012 (Euro 918 million), mainly reflecting the following factors:

- positive cash flow from operating activities (before changes in net working capital) of Euro 482 million;
- negative impact of Euro 19 million from changes in working capital;

- payment of Euro 64 million in taxes;
- net operating investments of Euro 114 million;
- receipt of Euro 11 million in dividends;
- payment of Euro 126 million in net finance costs;
- payment of Euro 92 million in dividends.

EQUITY

The following table reconciles the Group's equity at 31 December 2013 and net profit/(loss) for 2013 with the corresponding figures reported by Prysmian S.p.A., the Parent Company:

(in millions of Euro)

	Equity 31 December 2013	Net profit/(loss) for 2013	Equity 31 December 2012 (*)	Net profit/(loss) for 2012 (*)
Parent Company Financial Statements	1,021	184	872	112
Share of equity and net profit of consolidated subsidiaries, net of the carrying amount of the related investments	207	198	309	208
Reversal of dividends distributed to the Parent Company by consolidated subsidiaries	-	(220)	-	(150)
Deferred taxes on earnings/reserves distributable by subsidiaries	(18)	(1)	(18)	(4)
Elimination of intercompany profits and losses included in inventories	(35)	(9)	(35)	1
Net effect of other consolidation journals	20	2	31	2
Non-controlling interests	(48)	(5)	(47)	(3)
Consolidated Financial Statements	1,147	149	1,112	166

* The previously published figures have been amended. Further details can be found in Section C. Restatement of comparative figures at 31 December 2012 contained in the Explanatory Notes to the Consolidated Financial Statements.

NET WORKING CAPITAL

The main components of net working capital are analysed in the following table:

(in millions of Euro)

	31 December 2013	31 December 2012 (*)	Change	31 December 2011
Inventories	920	897	23	929
Trade receivables	1,010	1,163	(153)	1,197
Trade payables	(1,441)	(1,450)	9	(1,421)
Other receivables/(payables)	(39)	(121)	82	(126)
Net operating working capital	450	489	(39)	579
Derivatives	(6)	(7)	1	(27)
Net working capital	444	482	(38)	552

* The previously published figures have been amended. Further details can be found in Section C. Restatement of comparative figures at 31 December 2012 contained in the Explanatory Notes to the Consolidated Financial Statements.

Net operating working capital amounted to Euro 450 million (6.3% of sales) at 31 December 2013, compared with Euro 489 million (6.4% of sales) at 31 December 2012.

NET FINANCIAL POSITION

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

(in millions of Euro)

	31 December 2013	31 December 2012	Change	31 December 2011
Long-term financial payables				
Term loan facility	400	946	(546)	400
Bank fees	(3)	(11)	8	(6)
Non-convertible bond	399	398	1	397
Convertible bond	263	-	263	-
Derivatives	4	35	(31)	31
Other financial payables	95	100	(5)	89
Total long-term financial payables	1,158	1,468	(310)	911
Short-term financial payables				
Term loan facility	183	125	58	676
Non-convertible bond	15	15	-	15
Convertible bond	1	-	1	-
Securitization	-	75	(75)	111
Revolving facility - Credit agreements	3	4	(1)	6
Derivatives	19	7	12	24
Other financial payables	136	142	(6)	174
Total short-term financial payables	357	368	(11)	1,006
Total financial liabilities	1,515	1,836	(321)	1,917
Long-term financial receivables				
Long-term financial receivables	4	9	(5)	10
Long-term derivatives	-	-	-	1
Long-term bank fees	-	4	(4)	15
Short-term financial receivables				
Short-term financial receivables	12	7	5	9
Short-term derivatives	5	3	2	4
Short-term bank fees	5	5	-	7
Financial assets held for trading	94	78	16	80
Cash and cash equivalents	561	812	(251)	727
Total financial assets	681	918	(237)	853
Net financial position	834	918	(84)	1,064

RECLASSIFIED STATEMENT OF CASH FLOWS

(in millions of Euro)

	2013	2012	Change	2011
EBITDA	562	546	16	269
Changes in provisions (including employee benefit obligations)	(73)	13	(86)	200
Inventory step-up	-	-	-	14
(Gains)/losses on disposal of property, plant and equipment, intangible assets and non-current assets	(7)	(14)	7	(2)
Net cash flow provided by operating activities (before changes in net working capital)	482	545	(63)	481
Changes in net working capital	(19)	75	(94)	183
Taxes paid	(64)	(74)	10	(97)
Net cash flow provided/(used) by operating activities	399	546	(147)	567
Acquisitions	-	(86)	86	(419)
Net cash flow used in operational investing activities	(114)	(141)	27	(145)
Net cash flow provided by financial investing activities ⁽¹⁾	11	8	3	4
Free cash flow (unlevered)	296	327	(31)	7
Net finance costs	(126)	(129)	3	(130)
Free cash flow (levered)	170	198	(28)	(123)
Increases in share capital and other changes in equity	-	1	(1)	1
Dividend distribution	(92)	(45)	(47)	(37)
Net cash flow provided/(used) in the year	78	154	(76)	(159)
Opening net financial position	(918)	(1,064)	146	(459)
Net cash flow provided/(used) in the year	78	154	(76)	(159)
Convertible bond equity component	39	-	39	-
Other changes	(33)	(8)	(25)	(446)
Closing net financial position	(834)	(918)	84	(1,064)

- (1) This does not include cash flow relating to "Financial assets held for trading" and non-instrumental "Available-for-sale financial assets", classified in the net financial position.

Net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 482 million at the end of 2013.

The increase of Euro 19 million in working capital described earlier absorbed only a small part of the above cash flow. Therefore, after deducting Euro 64 million in tax payments, net cash flow from the year's operating activities was a positive Euro 399 million.

Net operating investments in 2013 amounted to Euro 114 million; in the case of the Energy business, this expenditure mainly referred to production capacity increases for High voltage cables in Russia, for submarine cables in Italy and Norway and for the Oil&Gas sector at the plants in Sorocaba and Santo André (Brazil). In the case of the Telecom business, of particular importance was the investment in Romania, which has become one of Europe's new centres of excellence for optical telecom cables.

Dividend payments came to Euro 92 million, of which Euro 89 million to the shareholders of the parent company Prysmian S.p.A. and Euro 3 million to minority shareholders in some of the subsidiaries.

ALTERNATIVE PERFORMANCE INDICATORS

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

The alternative indicators used for reviewing the income statement include:

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

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
 - Investments in associates
 - Available-for-sale financial assets, net of non-current securities classified as long-term financial receivables in the net financial position
- **Net working capital:** sum of the following items contained in the statement of financial position:
 - Inventories
 - Trade receivables
 - Trade payables
 - Other non-current receivables and payables, net of long-term financial receivables classified in the net financial position
 - Other current receivables and payables, net of short-term financial receivables classified in the net financial position
 - Derivatives net of financial instruments for hedging interest rate and currency risks relating to financial transactions, classified in the net financial position
 - Current tax payables

- **Net operating working capital:** sum of the following items contained in the statement of financial position:
 - Inventories
 - Trade receivables
 - Trade payables
 - Other non-current receivables and payables, net of long-term financial receivables classified in the net financial position
 - Other current receivables and payables, net of short-term financial receivables classified in the net financial position
 - Current tax payables
- **Provisions:** sum of the following items contained in the statement of financial position:
 - Provisions for risks and charges – current portion
 - Provisions for risks and charges – non-current portion
 - Provisions for deferred tax liabilities
 - Deferred tax assets
- **Net capital employed:** sum of Net fixed assets, Net working capital and Provisions.
- **Employee benefit obligations and Total equity:** these indicators correspond to Employee benefit obligations and Total equity reported in the statement of financial position.
- **Net financial position:** sum of the following items:
 - Borrowings from banks and other lenders - non-current portion
 - Borrowings from banks and other lenders - current portion
 - Derivatives for financial transactions recorded as Non-current derivatives and classified under Long-term financial receivables
 - Derivatives for financial transactions recorded as Current derivatives and classified under Short-term financial receivables
 - Derivatives for financial transactions recorded as Non-current derivatives and classified under Long-term financial payables
 - Derivatives for financial transactions recorded as Current derivatives and classified under Short-term financial payables
 - Medium/long-term financial receivables recorded in Other non-current receivables
 - Bank fees on loans recorded in Other non-current receivables
 - Short-term financial receivables recorded in Other current receivables
 - Bank fees on loans recorded in Other current receivables
 - Short/long-term available-for-sale financial assets, not instrumental to the Group's activities
 - Financial assets held for trading
 - Cash and cash equivalents.

Reconciliation between the Reclassified Statement of Financial Position presented in the Directors' Report and the Statement of Financial Position contained in the Consolidated Financial Statements and Explanatory Notes at 31 December 2013

(in millions of Euro)

		31 December 2013		31 December 2012 (*)	
	Note	Partial amounts from financial statements	Total amounts from financial statements	Partial amounts from financial statements	Total amounts from financial statements
Net fixed assets					
Property, plant and equipment			1,441		1,539
Intangible assets			623		644
Investments in associates			99		99
Available-for-sale financial assets			15		14
Assets held for sale			12		4
Total net fixed assets	A		2,190		2,300
Net working capital					
Inventories	B		920		897
Trade receivables	C		1,010		1,163
Trade payables	D		(1,441)		(1,450)
Other receivables/payables - net	E		(39)		(121)
of which:					
<i>Other receivables - non-current</i>			25		28
<i>Tax receivables</i>	5		13		18
<i>Receivables from employees</i>	5		2		1
<i>Other</i>	5		10		9
<i>Other receivables - current</i>			722		561
<i>Tax receivables</i>	5		110		100
<i>Receivables from employees and pension plans</i>	5		5		5
<i>Advances to suppliers</i>	5		17		26
<i>Other</i>	5		115		100
<i>Construction contracts</i>	5		475		330
<i>Other payables - non-current</i>			(24)		(27)
<i>Tax and social security payables</i>	13		(12)		(14)
<i>Accrued expenses</i>	13		(3)		(3)
<i>Other</i>	13		(9)		(10)
<i>Other payables - current</i>			(728)		(654)
<i>Tax and social security payables</i>	13		(101)		(96)
<i>Advances from customers</i>	13		(241)		(219)
<i>Payables to employees</i>	13		(103)		(68)
<i>Accrued expenses</i>	13		(137)		(137)
<i>Other</i>	13		(146)		(134)
<i>Current tax payables</i>			(34)		(29)
Total operating working capital	F = B+C+D+E		450		489
Derivatives	G		(6)		(7)
of which:					
<i>Forward currency contracts on commercial transactions (cash flow hedges) - non-current</i>	8		1		(2)
<i>Forward currency contracts on commercial transactions (cash flow hedges) - current</i>	8		6		-
<i>Metal derivatives - non-current</i>	8		(1)		(3)
<i>Metal derivatives - current</i>	8		(12)		(2)
Total net working capital	H = F+G		444		482

(*) The previously published figures have been amended. Further details can be found in Section C. Restatement of comparative figures at 31 December 2012 contained in the Explanatory Notes to the Consolidated Financial Statements.

(in millions of Euro)

			31 December 2013	31 December 2012 (*)	
	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			(52)		(76)
Provisions for risks and charges - current			(279)		(317)
Deferred tax assets			134		127
Deferred tax liabilities			(100)		(95)
Total provisions	I		(297)		(361)
Net capital employed	L = A+H+I		2,337		2,421
Employee benefit obligations	M		308		344
Total equity	N		1,195		1,159
Equity attributable to non-controlling interests			48		47
Net financial position					
Total long-term financial payables	O		1,158		1,468
Term loan facility	12	400		946	
Bank fees	12	(3)		(11)	
Credit Agreements		397		935	
Non-convertible bond	12	399		398	
Convertible bond	12	263		-	
Derivatives		4		35	
of which:					
Interest rate swaps	8	4		35	
Other payables		95		100	
of which:					
Finance lease obligations	12	15		12	
Other financial payables	12	80		88	
Short-term financial payables	P		357		368
Term loan facility	12	184		126	
Bank fees	12	(1)		(1)	
Non-convertible bond	12	15		15	
Convertible bond	12	1		-	
Securitization	12	-		75	
Revolving facility - Credit Agreements	12	3		4	
Derivatives		19		7	
of which:					
Interest rate swaps	8	14		-	
Forward currency contracts on financial transactions	8	5		7	
Other payables		136		142	
of which:					
Finance lease obligations	12	2		2	
Other financial payables	12	134		140	
Total financial liabilities	Q = O+P		1,515		1,836
Long-term financial receivables	R	5	(4)	(9)	
Long-term bank fees	R	5	-	(4)	
Short-term financial receivables	R	5	(12)	(7)	
Short-term derivatives	R		(5)	(3)	
of which:					
Forward currency contracts on financial transactions (current)	8		(5)	(3)	
Short-term bank fees	R	5	(5)	(5)	
Available-for-sale financial assets (current)	S		-	-	
Financial assets held for trading	T		(94)	(78)	
Cash and cash equivalents	U		(561)	(812)	
Total financial assets	V = R+S+T+U		(681)	(918)	
Total net financial position	W = Q+V		834	918	
Total equity and sources of funds			2,337	2,421	

(*) The previously published figures have been amended. Further details can be found in Section C. Restatement of comparative figures at 31 December 2012 contained in the Explanatory Notes to the Consolidated Financial Statements.

Reconciliation between the principal income statement indicators and the Income Statement contained in the Consolidated Financial Statements and Explanatory Notes at 31 December 2013

(in millions of Euro)

	Note	2013 Amounts from income statement	2012 Amounts from income statement
Sales	A	7,273	7,848
Change in inventories of work in progress, semi-finished and finished goods		26	(31)
Other income		65	71
Raw materials, consumables used and goods for resale		(4,571)	(5,083)
Personnel costs		(965)	(1,041)
Other expenses		(1,280)	(1,228)
Operating costs	B	(6,725)	(7,312)
<i>Remeasurement of minority put option liability</i>	C	-	(7)
<i>Fair value stock options</i>	C	14	17
EBITDA	D = A+B+C	562	546
<i>Non-recurring other income</i>	E	10	15
<i>Non-recurring personnel costs</i>	F	(34)	(65)
<i>Non-recurring other expenses</i>	G	(26)	(51)
Adjusted EBITDA	H = D-E-F-G	612	647

(in millions of Euro)

	Note	2013 Amounts from income statement	2012 Amounts from income statement
Operating income	A	360	362
Non-recurring other income		10	15
Non-recurring personnel costs		(34)	(65)
Non-recurring other expenses		(26)	(51)
Total non-recurring expenses	B	(50)	(101)
<i>Remeasurement of minority put option liability</i>	C	-	7
<i>Fair value change in metal derivatives</i>	D	(8)	14
<i>Fair value stock options</i>	E	(14)	(17)
<i>Non-recurring impairment</i>	F	(25)	(24)
Adjusted operating income	G=A-B-C-D-E-F	457	483

THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Prysmian Group has adopted an internal control and risk management system in compliance with the Self-Regulatory Code¹ that is in line with the best practices in the field and is based on tools and information flows that allow the Board of Directors to take strategic decisions and define the system's guidelines on an informed basis.

The Group's internal control and risk management system involves the following bodies, each with their own duties and responsibilities:

- the Board of Directors, which is responsible for establishing the guidelines and assessing the adequacy and effectiveness of the internal control and risk management system;
- the Control and Risks Committee, with powers to advise and make proposals to the Board of Directors, including to allow the Board to fulfil its duties concerning management of the internal control and risk management system;
- the Director in charge of establishing and maintaining the internal control and risk management system, as identified in the figure of the Chief Executive Officer, who is responsible for the design, implementation and management of the internal control system, and for constantly monitoring its adequacy and effectiveness;
- the Managers Responsible for preparing the corporate accounting documents, as second-level figures of control, are responsible for establishing adequate administrative and accounting procedures for the preparation of financial reports;
- the Head of Internal Audit, who tests - acting in an independent capacity - the operation and suitability of the internal control and risk management system, in accordance with the annual audit plan approved by the Board of Directors, which is the result of a structured process of analysing and prioritising key risks;
- the Compensation and Nominations Committee, with powers to advise and make proposals to the Board of Directors, including with reference to the remuneration of the directors and top management of Prysmian S.p.A., the appointment/replacement of independent directors, and the size and composition of the Board itself;
- the Board of Statutory Auditors, which is required to monitor the Company's compliance with the law and its memorandum of association, as well as the observance of good management principles in the conduct of its business, and to control the adequacy of the Company's organisational structure, internal control and risk management system and administrative-accounting system;
- the Monitoring Board, with the task of supervising the operation of and compliance with the Organisational Model adopted under Legislative Decree 231/2001, as well as to oversee its updating by presenting the Board of Directors with proposed revisions and amendments.

¹ "Italian Stock Exchange Self-Regulatory Code for Listed Companies - Ed. 2011" drawn up by the Corporate Governance Committee of Borsa Italiana S.p.A

In addition, in light of the increasing complexity of its activities and in response to changes in the legislative environment, in 2012 the Board of Directors decided to devote even more of the Group's attention to the internal control and risk management system, by implementing a dynamic system of Enterprise Risk Management (ERM) and by appointing a specific Internal Risk Management Committee, comprised of the Group's Senior Management, with the mission of identifying, measuring, analysing and evaluating risk situations or events that could affect the achievement of the Group's strategic objectives and priorities. Fuller information about the system of business risk management can be found in the "Risk Factors and Uncertainties" section of this report.

Also of importance with reference to the internal control and risk management system are the Group's Code of Ethics and the Organisation and Management Model adopted by the Prysmian Group under Legislative Decree 231/2001.

System of internal control over financial reporting

In accordance with Law 262/2005 ("Provisions for the protection of savings and the regulation of financial markets") and under art. 19 of the By-laws, the Board of Directors, after consulting the Board of Statutory Auditors, has appointed Andreas Bott (Head of Planning & Controlling) and Carlo Soprano (Head of Financial Statements & Compliance) as joint managers responsible for preparing corporate accounting documents. In this role, they certify at least every six months, the accuracy of the financial information disclosed to the market, the existence of adequate procedures and internal controls relating to financial reporting and the consistency of financial data communicated externally through the financial statements. The Board of Directors has also appointed the Head of Internal Audit as responsible for verifying that the system of internal control over financial reporting is always operating adequately and effectively. To this end, the Internal Audit Department draws up an annual audit plan using a structured approach to risk assessment, in line with the Group's ERM model. This plan is first approved by the Control and Risks Committee and then by the Board of Directors. The audit planning activity is not only based on the findings of the ERM process but also takes account of specific risks identified through interviews with Senior Management, and also includes any areas for which remediation actions have been previously recommended. In conducting Internal Audit activities, internal auditors are given complete access to all relevant data and information to enable them to perform each audit. The Head of Internal Audit attends every meeting of the Control and Risks Committee. The results of internal auditing activities are reported to the committee along with key findings and remediation actions. The status of the audit plan is reported during each meeting and any significant deviations or anticipated deviations are discussed and confirmed. The implementation status of previous audit recommendations or remediation actions is also reported to this committee.

For the purposes of ensuring a reliable system of internal control over the financial reporting process, Prysmian Group has adopted a set of administrative and accounting procedures, as well as a series of operating policies, procedures and instructions such as to guarantee an effective flow of information with its Operating Companies. The administrative and accounting procedures include the Group Accounting Manual (rules for the use and application of accounting policies), the Administrative Processes Manual, the procedures for creating and publishing financial information and other procedures for the preparation of the Consolidated Financial Statements and interim financial reports (including the chart of accounts, the consolidation procedures and procedures for related party transactions). Prysmian Group Head Office functions are responsible for distributing this documentation to Operating Companies, which can be

accessed through the Group's intranet site. The operating companies also issue local policies, procedures and rules that comply with the Group's guidelines.

The Group has adopted a centrally coordinated evaluation system and attestation process for the purposes of assessing the adequacy and effectiveness of the internal control system, which includes controls over the financial reporting process. This system has been developed using the "COSO framework²" to identify key risks and thus the required key controls to be established to mitigate the risks identified and to ensure the internal control system operates effectively.

A scoping exercise is carried out annually to identify the companies, processes and sub-processes to be audited. In fact, the Internal Audit Department, serving in an independent capacity, tests the operation of the controls previously identified for each of the Group's "in-scope" operating companies and processes. The Chief Executive Officer and Chief Financial Officer of every Group operating company, and the Heads of the Relevant Head Office Functions and Departments, are responsible for maintaining an adequate system of internal control; this includes periodically testing the key controls, identified and tested by the Internal Audit Department during the implementation phase of the centrally co-ordinated evaluation system, to confirm that they continue to operate effectively and efficiently. These officers are required to submit an attestation every six months confirming that the internal control system is operating properly. This signed attestation is sent to Prysmian Group's Chief Financial Officer, the Managers responsible for preparing corporate accounting documents, and to the Head of Internal Audit. To support this attestation the officers must also confirm that they have specifically tested the operation of key controls and that evidence supporting their conclusions has been retained for future independent review. To achieve this, Prysmian requires each operating company to submit a detailed "Internal Control Questionnaire" (ICQ). These ICQs document the key controls for each critical business process and describe how the control works in that reporting entity and what type of tests have been performed in the reporting period to confirm the adequacy of the control. The ICQs are updated every six months by the owners of each process. The Internal Audit Department centrally reviews the ICQ submissions and accordingly will select a number of reporting entities or processes for detailed follow-up audits to confirm the integrity of the submission. An action plan is agreed with each reporting entity to strengthen existing controls or rectify any specific weaknesses.

The Company believes that the number of processes analysed and reporting entities incorporated within the evaluation system is sufficient to satisfy its ongoing Law 262/05 obligations.

²COSO Framework - Committee of Sponsoring Organizations of the Treadway Commission

RISK FACTORS AND UNCERTAINTIES

The Prysmian Group is exposed in the normal conduct of its business to a number of financial and non-financial risk factors which, if they should materialise, could also have a material impact on its results of operations and financial condition. The Group has always worked to maximise value for its shareholders by putting in place all necessary measures to prevent or mitigate the risks inherent in the Group's business, which is why it adopts specific procedures to manage the risk factors that could influence its business results.

In view of the increasing complexity of its business, the constantly evolving legislative and regulatory environment, and the continued instability of the economy and financial markets, the Board of Directors decided in 2012 to devote even more of the Group's attention to risk management. In accordance with the "Italian Stock Exchange Self-Regulatory Code for Listed Companies - Ed. 2011" (Self-Regulatory Code) and international best practices, the Prysmian Group has developed a dynamic Enterprise Risk Management (ERM) system intended to identify, measure, analyse and evaluate risk situations or events that could impact the achievement of the Group's strategic objectives and priorities. The system is managed in a structured and systematic way and acts as a support to the Board of Directors and management in knowingly evaluating the most effective approach to adopt in order to mitigate the impact of such risks and thus enable the achievement of strategic objectives.

The ERM system is an integral part of the essential system of internal control and risk management to ensure the effectiveness of the Group's corporate governance structure. This structure is based in turn on the recommendations and rules contained in the "Self-Regulatory Code", which the Group has adopted; the "Corporate Governance" section of this report provides information about the structure adopted and related responsibilities and also outlines the contents of the documents that comprise the Organisational Model, adopted by the Group on 27 August 2008. This model of organisation, management and control is specifically designed to prevent the commission of the offences envisaged by Legislative Decree 231/01 and to directly support the effective application of specific risk management procedures. Prysmian updates its Organisational Model on an ongoing basis to reflect changes in regulations, new legal interpretations and pronouncements and the guidelines of Confindustria (Italian confederation of industry).

The Prysmian Group adopts and will continue to adopt a global approach to the risk factors to which it is exposed, using a risk model designed to capture a wide portfolio view of the potential risks, both of external or internal origin, to which the business could find itself exposed. This model takes into consideration the following five main categories of risk:

- Strategic Risks, linked to external or internal factors that may affect the Group's results or decisions relating to strategies, activities, organisational structure, etc.;
- Financial Risks, associated with the amount of available financial resources and the ability to manage currency and interest rate volatility efficiently;
- Operational Risks, arising from the occurrence of events or situations that may limit the effectiveness and efficiency of key processes and are able to have an impact on value creation;
- Legal and Compliance Risks, relating to any shortcomings in defining or executing the Group's procedures that might lead to infringements of the law;
- Planning and Reporting Risk, related to the adverse effects that irrelevant, untimely or incorrect information could have on strategic, operational and financial decisions.

The Prysman Risk Model

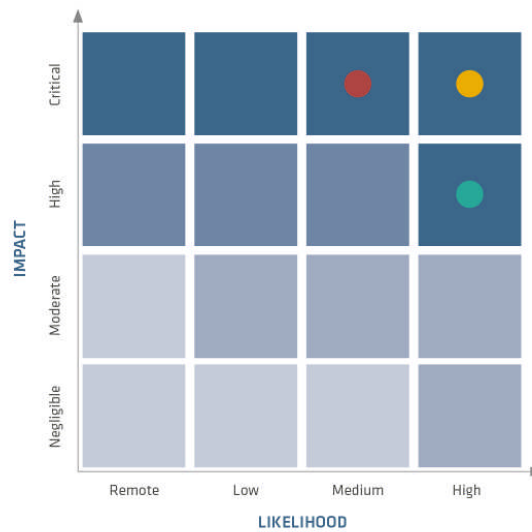
Strategic	Financial	Operational	Legal & Compliance	Planning & Reporting
<ul style="list-style-type: none"> • Changes in macroeconomic and competitive environment and in demand • Stakeholders expectations • Key customers and business partners • Emerging market risk • M&A/JVs and related integration processes • Investments • Strategy implementation • Organisational structure & governance 	<ul style="list-style-type: none"> • Commodity price fluctuation • Exchange rate fluctuation • Interest rate fluctuation • Financial instruments • Credit risk • Liquidity/working capital • Availability/cost of capital • Financial counterparties 	<ul style="list-style-type: none"> • Sales and calls for tender • Production capacity/efficiency • Supply chain capacity/efficiency • Business interruption/catastrophic events • Contract performance/liability • Product quality/liability • Environment • Information systems • Human resources • Outsourcing 	<ul style="list-style-type: none"> • Intellectual property rights • Compliance with laws and regulations • Compliance with Code of Ethics, policy e procedures 	<ul style="list-style-type: none"> • Budget & strategic planning • Tax & financial planning • Management reporting • Financial reporting

Under the risk model adopted, the process starts with a top-down approach, in which it is the Chief Risk Officer, the Board of Directors and Senior Management who together define the areas of risk most relevant to the achievement of strategic objectives; these areas must then be further analysed to identify specific risk situations and events for measurement and assessment at later stages of the process. The top-down approach allows the Group's risk portfolio to be evaluated as a whole and, where relevant risks are identified, allows appropriate measures to be taken to reduce the risk of underestimating such risks or their possible interaction with risks of another kind.

Functional heads and Region, Country and Business Unit managers are required to use a clearly defined method to measure and assess risk situations and events, taking account of the Impact of the risk, the Likelihood of its occurrence and the Adequacy of Risk Management should the risk materialise:

- Impact is assessed both with reference to the Financial impact, measured, where possible, in terms of expected EBITDA or cash flow at risk, and with reference to the Reputational and Operational impact, using a rating scale that goes from negligible to critical, which must also take into account the Group's level of risk tolerance or risk appetite, as defined by the Board of Directors;
- Likelihood is assessed in relation to the probability that a particular situation or event will occur within a twelve-month period, using a scale that goes from remote to high, where the prospect of risk must also reflect whether, in the course of time, the likelihood is increasing, constant or decreasing;
- Level of Risk Management is assessed with reference to the maturity and efficiency of the risk management systems and processes adopted, using a scale that goes from adequate to inadequate.

Risk assessment criteria



The process of identifying, analysing, measuring and evaluating risks results in the production of an analysis of key risks, that are quantified, categorised and listed in order of priority. This analysis is used by the Board of Directors to assess the consistency of the nature and level of key risks with the Group's strategic objectives and risk appetite, and to define, with Senior Management, the risks for which risk management or risk mitigation strategies should be developed, implemented and monitored and how existing strategies should be enhanced.

The type of instrument to develop and/or implement for risk management will depend on the nature of the specific risk situation or event identified, categorised as follows:

- Risks depending on External Factors or beyond the Group's influence, namely those risks whose occurrence cannot be prevented by the Group but whose impact can be mitigated by adopting countermeasures such as, for example, continuous monitoring activities, stress testing of the business plan, insurance coverage, disaster recovery plans, alternative strategies;
- Accepted Risks, i.e. those risks that are strategically acceptable in view of the potential related benefits and can be managed using a system that reduces the probability of an event's occurrence and the negative impact if the event does occur; such a system includes, for example, scenario analysis, adoption of specific risk management policies like hedging or other forms of risk transfer, monitoring of key risk indicators;
- Preventable Risks, i.e. risks inherent in the business that can be controlled using a system of internal rules designed to dictate the adoption of conduct likely to prevent such risks and to prevent mistakes; such a system includes, for example, the entire internal control system and its main elements, namely internal processes and procedures, reporting activities, ongoing monitoring and audit activities.

A special Internal Risk Management Committee (consisting of the Group's Senior Management) ensures, through the Chief Risk Officer, that the ERM process is developed in a dynamic way (i.e. taking account of changes in the business, of needs and events that have an impact on the Group over time), and that it is updated on a periodic basis, or as a result of new situations or risk events that might occur or be envisaged over time. The Head of Internal Audit is responsible in this context for reporting to the Board of Directors on the adequacy of existing processes.

The Internal Risk Management Committee also oversees the implementation of risk management or mitigation strategies and may, with the assistance of the Internal Audit department, request an independent opinion on the adequacy and efficiency of such implementation.

The classification used in the Risk Model just described will now be used to discuss the significant risks factors for each category and the strategies adopted to mitigate such risks. Financial risks are discussed in detail in the Explanatory Notes to the Consolidated Financial Statements in Section D (Financial risk management).

As stated in the Explanatory Notes to the Consolidated Financial Statements (Section B.1 Basis of preparation), there are no financial, operating or other kind of indicators that might cast doubt on Prysmian Group's ability to meet its obligations in the foreseeable future (and particularly in the next 12 months). In particular, based on its financial performance and cash generation in recent years, as well as its available financial resources at 31 December 2013, the Group believes that, barring any extraordinary events, there are no significant uncertainties, such as to cast significant doubts upon the business's ability to continue as a going concern.

STRATEGIC RISKS

Risks associated with market trends for the Group's products

Some of the markets for the Prysmian Group's products, mainly relating to the Trade & Installers business area, the Power Distribution business line and certain applications in the Industrial business area, are subject to cyclical fluctuations in demand and are influenced by overall trends in GDP growth. Although the diversified nature of the Group's markets and products reduces its exposure to cyclical trends in demand on certain markets, it is not possible to rule out that such market cycles could have a significant impact on the Group's business, results of operations and financial condition.

In addition, demand for products in the energy cables market is also influenced by the spending plans of utilities companies and by overall energy consumption, and also in part by construction industry trends, while demand for products in the telecom cables industry is heavily influenced by the spending plans of telecom operators.

Financial year 2013 reported a slight reduction in the Prysmian Group's overall volumes on the previous year, reflecting the slowing trend in demand underway since mid-2012 particularly affected by continued weakness in the Eurozone. Despite ongoing work to rationalise the manufacturing footprint, the renewed reduction in sales volumes did not allow any significant improvements in plant utilisation, which remained well below pre-crisis levels, with a consequent maintenance of competitive pressure on selling prices and therefore on margins.

Despite these conditions, the Prysmian Group achieved good results both in terms of profits and cash flow; however, if another significant downturn in demand should recur in coming quarters in the Trade & Installers, Power Distribution (partly linked to trends in the construction market), Industrial and Telecom businesses, combined with a slowdown in order intake in the High Voltage underground cables business, the Group cannot rule out that the consequent sharp downturn in business might have a material impact on its business, results of operations and financial condition.

Risks associated with the competitive environment

Primarily in the Trade & Installers business area and, to some extent, in the Power Distribution business line, competitive pressure due to a possible further reduction in demand could translate into additional pressure on prices. Many of the products offered by the Prysmian Group in this business are made in

compliance with specific industrial standards and are largely interchangeable with those offered by its major competitors; in such cases, price is therefore a key factor in customer choice of supplier. Although the competitive environment for this business may vary by country or region, one constant is the ever larger number of competitors, ranging from those capable of competing globally to smaller ones whose presence, in an individual country or region or an individual business line, may be comparable to that of the principal players.

Even though the Prysmian Group believes it will be able to cut costs in the face of contracting sales volumes, it may not be able to reduce them sufficiently to match the possible contraction in sales prices imposed by competitors, with a consequently adverse impact on its business, results of operations and financial condition.

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

Risks associated with exposure to key customers and business partners

In the SURF business, the Prysmian Group has a significant business relationship with Petrobras, a Brazilian oil company, for the supply of umbilical cables and flexible pipes, developed and manufactured at the factory in Vila Velha, Brazil. The exposure to Petrobras currently represents the majority of sales by the SURF business, which is therefore very concentrated. Although the Group believes it can maintain and strengthen this business relationship over time and despite the steady diversification of the customer portfolio in other geographical areas, it is not possible to rule out that a possible decline in demand for umbilical cables and flexible pipes by Petrobras could have a negative short-term impact on the Group's business, results of operations and financial condition.

Strategy implementation risks

The Prysmian Group's ability to improve its profitability depends, among others, on its success in implementing its business strategy. The Prysmian Group's strategy is based, among others: on increasing the proportion of sales from high value-added business lines, on developing its industrial structure to support its strategy, on continuously improving the structure of variable costs, on improving logistics and customer service and on ongoing research and development of new products and processes.

The Group intends to achieve its strategy through both internal and acquisition-led growth; however, it is not possible to guarantee that this strategy will be fully or partly achieved in the timescale and manner planned.

M&A/JVs and integration processes - Risks relating to the Draka Group's integration process

The public offer for all the shares in Draka Holding N.V. was completed on 22 February 2011 with acceptances received from more than 99% of the shares. After the integration process's preliminary planning, the new organisational structure was officially launched with effect from July 2011 and will guide the new Group with the goal of promoting both the Prysmian and Draka commercial brands and of realising the expected synergies.

Over the course of the integration process Prysmian expects to incur a total of some Euro 250 million in restructuring costs (net of any divestments) and to generate growing cost synergies starting from year one of the integration with the goal of achieving total annual synergies of Euro 175 million by 2016, mainly by

reducing fixed costs, by optimising the industrial footprint and procurement, by making organisational savings and improving operating efficiency and optical fibre sourcing, and by exploiting complementarities in the product portfolios. However, the Group cannot rule out potential difficulties or delays in implementing the new organisational structure and the new operating processes, with a possible consequent adverse impact both on the timing and amount of expected synergies and restructuring costs.

Risks relating to changes in the legal and regulatory framework

The Prysmian Group, as a manufacturer and distributor of cables, is subject to numerous legal and regulatory requirements in the various countries where it operates, as well as technical regulations, both national and international, applicable to companies operating in the same sector and to products manufactured and marketed by the Group. Environmental protection legislation is particularly important in this regard. Although the Group is constantly engaged in reducing its exposure to environmental risks and has taken out insurance against potential liabilities arising from third-party environmental damage, it is nonetheless possible that not all environmental risks have been adequately identified and that not all the insurance coverage is fully effective. In particular, the enactment of additional regulations applicable to the Group or its products, or changes in the current national and international laws in the segments in which the Group operates, could require the Group to adopt stricter standards or could limit its freedom of action in its own areas of business. These factors could involve compliance costs, even of significant amount, for its manufacturing facilities or product specifications.

Risks associated with activities in emerging markets

The Prysmian Group operates and has production facilities and/or companies in Asia and Latin America. The Group's activities in these countries are exposed to different risks linked to local regulatory and legal systems, the imposition of tariffs or taxes, political and economic instability, and exchange rate risks. Significant changes in the macroeconomic, political, tax or legislative environment of such countries could have an adverse impact on the Group's business, results of operations and financial condition.

FINANCIAL RISKS

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

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

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

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

Risks associated with availability of financial resources and their cost

The volatility of the international banking and financial system could represent a potential risk factor in terms of raising finance and its associated cost. Prysmian Group believes that it has significantly mitigated such a risk insofar as, in recent years, it has always been able to raise sufficient financial resources, and at a competitive cost. In particular, in December 2013 the Group obtained a loan for Euro 100 million from the

European Investment Bank (EIB) to fund the Group's European R&D plans over the period 2013-2016; in March 2013, Prysmian completed the placement of a convertible bond with institutional investors for Euro 300 million, with a 1.25% coupon and maturity in March 2018. Previously, in March 2011, the Group had entered into a long-term loan agreement for Euro 800 million (Credit Agreement 2011) with a syndicate of leading banks. This five-year agreement comprises a loan for Euro 400 million (Term Loan Facility 2011) and a revolving facility for Euro 400 million (Revolving Credit Facility 2011). In addition, the placement of an unrated bond with institutional investors on the Eurobond market was completed in March 2010 for a nominal total of Euro 400 million with a 5.25% coupon and maturity in April 2015. Lastly, it is recalled that in January 2010 Prysmian entered into a forward start credit agreement for Euro 1,070 million, of which Euro 670 million related to a Term Loan Facility and Euro 400 million to a Revolving Credit Facility, maturing on 31 December 2014. As at 31 December 2013, the Term Loan Facility stood at Euro 184 million (for more details, reference should be made to the section on Significant Events During the Year).

The annual interest rate on the Credit Agreements is equal to the sum of:

- LIBOR or EURIBOR, depending on the currency;
- an annual spread determined on the basis of the ratio between consolidated net financial position and consolidated EBITDA.

As at 31 December 2013, the Group's total financial resources, comprising cash and cash equivalents and undrawn committed credit lines, came to in excess of Euro 1 billion.

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

Financial covenants

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

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

All covenants, financial or otherwise, were fully observed at 31 December 2013. In particular:

- (i) the ratio between EBITDA and Net finance costs, as defined in the credit agreements, was 6.91x (against a required covenant of not less than 5.50x);
- (ii) the ratio between Net Financial Position and EBITDA, as defined in the credit agreements, was 1.28x (against a required covenant of below 2.75x).

As things stand and in view of the level of the financial covenants reported above, Prysmian Group believes that it will not have to face this risk in the near future. A more detailed analysis of the risk in question can be found in the Explanatory Notes to the Consolidated Financial Statements.

Exchange rate fluctuation

The Prysmian Group operates internationally and is therefore exposed to exchange rate risk for the various currencies in which it operates (principally the US Dollar, British Pound, Brazilian Real and Chinese Renminbi). Exchange rate risk occurs when future transactions or assets and liabilities recognised in the

statement of financial position are denominated in a currency other than the functional currency of the company which undertakes the transaction.

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

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

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

Interest rate fluctuation

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

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

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

Credit risk

Credit risk is the Prysmian Group's exposure to potential losses arising from the failure of trade or financial counterparties 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 significant concentrations of credit risk. It nonetheless has procedures for ensuring that its trade counterparties are of recognised reliability and that its financial counterparties have high credit ratings. In addition, in mitigation of credit risk, the Group has a global trade credit insurance policy covering all its operating units.

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

Liquidity risk

Liquidity risk is the risk that an entity does not have sufficient financial resources to meet its obligations to trade or financial counterparties on the agreed due dates.

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

Prudent management of liquidity risk involves the maintenance of adequate levels of cash, cash equivalents and short-term securities, the maintenance of an adequate amount of committed credit lines, and timely renegotiation of loans before their maturity. Due to the dynamic nature of the business in which

the Prysmian Group operates, the Group Finance Department favours flexible arrangements for sourcing funds in the form of committed credit lines.

As at 31 December 2013, the Group's total financial resources, comprising cash and cash equivalents and undrawn committed credit lines, amounted to in excess of Euro 1 billion. A more detailed analysis of the risk in question can be found in the "Financial Risk Management" section of the Explanatory Notes to the Consolidated Financial Statements.

Risks associated with fluctuations in commodity prices

The principal raw material used for making the Prysmian Group's products is copper. The other raw materials used are aluminium, lead and steel, as well as various petroleum derivatives, such as PVC and polyethylene.

All raw materials have experienced particularly significant price fluctuations in recent years, which could continue in coming quarters. The Group neutralises the impact of possible rises in the price of copper and its other principal raw materials through automatic sales price adjustment mechanisms or through hedging activities; the exception is petroleum derivatives (polyethylene, plastifying PVC, rubber and other chemical products), where the risk cannot be offset through hedging. Established commercial practice and/or the structural characteristics of the markets concerned mean that hedging of certain products (mainly in the Trade & Installers business area) involves the periodic updating of price lists (since it is not possible to use automatic sales price adjustment mechanisms). In such cases, it is possible that, in the current market context, the Prysmian Group would be unable to quickly pass on the impact of fluctuations in raw material prices to sales prices. In particular, in the case of petroleum derivatives, it is standard practice for changes in purchase price to systematically lag behind changes in the petroleum price.

More generally, depending on the size and speed of copper price fluctuations, such fluctuations may have a significant impact on customers' buying decisions particularly in the Trade & Installers business area, the Power Distribution business line and certain lines in the Industrial area more exposed to cyclical trends in demand, and on the Group's margins and working capital. In particular, (i) significant, rapid increases and decreases in the copper price may cause absolute increases and decreases respectively in the Group's profit margins due to the nature of the commercial relationships and mechanisms for determining end product prices and (ii) increases and decreases in the copper price may cause increases and decreases respectively in working capital (with a consequent increase or decrease in the Group's net debt).

Risk hedging differs according to the type of business and supply contract, as shown in the following diagram:

Supply Contract	Main Application	Metal influence on Cable Price	Impact	Hedging of Metal Price Fluctuations	Impact
Predetermined delivery date	Projects (Power transmission) Cables for industrial applications (eg.OGP)	Technology and Design content are the main elements of the "solutions" offered. Pricing little affected by metals.		Pricing locked in at order intake. Profitability protection through systematic hedging (long order-to-delivery cycle).	
Frame contracts	Cables for Utilities (eg. power distribution cables)	Pricing defined as hollow thus automatic price adjustment through formulas linked to publicly available metal quotation.		Price adjusted through formulas linked to publicly available metal quotation (average last month). Profitability protection through systematic hedging (short order-to-delivery cycle).	
Spot orders	Cables for construction and civil engineering	Standard products, high copper content, limited value added.		Pricing managed through price lists (frequently updated). Competitive pressure may result in delayed price adjustment. Hedging based on forecasted volumes rather than orders.	

HIGH

LOW

Metal price fluctuations are normally passed through to customers under supply contracts.
 Hedging is used to systematically minimise profitability risks.

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

OPERATIONAL RISKS

Responsibility for product quality/defects

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

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

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

Some supply and/or installation contracts entered into by the Prysmian Group include penalties if the agreed delivery date or qualitative standards are not met.

Turnkey contracts, particularly those relating to the development of submarine links, can include penalties of this kind. The application of such penalties, the obligation to compensate any damages as well as the

impact of any delayed delivery or any problems in production on the supply chain and operating costs, could adversely affect the Group's business, results of operations and financial condition.

In order to avert or mitigate such risks the Group conducts extensive testing of cables and accessories before they are delivered and installed, and always does its utmost to limit potential contractual liabilities for penalties or damages; in addition, it also maintains project specific insurance policies during the transportation and assembly phases of all submarine turnkey projects. The scope and level of such insurance policies, however, may in some cases be limited by the capacity of the relevant insurance markets. As a result, some potential liabilities may not be insured or only insured up to a level which is below contractually agreed limits.

It is not possible to guarantee that in the future the Group will manage to fully and promptly meet commitments arising from the occurrence of such risks. To date, however, the Group has not received any compensation claims such as to cause material uninsured adverse effects.

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

Being an industrial group, the Prysmian Group is potentially exposed to the risk of stoppage of production at one or more of its facilities, due, for example, to machinery breakdown, cancellation of or challenge to permits and licences by the competent public authorities (also due to changes in legislation), strikes or shortage of labour, natural disasters, major disruptions in the supply of raw materials or energy, sabotage or terrorist attacks.

Over the last three years there have been some incidences of business interruption: among the most significant were the prolonged stoppage in late 2011 at the Aubevoye plant in France due to the precautionary need for asbestos decontamination within the production site, the stoppage of the Cebu plant in the Philippines towards the end of 2013 due to damage caused by Typhoon Haiyan, and some temporary strike disruption at all the plants affected by restructuring (Livorno Ferraris and Battipaglia in Italy, Derby in Great Britain, Fercable in Spain and Wuppertal in Germany). There were also other strikes in France (Calais and Douvrin) and Brazil in connection with wage demands and contract renewals. These recent events mean that other business interruptions in the future cannot be ruled out and, if they were to last for particularly long periods and the cost exceeded the Group's current insurance coverage, its business, results of operations and financial condition could be adversely affected.

In addition, activities relating to the submarine cables business are closely dependent on certain specific assets, such as the Arco Felice plant in the province of Naples and the "Giulio Verne" cable-laying ship. The Prysmian Group believes that a prolonged stoppage in the operation of these assets could have a significant adverse impact on its business, results of operations and financial condition.

In order to prevent such operational risks, the Group systematically performs a Risk Management and Loss Prevention review at all its companies in order to identify and quantify operational risks and define and manage policies that address such risks. In particular, as part of the "Loss Prevention" programme, applied to every plant in the pre-acquisition Prysmian Group and currently being implemented at the Draka plants (about 2/3 of which were covered by the programme at the end of 2013), the Risk Management function periodically inspects the Group's plants to identify and prevent potential risks through mitigation and control.

The following classifications are used to establish the level of risk:

- plants with controlled risks (Excellent HPR - Highly Protected Risk);
- low risk plants (Good HPR);
- medium-low risk plants (Good not HPR);
- medium risk plants (Fair);
- high risk plants (Poor).

The investment needed to reduce the level of risk at each plant is estimated with the goal of achieving an "Excellent HPR" classification for all the Group's facilities. As at 31 December 2013, all of the plants inspected were classified as "Excellent HPR", "Good HPR" or "Good not HPR"; no plant was classified as medium or high risk.

In addition, specific disaster recovery plans have been developed that, by predetermining loss scenarios, allow all the appropriate countermeasures to be activated as soon as possible in order to minimise the impact of a catastrophic event.

Lastly, the Risk Management function periodically reviews the level of insurance coverage, premiums paid, losses incurred and the damages recovered by the Group and prepares, for each Group company, a plan for preventing such risks, indicating the priority areas of mitigation and control.

Business interruption/Catastrophic events - Risks associated with the supply and availability of raw materials

Copper is the principal raw material used by the Prysmian Group for its manufacturing processes. The other raw materials used are aluminium, lead and steel, as well as various petroleum derivatives, such as PVC and polyethylene.

The Group has always been able to obtain sufficient supplies of metals and other raw materials to meet its production needs and does not consider itself dependent on any one supplier. As far as possible, the Group seeks to diversify its sources of supply. The Group procures most of its resins and plastic materials from the major world suppliers, signing supply contracts normally for a year with monthly deliveries, and satisfies the remainder of its needs by producing such materials directly at some of its plants. In addition to the policies of diversifying the sources of supply for more critical materials, the availability of such materials is also based on building long-term partnership relationships and arrangements with leading suppliers in the respective sectors.

With particular reference to optical fibre, the Group believes it has sufficient production capacity to meet its needs for the production of optical fibre cables and for sales of such material to third parties. Nonetheless, for commercial and strategic reasons, the Group has decided to adopt a policy of sourcing part of its optical fibre from third-party manufacturers.

Environmental risks

In the various countries in which it operates, the Prysmian Group is also subject, among others, to specific laws and regulations on the environment and workplace safety. Complete or partial failure to comply with these regulations or the occurrence of accidents due, for example, to sabotage, negligence or acts of nature, could expose the Group and the persons involved to significant risks, with consequent potentially negative effects on the Group's business, results of operations, financial condition and reputation.

To mitigate these risks, the Group not only organises specific training programmes, it also adopts management systems designed to ensure strict compliance with the rules in accordance with best practices and which are subject to internal and external monitoring. The number of the Group's sites certified under ISO 14001 (for environmental management systems) and OHSAS 18001 (for safety management) has reached 86% and 49% of the total respectively.

Although the Group constantly endeavours to reduce its exposure to environmental and safety risks (including, but not limited to, risks relating to emissions of polluting substances into the air, water, soil and subsoil, treatment and disposal of hazardous substances and non-compliance with rules, procedures and regulations) and even though it has taken out insurance against potential liabilities arising from third-party environmental damage, it is nonetheless possible that not all risks have been adequately identified and that not all the insurance coverage is fully effective.

Risks associated with information systems

To support integration of the Draka business, the Prysmian Group has initiated a major project to upgrade and consolidate its various information systems into standard platforms using a common model based on the latest technology.

The Prysmian Group is aware of the risks associated with such projects, primarily in connection with possible inaccuracies in data transfer. However, the Group believes that it has taken every step necessary to limit such risks through testing, training, and preliminary planning, as well as through appropriate contracts with the suppliers of the replacement technology.

LEGAL AND COMPLIANCE RISKS**Risks associated with intellectual property rights**

Although the Group believes it has adopted a suitable system for protecting its own intellectual property rights, it cannot rule out that it might face difficulties in defending such rights.

Intellectual property rights owned by third parties could hinder or limit the Group's ability to introduce new products to the market. In addition, it is not possible to rule out the Group's possible involvement in legal actions involving intellectual property rights, the outcome of which is often unpredictable. Such circumstances could have an adverse impact on the Group's business, results of operations and financial condition.

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

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

Risks relating to legal and tax proceedings

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

More specifically, the European Commission, the US Department of Justice and the Japanese antitrust authority started investigations in late January 2009 into several European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive practices in the High Voltage underground and Submarine cables markets. Subsequently, the Australian Competition and Consumers Commission ("ACCC") and the New Zealand Commerce Commission also started similar investigations. During 2011, the Canadian Antitrust Authority also started an investigation into a high voltage submarine project dating back to 2006. The investigations in Japan and New Zealand ended in previous years without any sanctions for Prysmian. The other investigations are still in progress.

In Australia, the ACCC has filed a case before the Federal Court arguing that Prysmian Cavi e Sistemi S.r.l. and two other companies violated antitrust rules in connection with a High Voltage underground cable project awarded in 2003. Prysmian Cavi e Sistemi S.r.l. has filed its objections and presented its preliminary defence.

In Brazil, the local antitrust authority has started an investigation into several cable manufacturers, including Prysmian, in the High Voltage underground and Submarine cables market. Prysmian has taken steps to present its preliminary defence. During the month of December 2013, the company ABB and one of its senior managers signed an agreement with the Brazilian antitrust authority, under which they admitted the conduct alleged by the authority and pledged to cooperate with it and to each pay an agreed fine.

At the start of July 2011, Prysmian received a statement of objection from the European Commission in relation to the investigation started in January 2009 into the High Voltage underground and Submarine energy cables market. This document contained the Commission's preliminary position on alleged anti-competitive practices and did not prejudge its final decision. Prysmian has submitted its defence which it was also able to present at the hearing before the European Commission held during the month of June 2012. In July 2013, Prysmian submitted information, at the Commission's request, about its 2004 sales in the High Voltage underground and Submarine cables businesses. In addition, a state of play meeting was held between the company and the European Commission at the start of October 2013.

Subsequently, in February 2014, the Commission requested the figures for the Group's consolidated sales at 31 December 2013 which, together with the length of time elapsing since the investigation's start, could indicate that a decision may be issued soon.

As at 31 December 2013, the amount of the provision for the risks relating to the investigations underway in the various jurisdictions, except for Brazil, is approximately Euro 199 million. This amount has been determined on the basis of partly subjective considerations and is only an estimate since the outcome of the investigations in progress is still uncertain. It is therefore not possible to rule out that the Group could be required to meet liabilities not covered by the provisions for risks should such litigation have an adverse outcome, with a consequently negative, even material, impact on its business, results of operations and financial condition.

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 and in view of the reliability and effectiveness of internal procedures for reporting and planning, these risks are not considered to be relevant for the Group.

SUSTAINABLE APPROACH TO MANAGING THE BUSINESS

Sustainability has become an ever more integrated part of Prysmian Group's way of doing business, involving every function across the board: from environmental and social sustainability to the fostering and development of human capital, from production processes mindful of health, safety and the environment to relations with local communities.

Prysmian Group's leadership of the cable industry, in Italy and worldwide, carries a duty for assuring an efficient, technologically advanced, high value-added service that is sustainable in the medium and long term, as expressed in the corporate Vision.

This responsibility guides the Group's approach to sustainability in all its forms. To operate in a responsible manner is not only a Group policy, but a must for retaining a lasting competitive edge that can create value for everyone.

Sustainability has become an ever more integrated part of the Group's way of doing business, involving every function across the board: from the environmental and social sustainability of its solutions to its attention to fostering and developing human capital, and from production processes mindful of health, safety and the environment to the management of relations with local communities. These are just some of the aspects that guide the Group's daily activities and direct its process of setting medium and long-term goals.

The way the business is run aims to implement management and production processes which help improve the sustainability of the solutions offered to its customers, the development of its people, the environmental responsibility of its production systems and the approach to managing relations with the local communities in which it operates.

The year 2013 saw the launch of several projects marking significant steps in the Group's progress towards sustainability and the achievement of important results, reflecting ongoing work over the years.

In its first year of participation, Prysmian was named as "Best Newcomer" in the Carbon Disclosure Project's Italy 100 Climate Disclosure Leadership Index, achieving the highest Climate Disclosure Score among the year's first-time participants. This result displays the Group's commitment to clear and transparent communication of its greenhouse gas emissions, its strategies for their reduction, the risks relating to climate change and the areas to target to improve energy efficiency.

The Group promotes the development of its employees by providing ongoing training and fostering career progression within an international working environment. In fact, the Prysmian Group Academy, an international school of managerial and professional education whose mission is to consolidate and develop management expertise, carried on its activities during the course of the year.

As part of its drive towards greater corporate sustainability and aware of the effects of its activities on the countries and economies in which it does business, Prysmian has decided to adopt a Corporate Citizenship Policy concerning those actions it can take to benefit the community. The policy addresses activities aimed at satisfying the needs of the community and general public and intends to define rules for such actions and associate them with the business activities of the Group.

Prysmian's steadfast commitment to sustainability is also reflected in transparent, structured communication to all its stakeholders. Its annual Sustainability Report offers every reader the chance to learn about the policy promoted by Prysmian and its economic, environmental, social and product performance.

The Group's sustainability reporting follows global best practice, namely the Global Reporting Initiative (GRI)'s "Sustainability Reporting Guidelines" (version G3.1 dated 2011). The GRI Reporting Framework is

a universally accepted model for sustainability reporting; it includes common practices for different types of organisations and contains topics of a general nature as well as industry-specific ones with the aim of communicating an organisation's sustainability performance.

The continuous process of improving the Sustainability Report's qualitative and quantitative disclosures is reflected in the goal of reaching GRI Application Level B+. The report is also audited by a recognised external company to provide all stakeholders with assurance as to the reliability of the information contained therein. Reference should be made to the 2013 Sustainability Report for a complete account of the Group's economic, environmental, and social performance.

Sustainability therefore represents an omnipresent approach to the way that it manages its business and processes. This approach is evident in the development of human resources, in the ongoing search for sustainable customer-oriented solutions, in integrated management of the supply chain and in the attention to protecting the internal and external environment.

HUMAN RESOURCES

To foster and develop the passion, motivation and competencies of its people. The Prysmian Group's human capital strategy is the basis of its competitive edge over competitors. Investing in human resources is to develop innovative ideas, products and services that can satisfy even the most demanding customers.

Over a period spanning more than **130 years**, the Prysmian Group has built its success and achieved important milestones thanks to the skills of its employees who, generation after generation, have been able to pass on to younger colleagues their values, experience and sense of belonging to the Group.

The **human capital strategy** of Prysmian seeks to pursue this path: fostering and shaping the passion, motivation and competencies of our employees into the real competitive edge over our competitors.

In line with the Group's objectives, the human capital strategy is underpinned by a number of pillars.

- The development and dissemination of a shared **common identity**: everyone must feel part of the team, contributing to a common project in which they believe.
- An inspiring model of **Leadership**: a management class of high moral and professional standing is essential for aspiring to ambitious goals and for achieving stable, long-term results.
- The **development and management of talent**: involving the right people in the professional challenges, knowing how to select them and developing and making the most of their skills; training them, challenging them and engaging them. These activities, like others, require planning and method in order to prime the Group to face the challenges of the future. The Group aims to create a "people pipeline" that will drive and support Prysmian's growth.
- The **ability to attract** the highest quality people on the market, by offering professional, intellectual and challenging career alternatives, that are dynamic but also able to offer attractive long-term prospects.
- The **development of an organisation** that, in terms of size, structure and processes, will allow the Group to compete effectively on the market.
- The importance of **internal communication and social relations**, key to managing a large organisation and being able to engage internal and external stakeholders.
- The **international and multicultural dimensions** of our workplaces, consistent with our industrial and commercial presence worldwide.

Leadership Alignment/Organisational efficiency

During 2013 the Group carried on consolidating the matrix organisational model, introduced back in July 2011; it continued to perform analyses and take consequent actions intended to fully harmonise processes, optimise structures and effectively develop potential synergies arising from the Prysmian-Draka integration, leading to a progressive improvement in the level of management control.

From an organisational point of view, a series of analyses were carried forward in 2013 with the aim of optimising organisational structures, especially in the commercial area, in order to meet new market needs.

People Development: investing in people

During the year, Prysmian Group consolidated its employee training and development programme based on the following four initiatives: Graduate Program, Prysmian Group Academy, Talent and Succession Management and Performance Management.

Graduate Program is an international graduate recruitment and induction programme for placements in different business functions and geographical areas, created with the objective of helping to build the Group's management and professional team of the future. Launched in 2012, the selection process (involving online tests, group assessments and finally interviews with management) has attracted more than 5,000 applicants, from whom just 52 young people hailing from every continent were selected. In parallel, another recruitment campaign was initiated in 2013 to select around 50 young high-potential graduates for induction into Prysmian by the end of 2014.

Prysmian Group Academy is an international school for managers and professionals that has seen around 500 employees pass through its doors in 2013 and plans to see an equal number in 2014. This initiative not only accelerates the integration process - following the acquisition of Draka - and consolidates the Group's identity, but also aims to strengthen managerial skills and technical expertise, through the courses respectively provided by the School of Management and the Professional School:

- **School of Management:** set up in partnership with SDA Bocconi, it offers management training programmes that count towards earning an MBA and are structured according to the different types of user.
- **Professional School:** its intent is to transfer company know-how and consolidate technical skills, by spreading knowledge of the product portfolio and fostering the development of an internal network able to transfer knowledge from senior experts to more junior colleagues.

Talent and Succession Management is a process designed to improve the management of key people. The specific objective is sustain the growth of the business over the long term by identifying, developing and retaining talent in possession of critical know-how, meaning those individuals with the essential knowledge and skills needed to assure the constant improvement of product quality, the expansion of markets, the management of customers and the acquisition of new business.

Performance Management, an important motivational tool for the individual, by appraising performance and improvement in performance. A pilot project was launched in 2012 for the gradual implementation of the new performance appraisal system, known as **Prysmian People Performance (P3)**. The project was fully rolled out in 2013. The new process, supported by a specific online system, is intended to introduce a Group culture based on the importance of constructive feedback, two-way communications with immediate superiors, the development of individuals and the recognition of merit based on objective criteria.

The Group is still facing a post-merger phase, and like in all businesses where technology is one of the core assets, Prysmian's know-how is often concentrated with certain owners of critical know-how. Facilitating the exchange of knowledge and best practices is a key issue and experienced workers are a critical component of this process: keeping the more senior workers fully on board is necessary for the creation and dissemination of the Prysmian Group's managerial culture.

Experience counts

It was on the above basis that in September 2013, the Prysmian Group Academy organised a survey, with the support and collaboration of SDA Bocconi School of Management, known as "Experience counts. Sharing the value of working experience", which involved around 750 employees aged 55 and over from 8 countries, particularly in Europe.

The questionnaire, translated into 8 languages, has allowed the Group to collect the opinions and suggestions of experienced employees in order to identify specific training and development initiatives. Such initiatives are planned to start in 2014 both at a Group and local level in order to strengthen the expertise and engagement of more senior employees.

International mobility

At the end of 2013, the Prysmian Group's expatriate population numbered about 100 people from 14 different nationalities (of whom slightly more than 50% were Italian and about 60% non-executive grade professionals), who have moved to 25 different destination countries. The importance of international mobility, confirmed by these figures, is what enables the Group to respond to the different needs and demands of the business:

- it allows the culture and values of Prysmian to be disseminated in all the Group's countries and in all its subsidiaries;
- it allows local organisational needs to be met by transferring managerial and technical know-how from one country to another depending on the various requirements;
- it represents an opportunity for the professional development of individuals, both to consolidate the skills of middle management, and to promote the growth of young talents.

As part of its ever greater attention to employees, in this specific case the expatriate population, in 2014 Prysmian will introduce a new programme of preventive health care for all its expatriates and their families. This programme has a dual purpose: on the one hand, a preventive one, pursued by encouraging the preservation of the health of the expatriate and their family members, on the other, a supportive one, pursued by assisting the expatriate and family members in managing any health problems that may arise during the period of expatriation.

Remuneration policies

The Compensation & Benefits policies adopted by the Prysmian Group are designed to attract and retain talented individuals with the necessary skills for achieving the business objectives, and to motivate management to perform even better in accordance with the corporate culture and values.

These policies are defined and implemented centrally for the Executive population, while such activities are delegated to the local level for the rest of the population.

In line with best market practice, the remuneration packages of the Group's executives in 2013 have been structured to contain a significant variable proportion, i.e. performance-related.

In fact, all the Group's Executives participate in the MBO (Management by Objectives) plan under which an annual incentive is paid upon meeting specific business and/or functional and/or individual objectives defined in accordance with the annual business plan. Executives also participate in the Long-Term Incentive plan (LTI) launched in 2011, based on the achievement of three-year targets. This plan has been designed so as to be consistent with the interests and expectations of investors, to ensure the sustainability of the business in the long run and to promote the retention of resources within the Group.

In the interests of continuity with the past, and convinced of the importance of linking executive remuneration to company short-term as well as long-term results, Prysmian Group will structure a new long-term incentive plan in 2014 that will be submitted for shareholder approval.

Group employee share purchase plan (YES Plan)

In 2013, Prysmian Group launched a stock purchase plan (YES - Your Employee Shares), with the aim of making all employees feel even more part of the great Prysmian family by making them owners of a small part of the business. Participation in this plan in the first year of launch has exceeded expectations - more

than 30% of all employees signed up to it (in some countries, participation exceeded the 50% mark), confirming the great engagement of employees and their great confidence in the business's future.

Social and internal relations

Restructuring initiated in the wake of the Draka acquisition entered a phase of consolidation during the year, while ongoing actions were taken to rationalise and reduce costs in response to the particular economic circumstances. All these operations were conducted in compliance with local laws and with the agreement of the social partners concerned, including through the use of the most advanced management tools. The new European Works Council for the Prysmian Group came into operation in 2013; it held two meetings, in May and December respectively, during which the main trends in the Group's business in the current market situation were discussed.

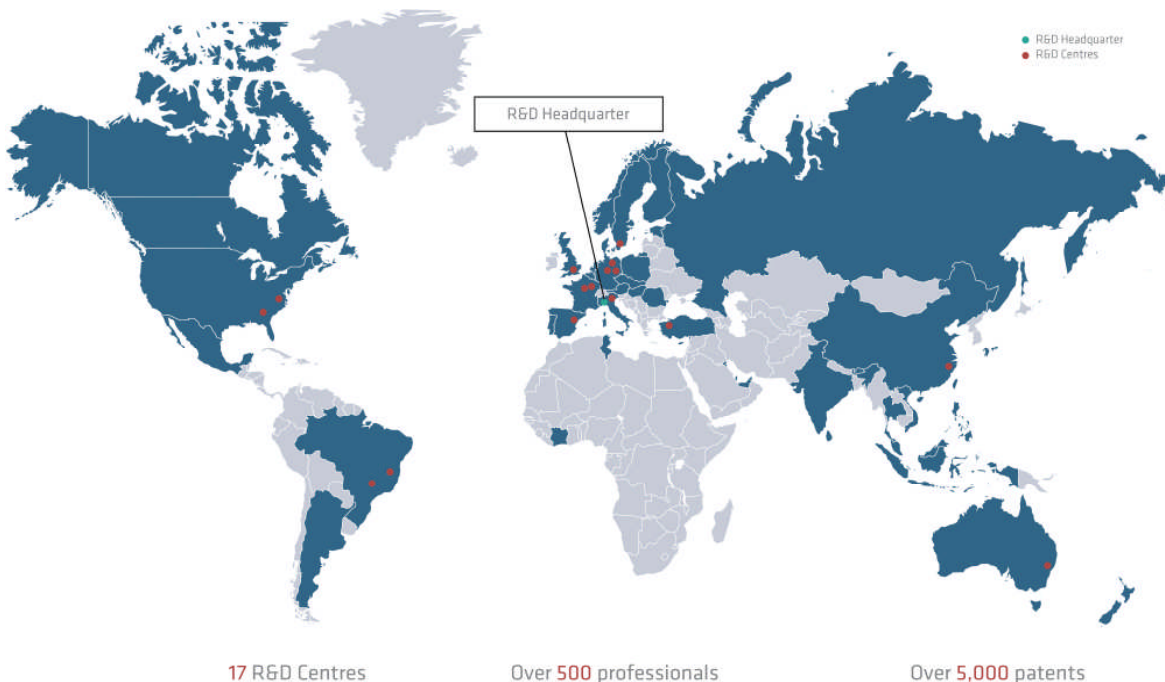
For a more detailed understanding of the Prysmian Group's commitment to human resources, please refer to the 2013 Sustainability Report.

RESEARCH AND DEVELOPMENT

With 17 Centres of Excellence, over 500 professionals, about 5,700 patents and partnerships with universities and research centres in many countries, the Prysmian Group intends to be an innovation leader.

Prysmian Group has always given key strategic importance to Research & Development to maintain its market leadership, with the aim of differentiating itself and of providing its customers with technologically innovative solutions at increasingly competitive costs. The Group currently has 17 Centres of Excellence, with headquarters in Milan, and over 500 skilled professionals. With around 5,700 patents granted or filed and partnerships with major universities and research centres in many countries where it is present, the Prysmian Group intends to be industry leader in R&D. The Group's spending on Research, Development and Innovation amounted to approximately Euro 68 million in 2013, broadly in line with the previous year and confirming its steadfast commitment to and focus on long-term sustainable growth.

Prysmian Group R&D Centres



The main achievements of the year in the **Energy business** included:

- In the area of Submarine cables, internal qualification testing was completed of the 2400 mm² Cu 600 kVDC MIND (mass impregnated-non drain) cable for the WesternLink project, including the official type test; a prototype 1900 mm² Al 500 kVDC MIND cable was produced for the Montenegro-Italy project, and its internal qualification completed, as was the new composite armour system for 150 kVAC three-core cables, which substantially reduces cable weight and consequently allows cables to be laid at depths well beyond current limits; the SZ stranding line

(energy conductors twisted in alternating directions as indicated by the letters S and Z) entered full operation at the Arco Felice plant for all three-core high voltage cables.

- In the High Voltage cables area, a new insulating package for applications up to 400 kV was identified and implemented internally in order to reduce the dependence on the current supplier; a 150 kV WAS (welded aluminium screen) design was qualified and went into production at the Pignataro plant, allowing a reduction in average variable cost of 150 kV cable production compared with the previous design; a 110 kV WAS design with integrated optical element went into production at Delft; the 150 kV Feltflex cable for the EXXON Mobil project achieved qualification and entered production.
- With reference to developments in P-Laser technology, a 1,000 mm² Cu 150 kV cable was fully qualified and installed in the Lacchiarella circuit for the Italian customer Terna; the cable has a much lower environmental impact than conventional XLPE systems, and is designed to be fully compatible with this type of cable. This is the first installation in the world of a 150 kV cable with thermoplastic insulation at operating temperatures of ≥ 90 °C, which has been laid in a particularly important part of the national transmission grid located in the south-west of Milan. In addition, testing of a 240 mm² Al 20kV cable for Iberdrola was started and the 20 kV and 30 kV versions of the cable were fully qualified; in The Netherlands, the manufacture and sale of 20 kV cable to the customer Alliander was completed. Lastly, the pre-qualification phase was started for a 320 kV HVDC prototype; this development displayed the benefits of P-Laser technology, which not only reduces the product's environmental impact (due to the thermoplastic recyclable nature of all the cable's components) but also allows complete elimination of the degassing phase typical of cross-linked insulated cable.
- In the Trade & Installers and Power Distribution businesses, with a difficult market backdrop especially in Europe, attention focused on the transfer of know-how and technology from European subsidiaries to those operating in emerging markets such as China, Hong Kong, North America and Brazil.
- In the OEM cables business, several new products were released during the year, including SHD and SHD-GC cables (standard mining cable in accordance with ICEA standards) in South America, EN-compliant railway cables for applications down to -50 °C, developed in France and Germany, hybrid cables with low and medium voltage for mining applications (Tenax R - Tri Plug) in Germany, a 25 kV railway power cable for Alstom in partnership with France and Germany, the Panzerflex ELXX, a lighter and smaller cable, for *Crane* application in Italy, a cable for submersible pumps in North America that meets *Franklin Electric* and European standards for drinking water applications; in addition, work continued on the transfer of know-how and technology between subsidiaries in order to serve customers locally without the need for production by other sites in the Group.
- In the Elevator Cables business, several new products were developed during the year, including special conductor flat cables for high-speed elevators, suspended cable bundles up to 4.25" in width, developed under a joint venture in China with Nantong Zhongyao Mechanical & Electrical Manufacturing Co. Ltd., brakes for safety ropes up to 5/8", developed in partnership with a Chinese supplier (the brake is designed and optimised to stop unexpected movement of the elevator), a special monitoring system developed in partnership with ElectroDYN Systems for old generation elevators lacking built-in sensors, and the automatic Acculube Rope Oiler system.
- In the area of Prycam technology, two important new versions of the products were developed in 2013 to monitor electrical parameters in fixed installations: Prycam Grids, for monitoring high and medium voltage systems, and Prycam Drive, targeting the sector of engines and generators. Both

instruments, offering very high performance in terms of measurement sensitivity and reliability, are fully accessible online, allowing data to be stored in a database and the setting of alarm functions for anomalies detected during monitoring.

Achievements in the **Telecom business** included:

- In the field of Optical Fibre and Optical cables for telecommunications, the Group carried on developing bend-resistant fibre (BendBright-XS) and special eco-friendly cabling solutions for FTTH (Fibre to the Home) applications and for mobile networks (LTE and 4G networks). These new products (Micro and Nano Flextube optical cables) offer an excellent solution for use in conduits congested with other cables. In addition, the new "RetractaNet" technology, able to reduce user connection costs by up to 25%, was rolled on a massive scale in The Netherlands.
- In the Connectivity field, several new connectivity accessories were developed for use in FTTH (Fibre to the Home) and FTTA (Fibre to the Antenna) applications; in particular, new types of joints were qualified for installation in the basements of buildings and/or apartment buildings for connecting the distribution network to the building's own network.

In terms of **industrial innovation**, the strategic role played by materials in cable and accessories technology had led Prysmian Group to step up its exploratory studies in this area. Among the main achievements in the year:

- In the petrochemicals sector, prototypes of 4" and 6" flexible pipes were manufactured in Brazil for deepwater pre-salt oil fields, using innovative technology that can minimise corrosion by hydrogen sulphide and carbon dioxide, thus allowing these pipes to be used in oil and gas reserves full of such gases, like those off the coast of Brazil.
- Innovative materials for SURF applications were successfully tested, both in the lab and factory, for use in manufacturing flexible pipes and umbilicals; these materials have much better thermo-mechanical and chemical stability than those currently used.
- A technique was developed and validated for determining the gas permeability of polymeric materials used in flexible pipe manufacture; this process allows the composition of corrosive gas in direct contact with the armour to be assessed.
- The most recent formulations for the Afumex line went into production, with an improved performance in terms of operation and mechanical properties, while the study of heavy metal and phthalate plasticiser-free PVC formulations was successfully completed.

Lastly, work on cost optimisation continued during the year. The package of DTC (Design to Cost) projects was extended to over 1,500 projects, which, combined with compound rationalisation and better use of materials, allowed the Group to achieve further significant cost savings.

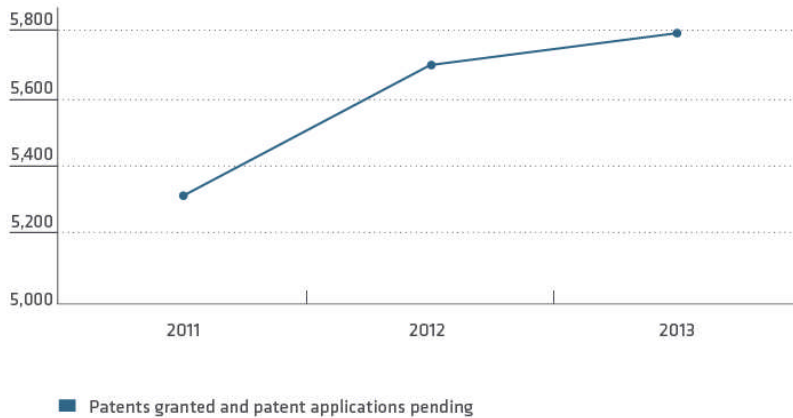
Intellectual property rights

Protecting its portfolio of patents and trademarks is a key part of the Group's business, particularly due to its strategy of growth in high-tech market segments. In particular, the Group's intense R&D activities, in both the Energy and Telecom businesses, have allowed it to continue to add to its patent portfolio,

especially in the high-tech and higher value-added segments, to support its major investments in these fields in recent years and to protect the related businesses, both now and in the future.

As at 31 December 2013, the Prysmian Group had 5,731 patents and pending patent applications throughout the world, covering 905 inventions (of which 268 in the Energy business and 637 in the Telecom business). During 2013, 37 new patent applications were filed, of which 23 in the Telecom area and 14 in the Energy area, and 209 patents were granted after examination, of which 37 by the European Patent Office (EPO) and 59 in the United States.

PATENTS GRANTED AND PATENT APPLICATIONS PENDING



The most important products, typically distinguished by particular characteristics or a specific production process, are protected by trademarks that allow them to be identified and guarantee their uniqueness. At the end of 2013, the Prysmian Group also owned more than 3,000 trademark registrations in its countries of operation, corresponding to 648 different trademarks covering the names and identifying symbols of its companies, activities, products and product lines.

AN INTEGRATED SUPPLY CHAIN

SOURCING

Prysmian Group continually strengthens its relationships with strategic suppliers, through centralised procurement and adoption of a global approach involving just one organisational model, common processes and a single commodity management policy.

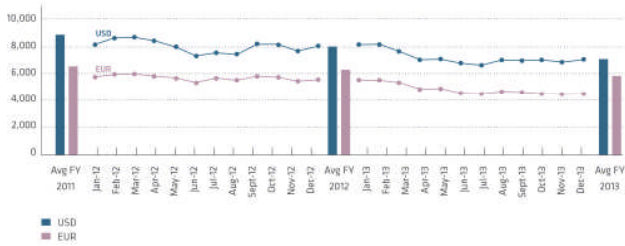
The main raw materials used by the Group in its production processes are copper, aluminium, lead, special glass and coating for optical fibres, as well as various petroleum derivatives, such as PVC and polyethylene.

Market volumes were slightly lower in 2013, reflecting a still weak global economic environment especially in Europe and causing a generally declining trend in the average price of the principal commodities compared with the previous year. In the case of base metals, copper and aluminium prices were noticeably lower than the year before, down by as much as 8% in USD prices, reflecting a gradual slowdown by the emerging economies and consequent emergence of fears about possible reductions in future demand by these countries. Lead went against this trend, posting a slight increase in price on the previous year. The average price of Brent crude declined, albeit marginally. Among the various petroleum derivatives, the price of polyethylene was generally stable compared with the previous year, with limited fluctuations over the 12-month period. PVC and plasticisers displayed stable or slightly declining price trends due to continued weakness in overall demand.

Once again in 2013, the Prysmian Group was able to deal with fluctuations in base metals through strict application of its hedging policies and daily matching between purchase and sales commitments. Sales price adjustment mechanisms, combined with careful hedging, helped mitigate the impact of price fluctuations on the income statement. As for other raw materials, work continued to rationalise and consolidate the supplier base. The Group's increased size and consequently greater bargaining power with suppliers have allowed it to successfully achieve synergies of scale.

The strengthening of commercial relationships with key suppliers over the year allowed the Group to minimise costs and the risk of disruption in supplies, ensuring both short and long-term benefits for the Group. In addition, the process of transforming organisation of the Procurement function was completed during the first half of the year; it now adopts a global approach through a single organisational model, common processes and commodity management policy aimed at maximising the benefits of the Group's size and geographical scale, in complete fulfilment of local needs.

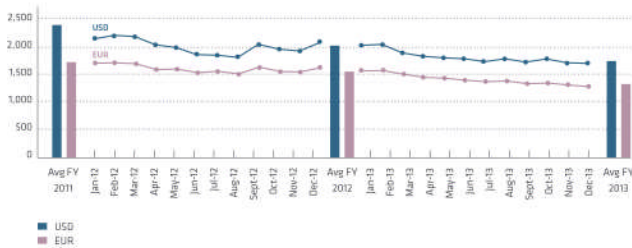
COPPER



Source: LME data. Price per tonne.

Copper. The average cash settlement price per tonne of copper on the London Metal Exchange (LME) was USD 7,326 (Euro 5,518) in 2013, signifying an 8% decline on the prior year USD price (-11% in Euro). Fluctuating between a low of USD 6,637 and a high of USD 8,242, the price was more volatile than in 2012 (low 7,252 – high 8,658).

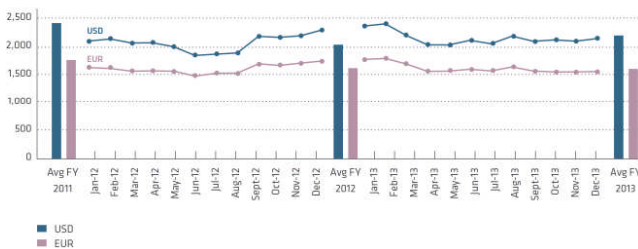
ALUMINIUM



Source: LME data. Price per tonne.

Aluminium. Even the price of aluminium reported a significant decrease in 2013 (-9% in USD prices), with stock levels in the official London Metal Exchange warehouses still at over 5 million tonnes. The renewed fall in prices compared with 2012 triggered tensions in conversion premiums. The average price per tonne of aluminium was USD 1,846 (Euro 1,391) in 2013, compared with USD 2,019 (Euro 1,570) in 2012.

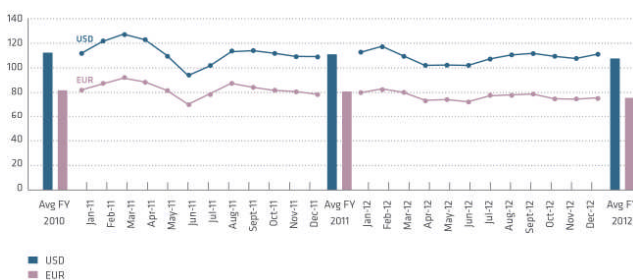
LEAD



Source: LME data. Price per tonne.

Lead. The average price per tonne of lead on the London Metal Exchange was USD 2,142 (Euro 1,613) in 2013, up 4% in USD and 1% in Euro on the prior year.

BRENT



Source: ICE data. Price per barrel.

Oil. There was less volatility in Brent crude prices in 2013, which ranged between USD 97 and USD 119. The average price per barrel of Brent crude was USD 109 in 2013, down 3% on 2012. The average Euro price was 6% lower, down from Euro 87/barrel in 2012 to Euro 82/barrel in 2013. Ethylene prices declined more moderately, in the order of 1%.

As a result, even the other principal petroleum derivatives reported generally stable or slightly lower prices than the previous year.

INDUSTRIAL ACTIVITIES

Once again in 2013, Prysmian Group's focus was on higher value-added products and on concentrating technological expertise to benefit from economies of scale, and so improve manufacturing efficiency and reduce capital employed.

The Group's manufacturing operations are carried out through a highly decentralised model, involving 91 plants in 33 different countries. The widespread distribution of plants is a strategic factor in allowing the Group to react quickly to different market needs worldwide. Over the course of 2013 the Prysmian Group continued to implement an industrial strategy based on the following factors: (i) focus on higher value-added products; (ii) maintenance of a widespread geographical presence to minimise distribution costs; (iii) concentration of high-tech product manufacture in a limited number of plants in order to focus technological expertise and benefit from economies of scale, thus improving manufacturing efficiency and reducing capital employed.

The process of integrating Draka's industrial activities, started in 2011, carried on during the year with the gradual extension of best practices to the respective organisational models and management systems used in manufacturing operations; at the same time, major strategic investments continued to be made in Submarine cables, High Voltage cables, Optical cables and Fibre.

Gross investments amounted to Euro 144 million in 2013, down from Euro 152 million the previous year, as a result of further optimising capital employed after the transition period following Draka's acquisition. Investments to increase production capacity accounted for 43% of the total. Production capacity increases mostly referred to the Utilities, Industrial and Optical Fibres businesses.

Utilities. Work carried on during the year to increase capacity at the Arco Felice Submarine cables plant in Naples to allow it to fulfil the contract for the Western HVDC Link between England and Scotland. Also with regard to the submarine cables business, investments were made at the Drammen plant to prepare production lines for the manufacture of cables to connect some of ExxonMobil's offshore platforms off the coast of the United States to the mainland. At the same time, the new medium and high voltage cable factory was completed and inaugurated in Rybinsk, Russia: the inauguration of this new facility is a key stage in the Group's expansion plans for a high-potential, strategic market like Russia, also in view of the recent agreement signed with the local operator "Rosseti" for the purpose of developing high and extra high voltage transmission systems up to 500 kV.

Industrial. In the Oil&Gas sector, major investments were made in the Santo André and Sorocaba plants in Brazil serving the Oil&Gas projects acquired by the Group from Jurong and Keppel Fels shipyards in Singapore, and in the Schuylkill Haven factory in the United States, where it was decided to expand capacity for the production of Airguard cables, used in special applications requiring very high performance cables in terms of resistance to chemicals and mechanical stress.

Telecom. In the Optical Fibre business, there were continued investments in efficiency, especially at the European optical fibre plants in Battipaglia (Italy) and Douvrin (France), with the goal of reducing fibre manufacturing costs. In particular, work was started at the Italian plant to build a trigeneration plant intended to reduce energy costs. During the year, the new optical cable factory was inaugurated in Slatina, Romania, thereby becoming one of Europe's centres of excellence for optical telecom cables.

Investment expenditure on achieving efficiencies to reduce fixed and variable costs, particularly in relation to materials usage and product design, accounted for approximately 14% of the total: this expenditure

included major investments in making the metallurgical area more efficient, after deciding that some of the Group's plants (Durango in Mexico, Schwerin in Germany and Emmen in The Netherlands) would complete the process of verticalisation by expanding their manufacture of conductors in order to improve the business's competitiveness in sectors such as automotive and power distribution.

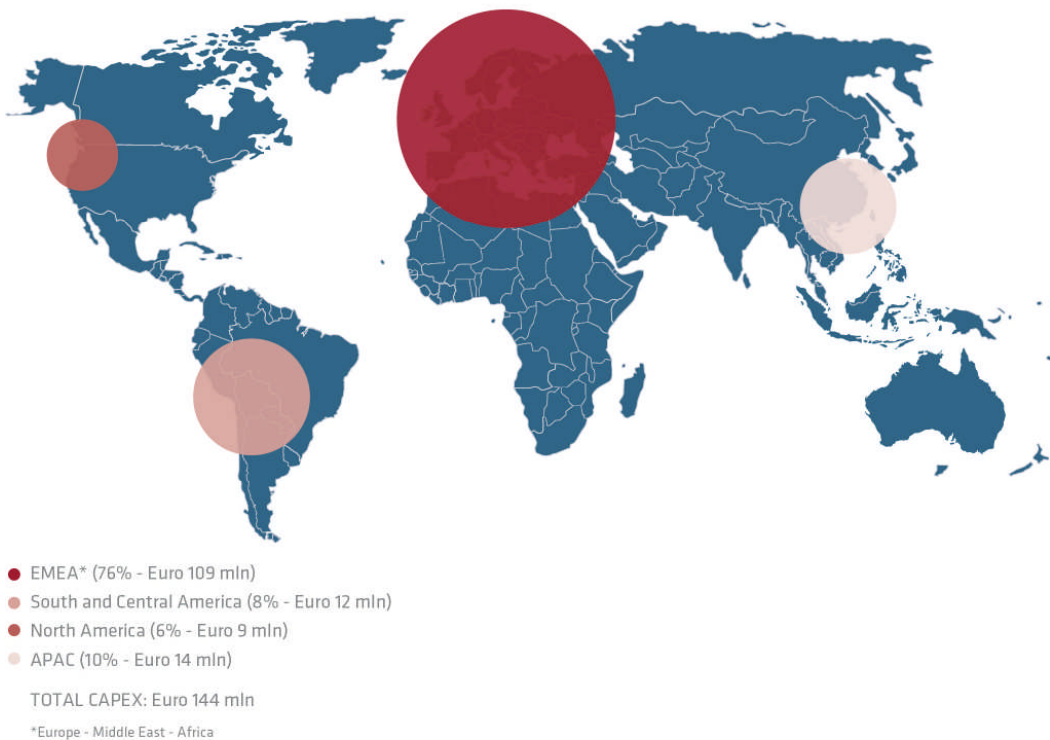
Some 12% of investment expenditure was for ongoing development of information systems and, to a lesser extent, for research and development. In particular, there was continued spending on rolling out the "SAP Consolidation project", aimed at standardising the information system in all the Group's operations over the next few years: in 2013, the new ERP system was rolled out to the Czech Republic, Norway, Sweden and Denmark.

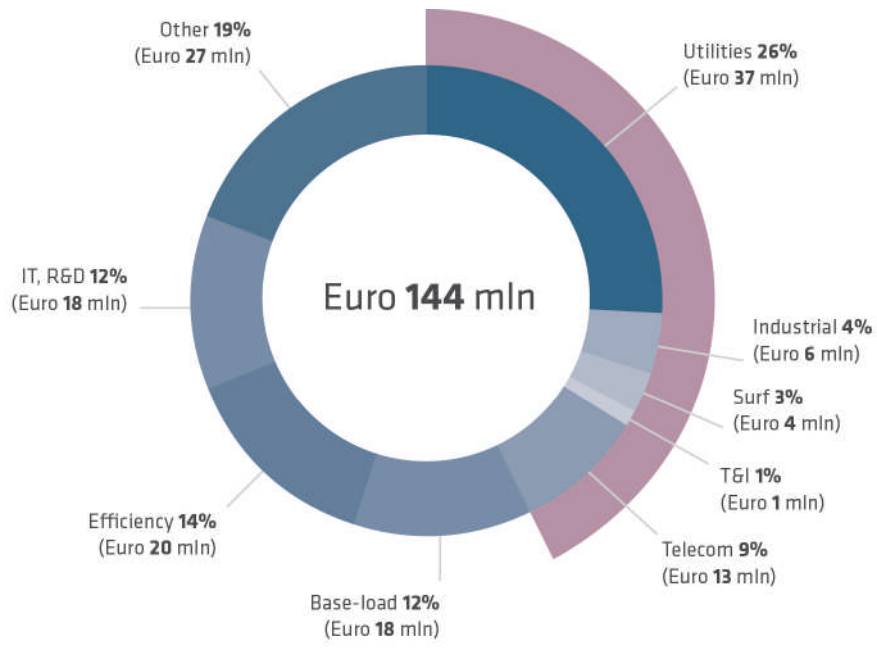
Capital expenditure for structural maintenance work or for worker safety accounted for about 12% of the total, in line with previous years.

Lastly, the category of other investments (19% of the total) included the acquisition of an industrial building in Santa Perpetua (Spain) as well as two other particularly important projects for the Group: the takeover of the lease on the Ansaldo 16 industrial site in the Bicocca district of Milan, headquarters of the Group's R&D function, and the start of construction work at the adjacent Ansaldo 20 industrial site. These two investment projects are for the construction of the Group's new headquarters, which will extend over an area of more than 20,000 m² and allow the Group to consolidate all its Milan-based company functions in one place, with a resulting saving in running costs.

The following diagrams show how the Group's investments in 2013 were split by business, type and geographical area.

INVESTMENTS IN 2013





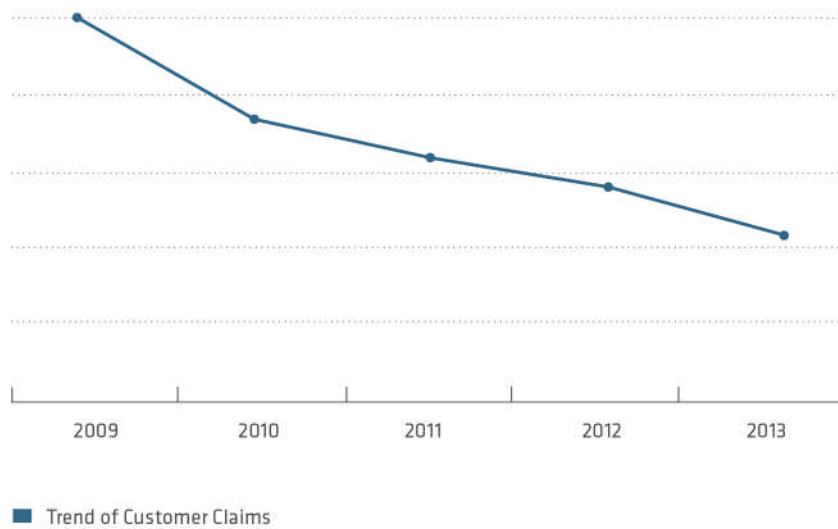
● Total capacity increase

QUALITY

Downward trend since 2009 in the number of customer claims has continued.

During 2013 the Quality function consolidated its position within the Group's various entities and pursued a strategy of continuous improvement in performance, based on company policy of ever increased focus on customer service. Confirming the validity of the current strategy, the number of Customer Claims fell once again in 2013 (-15% on the previous year), continuing the downward trend of the last few years.

TREND OF CUSTOMER CLAIMS



The results achieved are also the product of the widespread extension of the Quality function's auditing activities, both centrally and locally, applying the same methodology everywhere to guarantee achievement of the high standards of excellence set.

In line with the goal of making the Quality function an even more effective contributor to the Group's competitiveness, the first phase of the "Cost of Poor Quality" (COPQ) project was successfully completed; this project will progressively allow all the Group's production units to manage non-conformities on a standardised basis, and to have automatic access to reliable information on the associated costs. The COPQ project will be rolled out to the various countries in parallel with the SAP 1C system roll-out and will provide users with more detailed information about costs, thus allowing effective action on the most critical areas and processes using proven methods and ways of improvement.

LOGISTICS

Prysmian Group launched several projects in 2013, as complements to the Customer Centricity and Factory Reliability initiatives, to improve logistics in terms of lead-time flexibility, timeliness and efficiency, which have already produced tangible results.

The Logistics function manages all the Group's intercompany flows at the level of both annual budget and monthly operations, with the aim of satisfying demand in all markets that do not have a local production source due to lack of capability or production capacity. The Logistics function also manages short and medium-term production allocations and planning through Sales & Operations Planning (S&OP), a process which serves as the link between the demand cycle (sales) and the supply cycle (manufacturing and procurement). The Group plans production according to whether a product is classified as "engineer to order" (ETO), "assembly to order" (ATO), "make to order" (MTO) or "make to stock" (MTS).

ETO: the ETO management model is mainly used in the Submarine and High Voltage cables businesses, where the Prysmian Group's services start with system design and go all the way through to final cable laying.

ATO: The ATO approach allows a fast response to demand for items that use standard components but differ only at the final stages of production or packaging. This approach has the dual objective of responding rapidly to market demand while at the same time keeping inventories of finished goods to a minimum.

MTO: Under the MTO approach, production is activated and goods shipped only after receipt of a customer order, significantly reducing unused inventory levels and the time that raw materials and finished goods remain in stock.

MTS: In contrast, under the MTS approach, generally used for more standardised products, inventory management focuses on producing items for stock to allow a fast response to demand.

In keeping with the Group's strategic objectives and as a complement to the Customer Centricity and Factory Reliability initiatives, Prysmian Group launched several projects in 2013 to improve logistics services, in terms of lead-time flexibility, timeliness and efficiency, which produced tangible results in several European countries as early as the second half of the year: synergies between distribution networks, warehouses and distribution centres, arising from the Draka acquisition, the "Supply Chain Integration" project and the roll-out of the "SAP Consolidation project" are just a few examples that demonstrate the Group's commitment to achieving more efficient use of resources, greater sharing of information and a significant reduction in market response times. In addition, a specific project was completed in North America during 2013 aimed at reducing distribution costs and increasing the level of service; a similar project was also launched in China.

The ongoing attention to flexibility of response to the ever more challenging demands of the market has improved the reliability of planning and the execution of manufacturing output, in terms of both mix and volumes in ever faster response times, as well as allowing stricter control of every type of inventory: raw materials, intermediate products and finished goods. This has allowed the Group to respond efficiently and effectively to the general reduction in sales volumes and accompanying decline in manufacturing output by promptly adjusting inventory levels.

Lastly, all Group operating units have continued to focus, in partnership with customers and suppliers, on actions to recycle, recondition and reuse packaging in order to minimise environmental impact.

PRYSMIAN FOR THE ENVIRONMENT

Prysmian is committed to protecting the environment and conserving natural resources, through efficient use of resources, optimisation of logistics and responsible waste management.

Commitment to environmental stewardship and to the conservation of natural resources is essential for the Group to create sustainable value, benefiting both the organisation and its stakeholders. This approach is expressed not only in the product's intrinsic characteristics, but also in the management of the Group's production systems, where the focus is on prevention and reduction of environmental impact through, for example, efficient use of natural resources, optimisation of logistics and responsible waste management.

On the basis of the environmental performance indicators viewed as relevant at Group level, the Prysmian Group's Health Safety & Environment (HSE) function, working together with other Corporate functions and with the backing of the Board of Directors, has established the Group's HSE objectives for 2013-2014. These objectives have been communicated to all Country and Organisational Unit managers and, where possible, individual targets have been set.

During 2013, HSE further consolidated its action at various levels of the Group's organisation (Corporate, countries or regions, business units and production units), by centralising activities and coordinating the work of local HSE functions. The Group's Health, Safety and Environment policy, Management Procedures and Technical Standards have been accepted and applied in the operating units. With the support of the Group's team of auditors, the HSE function has periodically checked the effectiveness and correct implementation of HSE rules locally.

The aspects that HSE monitors, through the use of indicators, include compliance with health and safety standards, energy consumption, waste management, the use of water resources and atmospheric emissions of greenhouse gases. These indicators are presented in the Sustainability Report. In particular, with regard to greenhouse gas emissions, the Group has started to collect energy consumption data to keep a track of "direct" emissions (arising from the production process), and "indirect" ones (arising from bought-in energy). This monitoring and reporting system has allowed the Group to participate, for the first time in 2013, in the Carbon Disclosure Project (CDP), an international initiative that aims to contribute to the achievement of the Kyoto Protocol's targets for worldwide reduction in greenhouse gases.

During the year, the Prysmian Group also defined and applied the methodology for assessing the environmental impact of certain types of products. To this end, several studies were conducted using the LCA (Life Cycle Assessment) approach, which allowed the methodology to be tested and responses to be provided to the requests of certain important customers. In addition, the process continued of obtaining certification for the Group's HSE management systems: in line with the target set for 2013, five new certifications were obtained (St. Genevieve - France and Prysmian PowerLink - Milan, which obtained ISO 14001 certification for their environmental management systems; Velké Meziříčí - Czech Republic, Eindhoven - The Netherlands and Bishopstoke - United Kingdom, which obtained OHSAS 18001 certification for their safety management systems). At the end of 2013, 86% and 49% of the sites were certified in accordance with ISO 14001 and OHSAS 18001 respectively.

In close conjunction with the certification target, Prysmian Group has increased the number of qualified auditors by introducing a specific training programme, developed directly by the Corporate HSE function:

the certification of new auditors in 2013 made it possible to fulfil the audit plan and the work schedule, with a total of 120 inspections carried out, of which a quarter conducted by Prysmian auditors.

In addition to numerous training initiatives, the Group managed and carried out a series of activities, coordinated by the Corporate HSE function, including:

- preparation of the "Safety Leadership" initiative, designed to enhance and promote the culture of safety from management level down;
- completion of the environmental and safety section of the RobecoSAM corporate sustainability assessment questionnaire for admission to the Dow Jones Sustainability Index (DJSI), with a major improvement in the score from the previous year. The Group HSE function has already planned and launched several other initiatives in this regard to ensure more complete reporting and to highlight in more detail the connection between environmental improvements and the resulting economic impacts;
- active participation in various working groups and committees of industry associations (the Europacable ECOE Committee, the Orgalime "Substances Task Force", the ANIE Environment Committee, the AICE environment working group, and the IEC Maintenance Team which is developing the standard for the environmental statement specific to energy cables).

With the activities performed during 2013 and prior years, Prysmian has laid the foundations for a more conscious and integrated groupwide management of its environmental, health and safety issues.

In fact, the integration process represents an opportunity for improvement, in which the parent company's HSE function will coordinate the development of additional policies and operating procedures to manage health, safety and the environment at all the Group's operating units. In this context, Prysmian Group monitors its environmental, health and workplace safety performance using qualitative and quantitative measures, some of which are published in the Sustainability Report. This document, to which reference should be made for further details, describes not only the Group's performance, but also the existing management models and lines of development for future actions.

INCENTIVE PLANS

Stock option plan 2007-2012

On 30 November 2006, the Company's shareholders approved a stock option plan which was dependent on the flotation of the Company's shares on Italy's Electronic Equities Market (MTA) organised and managed by Borsa Italiana S.p.A. The plan was reserved for employees of companies in the Prysmian Group.

Each option entitled the holder to subscribe to one share at a price of Euro 4.65.

As at 31 December 2013 the options were all fully vested and exercised.

Long-term incentive plan 2011-2013

On 14 April 2011, the Ordinary Shareholders' Meeting of Prysmian S.p.A. had approved, pursuant to art. 114-bis of Legislative Decree 58/98, a long-term incentive plan for the period 2011-2013 for employees of the Prysmian Group, including certain members of the Board of Directors of Prysmian S.p.A., and granted the Board of Directors the necessary authority to establish and execute the plan. The plan's purpose was to incentivise the process of integration following Prysmian's acquisition of the Draka Group, and was conditional upon the achievement of performance targets, as detailed in the specific information memorandum.

The plan originally involved the participation of 290(*) employees of group companies in Italy and abroad viewed as key resources, and divided them into three categories, to whom the shares would be granted in the following proportions:

- CEO: to whom 7.70% of the rights to receive Prysmian S.p.A. shares were allotted.
- Senior Management: this category originally had 44 participants who held key positions within the Group (including the Directors of Prysmian S.p.A. who held the positions of Chief Financial Officer, Energy Business Executive Vice President and Chief Strategy Officer), to whom 41.64% of the total rights to receive Prysmian shares were allotted.
- Executives: this category originally had 245 participants from the various operating units and businesses around the world, to whom 50.66% of the total rights to receive Prysmian shares were allotted.

(*) Following movements since the plan's issue, the number of plan participants amounted to 268 at 31 December 2013.

The plan established that the number of options granted would depend on the achievement of common business and financial performance objectives for all the participants.

The plan established that the participants' right to exercise the allotted options depended on achievement of the Target (being a minimum performance objective of at least Euro 1.75 billion in cumulative Adj. EBITDA for the Group in the period 2011-2013, assuming the same group perimeter) as well as continuation of a professional relationship with the Group up until 31 December 2013. The plan also established an upper limit for Adj. EBITDA as the Target plus 20% (ie. Euro 2.1 billion), assuming the same group perimeter, that would determine the exercisability of the maximum number of options granted to each participant.

Access to the plan was conditional upon each participant's acceptance that part of their annual bonus would be co-invested, if achieved and payable in relation to financial years 2011 and 2012.

The allotted options will carry the right to receive or subscribe to ordinary shares in Prysmian S.p.A., the Parent Company. These shares may partly comprise treasury shares and partly new shares, obtained through a capital increase that excludes pre-emptive rights under art. 2441, par. 8 of the Italian Civil Code. Such a capital increase, involving the issue of up to 2,131,500 new ordinary shares of nominal value Euro 0.10 each, for a maximum amount of Euro 213,150, was approved by the shareholders in the extraordinary session of their meeting on 14 April 2011. The shares obtained from the Company's holding of treasury shares will be allotted for zero consideration, while the shares obtained from the above capital increase will be allotted to participants upon payment of an exercise price corresponding to the nominal value of the Company's shares.

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

Group employee share purchase plan (YES Plan)

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

The reasons behind the introduction of the Plan are:

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

The Plan offers the opportunity to purchase Prysmian's ordinary shares on preferential terms, with a maximum discount of 25% on the stock price, offered in the form of treasury shares, except for the Chief Executive Officer, the Chief Financial Officer, the Chief Strategy Officer and two key managers, for whom the discount is equal to 1% of the stock price.

The shares purchased will be subject to a retention period, during which they cannot be sold. The Plan envisages three purchase windows: 2014, 2015 and 2016.

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

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

During the month of October 2013, the plan was presented and explained to some 16,000 of the Group's employees in 27 countries. Employees were free to express their readiness to participate in the Plan by the end of December 2013 and have accordingly communicated the amount they intended to invest in the first purchase window and the method of payment. The total amount collected, amounting to Euro 7.6 million, will be used to make purchases of the Company's ordinary shares on the Milan Stock Exchange (MTA) over a period of 5 consecutive business days during the month of May 2014. The number of shares assigned to each participant will then be determined by taking into account the average purchase price of the shares acquired on behalf of participants, the individual investment and the applicable discount percentage.

All those who have adhered to the plan will also receive an entry bonus of six free shares, taken from the Company's portfolio of treasury shares, only available at the time of first purchase.

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

Further details about the incentive plans can be found in Note 21 to the Consolidated Financial Statements.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 16 January 2014, the Group was awarded a new contract worth approximately USD 24 million by Petrobras, the Brazilian oil company.

The contract refers to the supply of special Down Hole Technology (DHT) cable systems for the offshore oil & gas industry, which will be manufactured using Brazilian-sourced materials (steel) at the Group's plants in Bridgewater, NJ (USA) and Cariacica, Brazil, and are due to be delivered in July 2014. DHT systems are technology-driven specialty products for oil, gas and geothermal wells that include Tubing Encapsulated Cables, used in individual wells to monitor temperature, pressure, and other parameters in order to optimise flows within reservoirs.

On 5 February 2014, the European Investment Bank (EIB) paid the Parent Company Prysmian S.p.A the Euro 100 million loan, intended to fund the Prysmian Group's European research & development programmes over the period 2013-2016. The loan agreement was signed in December 2013 and will fund about 50% of the planned investment expenditure by R&D centres in six countries: France, Great Britain, The Netherlands, Spain, Germany and Italy. The loan will be repaid in 12 equal half-yearly instalments starting on 5 August 2015 and ending on 5 February 2021.

On 19 February 2014, Prysmian S.p.A signed a loan agreement for Euro 100 million with Mediobanca - Banca di Credito Finanziario S.p.A. The agreement has a five-year term and is intended to refinance existing debt and working capital requirements.

On 21 February 2014, the Group sent the syndicate of banks party to the Credit Agreement 2010, a Prepayment Notice that it would repay early the outstanding loan of Euro 184 million on 28 February 2014.

BUSINESS OUTLOOK

The global economy in 2013 carried on the decelerating trend, already underway since the second half of 2011, due to persistent weakness of the Euro and slowdown in the emerging economies of Asia as well as in the United States. In the latter part of the year, however, the economic environment generally stabilised and improved, especially in areas most affected by the crisis.

In such an economic context, the Group is forecasting for 2014 that demand for medium voltage cables for utilities will continue to slow, and that building wires and products in the Industrial business most exposed to cyclical trends will make a gradual recovery over the course of coming quarters. It also confirms the positive trend in demand in the high value-added businesses of power transmission and offshore Oil&Gas, as well as the steady recovery of demand for optical fibre cables from the record lows reported in 2013.

During 2014 the Prysmian Group will continue to integrate and rationalise activities with the goal of achieving the projected cost synergies and of further strengthening its presence in all its areas of business. Lastly, it is conceivable that negative exchange rate effects, affecting Adjusted EBITDA by approximately Euro 23 million in 2013, will persist in 2014 due to the translation effect of subsidiary company profits, expressed in currencies other than the Euro, into the Group's reporting currency.

OTHER INFORMATION

Related party transactions

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

Information about related party transactions, including that required by the Consob Communication dated 28 July 2006, is presented in Note 33 to the Consolidated Financial Statements at 31 December 2013.

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 took place during 2013.

Secondary offices and key corporate information

The list of secondary offices and key corporate information of the legal entities making up the Group can be found in Appendix A of the Explanatory Notes to the Consolidated Financial Statements.

Financial risk management

The management of financial risks is discussed in the Explanatory Notes to the Consolidated Financial Statements, in Section D. Financial risk management.

CERTIFICATION PURSUANT TO ART. 2.6.2 OF THE ITALIAN STOCKMARKET REGULATIONS REGARDING THE CONDITIONS CONTAINED IN ART. 36 OF THE MARKET REGULATIONS

The Company is compliant with the provisions of art. 36.1 of the above Regulations with regard to "Conditions for the listing of shares of companies which control companies established and regulated under the law of non-EU countries" specified in articles 36 and 39 of the Market Regulations.

Milan, 25 February 2014

FOR THE BOARD OF DIRECTORS
THE CHAIRMAN

Massimo Tononi

CONSOLIDATED FINANCIAL STATEMENTS

**CONSOLIDATED
FINANCIAL
STATEMENTS**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	Note	31 December 2013	of which related parties (Note 33)	31 December 2012 (*)	of which related parties (Note 33)
Non-current assets					
Property, plant and equipment	1	1,441		1,539	
Intangible assets	2	623		644	
Investments in associates	3	99	99	99	99
Available-for-sale financial assets	4	15		14	
Derivatives	8	2		3	
Deferred tax assets	16	134		127	
Other receivables	5	29		41	
Total non-current assets		2,343		2,467	
Current assets					
Inventories	6	920		897	
Trade receivables	5	1,010	14	1,163	16
Other receivables	5	739		573	1
Financial assets held for trading	7	94		78	
Derivatives	8	23		16	
Cash and cash equivalents	9	561		812	
Total current assets		3,347		3,539	
Assets held for sale	10	12		4	
Total assets		5,702		6,010	
Equity attributable to the Group:					
		1,147		1,112	
Share capital	11	21		21	
Reserves	11	977		925	
Net profit/(loss) for the year		149		166	
Equity attributable to non-controlling interests:		48		47	
Share capital and reserves		43		44	
Net profit/(loss) for the year		5		3	
Total equity		1,195		1,159	
Non-current liabilities					
Borrowings from banks and other lenders	12	1,154		1,433	
Other payables	13	24		27	
Provisions for risks and charges	14	52		76	
Derivatives	8	7		41	
Deferred tax liabilities	16	100		95	
Employee benefit obligations	15	308	-	344	6
Total non-current liabilities		1,645		2,016	
Current liabilities					
Borrowings from banks and other lenders	12	338		361	
Trade payables	13	1,441	6	1,450	7
Other payables	13	728	19	654	8
Derivatives	8	42		24	
Provisions for risks and charges	14	279		317	
Current tax payables		34		29	
Total current liabilities		2,862		2,835	
Total liabilities		4,507		4,851	
Total equity and liabilities		5,702		6,010	

(*) The previously published figures have been amended. Further details can be found in Section C. Restatement of comparative figures at 31 December 2012.

CONSOLIDATED INCOME STATEMENT

(in millions of Euro)

	Note	2013	of which related parties (Note 33)	2012 (*)	of which related parties (Note 33)
Sales of goods and services	17	7,273	94	7,848	100
Change in inventories of work in progress, semi-finished and finished goods	18	26		(31)	
Other income	19	65		71	
<i>of which non-recurring other income</i>	36	10		15	
<i>of which remeasurement of minority put option liability</i>	36	-		7	
Raw materials, consumables used and goods for resale	20	(4,571)	(74)	(5,083)	(85)
Fair value change in metal derivatives		(8)		14	
Personnel costs	21	(965)	(16)	(1,041)	(15)
<i>of which non-recurring personnel costs</i>	36	(34)		(65)	
<i>of which personnel costs for stock option fair value</i>		(14)	(2)	(17)	(4)
Amortisation, depreciation and impairment	22	(180)		(188)	
<i>of which non-recurring impairment</i>	36	(25)		(24)	
Other expenses	23	(1,280)		(1,228)	
<i>of which non-recurring other expenses</i>	36	(26)		(51)	
Operating income		360		362	
Finance costs	24	(440)		(395)	
<i>of which non-recurring finance costs</i>	36	(22)		(8)	
Finance income	25	287		258	
<i>of which non-recurring finance income</i>	36	-		3	
Share of net profit/(loss) of associates and dividends from other companies	26	15	15	17	17
Profit/(loss) before taxes		222		242	
Taxes	27	(68)		(73)	
Net profit/(loss) for the year		154		169	
Attributable to:					
Owners of the parent		149		166	
Non-controlling interests		5		3	
Basic earnings/(loss) per share (in Euro)	28	0.71		0.79	
Diluted earnings/(loss) per share (in Euro)	28	0.71		0.78	

(*) The previously published figures have been amended. Further details can be found in Section C. Restatement of comparative figures at 31 December 2012.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Euro)	2013	2012 (*)
Net profit/(loss) for the year	154	169
Comprehensive income/(loss) for the year:		
- items that may be reclassified subsequently to profit or loss:		
Fair value gains/(losses) on cash flow hedges - gross of tax	9	(9)
Fair value gains/(losses) on cash flow hedges - tax effect	(4)	3
Release of cash flow hedge reserve after discontinuing cash flow hedging - gross of tax	15	-
Release of cash flow hedge reserve after discontinuing cash flow hedging - tax effect	(5)	-
Currency translation differences	(97)	(24)
Total items that may be reclassified, net of tax	(82)	(30)
- items that will NOT be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on employee benefits - gross of tax	3	(60)
Actuarial gains/(losses) on employee benefits - tax effect	(2)	14
Total items that will NOT be reclassified, net of tax	1	(46)
Total comprehensive income/(loss) for the year	73	93
Attributable to:		
Owners of the parent	71	88
Non-controlling interests	2	5

(*) The previously published figures have been amended. Further details can be found in Section C. Restatement of comparative figures at 31 December 2012.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of Euro)

	Share capital	Cash flow hedge reserve	Currency translation reserve	Other reserves (*)	Net profit/ (loss) for the year (*)	Equity attributable to the Group	Non- controlling interests	Total (*)
	Note 11	Note 8	Note 11	Note 11	Note 11		Note 11	
Balance at 31 December 2011	21	(17)	(36)	1,210	(136)	1,042	62	1,104
Allocation of prior year net result	-	-	-	(136)	136	-	-	-
Capital contributions	-	-	-	1	-	1	-	1
Fair value - stock options	-	-	-	17	-	17	-	17
Dividend distribution	-	-	-	(44)	-	(44)	(1)	(45)
Non-controlling interests acquired in subsidiaries	-	-	-	(3)	-	(3)	(9)	(12)
Change in scope of consolidation	-	-	-	-	-	-	(10)	(10)
Put option release	-	-	-	9	-	9	-	9
Total comprehensive income/(loss) for the year	-	(6)	(26)	(44)	166	90	5	95
Balance at 31 December 2012	21	(23)	(62)	1,010	166	1,112	47	1,159
Balance at 31 December 2012	21	(23)	(62)	1,010	166	1,112	47	1,159
Allocation of prior year net result	-	-	-	166	(166)	-	-	-
Dividend distribution	-	-	-	(89)	-	(89)	(3)	(92)
Fair value - stock options	-	-	-	14	-	14	-	14
Non-monetary component of convertible bond	-	-	-	39	-	39	-	39
Change in scope of consolidation	-	-	-	-	-	-	2	2
Total comprehensive income/(loss) for the year	-	15	(94)	1	149	71	2	73
Balance at 31 December 2013	21	(8)	(156)	1,141	149	1,147	48	1,195

(*) The previously published figures have been amended. Further details can be found in Section C. Restatement of comparative figures at 31 December 2012.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Euro)

	2013	of which related parties (Note 33)	2012 (*)	of which related parties (Note 33)
Profit/(loss) before taxes	222		242	
Depreciation and impairment of property, plant and equipment	147		153	
Amortisation and impairment of intangible assets	33		35	
Net gains on disposal of property, plant and equipment, intangible assets and other non-current assets	(7)		(14)	
Share of net profit/(loss) of associates	(15)		(17)	
Share-based payments	14		17	
Fair value change in metal derivatives and other fair value items	8		(21)	
Net finance costs	153		137	
Changes in inventories	(67)		23	
Changes in trade receivables/payables	143	1	55	(8)
Changes in other receivables/ payables	(96)	12	(4)	(2)
Changes in receivables/payables for derivatives	1		1	
Taxes paid	(64)		(74)	
Utilisation of provisions (including employee benefit obligations)	(157)		(104)	
Increases in provisions (including employee benefit obligations)	84	(6)	117	5
A. Net cash flow provided by/(used in) operating activities	399		546	
Acquisitions ⁽¹⁾	-		(86)	
Investments in property, plant and equipment	(103)		(132)	
Disposals of property, plant and equipment and assets held for sale	7		11	
Investments in intangible assets	(18)		(20)	
Investments in financial assets held for trading	(40)		(33)	
Disposals of financial assets held for trading	7		25	
Disposals of available-for-sale financial assets	-		3	
Investments in associates	-		(1)	
Dividends received	11	11	6	4
B. Net cash flow provided by/(used in) investing activities	(136)		(227)	
Capital contributions and other changes in equity	-		1	
Dividend distribution	(92)		(45)	
Proceeds from convertible bond ⁽²⁾	296		-	
Early repayment of credit agreement	(486)		-	
Finance costs paid ⁽³⁾	(377)		(365)	
Finance income received ⁽⁴⁾	251		236	
Changes in net financial payables	(75)		(65)	
C. Net cash flow provided by/(used in) financing activities	(483)		(238)	
D. Currency translation gains/(losses) on cash and cash equivalents	(31)		4	
E. Total cash flow provided/(used) in the year (A+B+C+D)	(251)		85	
F. Net cash and cash equivalents at the beginning of the year	812		727	
G. Net cash and cash equivalents at the end of the year (E+F)	561		812	

⁽¹⁾ The figure of Euro 86 million in 2012 referred to:

- Euro 23 million for the acquisition of Telcon Fios e Cabos para Telecomunicações S.A. (stated net of Euro 9 million in cash and cash equivalents held by the acquiree at the acquisition date);
- Euro 51 million for the acquisition of Global Marine Systems Energy Ltd. (stated net of Euro 1 million in cash and cash equivalents held by the acquiree at the acquisition date);
- Euro 9 million for the cash outlay under the squeeze-out procedure to purchase Draka Holding NV shares;
- Euro 2 million for the acquisition of Draktel Optical Fibre S.A.;
- Euro 1 million for the acquisition of Neva Cables Ltd

⁽²⁾ The Bond became convertible following the resolution adopted by the Shareholders' Meeting on 16 April 2013.

⁽³⁾ Finance costs paid of Euro 377 million include Euro 68 million in interest payments in 2013 (Euro 84 million in 2012).

⁽⁴⁾ Finance income received of Euro 251 million includes Euro 7 million in interest income in 2013 (Euro 17 million in 2012).

^(*) The previously published figures have been amended. Further details can be found in Section C. Restatement of comparative figures at 31 December 2012.

Please refer to Note 37 for comments on the Statement of cash flows

CONSOLIDATED FINANCIAL STATEMENTS

EXPLANATORY NOTES

EXPLANATORY NOTES

A. GENERAL INFORMATION

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

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

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

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

A.1 SIGNIFICANT EVENTS IN 2013

Early Repayment of Term Loan Facility 2010

On 22 February 2013 and 15 March 2013, the Prysmian Group made early repayments of Euro 186 million and Euro 300 million respectively against the Term Loan disbursed on 3 May 2012. The first repayment was in respect of repayments due in 2013 (Euro 124 million) and in the first half of 2014 (Euro 62 million), while the second referred to the repayment due in December 2014 (Euro 300 million).

Convertible bond

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

The Company completed the placement of the Bonds on 8 March 2013, while their settlement took place on 15 March 2013.

At a meeting held on 16 April 2013, the Company's shareholders authorised:

- the convertibility of the 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 1,344,411.30, by issuing, in single or multiple instalments, up to 13,444,113 ordinary shares of the Company, with the same characteristics as its outstanding ordinary shares, exclusively and irrevocably to serve the Bond's conversion.

The initial conversion price of the Bonds into the Company's existing and/or new ordinary shares is Euro 22.3146 per share.

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

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

Termination of receivables securitization programme

The trade receivables securitization programme, started by the Group in 2007, was terminated in July 2013 upon reaching its end date. As described in Section B.2 Basis of consolidation, because the special purpose entities used for the securitization were consolidated, the securitized receivables were recognised in the Group's consolidated financial statements until they were effectively collected, as were liabilities due to third-party lenders.

Group employee share purchase plan (YES Plan)

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

The Plan offers the opportunity to purchase Prysmian's ordinary shares on favourable terms, with a maximum discount of 25% on the value of the stock, offered in the form of treasury shares. The shares purchased will be subject to a retention period, during which they will not be available for sale. The Plan envisages three purchase windows: 2014, 2015 and 2016.

During the month of October 2013, the plan was presented and explained to some 16,000 of the Group's employees in 27 countries and subscriptions were collected for the first purchase window.

More details can be found in Note 21. Personnel costs.

EIB Loan

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

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

The EIB Loan was received on 5 February 2014; it will be repaid in 12 equal half-yearly instalments starting on 5 August 2015 and ending on 5 February 2021.

The consolidated financial statements contained herein were approved by the Board of Directors on 25 February 2014.

In application of art. 264b HGB of the German Commercial Code ("Handelsgesetzbuch"), the present financial statements exempt Draka Comteq Berlin GmbH & Co.KG and Draka Comteq Germany GmbH & Co.KG. from the requirement to present statutory financial statements.

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

B. ACCOUNTING POLICIES AND STANDARDS

The main accounting policies and standards used to prepare the consolidated financial statements and Group financial information are set out below.

B.1 BASIS OF PREPARATION

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

In particular, the Group's estimates and projections have been prepared taking into account possible developments in the investigations by the European Commission and other jurisdictions into alleged anti-competitive practices in the high voltage underground and submarine cables market, as well as the risk factors described in the Directors' Report. The assessments carried out confirm Prysmian Group's ability to operate as a going concern and to comply with its financial covenants.

Section D. Financial risk management and Section D.1 Capital risk management of these Explanatory Notes contain a description of how the Group manages financial risks, including liquidity and capital risks.

In application of Legislative Decree 38 of 28 February 2005 "Exercise of the options envisaged by article 5 of European Regulation 1606/2002 on international accounting standards", the Company has prepared its consolidated financial statements in accordance with the international accounting and financial reporting standards (hereafter also "IFRS") adopted by the European Union.

The term "IFRS" refers to all the International Financial Reporting Standards, all the International Accounting Standards ("IAS"), and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

IFRS have been applied consistently to all the periods presented in this document. The consolidated financial statements have been prepared in accordance with IFRS and related best practice; any future guidance and new interpretations will be reflected in subsequent years, in the manner established from time to time by the relevant accounting standards.

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 is prepared using the indirect method. The Group has also applied the provisions of Consob Resolution 15519 dated 27 July 2006 concerning financial statement formats and the requirements of Consob Communication 6064293 dated 28 July 2006 regarding disclosures.

During 2009 and 2010, Consob (the Italian Securities and Exchange Commission), together with the Bank of Italy and ISVAP (the Italian insurance industry regulator), issued two documents (numbers 2 and 4): "Disclosures in financial reports about business continuity, financial risks, asset impairment tests and uncertainties in the use of estimates" and "Disclosures in financial reports about asset impairment tests, about contractual clauses in debt financing, about debt restructuring and about the fair value hierarchy" which have been taken into account when preparing the present document.

The financial statements have been prepared on the historical cost basis, except for the valuation of certain financial assets and liabilities, including derivatives, which must be reported using the fair value method.

The consolidated financial statements for 2012, presented in the present annual financial report for comparative purposes, have undergone some amendments compared with the previously published figures. Further details can be found in Section C. Restatement of comparative figures at 31 December 2012.

In addition, some reclassifications have been made from "Historical cost" and "Accumulated depreciation and impairment" in "Property, plant and equipment" as shown in Note 1. Property, plant and equipment.

B.2 BASIS OF CONSOLIDATION

The financial statements consolidated for Group subsidiaries have been prepared for the year ended 31 December 2013 and the year ended 31 December 2012. They have been adjusted, where necessary, to bring them into line with Group accounting policies and standards.

Subsidiaries

The Group consolidated financial statements include the financial statements of Prysmian S.p.A. (the Parent Company) and the subsidiaries over which the Parent Company exercises direct or indirect control. Subsidiaries are consolidated from the date control is acquired until the date such control ceases. Control is determined when the parent directly or indirectly owns the majority of an investee's voting rights or is able to exercise dominant influence, which is the power to govern, including indirectly under a statute or an agreement, the financial and operating policies of investees so as to obtain the resulting benefits, even irrespective of the ownership interest held.

The existence of potential voting rights exercisable at the reporting date is also taken into consideration for the purposes of determining control.

Subsidiaries are consolidated on a line-by-line basis. The criteria adopted for line-by-line consolidation are as follows:

- assets and liabilities, expenses and income of consolidated entities are aggregated line-by-line and non-controlling interests are allocated, where applicable, the relevant portions of equity and profit for the period, which are then reported separately within equity and the consolidated income statement;
- gains and losses, including the relevant tax effect, arising from transactions between companies consolidated on a line-by-line basis are eliminated if not realised with third parties; unrealised losses are not eliminated if there is evidence that the asset transferred is impaired. The following are also eliminated: intercompany payables and receivables, intercompany expenses and income, and intercompany finance income and costs;
- business combinations through which control of an entity is acquired are recorded using the acquisition method of accounting. The acquisition cost is measured as the acquisition-date fair value of the assets acquired, the liabilities incurred or assumed and the equity instruments issued. The assets, liabilities and contingent liabilities acquired are recognised at their acquisition-date fair values. The excess of acquisition cost over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill under intangible assets. If the acquisition cost is less than the Group's share of the fair value of the identifiable net assets acquired, the difference is

recognised as a gain directly in the income statement, but only after reassessing that the fair values of the net assets acquired and the acquisition cost have been measured correctly;

- if non-controlling interests are acquired in entities which are already under the Group's control, the Group recognises any difference between the acquisition cost and the related share of net assets acquired directly in equity;
- gains or losses arising on the disposal of ownership interests that result in a loss of control of consolidated companies are recognised in the income statement at the amount equal to the difference between the sale consideration and the corresponding share of consolidated equity sold;
- gains or losses from the deconsolidation of an investee's net assets, resulting from the difference between the fair value of the equity interest and the corresponding portion of equity, are recognised in "Finance income" and "Finance costs" respectively.

In compliance with IAS 32, put options granted to minority shareholders of subsidiary companies are recognised in "Other payables" at their present value. The matching entry differs according to whether:

- A) the minority shareholders have a direct interest in the performance of the subsidiary's business in relation to the transfer of the risks and rewards of the shares subject to the put option. One of the indicators that such interest exists is fair value measurement of the option exercise price. In addition to the presence of this indicator, the Group assesses on a case-by-case basis the facts and circumstances characterising existing transactions. In these circumstances, the present value of the option is initially deducted from the equity reserves attributable to the Group. Any subsequent changes in the measurement of the option exercise price are recognised through the income statement, as "Other income" or "Other expenses".
- B) the minority shareholders do not have a direct interest in the performance of the business (eg. predetermined option exercise price). The duly discounted option exercise price is deducted from the corresponding amount of capital and reserves attributable to non-controlling interests. Any subsequent changes in the measurement of the option exercise price follow the same treatment, with no impact on the income statement.

There are currently no cases of this kind in the Prysmian Group financial statements.

The treatment described would be modified for any new interpretations or accounting standards in this regard.

Associates

Associates are those entities over which the Group has significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recorded at cost. Under the equity method:

- the book value of these investments reflects the value of equity as adjusted, where necessary, to reflect the application of IFRS and includes any higher values identified on acquisition attributed to assets, liabilities and any goodwill;
- the Group's share of profits or losses is recognised from the date significant influence is acquired until the date it ceases. If a company valued under this method has negative equity due to losses, the book value of the investment is reduced to zero and additional losses are provided for and a liability is recognised, only to the extent that the Group is committed to fulfilling legal or constructive obligations of the investee company; changes in the equity of companies valued under the equity method which are not accounted for through profit or loss, are recognised directly in equity;

- unrealised gains arising from transactions between the Parent Company/subsidiaries and equity-accounted companies, are eliminated to the extent of the Group's interest in the investee company; unrealised losses are also eliminated unless they represent impairment.

Joint Ventures

A joint venture is a company characterised by a contractual arrangement between the participating parties which establishes joint control over the company's economic activity. Joint venture companies are consolidated on a proportionate basis.

Under the proportionate consolidation method adopted by the Company, its share of the joint venture's assets and liabilities are consolidated proportionately on a line-by-line basis. The Company's consolidated income statement reflects a line-by-line aggregation of its share of the joint venture's income and expenses. The procedures described for the consolidation of subsidiaries also apply to proportionate consolidation.

Special purpose entities

During 2007 the Group had defined and adopted a trade receivables securitization programme for a number of Group companies. The securitization programme was terminated on 25 July 2013 upon reaching its end date.

The accounting treatment adopted by the Group to present the impact of this programme on the consolidated financial statements at 31 December 2013 is described below.

The securitization programme involved the weekly transfer of a significant portion of trade receivables by some of the Group's operating companies in France, Germany, Italy, the United Kingdom and the United States. This programme started on 30 January 2007 and, as already stated, finished at the end of July 2013. These operating companies transferred their receivables, directly or indirectly, to an Irish special purpose entity (Prysmian Financial Services Ireland Ltd), set up solely for the securitization programme. The Irish company purchased these receivables using available liquidity, as well as financing received from vehicle companies, sponsored by the programme's organising and underwriting banks, which issued Commercial Paper in the form of A-1/P-1 rated credit instruments backed by the receivables, which were then placed with institutional investors. Subordinated loans from the Group's treasury companies were also used to fund the purchase of these receivables. In accordance with the provisions of *SIC 12 - Consolidation - Special Purpose Entities (SPEs)*, the Irish special purpose entity was included in the scope of consolidation of the Prysmian Group because it was created to accomplish a narrow and well-defined objective. Until effectively collected, receivables transferred to the SPE were recognised in the Group's consolidated financial statements, together with the payables owed by the SPE to third-party lenders. Group companies were identified as the SPE sponsors, meaning the companies on whose behalf the SPE had been created. At 31 December 2013, the special purpose vehicle was essentially inactive, with the procedures for its liquidation in the process of being completed.

Translation of foreign company financial statements

The financial statements of subsidiaries, associates and joint ventures are prepared in the currency of the primary economic environment in which they operate (the "functional currency"). The consolidated financial statements are presented in Euro, which is the Prysmian Group's functional and presentation currency for its consolidated financial reporting.

The rules for the translation of financial statements expressed in currencies other than the Euro are as follows:

- assets and liabilities are translated using the exchange rates applicable at the end of the reporting period;
- revenues and expenses are translated at the average rate for the period/year;
- the "currency translation reserve" includes both the translation differences generated by translating income statement items at a different exchange rate from the period-end rate and the differences generated by translating opening equity amounts at a different exchange rate from the period-end rate;
- goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the period-end exchange rate.

If a foreign entity operates in a hyperinflationary economy, revenues and expenses are translated using the exchange rate current at the reporting date. All amounts in the income statement are restated by applying the change in the general price index between the date when income and expenses were initially recorded in the financial statements and the reporting date. Corresponding figures for the previous reporting period/year are restated by applying a general price index so that the comparative financial statements are presented in terms of the exchange rate current at the end of the reporting period/year.

As at 31 December 2013, none of the consolidated companies operated in hyperinflationary economies.

The exchange rates applied are as follows:

	Closing rates at			Average rates
	31 December 2013	31 December 2012	12 months 2013	12 months 2012
Europe				
British Pound	0.834	0.816	0.849	0.811
Swiss Franc	1.228	1.207	1.231	1.205
Hungarian Forint	297.040	292.300	296.916	289.244
Norwegian Krone	8.363	7.348	7.804	7.477
Swedish Krona	8.859	8.582	8.649	8.706
Czech Koruna	27.427	25.151	25.976	25.148
Danish Krone	7.459	7.461	7.458	7.444
Romanian Leu	4.471	4.445	4.419	4.459
Turkish Lira	2.942	2.363	2.535	2.315
Polish Zloty	4.154	4.074	4.198	4.186
Russian Rouble	45.325	40.330	42.317	39.917
North America				
US Dollar	1.379	1.319	1.328	1.285
Canadian Dollar	1.467	1.314	1.368	1.284
South America				
Brazilian Real	3.231	2.696	2.868	2.511
Argentine Peso	8.993	6.489	7.275	5.848
Chilean Peso	724.372	631.016	657.452	624.649
Mexican Peso	18.068	16.973	16.943	16.905
Oceania				
Australian Dollar	1.542	1.271	1.377	1.241
New Zealand Dollar	1.676	1.605	1.620	1.587
Africa				
CFA Franc	655.957	655.957	655.957	655.957
Tunisian Dinar	2.260	2.044	2.156	2.005
Asia				
Chinese Renminbi (Yuan)	8.349	8.221	8.162	8.105
United Arab Emirates Dirham	5.065	4.846	4.876	4.718
Hong Kong Dollar	10.693	10.226	10.297	9.965
Singapore Dollar	1.741	1.611	1.661	1.606
Indian Rupee	85.417	72.554	77.728	68.575
Indonesian Rupiah	16,764.780	12,713.970	13,837.912	12,040.493
Japanese Yen	144.720	113.610	129.601	102.436
Thai Baht	45.178	40.347	40.796	39.926
Philippine Peso	61.289	54.107	56.389	54.250
Omani Rial	0.531	0.508	0.511	0.494
Malaysian Ringgit	4.522	4.035	4.183	3.967
Saudi Riyal	5.172	4.948	4.979	4.818

Changes in the scope of consolidation

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

The following changes in the scope of consolidation took place during 2013:

New company formations

Prysmian Cables y Sistemas de Mexico S. de R. L. de C. V. was formed on 14 May 2013. It is owned by Draka Mexico Holdings S.A. de C.V. (99.97%) and Draka Holding N.V. (0.03%).

Prysmian Netherlands B.V. was formed on 6 June 2013. Draka Holding N.V. was the company's original owner. With effect from 2 December 2013, the entire shareholding has been transferred to Prysmian Netherlands Holding B.V., which has therefore become the new and sole shareholder.

Prysmian Netherlands Holding B.V. was formed on 20 June 2013. It is wholly owned by Draka Holding N.V.

Name changes

On 1 February 2013, the Brazilian company Prysmian Optical Fibre Brasil S.A. changed its name to Prysmian Fibras Oticas Brasil Ltda.

On 14 March 2013, the Dutch company Draka Treasury B.V. changed its name to Prysmian Treasury (The Netherlands) B.V.

On 22 March 2013, the British company Global Marine Systems Energy Ltd changed its name to Prysmian PowerLink Services Ltd.

On 1 April 2013, the American company Prysmian Communications Cables and Systems USA, LLC changed its name to Prysmian Cables and Systems USA, LLC.

On 9 October 2013, the Russian Limited Liability Company Investitsionno-Promyshlennaya Kompaniya Rybinskelektrokabel changed its name to Limited Liability Company Prysmian RUS.

On 27 December 2013, the Chinese company Yangtze Optical Fibre and Cable Co. Ltd changed its legal form from a limited liability company to a joint stock company, as a result of which it has assumed the new name of Yangtze Optical Fibre and Cable Joint Stock Limited Company.

Mergers

On 1 January 2013, the merger was completed of NKF Vastgoed IV B.V. into NKF Vastgoed Holding B.V.

On 1 January 2013, the merger was completed of NKF Vastgoed Holding B.V., NKF Participatie B.V., NKF Vastgoed B.V. and NKF Vastgoed II B.V. into Draka Communications B.V.

On 1 January 2013, the merger was completed of Cableries Holding B.V. and Fabriek Voor Auto-En Electrotechnische Producten "White Products" B.V. into White Holding B.V.

On 1 January 2013, the merger was completed of Draka Elevator Products B.V. and White Holding B.V. into Draka Nederland B.V.

On 1 January 2013, the merger was completed of Draka Nederland B.V., Draka Beheer B.V. and Beheer-En Beleggingsmaatschappij de Vaartweg B.V. into Draka Holding N.V.

On 2 January 2013, the merger was completed of Draka Beheer IV B.V. into Draka Comteq Fibre B.V.

On 1 April 2013, the merger was completed of Prysmian Power Cables and Systems USA, LLC into Prysmian Communications Cables and Systems USA, LLC, which then changed its name to Prysmian Cables and Systems USA, LLC (See preceding paragraph on "*Name changes*").

On 1 May 2013, the merger was completed of Draka Communications Americas Inc. into Prysmian Cables and Systems USA, LLC.

On 16 May 2013, the merger was completed of Draka Comteq Norway AS into Draka Norsk Kabel AS.

On 16 May 2013, the merger was completed of Fercable S.L. and Prysmian Cables Y Sistemas S.A. into Draka Cables Industrial S.A. (which then changed its name to Prysmian Spain S.A.U.).

On 4 July 2013, the merger was completed of Kabel Keszletertekesito BT into Prysmian MKM Magyar Kabel Muvek Kft.

On 19 July 2013, the merger was completed of Draka Communications B.V. into Kabelbedrijven Draka Nederland B.V.

On 1 August 2013, the merger was completed of Plasma Optical Fibre B.V. into Draka Comteq Fibre B.V.

On 19 August 2013, the merger was completed of Bergmann Kabel und Leitungen GmbH into Prysmian Kabel und Systeme GmbH.

On 2 September 2013, the merger was completed of Draka Deutschland Vierte Beteiligungs GmbH into Draka Deutschland GmbH.

On 3 September 2013, the merger was completed of Draka Comteq Germany Holding GmbH into Draka Cable Wuppertal GmbH.

On 1 October 2013, the merger was completed of Prysmian Cables and Systems B.V. into Prysmian Netherlands B.V.

On 1 October 2013, the merger was completed of Draka Comteq Telecom B.V., Draka Comteq Data B.V. and Draka Comteq Cable Solutions B.V. into Prysmian Netherlands B.V.

On 1 December 2013, the merger was completed of Prysmian Cable Holding B.V. into Draka Holding N.V

Liquidations

On 22 April 2013, the process of winding up Draka Cableteq Australia PTY Ltd was completed with the company's removal from the local company registry.

On 20 November 2013, the process of winding up Prysmian Servicios de Tesorería España S.I. was completed with the company's removal from the local company registry

Ravin Cables Limited

At the beginning of 2010 the Prysmian Group acquired a 51% interest in the Indian company Ravin Cables Limited. During the first few months of 2012 relations with the minority shareholders deteriorated significantly and, in these circumstances, Prysmian also initiated arbitration proceedings at the London Court of International Arbitration (LCIA). In December 2013, the arbitration court made a partial award that recognises the right of Prysmian to buy the shares held by the company's minority shareholders; the arbitration proceedings are still in progress as regards matters concerning the valuation of these shares. Since the second quarter of 2012, it has been impossible for Prysmian to be able to obtain reliable, updated financial information about the Indian company. In view of the continuation of this situation, the Group has acknowledged that it has lost control of Ravin Cables Limited and has therefore deconsolidated it, along with its subsidiary Power Plus Cable Co. LLC, recording it as an investment at the net book value of the assets and liabilities last consolidated. Attention is drawn to the fact that Ravin Cables Limited and its subsidiary Power Plus Cable Co. LLC were consolidated line-by-line up until 31 March 2012.

Appendix A to these notes contains a list of the companies included in the scope of consolidation at 31 December 2013.

B.3 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED IN 2013

The basis of consolidation, the methods applied for translating foreign company financial statements into the presentation currency, the accounting standards as well as the accounting estimates adopted are the same as those used for the consolidated financial statements at 31 December 2012, except for the accounting standards and amendments discussed below and obligatorily applied with effect from 1 January 2013 after being endorsed by the competent authorities.

The Group has applied the accounting standard described below to the Bond authorised as convertible by the Shareholders' Meeting on 16 April 2013.

In accordance with *IAS 32 – Financial Instruments: Presentation*, the Bond has been initially recognised at fair value. Convertible bonds are financial instruments with a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the current market interest rate for similar non-convertible bonds. The difference between the net issue proceeds and the fair value assigned to the liability component, representing the embedded option to convert the bonds into the Group's shares, is classified in equity as a reserve.

The issue costs are apportioned between the liability component and the equity component according to their respective carrying amounts at the date of issue. The cost apportioned to the equity component is directly deducted from equity.

The interest expense relating to the liability component is calculated using the current market interest rate on similar non-convertible bonds. The difference between this amount and the interest actually paid is added to the carrying amount of the convertible bonds.

In subsequent periods, the equity component is not subject to remeasurement, while the financial liability must be accounted for at amortised cost, using the effective interest method.

On 12 May 2011, the IASB issued *IFRS 13 - Fair Value Measurement*, which sets out in a single document the rules defining the fair value concept and its use for measurement purposes in the various circumstances permitted by IFRSs. IFRS 13 also requires specific disclosures about fair value, part of which replace those required by other standards, including *IFRS 7 - Financial Instruments: Disclosures*.

This standard was published in the Official Journal of the European Union on 29 December 2012 and applies from the commencement date of the first financial year starting on or after 1 January 2013.

The application of this standard is not considered to have a material impact on the Group's financial statements with reference to the measurement of the value of assets and liabilities, while the disclosures required in the present annual financial statements are presented in Section D. Financial risk management.

On 16 June 2011, the IASB issued an amendment to *IAS 1 - Presentation of Financial Statements*. The amendment requires entities to group together items within "Other comprehensive income" based on whether they can or cannot subsequently be reclassified to profit or loss. This document was published in the Official Journal of the European Union on 6 June 2012 and applies to financial years beginning on or after 1 July 2012.

The amendment, applied by the Group as from 1 January 2013, has resulted in changes to the consolidated statement of comprehensive income.

On the same date, the IASB published a revised version of *IAS 19 - Employee Benefits*. The changes made to the standard stipulate that:

- the return on plan assets recognised in net interest expense must be calculated using the discount rate applying to plan liabilities and no longer using the expected rate of return on plan assets;
- past service costs must be recognised immediately in profit or loss in the period a plan is amended and not on a straight-line basis over subsequent periods until such time as the benefits are vested;
- the option to defer the recognition of actuarial gains and losses, under the "corridor method", is eliminated;
- the administration costs of managing plan assets must be recognised in profit or loss at the time the service is received.

This document was published in the Official Journal of the European Union on 6 June 2012 and applies to financial years beginning on or after 1 January 2013, with earlier application permitted.

The Group has applied *IAS 19 (revised)* with effect from 1 January 2013. In accordance with the requirements of IAS 8, this standard has been applied retrospectively, and so the consolidated financial statements at 31 December 2012, presented in the current annual financial statements for comparative purposes, have been restated compared with the previously published figures.

The abolition of the corridor method has not involved any consequences for the Group since actuarial gains and losses were already recognised directly in the equity "Reserves".

Further details can be found in Section C. Restatement of comparative figures at 31 December 2012 and in Note 15. Employee benefit obligations.

On 16 December 2011, the IASB published an amendment to *IFRS 7 - Disclosures: Offsetting Financial Assets and Financial Liabilities* which calls for disclosures about rights of set-off between financial assets and liabilities in order to allow users of financial statements to assess the impact of such offsetting on the financial position. The disclosures relate to all financial instruments offset in accordance with IAS 32 and those subject to master netting arrangements and similar agreements.

The document was published in the Official Journal of the European Union on 29 December 2012.

The amendment is applicable retrospectively to the Group with effect from 1 January 2013, with the required disclosures reported in Note 8. Derivatives.

B.4 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED EARLY BY THE GROUP

On 12 November 2009, the IASB issued the first part of a new accounting standard *IFRS 9 – Financial Instruments*, which will supersede *IAS 39 - Financial Instruments: Recognition and Measurement*. This initial document addresses the classification of financial instruments and forms part of a three-phase project, that will address the impairment methodology for financial assets and the application of hedge accounting respectively. This new standard, whose purpose is to simplify and reduce the complexity of accounting for financial instruments, classifies financial instruments in three categories that the reporting entity defines according to its business model, and to the contractual characteristics and related cash flows of the instruments in question.

On 16 December 2011, the IASB postponed the effective date of *IFRS 9* from 1 January 2013 to 1 January 2015, although earlier application is still permitted.

On 12 May 2011, the IASB issued *IFRS 10*, *IFRS 11* and *IFRS 12* and amendments to *IAS 27* and *IAS 28*.

The principal changes are as follows:

IFRS 10 - Consolidated Financial Statements

This standard supersedes *SIC 12 - Consolidation: Special Purpose Entities* and parts of *IAS 27 - Consolidated and Separate Financial Statements*. The objective of the new standard is to define a single control model, which is applicable to all companies, including special purpose entities.

The standard provides guidance on defining the new concept of control, which is more detailed than in the past, in order to assist in the determination of control where this is difficult to assess.

IAS 27 - Separate Financial Statements

IAS 27 - Consolidated and Separate Financial Statements has been revised following publication of *IFRS 10 - Consolidated Financial Statements*. The new document, from which all references to consolidation have been removed, prescribes the accounting treatment for investments when an entity prepares separate financial statements.

IFRS 11 - Joint Arrangements

This document supersedes *IAS 31 - Interests in Joint Ventures* and *SIC 13 - Jointly Controlled Entities: Non-Monetary Contributions by Venturers* and establishes principles for identifying a joint arrangement

on the basis of the rights and obligations arising from the arrangement, rather than its legal form. The accounting treatment differs according to whether the arrangement is classified as a joint operation or a joint venture. In addition, the existing policy choice of proportionate consolidation for joint ventures has been eliminated.

IFRS 12 - Disclosure of Interests in Other Entities

This document refers to the disclosures concerning interests in other entities, including subsidiaries, associates and joint ventures.

The objective is to disclose information that enables users of financial statements to evaluate the nature of risks associated with interests in strategic investments (consolidated and otherwise) intended to be held over the medium to long term.

IFRSs 10, 11 and 12 and IAS 27 were published in the Official Journal of the European Union on 29 December 2012 and apply at the latest from the commencement date of the first financial year starting on or after 1 January 2014.

The principal effects of the changes described above are as follows:

(in millions of Euro)	2013			2012		
	Published (*)	Effects application IFRS 10 & 11	Restated	Published (*)	Effects application IFRS 10 & 11	Restated
CONSOLIDATED INCOME STATEMENT						
Sales of goods and services	7,273	(275)	6,998	7,848	(274)	7,574
Profit/(loss) before taxes	222	(4)	218	242	(3)	239
Net profit/(loss) for the year	154	(2)	152	169	(1)	168

(in millions of Euro)	31 December 2013			31 December 2012		
	Published (*)	Effects application IFRS 10 & 11	Restated	Published (*)	Effects application IFRS 10 & 11	Restated
CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
Non-current assets	2,343	14	2,357	2,467	(2)	2,465
Current assets	3,347	(185)	3,162	3,539	(149)	3,390
Assets held for sale	12	-	12	4	-	4
Equity	1,195	(11)	1,184	1,159	(12)	1,147
Non-current liabilities	1,645	(44)	1,601	2,016	(15)	2,001
Current liabilities	2,862	(116)	2,746	2,835	(124)	2,711

(in millions of Euro)	2013			2012		
	Published (*)	Effects application IFRS 10 & 11	Restated	Published (*)	Effects application IFRS 10 & 11	Restated
CONSOLIDATED STATEMENT OF CASH FLOWS						
Net cash flow provided by/(used in) operating activities	399	4	403	546	(15)	531
Net cash flow provided by/(used in) investing activities	(136)	(4)	(140)	(227)	5	(222)
Net cash flow provided by/(used in) financing activities	(483)	(25)	(508)	(238)	14	(224)
Currency translation gains/(losses) on cash and cash equivalents	(31)	(1)	(32)	4	-	4
Total cash flow provided/(used) in the year	(251)	(26)	(277)	85	4	89

(*) The published amounts refer to the Consolidated Financial Statements presented in this Annual Report.

The numbers presented above are the result of a preliminary evaluation exercise and could differ from the final ones.

In November 2013, "*Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*", a document issued by the IASB on 31 October 2012, was published in the Official Journal of the European Union. These amendments are intended to provide an exception from the consolidation obligations of *IFRS 10* for companies that manage and measure their investments on a fair value basis. These amendments will apply to financial years beginning on or after 1 January 2014 and will not entail any significant effects for the Group.

On 16 December 2011, the IASB published amendments to *IAS 32: Financial Instruments: Presentation* to clarify the criteria for offsetting financial assets and liabilities.

The amendments clarify that:

- the right of set-off between financial assets and liabilities must be available at the financial reporting date and not contingent on a future event;
- this right must be enforceable by all counterparties both in the normal course of business and in the event of insolvency or bankruptcy.

The document was published in the Official Journal of the European Union on 29 December 2012. The amendments are effective for financial years beginning on or after 1 January 2014 and are required to be applied retrospectively; they will not entail any significant effects for the Group.

On 29 May 2013, the IASB issued an amendment to *IAS 36 - Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets* to clarify the disclosure requirements concerning the recoverable amount of impaired assets, when such amount is based on fair value less costs of disposal. The amendment requires disclosures about the recoverable amount of assets or cash generating units only when impairment is recognised or a previous impairment is reversed. In addition, the amendment clarifies the disclosure requirements when an asset's recoverable amount has been determined on the basis of fair value less costs of disposal.

This amendment is due to come into effect for financial years beginning on or after 1 January 2014 and will not entail any significant effects for the Group.

On 27 June 2013, the IASB published an amendment to *IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* which clarifies that it is permitted to continue hedge accounting for a derivative designated as a hedging instrument, where novation is required by legislation/regulation, provided specific conditions are met. This amendment is due to come into effect for financial years beginning on or after 1 January 2014 and will not entail any significant effects. The amendment will also appear in *IFRS 9 - Financial Instruments*.

On 21 November 2013, the IASB published an amendment to *IAS 19 - Employee Contributions* with the aim of providing more information about the accounting treatment of pension plans which require plan participants to pay in contributions. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of this amendment.

On 12 December 2013, the IASB published the documents *Annual Improvements 2010-2012* and *Annual Improvements 2011-2013* as part of its programme of annual improvements to its standards; most of the changes involve clarifications or corrections to existing IFRSs or amendments resulting from other changes previously made to the IFRSs. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of these amendments.

B.5 CONVERSION OF TRANSACTIONS IN CURRENCIES OTHER THAN THE FUNCTIONAL CURRENCY

Transactions in currencies other than the functional currency of the company which undertakes the transaction are translated using the exchange rate applicable at the transaction date.

Prysmian Metals Limited (Great Britain), Prysmian Cables and Systems S.A. (Switzerland), P.T. Prysmian Cables Indonesia (Indonesia), Draka NK Cables (Asia) Pte Ltd (Singapore) and Draka Philippines Inc. (Philippines) present their financial statements in a currency other than that of the country they operate in, as their main transactions are not carried out in their local currency but instead in their reporting currency.

Foreign currency exchange gains and losses arising on completion of transactions or on the year-end translation of assets and liabilities denominated in foreign currencies are recognised in the income statement.

B.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at the cost of acquisition or production, net of accumulated depreciation and any impairment. Cost includes expenditures directly incurred to prepare the assets for use, as well as any costs for their dismantling and removal which will be incurred as a consequence of contractual or legal obligations requiring the asset to be restored to its original condition. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised and depreciated over the useful life of the asset to which they refer.

Costs incurred subsequent to acquiring assets and the cost of replacing certain parts of assets recognised in this category are capitalised only if they increase the future economic benefits of the asset to which they refer. All other costs are recognised in profit or loss as incurred. When the replacement cost of certain parts of an asset is capitalised, the residual value of the parts replaced is expensed to profit or loss.

Depreciation is charged on a straight-line, monthly basis using rates that allow assets to be depreciated until the end of their useful lives. When assets consist of different identifiable components, whose useful lives differ significantly from each other, each component is depreciated separately under the component approach.

The useful indicative lives estimated by the Group for the various categories of property, plant and equipment are as follows:

Land	Not depreciated
Buildings	25-50 years
Plant	10-15 years
Machinery	10-20 years
Equipment and other assets	3-10 years

The residual values and useful lives of property, plant and equipment are reviewed and adjusted, if appropriate, at least at each financial year-end.

Property, plant and equipment acquired through finance leases, whereby the risks and rewards of the assets are substantially transferred to the Group, are accounted for as Group assets at their fair value or, if lower, at

the present value of the minimum lease payments, including any sum payable to exercise a purchase option. The corresponding lease liability is recorded under financial payables. The assets are depreciated using the method and rates described earlier for "Property, plant and equipment", unless the term of the lease is less than the useful life represented by such rates and ownership of the leased asset is not reasonably certain to be transferred at the lease's natural expiry; in this case the depreciation period will be represented by the term of the lease. Any capital gains realised on the disposal of assets which are leased back under finance leases are recorded under liabilities as deferred income and released to the income statement over the term of the lease. Leases where the lessor substantially retains all the risks and rewards of ownership of the assets are treated as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell from the moment they qualify as held for sale under the related accounting standard.

B.7 INTANGIBLE ASSETS

Intangible assets are non-monetary assets which are separately identifiable, have no physical nature, are under the company's control and are able to generate future economic benefits. Such assets are recognised at acquisition cost and/or production cost, including all costs directly attributable to make the assets available for use, net of accumulated amortisation and impairment, if any. Borrowing costs directly attributable to the acquisition or development of qualifying assets are capitalised and amortised over the useful life of the asset to which they refer. Amortisation commences when the asset is available for use and is calculated on a straight-line basis over the asset's estimated useful life.

(a) Goodwill

Goodwill represents the difference between the cost incurred for acquiring a controlling interest (in a business) and the fair value of the assets and liabilities identified at the acquisition date. Goodwill is not amortised, but is tested for impairment at least annually to identify any impairment losses. This test is carried out with reference to the cash-generating unit ("CGU") or group of CGUs to which goodwill is allocated. Reductions in the value of goodwill are recognised if the recoverable amount of goodwill is less than its carrying amount. Recoverable amount is defined as the higher of the fair value of the CGU or group of CGUs, less costs to sell, and the related value in use (see Section B.8 Impairment of property, plant and equipment and finite-life intangible assets for more details on how value in use is calculated). An impairment loss recognised against goodwill cannot be reversed in a subsequent period.

If an impairment loss identified by the impairment test is higher than the value of goodwill allocated to that CGU or group of CGUs, the residual difference is allocated to the assets included in the CGU or group of CGUs in proportion to their carrying amount.

Such allocation shall not reduce the carrying amount of an asset below the highest of:

- its fair value, less costs to sell;
- its value in use, as defined above;
- zero.

(b) Patents, concessions, licences, trademarks and similar rights

These assets are amortised on a straight-line basis over their useful lives.

(c) Computer software

Software licence costs are capitalised on the basis of purchase costs and costs to make the software ready for use. These costs are amortised on a straight-line basis over the useful life of the software. Costs relating to the development of software programs are capitalised, in accordance with IAS 38, when it is likely that the asset's use will generate future economic benefits and if the conditions described in the paragraph (d) Research and development costs are met.

(d) Research and development costs

Research and development costs are expensed to the income statement when they are incurred, except for development costs which are recorded as intangible assets when all the following conditions are met:

- the project is clearly identified and the related costs can be reliably identified and measured;
- the technical feasibility of the project can be demonstrated;
- the intention to complete the project and to sell its output can be demonstrated;
- there is a potential market for the output of the intangible asset or, if the intangible asset is to be used internally, its usefulness can be demonstrated;
- there are sufficient technical and financial resources to complete the project.

Development costs capitalised as intangible assets start to be amortised once the output of the project is marketable.

B.8 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND FINITE-LIFE INTANGIBLE ASSETS

Property, plant and equipment and finite-life intangible assets are analysed at each reporting date for any evidence of impairment. If such evidence is identified, the recoverable amount of these assets is estimated and any impairment loss relative to carrying amount is recognised in profit or loss. The recoverable amount is the higher of the fair value of an asset, less costs to sell, and its value in use, where the latter is the present value of the estimated future cash flows of the asset. The recoverable amount of an asset which does not generate largely independent cash flows is determined in relation to the cash-generating unit to which the asset belongs. In calculating an asset's value in use, the expected future cash flows are discounted using a discount rate reflecting current market assessments of the time value of money, in relation to the period of the investment and the specific risks associated with the asset. An impairment loss is recognised in the income statement when the asset's carrying amount exceeds its recoverable amount. If the reasons for impairment cease to exist, the asset's carrying amount is restored with the resulting increase recognised through profit or loss; however, the carrying amount may not exceed the net carrying amount that this asset would have had if no impairment had been recognised and the asset had been depreciated/amortised instead.

In the case of the Prysmian Group, the smallest CGU of the Energy operating segment can be identified on the basis of location of the registered office of the operating companies (country)¹, whilst for the Telecom operating segment, the smallest CGU is the operating segment itself.

B.9 FINANCIAL ASSETS

Financial assets are initially recorded at fair value and classified in one of the following categories on the basis of their nature and the purpose for which they were acquired:

¹ If the operating units of one country almost exclusively serve other countries, the smallest CGU is given by the group of these countries.

- (a) Financial assets at fair value through profit or loss;
- (b) Loans and receivables;
- (c) Available-for-sale financial assets.

Purchases and sales of financial assets are accounted for at the settlement date.

Financial assets are derecognised when the right to receive cash flows from the instrument expires and the Group has substantially transferred all the risks and rewards relating to the instrument and its control.

(a) Financial assets at fair value through profit or loss

Financial assets classified in this category are represented by securities held for trading, having been acquired with the purpose of selling them in the short term. Derivatives are treated as securities held for trading, unless they are designated as hedging instruments and are therefore classified under "Derivatives". Financial assets at fair value through profit or loss are initially recorded at fair value and the related transaction costs are expensed immediately to the income statement.

Subsequently, financial assets at fair value through profit or loss are measured at fair value. Assets in this category are classified as current assets (except for Derivatives falling due after more than 12 months). Gains and losses from changes in the fair value of financial assets at fair value through profit or loss are reported in the income statement as "Finance income" and "Finance costs", in the period in which they arise. This does not apply to metal derivatives, whose fair value changes are reported in "Fair value change in metal derivatives". Any dividends from financial assets at fair value through profit or loss are recognised as revenue when the Group's right to receive payment is established and are classified in the income statement under "Share of net profit/(loss) of associates and dividends from other companies".

(b) Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified in the statement of financial position as "Trade and other receivables" and treated as current assets, except for those with contractual due dates of more than twelve months from the reporting date, which are classified as non-current (Note 5. Trade and other receivables).

These assets are valued at amortised cost, using the effective interest rate. The process of assessment to identify any impairment of trade and other receivables is described in Note 5.

(c) Available-for-sale financial assets

Available-for-sale assets are non-derivative financial instruments that are explicitly designated as available for sale, or that cannot be classified in any of the previous categories; they are classified as non-current assets, unless management intends to dispose of them within twelve months of the end of the reporting period.

All the financial assets in this category are initially recorded at fair value plus any related transaction costs. Subsequently, available-for-sale financial assets are measured at fair value and gains or losses on valuation are recorded in an equity reserve. "Finance income" and "Finance costs" are recognised in the income statement only when the financial asset is effectively disposed of.

The fair value of listed financial instruments is based on the current bid price; these instruments belong to Level 1 of the fair value hierarchy.

If the market for a financial asset is not active (or refers to unlisted securities), the Group measures fair value using valuation techniques whose inputs are based on observable market-based data (Level 2) or unobservable data (Level 3). More details can be found in Section D.2 Fair value.

When performing such valuations, the Group gives preference to market data rather than to internal data specifically connected to the nature of the business in which the Group operates.

Any dividends arising from investments recorded as available-for-sale financial assets are recognised as revenue when the Group's right to receive payment is established and are classified in the income statement under "Share of net profit/(loss) of associates and dividends from other companies".

The Group assesses at every reporting date if there is objective evidence of impairment of its financial assets. In the case of investments classified as available-for-sale financial assets, a prolonged or significant reduction in the fair value of the investment below initial cost is treated as an indicator of impairment. Should such evidence exist, the accumulated loss relating to the available-for-sale financial assets - calculated as the difference between their acquisition cost and fair value at the reporting date, net of any impairment losses previously recognised in profit or loss - is transferred from equity and reported in the income statement as "Finance costs". Such losses are realised ones and therefore cannot be subsequently reversed. For debt securities, the related yields are recognised using the amortised cost method and are recorded in the income statement as "Finance income", together with any exchange rate effects, while exchange rate effects relating to investments classified as available-for-sale financial assets are recognised in the specific equity reserve.

B.10 DERIVATIVES

At the date of signing the contract, derivatives are accounted for at fair value and, if they are not accounted for as hedging instruments, any changes in the fair value following initial recognition are recorded as finance income or costs for the period, except for fair value changes in metal derivatives. If derivatives satisfy the requirements for classification as hedging instruments, the subsequent changes in fair value are accounted for using the specific criteria set out below.

The Group designates some derivatives as hedging instruments for particular risks associated with highly probable transactions ("cash flow hedges"). For each derivative which qualifies for hedge accounting, there is documentation on its relationship to the item being hedged, including the risk management objectives, the hedging strategy and the methods for checking the hedge's effectiveness. The effectiveness of each hedge is reviewed both at the derivative's inception and during its life cycle. In general, a cash flow hedge is considered highly "effective" if, both at its inception and during its life cycle, the changes in the cash flows expected in the future from the hedged item are largely offset by changes in the fair value of the hedge.

The fair values of the various derivatives used as hedges are disclosed in Note 8. Derivatives. Movements in the "Cash flow hedge reserve" forming part of equity are reported in Note 11. Share capital and reserves.

The fair value of a hedging derivative is classified as a non-current asset or liability if the hedged item has a maturity of more than twelve months; if the maturity of the hedged item is less than twelve months, the fair value of the hedge is classified as a current asset or liability.

Derivatives not designated as hedges are classified as current or non-current assets or liabilities according to their contractual due dates.

Cash flow hedges

In the case of hedges intended to neutralise the risk of changes in cash flows arising from the future execution of contractual obligations existing at the reporting date ("cash flow hedges"), changes in the fair value of the derivative following initial recognition are recorded in equity "Reserves", but only to the extent that they relate to the effective portion of the hedge. When the effects of the hedged item are reported in profit or loss, the reserve is transferred to the income statement and classified in the same line items that report the effects of the hedged item. If a hedge is not fully effective, the change in fair value of its ineffective portion is immediately recognised in the income statement as "Finance income" or "Finance costs". If, during the life of a derivative, the hedged forecast cash flows are no longer considered to be highly probable, the portion of the "Reserves" relating to the derivative is taken to the period's income statement and treated as "Finance income" or "Finance costs". Conversely, if the derivative is disposed of or no longer qualifies as an effective hedge, the portion of "Reserves" representing the changes in the instrument's fair value recorded up to then remains in equity until the original hedged transaction occurs, at which point it is then taken to the income statement, where it is classified on the basis described above.

At 31 December 2013, the Group had designated derivatives to hedge the following risks:

- **exchange rate risk on construction contracts or orders:** these hedges aim to reduce the volatility of cash flows due to changes in exchange rates on future transactions. In particular, the hedged item is the amount of the cash flow expressed in another currency that is expected to be received/paid in relation to a contract or an order for amounts above the minimum limits identified by the Group Finance Committee: all cash flows thus identified are therefore designated as hedged items in the hedging relationship. The reserve originating from changes in the fair value of derivatives is transferred to the income statement according to the stage of completion of the contract itself, where it is classified as contract revenue/costs;
- **exchange rate risk on intercompany financial transactions:** these hedges aim to reduce volatility arising from changes in exchange rates on intercompany transactions, when such transactions create an exposure to exchange rate gains or losses that are not completely eliminated on consolidation. The economic effects of the hedged item and the related transfer of the reserve to the income statement occur at the same time as recognising the exchange gains and losses on intercompany positions in the consolidated financial statements;
- **interest rate risk:** these hedges aim to reduce the volatility of cash flows relating to finance costs arising on variable rate debt.

When the economic effects of the hedged items occur, the gains and losses from the hedging instruments are taken to the following lines in the income statement:

	Sales of goods and services/Raw materials, consumables used and goods for resale	Finance income (costs)
Exchange rate risk on construction contracts or orders	X	
Exchange rate risk on intercompany financial transactions		X
Interest rate risk		X

B.11 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and subsequently valued on the basis of the amortised cost method, net of the allowance for doubtful accounts. Impairment of receivables is recognised when there is objective evidence that the Group will not be able to recover the receivable owed by the counterparty under the terms of the related contract.

Objective evidence includes events such as:

- (a) significant financial difficulty of the issuer or debtor;
- (b) ongoing legal disputes with the debtor relating to receivables;
- (c) likelihood that the debtor enters bankruptcy or starts other financial reorganisation procedures;
- (d) delays in payments exceeding 30 days from the due date.

The amount of the impairment is measured as the difference between the book value of the asset and the present value of future cash flows and is recorded in the income statement under "Other expenses".

Receivables that cannot be recovered are derecognised with a matching entry through the allowance for doubtful accounts.

The Group makes use of without-recourse factoring of trade receivables. These receivables are derecognised because such transactions transfer substantially all the related risks and rewards of the receivables to the factor.

B.12 INVENTORIES

Inventories are recorded at the lower of purchase or production cost and net realisable value, represented by the amount which the Group expects to obtain from their sale in the normal course of business, net of selling costs. The cost of inventories of raw materials, ancillaries and consumables, as well as finished products and goods is determined using the FIFO (first-in, first-out) method.

The exception is inventories of non-ferrous metals (copper, aluminium and lead) and quantities of such metals contained in semi-finished and finished products, which are valued using the weighted average cost method.

The cost of finished and semi-finished products includes design costs, raw materials, direct labour costs and other production costs (calculated on the basis of normal operating capacity). Borrowing costs are not included in the valuation of inventories but are expensed to the income statement when incurred because inventories are not qualifying assets that take a substantial period of time to get ready for use or sale.

B.13 CONSTRUCTION CONTRACTS

Construction contracts (hereafter also "contracts") are recognised at the value agreed in the contract, in accordance with the percentage of completion method, taking into account the progress of the project and the expected contractual risks. The progress of a project is measured by reference to the contract costs incurred at the reporting date in relation to the total estimated costs for each contract.

When the outcome of a contract cannot be estimated reliably, the contract revenue is recognised only to the extent that the costs incurred are likely to be recovered. When the outcome of a contract can be estimated reliably, and it is probable that the contract will be profitable, contract revenue is recognised over the term of

the contract. When it is probable that total contract costs will exceed total contract revenue, the potential loss is immediately recognised in the income statement.

The Group reports as an asset the gross amount due from customers for construction contracts where the costs incurred, plus recognised profits (less recognised losses), exceed the billing of work-in-progress; such assets are reported under "Other receivables". Amounts invoiced but not yet paid by customers are reported under "Trade receivables".

The Group reports as a liability the gross amount due to customers for all construction contracts where billing of the work in progress exceeds the costs incurred plus recognised profits (less recognised losses). Such liabilities are reported under "Other liabilities".

B.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, demand bank deposits and other short-term investments, with original maturities of three months or less. Current account overdrafts are classified as financial payables under current liabilities in the statement of financial position.

B.15 ASSETS HELD FOR SALE

Assets held for sale are classified as such if the carrying amount will be recovered principally through a sale transaction; for this to be the case, the sale must be highly probable and the related assets must be available for immediate sale in their present condition. Assets held for sale are measured at the lower of net carrying amount and fair value less costs to sell.

B.16 TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and subsequently valued on the basis of the amortised cost method.

B.17 BORROWINGS FROM BANKS AND OTHER LENDERS

Borrowings from banks and other lenders are initially recognised at fair value, less directly attributable costs. Subsequently, they are measured at amortised cost, using the effective interest method. If the estimated expected cash flows should change, the value of the liabilities is recalculated to reflect this change using the present value of the expected new cash flows and the effective internal rate originally established. Borrowings from banks and other lenders are classified as current liabilities, except where the Group has an unconditional right to defer their payment for at least twelve months after the reporting date.

Borrowings from banks and other lenders are derecognised when they are extinguished and when the Group has transferred all the risks and costs relating to such instruments.

Purchases and sales of financial liabilities are accounted for at the settlement date.

B.18 EMPLOYEE BENEFITS

Pension plans

The Group operates both defined contribution plans and defined benefit plans.

A defined contribution plan is a plan under which the Group pays fixed contributions to third-party fund managers and to which there are no legal or other obligations to pay further contributions should the fund not have sufficient assets to meet the obligations to employees for current and prior periods. In the case of defined contribution plans, the Group pays contributions, voluntarily or as established by contract, to public and private pension insurance funds. The Group has no obligations subsequent to payment of such contributions, which are recognised as personnel costs on an accrual basis. Prepaid contributions are recognised as an asset which will be repaid or used to offset future payments, should they be due.

A defined benefit plan is a plan not classifiable as a defined contribution plan. In defined benefit plans, the total benefit payable to the employee can be quantified only after the employment relationship ceases, and is linked to one or more factors, such as age, years of service and remuneration; the related cost is therefore charged to the period's income statement on the basis of an actuarial calculation. The liability recognised for defined benefit plans corresponds to the present value of the obligation at the reporting date, less the fair value of the plan assets, where applicable. Obligations for defined benefit plans are determined annually by an independent actuary using the projected unit credit method. The present value of a defined benefit plan is determined by discounting the future cash flows at an interest rate equal to that of high-quality corporate bonds issued in the liability's settlement currency and which reflects the duration of the related pension plan. Actuarial gains and losses arising from the above adjustments and the changes in actuarial assumptions are recorded directly in equity.

Past service costs resulting from a plan amendment are recognised immediately in the income statement in the period the plan amendment occurs.

Other post-employment obligations

Some Group companies provide medical benefit plans for retired employees. The expected cost of these benefits is accrued over the period of employment using the same accounting method as for defined benefit plans. Actuarial gains and losses arising from the valuation and the effects of changes in the actuarial assumptions are accounted for in equity. These liabilities are valued annually by a qualified independent actuary.

Termination benefits

The Group recognises termination benefits when it can be shown that the termination of employment complies with a formal plan communicated to the parties concerned that establishes termination of employment, or when payment of the benefit is the result of voluntary redundancy incentives. Termination benefits payable more than twelve months after the reporting date are discounted to present value.

Share-based payments

Stock options are valued on the basis of the fair value determined on their grant date. This value is charged to the income statement on a straight-line basis over the option vesting period with a matching entry in equity. This recognition is based on an estimate of the number of stock options that will effectively vest in favour of

eligible employees, taking into consideration any vesting conditions, irrespective of the market value of the shares.

B.19 PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised for losses and charges of a definite nature, whose existence is certain or probable, but the amount and/or timing of which cannot be determined reliably. A provision is recognised only when there is a current (legal or constructive) obligation for a future outflow of economic resources as the result of past events and it is likely that this outflow is required to settle the obligation. Such amount is the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material and the obligation settlement date can be estimated reliably, the provisions are stated at the present value of the expected outlay, using a rate that reflects market conditions, the variation in the cost of money over time, and the specific risk attached to the obligation.

Increases in the provision due to changes in the time value of money are accounted for as interest expense. Risks for which the emergence of a liability is only possible but not remote are indicated in the disclosures about commitments and contingencies and no provision is recognised.

Any contingent liabilities accounted for separately when allocating the cost of a business combination, are valued at the higher of the amount obtained using the method described above for provisions for risks and charges and the liability's originally determined present value.

Further details can be found in Note 29. Contingent liabilities.

The provisions for risks and charges include the estimated legal costs to be incurred if such costs are incidental to the extinguishment of the provision to which they refer.

B.20 REVENUE RECOGNITION

Revenue is recognised at the fair value of the consideration received for the sale of goods and services in the ordinary course of the Group's business. Revenue is recognised net of value-added tax, expected returns, rebates and discounts.

Revenue is accounted for as follows:

(a) Sales of goods

Revenue from the sale of goods is recognised when the risks and rewards of the goods are transferred to the customer; this usually occurs when the goods have been dispatched or delivered to the customer and the customer has accepted them.

(b) Sales of services

The sale of services is recognised in the accounting period in which the services are rendered, with reference to the progress of the service supplied and in relation to the total services still to be rendered.

In both cases, revenue recognition depends on there being reasonable assurance that the related consideration will be received.

The method of recognising revenue for construction contracts is outlined in Section B.13. Construction contracts.

B.21 GOVERNMENT GRANTS

Government grants are recognised on an accrual basis in direct relation to the costs incurred when there is a formal resolution approving the allocation and, when the right to the grant is assured since it is reasonably certain that the Group will comply with the conditions attaching to its receipt and that the grant will be received.

(a) Grants related to assets

Government grants relating to investments in property, plant and equipment are recorded as deferred income in "Other payables", classified under current and non-current liabilities for the respective long-term and short-term portion of such grants. Deferred income is recognised in "Other income" in the income statement on a straight-line basis over the useful life of the asset to which the grant refers.

(b) Grants related to income

Grants other than those related to assets are credited to the income statement as "Other income".

B.22 COST RECOGNITION

Costs are recognised when they relate to assets and services acquired or consumed during the year or to make a systematic allocation.

B.23 TAXATION

Current taxes are calculated on the basis of the taxable income for the year, applying the tax rates effective at the end of the reporting period.

Deferred taxes are calculated on all the differences emerging between the taxable base of an asset or liability and the related carrying amount, except for goodwill and those differences arising from investments in subsidiaries, where the timing of the reversal of such differences is controlled by the Group and it is likely that they will not reverse in a reasonably foreseeable future. Deferred tax assets, including those relating to past tax losses, not offset by deferred tax liabilities, are recognised to the extent that it is likely that future taxable profit will be available against which they can be recovered. Deferred taxes are determined using tax rates that are expected to apply in the years when the differences are realised or extinguished, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred taxes are recognised in the income statement with the exception of those relating to items recognised directly in equity; such taxes are also accounted for directly in equity. Income taxes are offset if they are levied by the same taxation authority, if there is a legal entitlement to offset them and if the net balance is expected to be settled.

Other taxes not related to income, such as property tax, are reported in "Other expenses".

B.24 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. For the purposes of calculating diluted earnings per share, the weighted average of outstanding shares is adjusted so as to include the exercise, by all those entitled, of rights with a potentially dilutive effect, while the profit attributable to owners of the parent is adjusted to account for any effects, net of taxes, of exercising such rights.

B.25 TREASURY SHARES

Treasury shares are reported as a deduction from equity. The original cost of treasury shares and revenues arising from any subsequent sales are treated as movements in equity.

C. RESTATEMENT OF COMPARATIVE FIGURES AT 31 DECEMBER 2012

The consolidated financial statements at 31 December 2012, presented in the present annual financial report for comparative purposes, have undergone some amendments compared with the previously published figures. Details of these amendments are discussed below:

Application of IAS19 Revised

The application of this revised standard has involved recognising Euro 2 million more in "Finance costs" at 31 December 2012, with a consequent adjustment of Euro 2 million to "Net profit/(loss) for the year" and "Reserves", both classified in equity. Further details can be found in Section B.3 Accounting standards, amendments and interpretations applied in 2013 and in Note 15. Employee benefit obligations.

Business combination of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd)

The fair values of the assets and liabilities relating to the business combination of Prysmian PowerLink Services Ltd (formerly Global Marine Systems Energy Ltd.), calculated on a provisional basis at 31 December 2012, were finalised during 2013. The final values have made it necessary to amend the amounts reported in the following line items at 31 December 2012: "Other current receivables" have been increased by Euro 3 million, "Current provisions for risks and charges" have been decreased by Euro 8 million; as a result, "Goodwill" has been reduced by Euro 11 million.

The above amendments are shown below:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	31 December 2012	Application IAS19 Revised	Business combinations	31 December 2012 Restated
Non-current assets				
Property, plant and equipment	1,539			1,539
Intangible assets	655		(11)	644
Investments in associates	99			99
Available-for-sale financial assets	14			14
Derivatives	3			3
Deferred tax assets	127			127
Other receivables	41			41
Total non-current assets	2,478	-	(11)	2,467
Current assets				
Inventories	897			897
Trade receivables	1,163			1,163
Other receivables	570		3	573
Financial assets held for trading	78			78
Derivatives	16			16
Cash and cash equivalents	812			812
Total current assets	3,536	-	3	3,539
Assets held for sale	4			4
Total assets	6,018	-	(8)	6,010
Equity attributable to the Group:	1,112	-	-	1,112
Share capital	21			21
Reserves	923	2		925
Net profit/(loss) for the year	168	(2)		166
Equity attributable to non-controlling interests:	47	-	-	47
Share capital and reserves	44			44
Net profit/(loss) for the year	3			3
Total equity	1,159	-	-	1,159
Non-current liabilities				
Borrowings from banks and other lenders	1,433			1,433
Other payables	27			27
Provisions for risks and charges	76			76
Derivatives	41			41
Deferred tax liabilities	95			95
Employee benefit obligations	344			344
Total non-current liabilities	2,016	-	-	2,016
Current liabilities				
Borrowings from banks and other lenders	361			361
Trade payables	1,450			1,450
Other payables	654			654
Derivatives	24			24
Provisions for risks and charges	325		(8)	317
Current tax payables	29			29
Total current liabilities	2,843	-	(8)	2,835
Total liabilities	4,859	-	(8)	4,851
Total equity and liabilities	6,018	-	(8)	6,010

CONSOLIDATED INCOME STATEMENT

(in millions of Euro)

	2012	Application IAS19 Revised	Business combinations	2012 Restated
Sales of goods and services	7,848			7,848
Change in inventories of work in progress, semi-finished and finished goods	(31)			(31)
Other income	71			71
<i>of which non-recurring other income</i>	15			15
<i>of which remeasurement of minority put option liability</i>	7			7
Raw materials, consumables used and goods for resale	(5,083)			(5,083)
Fair value change in metal derivatives	14			14
Personnel costs	(1,041)			(1,041)
<i>of which non-recurring personnel costs</i>	(65)			(65)
<i>of which personnel costs for stock option fair value</i>	(17)			(17)
Amortisation, depreciation and impairment	(188)			(188)
<i>of which non-recurring impairment</i>	(24)			(24)
Other expenses	(1,228)			(1,228)
<i>of which non-recurring other expenses</i>	(51)			(51)
Operating income	362	-	-	362
Finance costs	(393)	(2)		(395)
<i>of which non-recurring finance costs</i>	(8)			(8)
Finance income	258			258
<i>of which non-recurring finance income</i>	3			3
Share of net profit/(loss) of associates and dividends from other companies	17			17
Profit/(loss) before taxes	244	(2)	-	242
Taxes	(73)			(73)
Net profit/(loss) for the year	171	(2)	-	169
Attributable to:				
Owners of the parent	168	(2)		166
Non-controlling interests	3			3

D. FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to various forms of risk: market risk (including exchange rate, interest rate and price risks), credit risk and liquidity risk. The Group's risk management strategy focuses on the unpredictability of markets and aims to minimise the potentially negative impact on the Group's results. Some types of risk are mitigated using derivatives.

Monitoring of key financial risks is centrally coordinated by the Group Finance Department, and by the Purchasing Department where price risk is concerned, in close cooperation with the Group's operating companies. Risk management policies are approved by the Group Finance, Administration and Control Department, which provides written guidelines on managing the above risks and on using (derivative and non-derivative) financial instruments.

The impact on net profit and equity described in the following sensitivity analyses has been determined net of tax, calculated using the Group's weighted average theoretical tax rate.

[a] Exchange rate risk

The Group operates worldwide and is therefore exposed to exchange rate risk caused by changes in the value of trade and financial flows expressed in a currency other than the accounting currency of individual Group companies.

The principal exchange rates affecting the Group are:

- Euro/British Pound: in relation to trade and financial transactions by Eurozone companies on the British market and vice versa;
- Euro/US Dollar: in relation to trade and financial transactions in US dollars by Eurozone companies on the North American and Middle Eastern markets, and similar transactions in Euro by North American companies on the European market;
- United Arab Emirates Dirham/Euro: in relation to trade and financial transactions by Eurozone companies on the United Arab Emirates market;
- Euro/Norwegian Krone: in relation to trade and financial transactions by Eurozone companies on the Norwegian market and vice versa;
- Euro/Danish Krone: in relation to trade and financial transactions by Eurozone companies on the Danish market and vice versa;
- Euro/Swedish Krona: in relation to trade and financial transactions by Eurozone companies on the Swedish market and vice versa
- Euro/Canadian Dollar: in relation to trade and financial transactions by Eurozone companies on the Canadian market and vice versa;
- Euro/Qatari Riyal: in relation to trade and financial transactions by Eurozone companies on the Qatari market;
- Turkish Lira/US Dollar: in relation to trade and financial transactions in US dollars by Turkish companies on foreign markets and vice versa;
- Euro/Australian Dollar: in relation to trade and financial transactions by Eurozone companies on the Australian market and vice versa;
- Euro/Hungarian Forint: in relation to trade and financial transactions by Hungarian companies on the Eurozone market and vice versa;

- Brazilian Real/US Dollar: in relation to trade and financial transactions in US dollars by Brazilian companies on foreign markets and vice versa.

In 2013, trade and financial flows exposed to these exchange rates accounted for around 90.9% of the total exposure to exchange rate risk arising from trade and financial transactions (90.2% in 2012).

The Group is also exposed to significant exchange rate risks on the following exchange rates: Euro/Hong Kong Dollar, Euro/Czech Koruna, Renminbi/US Dollar and Euro/Singapore Dollar; none of these exposures, taken individually, accounted for more than 1.6% of the overall exposure to transactional exchange rate risk in 2013 (1.2% in 2012).

It is the Group's policy to hedge, where possible, exposures in currencies other than the accounting currencies of its individual companies. In particular, the Group hedges:

- Definite cash flows: invoiced trade flows and exposures arising from loans and borrowings;
- Projected cash flows: trade and financial flows arising from firm or highly probable contractual commitments.

The above hedges are arranged using derivative contracts.

The following sensitivity analysis shows the effects on net profit of a 5% and 10% increase/decrease in exchange rates versus closing exchange rates at 31 December 2013 and 31 December 2012.

(in millions of Euro)

	2013		2012	
	-5%	+5%	-5%	+5%
Euro	(1.59)	1.44	(1.13)	1.02
US Dollar	(2.05)	1.85	(1.57)	1.42
Other currencies	(0.71)	0.64	(1.66)	1.51
Total	(4.35)	3.93	(4.36)	3.95

(in millions of Euro)

	2013		2012	
	-10%	+10%	-10%	+10%
Euro	(3.35)	2.74	(2.38)	1.95
US Dollar	(4.32)	3.53	(3.32)	2.72
Other currencies	(1.49)	1.22	(3.51)	2.87
Total	(9.16)	7.49	(9.21)	7.54

When assessing the potential impact of the above, the assets and liabilities of each Group company in currencies other than their accounting currency were considered, net of any derivatives hedging the above-mentioned flows.

The following sensitivity analysis shows the post-tax effects on equity reserves of an increase/decrease in the fair value of derivatives designated as cash flow hedges following a 5% and 10% increase/decrease in exchange rates versus closing exchange rates at 31 December 2013 and 31 December 2012.

(in millions of Euro)

		2013		2012
	-5%	+5%	-5%	+5%
US Dollar	1.31	(1.45)	1.88	(2.08)
United Arab Emirates Dirham	0.38	(0.42)	0.51	(0.57)
Qatari Riyal	1.86	(2.05)	2.21	(2.44)
Saudi Riyal	-	-	0.03	(0.03)
Other currencies	0.48	(0.53)	0.45	(0.50)
Total	4.03	(4.45)	5.08	(5.62)

(in millions of Euro)

		2013		2012
	-10%	+10%	-10%	+10%
US Dollar	2.50	(3.06)	3.59	(4.39)
United Arab Emirates Dirham	0.72	(0.88)	0.98	(1.19)
Qatari Riyal	3.54	(4.33)	4.22	(5.15)
Saudi Riyal	0.01	(0.01)	0.05	(0.06)
Other currencies	0.92	(1.12)	0.86	(1.05)
Total	7.69	(9.40)	9.70	(11.84)

The above analysis ignores the effects of translating the equity of Group companies whose functional currency is not the Euro.

[b] Interest rate risk

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.

Variable rate debt exposes the Group to a rate volatility risk (cash flow risk). In order to hedge this risk, the Group can use derivative contracts that limit the impact of interest rate changes on the income statement.

The Group Finance Department monitors the exposure to interest rate risk and adopts appropriate hedging strategies to keep the exposure within the limits defined by the Group Administration, Finance and Control Department, arranging derivative contracts, if necessary.

The following sensitivity analysis shows the effects on consolidated net profit of an increase/decrease of 25 basis points in interest rates on the interest rates at 31 December 2013 and 31 December 2012, assuming that all other variables remain equal.

The potential effects shown below refer to net liabilities representing the most significant part of Group debt at the reporting date and are determined by calculating the effect on net finance costs following a change in annual interest rates.

The net liabilities considered for sensitivity analysis include variable rate financial receivables and payables, cash and cash equivalents and derivatives whose value is influenced by rate volatility.

(in millions of Euro)

	2013		2012	
	-0.25%	+0.25%	-0.25%	+0.25%
Euro	(0.12)	0.12	(0.33)	0.33
US Dollar	0.06	(0.06)	0.14	(0.14)
British Pound	(0.03)	0.03	(0.01)	0.01
Other currencies	(0.44)	0.44	(0.34)	0.34
Total	(0.53)	0.53	(0.54)	0.54

At 31 December 2013, the increase/decrease in the fair value of derivatives designated as cash flow hedges arising from an increase/decrease of 25 basis points in interest rates on year-end rates would have respectively increased other equity reserves by Euro 0.8 million and decreased them by Euro 1.5 million for hedges of underlying transactions in Euro.

At 31 December 2012, the increase/decrease in the fair value of derivatives designated as cash flow hedges arising from an increase/decrease of 25 basis points in interest rates on year-end rates would have respectively increased other equity reserves by Euro 2.32 million and decreased them by Euro 2.39 million for hedges of underlying transactions in Euro.

[c] Price risk

The Group is exposed to price risk in relation to purchases and sales of strategic materials, whose purchase price is subject to market volatility. The main raw materials used by the Group in its own production processes consist of strategic metals such as copper, aluminium and lead. The cost of purchasing such strategic materials accounted for approximately 54% of the Group's total cost of materials in 2013 (57% in 2012), forming part of its overall production costs.

In order to manage the price risk on future trade transactions, the Group negotiates derivative contracts on strategic metals, setting the price for planned future purchases.

Although the ultimate aim of the Group is to hedge risks to which it is exposed, these contracts do not qualify as hedging instruments for accounting purposes.

The derivative contracts entered into by the Group are negotiated with major financial counterparties on the basis of strategic metal prices quoted on the London Metal Exchange ("LME"), the New York market ("COMEX") and the Shanghai Futures Exchange ("SFE").

The following sensitivity analysis shows the effect on net profit and consolidated equity of a 10% increase/decrease in strategic material prices versus prices at 31 December 2013 and 31 December 2012, assuming that all other variables remain equal.

(in millions of Euro)

	2013		2012	
	-10%	+10%	-10%	+10%
LME	(13.85)	13.85	(20.88)	20.88
COMEX	(0.78)	0.78	0.56	(0.56)
SFE	(4.88)	4.88	(3.27)	3.27
Total	(19.51)	19.51	(23.59)	23.59

The potential impact shown above is solely attributable to increases and decreases in the fair value of derivatives on strategic material prices which are directly attributable to changes in the prices themselves. It does not refer to the impact on the income statement of the purchase cost of strategic materials.

[d] Credit risk

Credit risk is connected with trade receivables, cash and cash equivalents, financial instruments, and deposits with banks and other financial institutions.

Customer-related credit risk is managed by the individual subsidiaries and monitored centrally by the Group Finance Department. The Group does not have significant concentrations of credit risk. It nonetheless has procedures aimed at ensuring that sales of products and services are made to reliable customers, taking account of their financial position, track record and other factors. Credit limits for major customers are based on internal and external assessments within ceilings approved by local country management. The utilisation of credit limits is periodically monitored at local level.

During 2013 the Group had a global insurance policy in place to provide coverage for part of its trade receivables against any losses.

As for credit risk relating to the management of financial and cash resources, this risk is monitored by the Group Finance Department, which implements procedures aimed at ensuring that Group companies deal with independent, high standing, reliable counterparties. In fact, at 31 December 2013 (like at 31 December 2012) almost all the Group's financial and cash resources were held with investment grade counterparties. Credit limits relating to the principal financial counterparties are based on internal and external assessments, within ceilings defined by the Group Finance Department.

[e] Liquidity risk

Prudent management of the liquidity risk arising from the Group's normal operations involves the maintenance of adequate levels of cash and cash equivalents and short-term securities as well as availability of funds by having an adequate amount of committed credit lines.

The Group Finance Department uses cash flow forecasts to monitor the projected level of the Group's liquidity.

The amount of liquidity reserves at the reporting date is as follows:

(in millions of Euro)

	31 December 2013	31 December 2012
Cash and cash equivalents	561	812
Financial assets held for trading	94	78
Unused committed lines of credit	897	871
Total	1,552	1,761

Unused committed lines of credit at 31 December 2013 refer both to Revolving Credit Facilities (Euro 797 million) and to the EIB loan (Euro 100 million); at 31 December 2012 they comprised Euro 75 million for the securitization programme and Euro 796 million for Revolving Credit Facilities.

The line serving the securitization programme was terminated at the end of July 2013.

The following table includes an analysis, by due date, of payables, other liabilities, and derivatives settled on a net basis; the various due date categories are determined on the basis of the period between the reporting date and the contractual due date of the obligations.

(in millions of Euro)

	31 December 2013			
	Due within 1 year	Due between 1 - 2 years	Due between 2 - 5 years	Due after 5 years
Borrowings from banks and other lenders	368	448	721	3
Finance lease obligations	3	3	4	11
Credit lines guaranteed by securitized receivables	-	-	-	-
Derivatives	42	3	4	-
Trade and other payables	2,169	7	6	11
Total	2,582	461	735	25

(in millions of Euro)

	31 December 2012			
	Due within 1 year	Due between 1 - 2 years	Due between 2 - 5 years	Due after 5 years
Borrowings from banks and other lenders	327	654	831	2
Finance lease obligations	2	2	7	9
Credit lines guaranteed by securitized receivables	75	-	-	-
Derivatives	24	33	8	-
Trade and other payables	2,104	4	5	18
Total	2,532	693	851	29

In completion of the disclosure about financial risks, a reconciliation between the financial assets and liabilities reported in the Group's statement of financial position and the financial assets and liabilities classified according to the IFRS 7 definitions, as follows:

(in millions of Euro)

	31 December 2013					
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortised cost	Hedging derivatives
Available-for-sale financial assets	-	-	15	-	-	-
Trade receivables	-	1,010	-	-	-	-
Other receivables	-	768	-	-	-	-
Financial assets held for trading	94	-	-	-	-	-
Derivatives (assets)	20	-	-	-	-	5
Cash and cash equivalents	-	561	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	1,492	-
Trade payables	-	-	-	-	1,441	-
Other payables	-	-	-	-	752	-
Derivatives (liabilities)	-	-	-	36	-	13

(in millions of Euro)

	31 December 2012					
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortised cost	Hedging derivatives
Available-for-sale financial assets	-	-	14	-	-	-
Trade receivables	-	1,163	-	-	-	-
Other receivables	-	614	-	-	-	-
Financial assets held for trading	78	-	-	-	-	-
Derivatives (assets)	10	-	-	-	-	9
Cash and cash equivalents	-	812	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	1,794	-
Trade payables	-	-	-	-	1,450	-
Other payables	-	-	-	-	681	-
Derivatives (liabilities)	-	-	-	16	-	49

D.1 CAPITAL RISK MANAGEMENT

The Group's objective in capital risk management is mainly to safeguard business continuity in order to guarantee returns for shareholders and benefits for other stakeholders. The Group also aims to maintain an optimal capital structure in order to reduce the cost of debt and to comply with a series of covenants required by the various Credit Agreements (Note 32. Financial covenants).

The Group also monitors capital on the basis of its gearing ratio (ie. the ratio between net financial position and capital). Note 12. Borrowings from banks and other lenders contains details of how the net financial position is determined. Capital is equal to the sum of equity, as reported in the Group consolidated financial statements, and the net financial position.

The gearing ratios at 31 December 2013 and 31 December 2012 are shown below:

(in millions of Euro)

	2013	2012
Net financial position	834	918
Equity	1,195	1,159
Total capital	2,029	2,077
Gearing ratio	41.10%	44.20%

D.2 FAIR VALUE

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

The fair value of financial instruments is classified according to the following hierarchy:

Level 1: fair value is determined with reference to quoted prices (unadjusted) in active markets for identical financial instruments. Therefore, the emphasis within Level 1 is on determining both of the following:

- (a) the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability; and
- (b) whether the entity can enter into a transaction for the asset or liability at the price in that market at the measurement date.

Level 2: fair value is determined using valuation techniques where the input is based on observable market data. The inputs for this level include:

- (a) quoted prices for similar assets or liabilities in active markets;
- (b) quoted prices for identical or similar assets or liabilities in markets that are not active;
- (c) inputs other than quoted prices that are observable for the asset or liability, for example:
 - i. interest rate and yield curves observable at commonly quoted intervals;
 - ii. implied volatilities; and
 - iii. credit spreads;
- (d) market-corroborated inputs.

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

The following tables present the assets and liabilities that are measured at fair value:

(in millions of Euro)		31 December 2013			
	Level 1	Level 2	Level 3	Total	
Assets					
Financial assets at fair value through profit or loss:					
Derivatives	5	15	-	20	
Financial assets held for trading	87	7	-	94	
Hedging derivatives	-	5	-	5	
Available-for-sale financial assets	1	-	14	15	
Total assets	93	27	14	134	
Liabilities					
Financial liabilities at fair value through profit or loss:					
Derivatives	18	18	-	36	
Hedging derivatives	-	13	-	13	
Total liabilities	18	31	-	49	

(in millions of Euro)		31 December 2012			
	Level 1	Level 2	Level 3	Total	
Assets					
Financial assets at fair value through profit or loss:					
Derivatives	3	7	-	10	
Financial assets held for trading	74	4	-	78	
Hedging derivatives	-	9	-	9	
Available-for-sale financial assets	1	-	13	14	
Total assets	78	20	13	111	
Liabilities					
Financial liabilities at fair value through profit or loss:					
Derivatives	8	8	-	16	
Hedging derivatives	-	49	-	49	
Total liabilities	8	57	-	65	

Financial assets classified in fair value Level 3 reported no significant movements in either 2013 or 2012.

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

During 2013 there were no transfers of financial assets and liabilities between the different levels of the fair value hierarchy.

VALUATION TECHNIQUES

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

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

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

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

An increase/decrease in the Group's credit rating at 31 December 2013 would not have had significant effects on net profit at that date.

E. ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to apply accounting standards and methods which, at times, rely on judgements and estimates based on past experience and assumptions deemed to be reasonable and realistic according to the related circumstances. The application of these estimates and assumptions influences the amounts reported in the financial statements, meaning the statement of financial position, the income statement, the statement of comprehensive income and the statement of cash flows, as well as the accompanying disclosures. Ultimate amounts, previously reported on the basis of estimates and assumptions, may differ from original estimates because of the uncertain nature of the assumptions and conditions on which the estimates were based.

The following is a brief description of the accounting policies that require the Prysmian Group's management to exercise greater subjectivity of judgement when preparing estimates and for which a change in underlying assumptions could have a significant impact on the consolidated financial statements.

(a) Provisions for risks and charges

Provisions are recognised for legal and tax risks and reflect the risk of a negative outcome. The value of the provisions recorded in the financial statements against such risks represents the best estimate by management at that date. This estimate requires the use of assumptions depending on factors which may change over time and which could, therefore, have a significant impact on the current estimates made by management to prepare the Group consolidated financial statements.

(b) Impairment of assets**Goodwill**

In accordance with its adopted accounting standards and impairment testing procedures, the Group tests annually whether its goodwill has suffered an impairment loss. Goodwill has been allocated to the two operating segments: Energy and Telecom. It is therefore tested at this level. The recoverable amount has been determined by calculating value in use. This calculation requires the use of estimates.

More details about the impairment test for goodwill can be found in Note 2. Intangible assets.

As at 31 December 2013, the Prysmian Group had capitalised Euro 394 million in Goodwill; this figure has been remeasured as a result of the following:

- finalisation of the fair value of the assets and liabilities of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd): leading to a restatement of the amounts recognised at 31 December 2012 by a total of Euro 11 million. Goodwill recognised in respect of this company amounts to Euro 38 million at 31 December 2013.
- finalisation of the values for the acquisition of a majority interest in Telcon Fios e para Telecomunicações Cabos S.A., resulting in an increase of Euro 2 million. Goodwill recognised in respect of this company amounts to Euro 6 million at 31 December 2013.

Further details can be found in Section F. Business combinations.

Property, plant and equipment and finite-life intangible assets

In accordance with the Group's adopted accounting standards and impairment testing procedures, property, plant and equipment and intangible assets with finite useful lives are tested for impairment. Any impairment loss is recognised by means of a write-down, when indicators suggest it will be difficult to recover the related net book value through use of the assets. Verification of these indicators requires management to make subjective judgements based on the information available within the Group and from the market, as well as from past experience. In addition, if an impairment loss is identified, the Group determines the amount of such impairment using suitable valuation techniques. Correct identification of indicators of potential impairment as well as the estimates for determining its amount depend on factors which can vary over time, thus influencing judgements and estimates made by management.

The Prysmian Group has assessed at year end whether there is any evidence that its CGUs might be impaired and has consequently tested for impairment those CGUs potentially at "risk". Based on this test, the Group has partially written down the assets of the Energy segment's CGU for the country Spain. Furthermore, the Group has recognised impairment losses against other assets which, although belonging to larger CGUs for which there was no specific evidence of impairment, had recoverable amounts below their net book value due to particular market circumstances.

The outcome of impairment tests at 31 December 2013 does not mean that future results will be the same, especially if there are currently unforeseeable developments in the business environment.

Further information can be found in Note 1. Property, plant and equipment.

(c) Depreciation and amortisation

The cost of property, plant and equipment and intangible assets is depreciated/amortised on a straight-line basis over the estimated useful lives of the assets concerned. The useful economic life of Group property, plant and equipment and intangible assets is determined by management when the asset is acquired. This is based on past experience for similar assets, market conditions and expectations regarding future events that could impact useful life, including changes in technology. Therefore, actual economic life may differ from estimated useful life. The Group periodically reviews technological and sector changes to update residual useful lives. This periodic update may lead to a variation in the depreciation/amortisation period and therefore also in the depreciation/amortisation charge for future years.

(d) Revenue recognition for construction contracts

The Group uses the percentage of completion method to record construction contracts. The margins recognised in the income statement depend on the progress of the contract and its estimated margins upon completion. Thus, correct recognition of work-in-progress and margins relating to as yet incomplete work implies that management has correctly estimated contract costs, potential contract variants, as well as delays, and any extra costs and penalties that might reduce the expected profit. The percentage of completion method requires the Group to estimate the completion costs and involves making estimates dependent on factors which may change over time and could therefore have a significant impact on current values. Should actual cost differ from estimated cost, this variation will impact future results.

(e) Taxes

Consolidated companies are subject to different tax jurisdictions. A significant degree of estimation is needed to establish the expected tax payable globally. There are a number of transactions for which the relevant taxes are difficult to estimate at year end. The Group records liabilities for outstanding tax assessments on the basis of estimates, possibly made with the assistance of outside experts.

(f) Inventory valuation

Inventories are recorded at the lower of purchase cost (measured using the weighted average cost formula for non-ferrous metals and the FIFO formula for all others) and net realisable value, net of selling costs. Net realisable value is in turn represented by the value of firm orders in the order book, or otherwise by the replacement cost of supplies or raw materials. If significant reductions in the price of non-ferrous metals are followed by order cancellations, the loss in the value of inventories may not be fully offset by the penalties charged to customers for cancelling their orders.

(g) Employee benefit obligations

The present value of the pension plans reported in the financial statements depends on an independent actuarial calculation and on a number of different assumptions. Any changes in assumptions and in the discount rate used are duly reflected in the present value calculation and may have a significant impact on the consolidated figures. The assumptions used for the actuarial calculation are examined by the Group annually.

Present value is calculated by discounting future cash flows at an interest rate equal to that on high-quality corporate bonds issued in the currency in which the liability will be settled and which takes account of the duration of the related pension plan.

Further information can be found in Note 15. Employee benefit obligations and Note 21. Personnel costs.

(h) Incentive plans

The employee share purchase plan involves granting options to almost all of the Group's employees. The operation of this plan is described in Note 21. Personnel costs.

The grant of options is subject to an employee's continued professional relationship with the Group in the months between signing up for one of the plan's purchase windows and the purchase of the shares themselves on the stock market. The plan's financial and economic impact has therefore been estimated on the basis of the best possible estimates and information currently available.

F. BUSINESS COMBINATIONS

Telcon Fios e Cabos para Telecomunicações S.A.

On 5 April 2012, the Prysmian Group acquired, through its subsidiary Draka Cableteq Brasil, the majority 50% controlling interest in the Brazilian company Telcon Fios e Cabos para Telecomunicações S.A., thereby becoming its sole shareholder since the Group already owned 50% of this company. For greater practicality and in the absence of material impacts, the acquisition date of the remaining 50% interest has been taken as 31 March 2012 for accounting purposes, with revenues and expenses consolidated as from 1 April 2012.

Details of the cost of acquisition of Telcon Fios e Cabos para Telecomunicações S.A. and the related cash outlay are as follows:

(in millions of Euro)

Total acquisition cost (A)	21
Dividend distribution (B)	11
Fair value of net assets acquired (C)	26
Goodwill (A)+(B)-(C)	6
Financial outlay for acquisition	32
Cash and cash equivalents held by acquired company	(9)
Acquisition cash flow	23

In compliance with IFRS 3, the final fair values of the assets, liabilities and contingent liabilities are as follows:

(in millions of Euro)

	Fair value
Property, plant and equipment	11
Intangible assets	2
Financial receivables - non-current	3
Inventories	3
Trade and other receivables	16
Trade and other payables	(13)
Provisions for risks	(1)
Borrowings from banks and other lenders	(4)
Cash and cash equivalents	9
Net assets acquired (C)	26

Property, plant and equipment

The fair value measurement has increased the book value of "Plant and machinery" by Euro 5 million.

Intangible assets

The fair value measurement has identified an additional value of Euro 2 million for Customer relationships.

The acquisition has given rise to Euro 6 million in goodwill, which has been recorded in "Intangible assets".

If the company had been consolidated from 1 January 2012, its incremental contribution to sales of goods and services would have been Euro 16 million, while its contribution to the result for 2012 would have been Euro 1 million.

Assets and liabilities recognised as a result of acquisition are classified in Level 3 of the fair value hierarchy.

Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd)

On 15 November 2012, the Prysmian Group acquired, through its subsidiary Prysmian UK Group Limited, control of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) from Global Marine Systems Ltd.

The total consideration paid for the acquisition was approximately Euro 52 million, of which Euro 17 million paid to the seller by Prysmian UK Group Limited and Euro 35 million settled by repaying the debt that the company owed to its former shareholder.

Acquisition-related costs amounted to around Euro 1.6 million, of which Euro 0.6 million were incurred in the previous year. These costs have been classified in "Other expenses", before tax effects of Euro 0.4 million, of which Euro 0.1 million accounted for in the previous year.

In compliance with IFRS 3, the fair values of the assets, liabilities and contingent liabilities have been determined on a final basis.

Details of the cost of acquisition of Prysmian PowerLink Services Ltd (formerly Global Marine Systems Energy Ltd) and the related cash outlay are as follows:

(in millions of Euro)

Total acquisition cost (A)	52
Price adjustment receivable (B)	3
Fair value of net assets acquired (C)	11
Goodwill (A)-(B)-(C)	38
Financial outlay for acquisition	52
Cash and cash equivalents held by acquired company	(1)
Acquisition cash flow	51

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

(in millions of Euro)

	Fair value
Property, plant and equipment	43
Inventories	1
Trade and other receivables	11
Trade and other payables	(16)
Borrowings from banks and other lenders	(11)
Provisions for risks and charges	(18)
Cash and cash equivalents	1
Net assets acquired (C)	11

The acquisition has given rise to Euro 38 million in goodwill. Such goodwill is essentially justified by expected synergies relating to submarine system installation projects.

If the company had been consolidated from 1 January 2012, its contribution to sales revenue would have been difficult to determine because its main contracts were transferred and started only just before the acquisition.

Assets and liabilities recognised as a result of acquisition are classified in Level 3 of the fair value hierarchy.

G. SEGMENT INFORMATION

The criteria used for identifying reportable segments are consistent with the way in which management runs the Group.

In particular, segment information is structured in the same way as the report periodically reviewed by the Chief Executive Officer for the purposes of managing the business. In fact, the Chief Executive Officer reviews operating performance by macro type of business (Energy and Telecom), assesses the results of operating segments primarily on the basis of Adjusted EBITDA, defined as earnings (loss) for the period before non-recurring items (eg. restructuring costs), amortisation, depreciation and impairment, finance costs and income, and taxes, and reviews the statement of financial position for the Group as a whole, and not by operating segment.

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

A) Energy operating segment:

1. Utilities: organised in four lines of business, comprising High Voltage, Power Distribution, Accessories and Submarine;
2. Trade & Installers: cables and systems for the trade and installers market for the wiring of buildings and distribution of electricity to or in commercial and residential buildings, including fire-resistant and low smoke halogen-free cables as part of one of the widest and most comprehensive product ranges in the world;
3. Industrial: cables and accessories for special industrial applications based on specific requirements (Specialties&OEM; Oil&Gas; Automotive; Renewable; Surf; Elevator);
4. Other: occasional sales of residual products.

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

All Corporate fixed costs are allocated to the Energy and Telecom 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 based on 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 reporting does not significantly differ from the breakdown of sales of goods and services by destination of the products being sold. Transfer pricing between segments is determined using the same conditions as applied between Group companies and is generally determined by applying a mark-up to production costs.

G.1 OPERATING SEGMENTS

The following tables present information by operating segment.

	Energy					Telecom	Corporate	2013 Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
Sales of goods and services to third parties ⁽¹⁾	2,224	1,914	1,765	115	6,018	1,255	-	7,273
Adjusted EBITDA (A)	281	72	134	5	492	120	-	612
% of sales	12.6%	3.7%	7.6%	4.3%	8.2%	9.6%		8.4%
EBITDA (B)	291	57	129	(8)	469	100	(7)	562
% of sales	13.1%	3.0%	7.3%		7.8%	8.0%		7.7%
Amortisation and depreciation (C)	(41)	(25)	(35)	(4)	(105)	(50)	-	(155)
Adjusted operating income (A+C)	240	47	99	1	387	70	-	457
% of sales	10.8%	2.4%	5.6%		6.4%	5.6%		6.3%
Fair value change in metal derivatives (D)								(8)
Fair value - stock options (E)								(14)
Impairment of assets (F)	(3)	(6)	(5)	-	(14)	-	(11)	(25)
Remeasurement of minority put option liability (G)								-
Operating income (B+C+D+E+F)								360
% of sales								4.9%
Share of net profit/(loss) of associates and dividends from other companies					16	(1)		15
Finance costs								(440)
Finance income								287
Taxes								(68)
Net profit/(loss) for the year								154
Attributable to:								
Owners of the parent								149
Non-controlling interests								5

Reconciliation of EBITDA to Adjusted EBITDA

(in millions of Euro)								
EBITDA (A)	291	57	129	(8)	469	100	(7)	562
Non-recurring expenses/(income):								
Company reorganisation	4	15	3	11	33	13	4	50
Antitrust investigations	(6)	-	-	-	(6)	-	-	(6)
Gains on asset disposals	(2)	(1)	(1)	-	(4)	(1)	-	(5)
Environmental remediation and other costs	-	1	-	(4)	(3)	-	-	(3)
Other non-recurring expenses	(6)	-	3	6	3	8	3	14
Total non-recurring expenses/(income) (B)	(10)	15	5	13	23	20	7	50
Adjusted EBITDA (A+B)	281	72	134	5	492	120	-	612

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

	Energy			Telecom	Not Allocated	2013 Group Total
Assets		3,692	1,204	707		5,603
Investments in associates		78	21	-		99
Equity		-	-	-		1,195
Liabilities		2,278	379	1,850		4,507
Investments in property, plant and equipment		106	20	-		126
Investments in intangible assets		15	3	-		18
Total investments		121	23	-		144

(in millions of Euro)	Energy					Telecom	Corporate	2012 ⁽¹⁾
								Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
Sales of goods and services to third parties ⁽¹⁾	2,287	2,159	1,801	135	6,382	1,466	-	7,848
Adjusted EBITDA (A)	270	77	139	1	487	160	-	647
% of sales	11.8%	3.6%	7.7%	0.6%	7.6%	10.9%	-	8.2%
EBITDA (B)	265	37	119	(4)	417	138	(9)	546
% of sales	11.6%	1.7%	6.6%	-	6.5%	9.4%	-	7.0%
Amortisation and depreciation (C)	(36)	(28)	(40)	(4)	(108)	(56)	-	(164)
Adjusted operating income (A+C)	234	49	99	(3)	379	104	-	483
% of sales	10.2%	2.3%	5.5%	-	5.9%	7.1%	-	6.2%
Fair value change in metal derivatives (D)								14
Fair value - stock options (E)								(17)
Remeasurement of minority put option liability (F)	-	-	-	-	-	-	-	7
Impairment of assets (G)	(3)	(5)	(15)	-	(23)	(1)	-	(24)
Operating income (B+C+D+E+F+G)								362
% of sales								4.6%
Share of net profit/(loss) of associates and dividends from other companies					15	2		17
Finance costs								(395)
Finance income								258
Taxes								(73)
Net profit/(loss) for the year								169
Attributable to:								
Owners of the parent								166
Non-controlling interests								3

Reconciliation of EBITDA to Adjusted EBITDA

(in millions of Euro)	Energy					Telecom		Corporate	
EBITDA (A)	265	37	119	(4)	417	138	(9)	546	
Non-recurring expenses/(income):									
Company reorganisation	3	29	16	5	53	16	5	74	
Antitrust investigations	1	-	-	-	1	-	-	1	
Draka integration costs	-	2	2	-	4	1	4	9	
Tax inspections	-	-	-	1	1	2	-	3	
Environmental remediation and other costs	-	1	2	-	3	-	-	3	
Italian pensions reform	1	-	-	-	1	-	-	1	
Other non-recurring expenses	2	8	-	-	10	3	-	13	
Gains on asset disposals	(2)	-	-	(1)	(3)	-	-	(3)	
Total non-recurring expenses/(income) (B)	5	40	20	5	70	22	9	101	
Adjusted EBITDA (A+B)	270	77	139	1	487	160	-	647	

⁽¹⁾ The sales of the operating segments and business areas are reported net of intercompany transactions, consistent with the presentation adopted in 2013.

(in millions of Euro)	2012 ⁽¹⁾		
	Energy	Telecom	Not Allocated
Assets	3,597	1,367	947
Investments in associates	99	-	-
Equity	-	-	-
Liabilities	2,217	425	2,209
Investments in property, plant and equipment	101	31	-
Investments in intangible assets	17	3	-
Total investments	118	34	-

⁽¹⁾ The previously published figures have been amended. Further details can be found in Section C. Restatement of comparative figures at 31 December 2012.

G.2 GEOGRAPHICAL AREAS

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

(in millions of Euro)

	2013	2012
Sales of goods and services	7,273	7,848
EMEA*	4,609	4,921
(of which Italy)	1,028	1,005
North America	977	1,091
Latin America	611	690
Asia Pacific	1,076	1,146

*EMEA: Europe, Middle East and Africa.

No individual customer accounted for more than 10% of the Group's total net sales in either 2013 or 2012.

1. PROPERTY, PLANT AND EQUIPMENT

Details of these balances and related movements are as follows:

(in millions of Euro)

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2012	246	557	533	24	54	125	1,539
Movements in 2013:							
- Investments	13	16	21	3	1	72	126
- Disposals	(1)	(2)	(1)	-	(1)	-	(5)
- Depreciation	-	(26)	(81)	(7)	(8)	-	(122)
- Impairment	(3)	(11)	(9)	(1)	-	(2)	(26)
- Impairment reversals	-	1	-	-	-	-	1
- Currency translation differences	(8)	(20)	(27)	(1)	(1)	(7)	(64)
- Reclassifications to Assets held for sale	(3)	(8)	-	-	-	-	(11)
- Other	-	7	51	3	4	(62)	3
Total movements	(2)	(43)	(46)	(3)	(5)	1	(98)
Balance at 31 December 2013	244	514	487	21	49	126	1,441
Of which:							
- Historical cost	250	684	1,069	72	94	128	2,297
- Accumulated depreciation and impairment	(6)	(170)	(582)	(51)	(45)	(2)	(856)
Net book value	244	514	487	21	49	126	1,441

(in millions of Euro)

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2011	249	571	556	32	9	122	1,539
Movements in 2012:							
- Business combinations	-	1	11	-	42	-	54
- Effects of deconsolidation	(3)	(6)	(5)	(1)	-	-	(15)
- Investments	-	10	38	3	4	77	132
- Disposals	-	(1)	(1)	-	-	(2)	(4)
- Depreciation	-	(26)	(91)	(7)	(5)	-	(129)
- Impairment	(2)	(2)	(14)	(5)	(1)	-	(24)
- Currency translation differences	-	(5)	(7)	(1)	1	(3)	(15)
- Reclassification in Asset held for sale	(2)	-	-	-	-	-	(2)
- Other	4	15	46	3	4	(69)	3
Total movements	(3)	(14)	(23)	(8)	45	3	-
Balance at 31 December 2012	246	557	533	24	54	125	1,539
Of which:							
- Historical cost	249	671	1,002	66	91	125	2,204
- Accumulated depreciation and impairment	(3)	(114)	(469)	(42)	(37)	-	(665)
Net book value	246	557	533	24	54	125	1,539

Gross investments in property, plant and equipment amount to Euro 126 million in 2013.

The investments made during 2013 are analysed as follows:

- around 33%, or Euro 42 million, for structural work, primarily linked to the acquisition of industrial buildings;
- around 23%, or Euro 29 million, for projects to increase production capacity;
- around 11%, or Euro 14 million, for projects to develop new products;
- around 11%, or Euro 14 million, for projects to improve industrial efficiency;
- the remaining 22%, or Euro 27 million, for restructuring projects, involving compliance with the latest regulations and structural work on specific production lines.

In particular, the main investments in 2013 were for:

- the increase in production capacity at the Arco Felice plant (Naples) needed to fulfil the Western Link HVDC contract;

- production capacity increases at the plants in S. André (Brazil), Durango (Mexico), Drammen (Norway) and Liverpool (Australia), to meet growth in local demand in the Oil & Gas, Automotive and Submarine segments respectively;
- the new finance lease to acquire the "Ansaldo 16" building in the Bicocca district of Milan;
- the acquisition of the industrial site in Santa Perpetua (Spain) and the extinguishment of the previous finance lease;
- the continuation of investments in Rybinsk (Russia) for the production of high voltage cables, in St. Petersburg (Russia) for the production of optical ground wire and in Slatina (Romania) for the production of loose tube optical telecom cables;
- restructuring and rationalisation of industrial capacity already started last year, at the plant in Wuppertal (Germany);
- investments aimed at reducing manufacturing costs at the plants in Schwerin (Germany), Liverpool (Australia) and Cariacica (Brazil).

Machinery is subject to Euro 12 million in liens in connection with long-term loans.

When closing the present financial year, the Prysmian Group reviewed whether there was any evidence that its CGUs might be impaired, and then tested for impairment those CGUs potentially at "risk". This test has led to the recognition of impairment for the Energy segment CGU of Spain, of which Euro 9 million against the entire value of Plant and machinery, Euro 1 million against Equipment and Euro 2 million against Assets under construction and advances. The net book value of the land and buildings of the Spain CGU has been compared with the corresponding fair value at the reporting date; this has resulted in the recognition of Euro 2 million in impairment, net of impairment reversals. This impairment has been necessary because of a downturn in business in this country during 2013. In this particular case, the post-tax cash flow forecasts for 2014-2016 have been determined by projecting forward the cash flows expected by management in 2014; the WACC (Weighted Average Cost of Capital as defined in the paragraph "Goodwill impairment test"), used to discount cash flows for determining the value in use of the Spain CGU (Energy segment), is 8.7%. The perpetuity growth rate (G) projected after 2016 is 2%.

Furthermore, the Group has recognised impairment losses against other assets which, although belonging to larger CGUs for which there was no specific evidence of impairment, had recoverable amounts below their net book value due to particular market circumstances. This has led to the recognition of Euro 11 million in additional impairment losses in 2013, due to:

- the impairment of buildings owned by Fibre Ottiche Sud – F.O.S. S.r.l. by Euro 9 million. The impairment loss has been recognised following the building's partial demolition in preparation for subsequent renovation;
- the impairment of buildings at the Livorno Ferraris site, owned by Prysmian Cavi e Sistemi S.r.l., by Euro 2 million.

"Buildings" include assets under finance lease with a net book value of Euro 17 million at 31 December 2013 (Euro 16 million at 31 December 2012). The change in this amount during 2013 mainly reflects the recognition of Euro 13 million upon entering a finance lease for the "Ansaldo 16" building, the derecognition of Euro 5 million upon extinguishing the finance lease relating to the Santa Perpetua site in Spain and the redemption of buildings under finance lease by Prysmian Cables et Systèmes France Sas in France for Euro 6 million.

The maturity dates of finance leases are reported in Note 12. Borrowings from banks and other lenders; such leases generally include purchase options.

2. INTANGIBLE ASSETS

Details of these balances and related movements are as follows:

(in millions of Euro)

	Patents	Concessions, licences, trademarks and similar rights	Goodwill	Software	Other intangible assets	Intangibles in progress and advances	Total
Balance at 31 December 2012	27	4	394	34	166	19	644
Movements in 2013:							
- Business combinations	-	-	2	-	-	-	2
- Investments	1	1	-	1	-	7	10
- Internally generated intangible assets	-	-	-	6	-	2	8
- Disposals	-	-	-	-	-	-	-
- Amortisation	(7)	(1)	-	(10)	(15)	-	(33)
- Impairment	-	-	-	-	-	-	-
- Currency translation differences	-	-	(2)	-	(4)	(3)	(9)
- Other	(2)	1	-	2	3	(3)	(1)
Total movements	(8)	1	-	(1)	(16)	3	(21)
Balance at 31 December 2013	19	5	394	33	150	22	623
Of which:							
- Historical cost	45	54	414	77	215	22	827
- Accumulated amortisation and impairment	(26)	(49)	(20)	(44)	(65)	-	(204)
Net book value	19	5	394	33	150	22	623

(in millions of Euro)

	Patents	Concessions, licences, trademarks and similar rights	Goodwill	Software	Other intangible assets	Intangibles in progress and advances	Total
Balance at 31 December 2011	34	4	352	35	179	14	618
Movements in 2012:							
- Business combinations	-	-	53	-	2	-	55
- Business combinations restatement	-	-	(11)	-	-	-	(11)
- Effects of deconsolidation	-	-	-	-	-	-	-
- Investments	2	1	-	2	-	8	13
- Internally generated intangible assets	-	-	-	3	-	4	7
- Disposals	-	-	-	-	-	-	-
- Amortisation	(9)	(1)	-	(10)	(15)	-	(35)
- Impairment	-	-	-	-	-	-	-
- Currency translation differences	-	-	-	-	(1)	(1)	(2)
- Other	-	-	-	4	1	(6)	(1)
Total movements	(7)	-	42	(1)	(13)	5	26
Balance at 31 December 2012	27	4	394	34	166	19	644
Of which:							
- Historical cost	46	52	414	68	216	19	815
- Accumulated amortisation and impairment	(19)	(48)	(20)	(34)	(50)	-	(171)
Net book value	27	4	394	34	166	19	644

(*) The "Business combinations restatement" at 31 December 2012 relates to the Goodwill of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd).

Gross investments in intangible assets amount to Euro 18 million in 2013, and primarily refer to:

- Euro 8 million for development of the SAP Consolidation project, aimed at standardising the information system throughout the Group. In 2013 the new system was rolled out to the following countries in Europe: Czech Republic, Norway, Denmark and Sweden.

- Euro 3 million for the Brazilian subsidiary's development of a prototype destined for flexible pipe production.

As at 31 December 2013, the Prysmian Group had capitalised Euro 394 million in Goodwill; this figure has been remeasured as a result of the following:

- finalisation of the fair value of the assets and liabilities of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd): leading to a restatement of the amounts recognised at 31 December 2012 by a total of Euro 11 million. Goodwill recognised in respect of this company amounts to Euro 38 million at 31 December 2013.
- finalisation of the values for the acquisition of a majority interest in Telcon Fios e para Telecomunicações Cabos S.A., resulting in an increase of Euro 2 million. Goodwill recognised in respect of this company amounts to Euro 6 million at 31 December 2013.

Further details can be found in Section F. Business combinations.

Goodwill impairment test

As reported earlier, the Chief Executive Officer reviews operating performance by macro type of business (Energy and Telecom). Goodwill is monitored internally at the Energy and Telecom operating segment level. The amount of goodwill allocated to each operating segment is reported in the following table:

(in millions of Euro)

	31 December 2012 (*)	Business combinations	Currency translation differences	31 December 2013
Energy goodwill	291	-	(1)	290
Telecom goodwill	103	2	(1)	104
Total goodwill	394	2	(2)	394

^(*)The previously published figures have been amended. Further details can be found in Section C. Restatement of comparative figures at 31 December 2012.

The amount of goodwill thus allocated (summed with the remaining portion of the operating segment's net invested capital) has been compared with the recoverable amount of each operating segment, determined on the basis of their value in use.

Forecast cash flows have been calculated using the post-tax cash flows expected by management for 2014, prepared on the basis of results achieved in previous years and the outlook for the markets concerned. The cash flow forecasts for both operating segments have been extended to the period 2015-2016 based on 3% projected growth. A terminal value has been estimated to reflect CGU value after this period; this value has been determined assuming a 2% growth rate. The rate used to discount cash flows has been determined on the basis of market information, cost of money and asset-specific risks (Weighted Average Cost of Capital, WACC). The test has shown that the recoverable amount of the individual CGUs is higher than their net invested capital (including the share of allocated goodwill). In particular, in percentage terms, recoverable amount exceeds carrying amount by 251% for the Energy operating segment and by 55% for the Telecom operating segment. It should be noted that the discount rate at which recoverable amount is equal to carrying amount is 21.1% for the Energy operating segment and 10.8% for the Telecom operating segment (compared with a WACC of 7.7% used for both operating segments), while, in order to determine the same match for growth rates, the growth rate would have to be negative for both segments.

3. INVESTMENTS IN ASSOCIATES

These are detailed as follows:

(in millions of Euro)

	31 December 2013	31 December 2012
Opening balance	99	87
Movements:		
- Business combinations	-	-
- Currency translation differences	-	-
- Investments	-	1
- Share of net profit/(loss)	15	17
- Dividends and other movements	(15)	(6)
Total movements	-	12
Closing balance	99	99

Details of investments in associates are as follows:

(in millions of Euro)

	31 December 2013	31 December 2012
Oman Cables Industry (SAOG)	55	50
Kabeltrommel Gmbh & Co.K.G.	8	8
Elkat Ltd.	10	11
Tianjin YOFC XMKJ Optical Communications Co.,Ltd.	5	8
Shantou Hi-Tech Zone Aoxing Optical Communication EquipmentsCo.,Ltd.	4	4
Jiangsu Yangtze Zhongli Optical Fibre & Cable Co., Ltd.	4	4
Shenzhen SDGI Optical Fibre Co., Ltd.	3	3
Rodco Ltd.	2	2
Yangtze (Wuhan) Optical System Co., Ltd.	2	2
Yangtze Optical Fibre & Cable Sichuan Co., Ltd.	2	2
Eksa Sp.Zo.o	3	3
Tianjin YOFC XMKJ Optical Cable Co., Ltd.	1	1
Wuhan Guanyuan Electronic Technology Co. Ltd.	-	1
Total investments in associates	99	99

Tianjin YOFC XMKJ Optical Communications Co., Ltd., Yangtze Optical Fibre and Cable Sichuan Co., Ltd., Tianjin YOFC XMKJ Optical Cable Co.Ltd., Shantou Hi-Tech Zone Aoxing Optical Communication Equipments Co.,Ltd., Jiangsu Yangtze Zhongli Optical Fibre & Cable Co., Ltd., Shenzhen SDGI Optical Fibre Co., Ltd., Yangtze (Wuhan) Optical System Corp., Ltd., Wuhan Guanyuan Electronic Technology Co. Ltd. and Yangtze Optical Fibre and Cable Company (Hong Kong) Ltd. are all companies in which an interest is held by Yangtze Optical Fibre and Cable Joint Stock Limited Co., a company which has been consolidated on a proportionate basis. The latter's percentage interest in these companies, along with other factors

relating to their governance, would qualify them as joint ventures, but because of the difficulty in obtaining periodic information and their limited materiality, they have been accounted for using the equity method.

The following table reports key financial figures for the major investments in associates:

(in millions of Euro)¹

	Oman Cables Industry (SAOG)	Kabeltrommel GmbH & Co.K.G.	Elkat Ltd.	Tianjin YOFC XMJ Optical Communications Co.,Ltd.	Shantou Hi-Tech Zone Aoxing Optical Communication Equipments Co.,Ltd.	
Country	Sultanate of Oman	Germany	Russia	China	China	
% owned	34.78%	29.68%	13.50%	40.00%	18.38%	15.91%
Direct owner	Draka Holding N.V.	Prysmian Kabel und Systeme GmbH	Draka Cable Wuppertal GmbH	Prysmian Finland OY	Yangtze Optical Fibre and Cable Joint Stock Limited Company	Yangtze Optical Fibre and Cable Joint Stock Limited Company

Financial information at 31 December 2013 (in millions of Euro)¹:

Assets	315	n.a.	39	84	34
Liabilities	179	n.a.	8	42	10
Equity	136	14	31	42	24
Sales	599	n.a.	218	77	59
Net profit (loss)	36	4	6	-	2

Financial information at 31 December 2012 (in millions of Euro):

Assets	289	32	35	83	39
Liabilities	167	18	2	40	15
Equity	122	14	33	43	24
Sales	520	37	252	77	59
Net profit (loss)	26	7	5	10	1

⁽¹⁾ Financial information at 31 December 2013 is based on provisional figures because such associates publish their annual financial statements after publication of the Group consolidated financial statements.

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

These are detailed as follows:

(in millions of Euro)

	31 December 2013	31 December 2012
Non-current	15	14
Current	-	-
Total	15	14

Current assets include securities that mature within 12 months of the reporting date and securities that mature beyond 12 months but which are expected to be sold in the near term; non-current assets report the equity investments treated as instrumental to the Group's business.

Movements in available-for-sale financial assets are detailed as follows:

(in millions of Euro)

	31 December 2013	31 December 2012
Opening balance	14	6
Movements in 2013:	-	-
- Business combinations	-	-
- Currency translation differences	1	-
- Acquisitions	-	-
- Disposals	-	-
- Other	-	-
- Increase due to deconsolidation of net assets of Ravin Cables Limited	-	9
- Release of equity reserve upon disposals and other movements	-	(1)
Total movements	1	8
Closing balance	15	14

Available-for-sale financial assets comprise:

(in millions of Euro)

	Type of financial asset	% owned by the Group	31 December 2013	31 December 2012
Ravin Cables Limited	unlisted shares	51.00%	9.00	9.00
Sichuan Huiyuan Optical Communications Co., Ltd.	listed shares	1.05%	1.17	1.15
Tunisie Cables S.A.	unlisted shares	7.55%	0.91	0.91
Zhongtian Technologies Fibre Optics Co.,Ltd.	unlisted shares	1.51%	0.75	0.76
Cesi Motta S.p.A.	unlisted shares	6.48%	0.59	0.59
Medgrid SAS	unlisted shares	5.46%	0.50	0.40
Zhejiang Futong Optical Fibre Technologies Co., Ltd.	unlisted shares	2.63%	0.35	0.36
Voltimum S.A.	unlisted shares	13.71%	0.27	0.27
Wuhan Steel & Electricity Co.,Ltd.	unlisted shares	0.08%	0.10	0.10
Líneas de Transmisión del Litoral S.A.	unlisted shares	5.50%	0.04	0.02
Other			1.22	0.90
Total non-current			14.90	14.46

Available-for-sale financial assets are denominated in the following currencies:

(in millions of Euro)

	31 December 2013	31 December 2012
Euro	2	2
Tunisian Dinar	1	1
Chinese Renminbi [Yuan]	3	2
Indian Rupee	9	9
Total	15	14

5. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in millions of Euro)	31 December 2013		
	Non-current	Current	Total
Trade receivables	-	1,069	1,069
Allowance for doubtful accounts	-	(59)	(59)
Total trade receivables	-	1,010	1,010
Other receivables:			
Tax receivables	13	110	123
Financial receivables	4	12	16
Prepaid finance costs	-	5	5
Receivables from employees	2	3	5
Pension fund receivables	-	2	2
Construction contracts	-	475	475
Advances to suppliers	-	17	17
Other	10	115	125
Total other receivables	29	739	768
Total	29	1,749	1,778

(in millions of Euro)	31 December 2012		
	Non-current	Current	Total
Trade receivables	-	1,226	1,226
Allowance for doubtful accounts	-	(63)	(63)
Total trade receivables	-	1,163	1,163
Other receivables:			
Tax receivables	18	100	118
Financial receivables	9	7	16
Prepaid finance costs	4	5	9
Receivables from employees	1	3	4
Pension fund receivables	-	2	2
Construction contracts	-	330	330
Advances to suppliers	-	26	26
Other	9	100	109
Total other receivables	41	573	614
Total	41	1,736	1,777

Trade receivables

During July 2013, the Prysmian Group ended the securitization programme that had covered a significant portion of its trade receivables. Under this programme, started in 2007 in accordance with the procedures described in Section B.2.Basis of consolidation, the Group used to recognise securitized receivables in its consolidated financial statements until such time as they were effectively collected. Securitized receivables amounted to Euro 155 million gross at 31 December 2012, but had no impact at 31 December 2013 because the programme had come to an end.

The gross amount of past due receivables that are totally or partially impaired is Euro 232 million at 31 December 2013 (Euro 242 million at 31 December 2012).

The ageing of past due impaired receivables is as follows:

(in millions of Euro)

	31 December 2013	31 December 2012
1 to 30 days past due	83	114
31 to 90 days past due	54	45
91 to 180 days past due	27	23
181 to 365 days past due	28	17
More than 365 days past due	40	43
Total	232	242

The value of trade receivables past due but not impaired is Euro 66 million at 31 December 2013 (Euro 127 million at 31 December 2012). These receivables mainly relate to customers in the Energy segment, which have been insured against the risk of any bad debts arising from effective or legal customer insolvency.

The ageing of receivables that are past due but not impaired is as follows:

(in millions of Euro)

	31 December 2013	31 December 2012
1 to 30 days past due	44	104
31 to 90 days past due	9	11
91 to 180 days past due	8	3
181 to 365 days past due	4	6
More than 365 days past due	1	3
Total	66	127

The value of trade receivables not past due is Euro 771 million at 31 December 2013 (Euro 857 million at 31 December 2012). There are no particular problems with the quality of these receivables and there are no material amounts that would otherwise be past due if their original due dates had not been renegotiated.

The following table breaks down trade and other receivables according to the currency in which they are expressed:

(in millions of Euro)

	31 December 2013	31 December 2012
Euro	806	745
US Dollar	244	265
Chinese Renminbi (Yuan)	229	226
Brazilian Real	103	147
British Pound	109	105
Qatari Riyal	4	53
Turkish Lira	51	52
Australian Dollar	22	27
Norwegian Krone	18	10
Singapore Dollar	7	17
Canadian Dollar	11	20
Argentine Peso	16	21
Swedish Krona	19	15
Romanian Leu	11	12
Other currencies	128	62
Total	1,778	1,777

The allowance for doubtful accounts amounts to Euro 59 million at 31 December 2013 (Euro 63 million at the end of 2012). Movements in this allowance are shown in the following table:

(in millions of Euro)

	31 December 2013	31 December 2012
Opening balance	63	67
- Business combinations	-	4
- Increases in allowance	12	4
- Releases	(2)	(4)
- Bad debt write-offs	(11)	(5)
- Currency translation differences and other movements	(3)	(3)
Total movements	(4)	(4)
Closing balance	59	63

Increases in and releases from the allowance for doubtful accounts are reported in "Other expenses" in the income statement.

Other receivables

"Prepaid finance costs", of Euro 5 million at 31 December 2013, refer to prepaid expenses, classified as current assets, in connection with the Revolving Credit Facilities. At 31 December 2012, prepaid finance costs comprised prepayments of Euro 8 million for the Revolving Credit Facilities (of which Euro 4 million classified as non-current) and Euro 1 million for the securitization programme.

"Construction contracts" represent the value of contracts in progress, determined as the difference between the costs incurred plus the related profit margin, net of recognised losses, and the amount invoiced by the Group.

The following table shows how these amounts are reported between assets and liabilities:

(in millions of Euro)

	31 December 2013	31 December 2012
Construction contract revenue to date	3,361	3,010
Amounts invoiced	(3,041)	(2,809)
Net amount receivable from customers for construction contracts	320	201
of which:		
Other receivables for construction contracts	475	330
Other payables for construction contracts	(155)	(129)

The following table shows the revenue and costs incurred in 2013 and 2012:

(in millions of Euro)

	2013	2012
Revenue	912	802
Costs	(709)	(635)
Gross margin	203	167

6. INVENTORIES

These are detailed as follows:

(in millions of Euro)

	31 December 2013	31 December 2012
Raw materials	271	256
<i>of which allowance for obsolete and slow-moving raw materials</i>	<i>(31)</i>	<i>(29)</i>
Work in progress and semi-finished goods	231	231
<i>of which allowance for obsolete and slow-moving work in progress and semi-finished goods</i>	<i>(5)</i>	<i>(5)</i>
Finished goods (*)	418	410
<i>of which allowance for obsolete and slow-moving finished goods</i>	<i>(50)</i>	<i>(44)</i>
Total	920	897

(*) Finished products also include goods for resale.

7. FINANCIAL ASSETS HELD FOR TRADING

These are detailed as follows:

(in millions of Euro)

	31 December 2013	31 December 2012
Listed securities (Brazilian Real area)	87	74
Unlisted securities	7	4
Total	94	78

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

Movements in this balance are detailed as follows:

(in millions of Euro)

	31 December 2013	31 December 2012
Opening balance	78	80
- Business combinations	-	-
- Currency translation differences	(17)	(10)
- Acquisition of securities	40	33
- Disposal of securities	(7)	(25)
Total movements	16	(2)
Closing balance	94	78

8. DERIVATIVES

These are detailed as follows:

(in millions of Euro)

	31 December 2013	
	Asset	Liability
Non-current		
Interest rate swaps (cash flow hedges)	-	4
Forward currency contracts on commercial transactions (cash flow hedges)	1	1
Total hedging derivatives	1	5
Metal derivatives	1	2
Total other derivatives	1	2
Total non-current	2	7
Current		
Interest rate swaps (cash flow hedges)	-	5
Forward currency contracts on commercial transactions (cash flow hedges)	4	3
Total hedging derivatives	4	8
Forward currency contracts on commercial transactions	9	3
Forward currency contracts on financial transactions	5	5
Interest rate swaps	-	9
Metal derivatives	5	17
Total other derivatives	19	34
Total current	23	42
Total	25	49

(in millions of Euro)

	31 December 2012	
	Asset	Liability
Non-current		
Interest rate swaps (cash flow hedges)	-	35
Forward currency contracts on commercial transactions (cash flow hedges)	3	3
Total hedging derivatives	3	38
Metal derivatives	-	3
Total other derivatives	-	3
Total non-current	3	41
Current		
Forward currency contracts on financial transactions (cash flow hedges)	-	3
Forward currency contracts on commercial transactions (cash flow hedges)	6	8
Total hedging derivatives	6	11
Forward currency contracts on commercial transactions	3	3
Forward currency contracts on financial transactions	3	4
Metal derivatives	4	6
Total other derivatives	10	13
Total current	16	24
Total	19	65

The Prysmian Group entered into no new interest rate swaps during 2013.

The early repayment of the Credit Agreement 2010 has led to the discontinued effectiveness of the related cash flow hedges outstanding as at the date of repayment. The notional value of these now ineffective interest rate swaps amounted to Euro 300 million, maturing on 31 December 2014.

Interest rate swaps have a notional value of Euro 680 million at 31 December 2013 (unchanged compared with 31 December 2012), of which Euro 380 million in derivatives designated as cash flow hedges (Euro 680 million at 31 December 2012). Such financial instruments convert the variable component of interest rates on loans received into a fixed rate of between 1.1% and 3.7%.

Forward currency contracts have a notional value of Euro 2,332 million at 31 December 2013 (Euro 1,971 million at 31 December 2012); total notional value at 31 December 2013 includes Euro 691 million in derivatives designated as cash flow hedges (Euro 728 million at 31 December 2012).

At 31 December 2013, like at 31 December 2012, almost all the derivative contracts had been entered into with major financial institutions.

Metal derivatives have a notional value of Euro 482 million at 31 December 2013 (Euro 614 million at 31 December 2012).

The following tables show the impact of offsetting assets and liabilities for derivative instruments, done on the basis of master netting arrangements (ISDA and similar agreements). They also show the effect of potential offsetting in the event of currently unforeseen default events:

(in millions of Euro)

31 December 2013

	Gross derivatives	Amounts offset	Derivatives recognised in statement of financial position	Amounts not offset (*)	Net derivatives
Assets					
Forward currency contracts	19	-	19	(7)	12
Interest rate swaps	-	-	-	-	-
Metal derivatives	6	-	6	(3)	3
Total assets	25	-	25	(10)	15
Liabilities					
Forward currency contracts	12	-	12	(7)	5
Interest rate swaps	18	-	18	-	18
Metal derivatives	19	-	19	(3)	16
Total liabilities	49	-	49	(10)	39

(in millions of Euro)

31 December 2012

	Gross derivatives	Amounts offset	Derivatives recognised in statement of financial position	Amounts not offset (*)	Net derivatives
Assets					
Forward currency contracts	15	-	15	(8)	7
Interest rate swaps	-	-	-	-	-
Metal derivatives	4	-	4	(3)	1
Total assets	19	-	19	(11)	8
Liabilities					
Forward currency contracts	21	-	21	(8)	13
Interest rate swaps	35	-	35	-	35
Metal derivatives	9	-	9	(3)	6
Total liabilities	65	-	65	(11)	54

(*) Derivatives potentially offsettable in the event of default events under master agreements.

The following table shows movements in both reporting periods in the cash flow hedge reserve for designated hedging derivatives:

(in millions of Euro)

	2013		2012	
	Gross reserve	Tax effect	Gross reserve	Tax effect
Opening balance	(34)	11	(25)	8
Changes in fair value	3	(1)	(15)	5
Reserve for other finance income/(costs)	11	(4)	11	(3)
Reserve for exchange gains/(losses)	(1)	-	(1)	-
Release to finance costs/(income)	1	-	-	-
Discontinued hedge accounting for interest rate swaps	15	(5)	-	-
Release to construction contract costs/(revenues)	(5)	1	(4)	1
Closing balance	(10)	2	(34)	11

The early repayment of the Credit Agreement 2010 has led to discontinuance of the related interest rate cash flow hedges, resulting in the recognition of Euro 10 million in net losses for hedge ineffectiveness, net of Euro 5 million in tax effects.

9. CASH AND CASH EQUIVALENTS

These are detailed as follows:

(in millions of Euro)

	31 December 2013	31 December 2012
Cash and cheques	-	7
Bank and postal deposits	561	805
Total	561	812

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

Cash and cash equivalents managed by Group treasury companies amount to Euro 208 million at 31 December 2013, compared with Euro 354 million at 31 December 2012.

For additional details about the change in cash and cash equivalents, please refer to Note 37. Statement of cash flows.

10. ASSETS HELD FOR SALE

These are detailed as follows:

(in millions of Euro)

	31 December 2013	31 December 2012
Land	6	4
Buildings	6	-
Total	12	4

Movements in assets held for sale are detailed as follows:

(in millions of Euro)

	31 December 2013	31 December 2012
Opening balance	4	5
- Disposals	(3)	(3)
- Reclassification	11	2
Total movements	8	(1)
Closing balance	12	4

The change in assets held for sale mainly refers to:

- the sale of the land and buildings of the St. Jean plant in Canada, reclassified to this line item in the second quarter of 2013, for Euro 3 million;
- the reclassification of Euro 2 million for a plot of land located in Nuremberg (Germany), for which a sale agreement has already been signed;

- the reclassification of Euro 3 million for the Eschweiler site in Germany, for which a sale agreement has already been signed;
- the reclassification of Euro 3 million for the building in Derby (United Kingdom), expected to be sold soon.

Management expects the assets classified in this line item to be sold within the next 12 months.

Assets held for sale are classified as Level 3 in the fair value hierarchy.

11. SHARE CAPITAL AND RESERVES

Consolidated equity has recorded an increase of Euro 36 million since 31 December 2012, mainly reflecting the net effect of:

- the increase associated with the recognition of Euro 39 million for the equity component of the convertible Bond;
- negative currency translation differences of Euro 97 million;
- the release of Euro 10 million, net of tax, in gains from the cash flow hedge reserve as a result of discontinuing cash flow hedging, following early repayment of the Term Loan Facility 2010;
- the positive change of Euro 14 million in the share-based compensation reserve linked to the stock option plan;
- the positive change of Euro 1 million in the reserve for actuarial gains on employee benefits;
- the positive post-tax change of Euro 5 million in the fair value of derivatives designated as cash flow hedges;
- net profit for the year of Euro 154 million;
- the dividend distribution of Euro 92 million;
- capital increases carried out by non-controlling interests in subsidiary companies, with an impact of Euro 2 million.

At 31 December 2013, the share capital of Prysmian S.p.A. comprises 214,591,710 shares with a total value of Euro 21,459,171.

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 2011	214,393,481	(3,039,169)	211,354,312
Capital increase ⁽¹⁾	115,300	-	115,300
Treasury shares	-	-	-
Balance at 31 December 2012	214,508,781	(3,039,169)	211,469,612
	Ordinary shares	Treasury shares	Total
Balance at 31 December 2012	214,508,781	(3,039,169)	211,469,612
Capital increase ⁽¹⁾	82,929	-	82,929
Treasury shares	-	-	-
Balance at 31 December 2013	214,591,710	(3,039,169)	211,552,541

(1) Capital increase following exercise of part of the options under the Stock Option Plan 2007-2012.

Treasury shares

The treasury shares held at the beginning of the year were acquired under the shareholders' resolution dated 15 April 2008, which gave the Board of Directors the authority for an 18-month maximum period to buy up to 18,000,000 ordinary shares. The number of treasury shares increased in 2011 following the acquisition of Draka Holding N.V., which holds 10,669 Prysmian S.p.A. shares.

Movements in treasury shares are shown in the following table:

	Number of shares	Nominal value	% of share capital	Unit value	Carrying value
At 31 December 2011	3,039,169	303,917	1.42%	9.963	30,279,078
- Purchases	-	-	-	-	-
- Sales	-	-	-	-	-
At 31 December 2012	3,039,169	303,917	1.42%	9.963	30,279,078
- Purchases	-	-	-	-	-
- Sales	-	-	-	-	-
At 31 December 2013	3,039,169	303,917	1.42%	9.963	30,279,078

The Shareholders' Meeting held on 16 April 2013 authorised a share buy-back and disposal programme. This programme provides the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total cannot exceed 10% of share capital, equal to 18,420,002 ordinary shares as at the date of 16 April 2013, taking account of the treasury shares already held by the Company.

12. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

(in millions of Euro)	31 December 2013		
	Non-current	Current	Total
Borrowings from banks and other financial institutions	477	320	797
Non-convertible bond	399	15	414
Convertible bond	263	1	264
Finance lease obligations	15	2	17
Total	1,154	338	1,492

(in millions of Euro)	31 December 2012		
	Non-current	Current	Total
Borrowings from banks and other financial institutions	1,023	344	1,367
Non-convertible bond	398	15	413
Convertible bond	-	-	-
Finance lease obligations	12	2	14
Total	1,433	361	1,794

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

(in millions of Euro)	31 December 2013	31 December 2012
	Credit Agreements ⁽¹⁾	580
Other borrowings	217	307
Borrowings from banks and other financial institutions	797	1,367
Non-convertible bond	414	413
Convertible bond	264	-
Total	1,475	1,780

⁽¹⁾ Credit Agreements refer to the following lines: Term Loan Facility 2010 and Term Loan Facility 2011.

Credit Agreement 2010 and Credit Agreement 2011

The Forward Start Credit Agreement (now termed Credit Agreement 2010) was activated on 3 May 2012 after being entered into by the Group on 21 January 2010 with a syndicate of major national and international banks. This credit agreement has replaced the previous "Credit Agreement" entered into on 18 April 2007.

The Credit Agreement 2010 is an agreement negotiated in advance of its period of use, under which the lenders have provided Prysmian S.p.A. and some of its subsidiaries loans and credit facilities for a total of Euro 1,070 million, of which Euro 670 million in loans (Term Loan Facility 2010) and Euro 400 million in credit lines (Revolving Credit Facility 2010).

On 22 February 2013 and 15 March 2013, the Prysmian Group made early repayments of Euro 186 million and Euro 300 million respectively against the Term Loan Facility 2010 disbursed on 3 May 2012. The first repayment was in respect of repayments due in 2013 and in the first half 2014, while the second referred to

the repayment due in December 2014. More details about the related effects recognised through the income statement can be found in Note 24. Finance costs. Note 25. Finance income

The repayment of the Term Loan Facility 2010 ends on 31 December 2014 with a final payment of Euro 184 million and has therefore been classified in current liabilities.

The Credit Agreement 2011 is an agreement, entered into by Prysmian on 7 March 2011 with a syndicate of major banks, for Euro 800 million with a five-year maturity. This agreement comprises a loan for Euro 400 million (Term Loan Facility 2011) and a revolving facility for Euro 400 million (Revolving Credit Facility 2011). The entire amount of the Term Loan Facility 2011 is scheduled for repayment on 7 March 2016; the loan has therefore been classified in non-current liabilities.

At 31 December 2013, the fair values of the Credit Agreements 2010 and 2011 approximate the related carrying amounts. Fair values have been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

EIB Loan

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

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

The EIB Loan was received on 5 February 2014; it will be repaid in 12 equal half-yearly instalments starting on 5 August 2015 and ending on 5 February 2021.

The following tables summarise the Committed Lines available to the Group at 31 December 2013 and 31 December 2012:

(in millions of Euro)	31 December 2013		
	Total lines	Used	Unused
Term Loan Facility 2010	184	(184)	-
Term Loan Facility 2011	400	(400)	-
Revolving Credit Facility 2010	400	(3)	397
Revolving Credit Facility 2011	400	-	400
Total Credit Agreements	1,384	(587)	797
EIB Loan	100	-	100
Securitization	-	-	-
Total	1,484	(587)	897

(in millions of Euro)	31 December 2012		
	Total lines	Used	Unused
Term Loan Facility 2010	670	(670)	-
Term Loan Facility 2011	400	(400)	-
Revolving Credit Facility 2010	400	(4)	396
Revolving Credit Facility 2011	400	-	400
Total Credit Agreements	1,870	(1,074)	796
Securitization	150	(75)	75
Total	2,020	(1,149)	871

The Revolving Credit Facility 2010 and the Revolving Credit Facility 2011 are both intended to finance ordinary working capital requirements, while only the Revolving Credit Facility 2010 can also be used for the issue of guarantees.

The securitization programme was terminated on 25 July 2013 upon reaching its end date.

Bonds

As at 31 December 2013, the Prysmian Group had issued the following bonds:

Non-convertible bond issued in 2010

On 31 March 2010, Prysmian S.p.A. completed the placement of an unrated bond with institutional investors on the Eurobond market for a total nominal amount of Euro 400 million. The bond, with an issue price of Euro 99.674, has a 5-year term and pays a fixed annual coupon of 5.25%. The bond settlement date was 9 April 2010. The bond has been admitted to the Luxembourg Stock Exchange's official list and is traded on the related regulated market.

The non-convertible bond has a fair value of Euro 417 million at 31 December 2013 (Euro 420 million at 31 December 2012). Fair value has been determined with reference to the quoted price in the relevant market (Level 1 of the fair value hierarchy).

Convertible bond

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

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

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

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

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

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

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

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

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

(in millions of Euro)

Issue value of convertible bond	300
Equity reserve for convertible bond	(39)
Issue date net balance	261
Interest - non-monetary	6
Interest - monetary accrued	3
Interest - monetary paid	(2)
Related costs	(4)
Balance at 31 December 2013	264

The convertible bond (equity component and debt component) has a fair value of Euro 339 million at 31 December 2013, of which the fair value of the debt component is Euro 265 million. In the absence of trading on the relevant market, fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

Other borrowings from banks and financial institutions and Finance lease obligations

These have reported the following changes during 2013:

- the receipt of Euro 55 million in new funds, mainly comprising Euro 26 million by the joint venture Yangtze Optical Fibre and Cables Joint Stock Co. Ltd., Euro 11 million by Prysmian S.p.A. in respect of the finance lease for the "Ansaldo 16" building and other financial liabilities contracted by Spanish and German subsidiaries;
- repayments of Euro 122 million, primarily relating to extinguishment of the securitization agreement and to repayments by Brazilian and Chinese subsidiaries.

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

(in millions of Euro)

	Credit Agreement	Non-convertible bond	Convertible bond ⁽²⁾	Other borrowings/ Finance lease obligations	Total
Balance at 31 December 2012	1,060	413	-	321	1,794
Business combinations	(1)	-	-	(20)	(21)
Drawdowns/new funds	-	-	257	55	312
Repayments	(486)	-	-	(122)	(608)
Amortisation of bank and financial fees and other expenses ⁽¹⁾	8	1	-	-	9
Interest and other movements	(1)	-	7	-	6
Total movements	(480)	1	264	(87)	(302)
Balance at 31 December 2013	580	414	264	234	1,492

⁽¹⁾ Includes the accelerated amortisation of Euro 5 million in bank fees following the early repayments of the Credit Agreement 2010.

⁽²⁾ "Drawdowns/New funds" pertaining to the convertible bond are stated net of the equity component of Euro 39 million and of Euro 4 million in related expenses.

(in millions of Euro)

	Credit Agreement	Non-convertible bond	Convertible bond	Other borrowings/ Finance lease obligations	Total
Balance at 31 December 2011	1,070	412	-	380	1,862
Business combinations	-	-	-	15	15
Effects of deconsolidation	-	-	-	(16)	(16)
Currency translation differences	(4)	-	-	(11)	(15)
Drawdowns/new funds ⁽¹⁾	660	-	-	134	794
Repayments	(670)	-	-	(181)	(851)
Amortisation of bank and financial fees and other expenses	4	1	-	-	5
Interest and other movements	-	-	-	-	-
Total movements	(10)	1	-	(59)	(68)
Balance at 31 December 2012	1,060	413	-	321	1,794

⁽¹⁾ "Drawdowns/new funds" are stated net of Euro 10 million in bank fees relating to the Term Loan Facility 2010.

Finance lease obligations represent the liability arising as a result of entering into finance leases. Finance lease obligations are reconciled with outstanding payments as follows:

(in millions of Euro)

	31 December 2013	31 December 2012
Due within 1 year	3	2
Due between 1 and 5 years	7	10
Due after more than 5 years	11	8
Minimum finance lease payments	21	20
Future interest costs	(4)	(6)
Finance lease obligations	17	14

Finance lease obligations are analysed by maturity as follows:

(in millions of Euro)

	31 December 2013	31 December 2012
Due within 1 year	2	2
Due between 1 and 5 years	5	7
Due after more than 5 years	10	5
Total	17	14

The following tables provide a breakdown of borrowings from banks and other lenders by maturity and currency at 31 December 2013 and 2012:

(in millions of Euro)

31 December 2013

	Variable interest rate				Fixed interest rate	Total
	Euro	USD	GBP	Other currencies	Euro and other currencies	
Due within 1 year	164	51	-	36	87	338
Due between 1 and 2 years	-	-	-	6	423	429
Due between 2 and 3 years	397	31	-	2	8	438
Due between 3 and 4 years	-	5	-	-	3	8
Due between 4 and 5 years	-	-	-	-	266	266
Due after more than 5 years	9	-	-	-	4	13
Total	570	87	-	44	791	1,492
Average interest rate in period, as per contract	1.7%	2.4%	0.0%	7.2%	4.9%	3.5%
Average interest rate in period, including IRS effect (a)	3.1%	2.4%	0.0%	7.2%	4.9%	4.1%

- (a) There are interest rate swaps to hedge interest rate risk on variable rate loans in Euro. The total hedged amount at 31 December 2013 equates to 66.4% of Euro-denominated debt at that date. In particular, interest rate hedges consist of interest rate swaps which exchange a variable rate (3 and 6-month Euribor for loans in Euro) with an average fixed rate (fixed rate + spread) of 3.8% for Euro-denominated debt. The percentages representing the average fixed rate refer to 31 December 2013.

(in millions of Euro)

31 December 2012

	Variable interest rate				Fixed interest rate	Total
	Euro	USD	GBP	Other currencies	Euro and other currencies	
Due within 1 year	157	70	20	55	59	361
Due between 1 and 2 years	483	73	-	7	43	606
Due between 2 and 3 years	-	4	-	6	413	423
Due between 3 and 4 years	389	-	-	1	3	393
Due between 4 and 5 years	-	-	-	1	3	4
Due after more than 5 years	-	-	-	-	7	7
Total	1,029	147	20	70	528	1,794
Average interest rate in period, as per contract	2.6%	2.5%	1.3%	7.4%	5.5%	3.6%
Average interest rate in period, including IRS effect (a)	3.7%	2.5%	1.3%	7.4%	5.5%	4.2%

- (a) There are interest rate swaps to hedge interest rate risk on variable rate loans in Euro. The total hedged amount at 31 December 2012 equates to 66.1% of Euro-denominated debt at that date. In particular, interest rate hedges consist of interest rate swaps which exchange a variable rate (3 and 6-month Euribor for loans in Euro) with an average fixed rate (fixed rate + spread) of 4.3% for Euro-denominated debt. The percentages representing the average fixed rate refer to 31 December 2012.

The Credit Agreement 2010 and Credit Agreement 2011 do not require any collateral security. Further information can be found in Note 32. Financial covenants.

Risks relating to sources of finance and to financial investments/receivables are discussed in the section entitled "Risks factors and uncertainties" forming part of the Directors' Report.

NET FINANCIAL POSITION

(in millions of Euro)

	Note	31 December 2013	31 December 2012
Long-term financial payables			
Term Loan Facilities		400	946
Bank fees		(3)	(11)
Credit Agreements	12	397	935
Non-convertible bond	12	399	398
Convertible bond	12	263	-
Finance leases	12	15	12
Interest rate swaps	8	4	35
Other financial payables	12	80	88
Total long-term financial payables		1,158	1,468
Short-term financial payables			
Term loan facility	12	184	126
Bank fees	12	(1)	(1)
Non-convertible bond	12	15	15
Convertible bond	12	1	-
Finance lease	12	2	2
Securitization	12	-	75
Interest rate swaps	8	14	-
Forward currency contracts on financial transactions	8	5	7
Revolving facility - Credit Agreement	12	3	4
Other financial payables	12	134	140
Total short-term financial payables		357	368
Total financial liabilities		1,515	1,836
Long-term financial receivables	5	4	9
Long-term bank fees	5	-	4
Current interest rate swaps	8	5	3
Short-term financial receivables	5	12	7
Short-term bank fees	5	5	5
Financial assets held for trading	7	94	78
Cash and cash equivalents	9	561	812
Net financial position		834	918

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

(in millions of Euro)

	Note	31 December 2013	31 December 2012
Net financial position - as reported above		834	918
Long-term financial receivables	5	4	9
Long-term bank fees	5	-	4
Net forward currency contracts on commercial transactions	8	(7)	2
Net metal derivatives	8	13	5
Recalculated net financial position		844	938

13. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in millions of Euro)

	31 December 2013		
	Non-current	Current	Total
Trade payables	-	1,441	1,441
Total trade payables	-	1,441	1,441
Other payables:			
Tax and social security payables	12	101	113
Advances from customers	-	241	241
Payables to employees	-	103	103
Accrued expenses	3	137	140
Other	9	146	155
Total other payables	24	728	752
Total	24	2,169	2,193

(in millions of Euro)

	31 December 2012		
	Non-current	Current	Total
Trade payables	-	1,450	1,450
Total trade payables	-	1,450	1,450
Other payables:			
Tax and social security payables	14	96	110
Advances from customers	-	219	219
Payables to employees	-	68	68
Accrued expenses	3	137	140
Other	10	134	144
Total other payables	27	654	681
Total	27	2,104	2,131

Trade payables include around Euro 183 million (Euro 204 million at 31 December 2012) for the supply of strategic metals (copper, aluminium and lead), whose payment terms, in some cases, are longer than normal for this type of transaction.

Advances from customers report the liability for construction contracts, amounting to Euro 155 million at 31 December 2013 compared with Euro 129 million at 31 December 2012. This liability represents the gross

amount by which work invoiced exceeds costs incurred plus accumulated profits (or losses) recognised using the percentage of completion method.

Payables to employees at 31 December 2013 include Euro 36 million in respect of the liability for the long-term incentive plan 2011-2013, which will be paid in the first half of 2014.

The following table breaks down trade and other payables according to the currency in which they are expressed:

(in millions of Euro)

	31 December 2013	31 December 2012
Euro	1,177	1,160
US Dollar	309	293
Chinese Renminbi (Yuan)	217	195
Brazilian Real	126	127
British Pound	141	95
Australian Dollar	35	39
Canadian Dollar	11	13
Norwegian Krone	10	29
Romanian Leu	23	26
United Arab Emirates Dirham	33	40
Turkish Lira	13	16
Malaysian Ringgit	22	19
Swedish Krona	14	9
Other currencies	62	70
Total	2,193	2,131

14. PROVISIONS FOR RISKS AND CHARGES

These are detailed as follows:

(in millions of Euro)

	31 December 2013		
	Non-current	Current	Total
Restructuring costs	1	18	19
Contractual and legal risks	24	234	258
Environmental risks	-	6	6
Tax inspections	12	4	16
Contingent liabilities	6	-	6
Other risks and charges	9	17	26
Total	52	279	331

(in millions of Euro)

31 December 2012

	Non-current	Current	Total
Restructuring costs	2	38	40
Contractual and legal risks	38	234	272
Environmental risks	4	7	11
Tax inspections	7	5	12
Contingent liabilities	10	-	10
Other risks and charges	15	33	48
Total	76	317	393

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

(in millions of Euro)

	Restructuring costs	Contractual and legal risks	Environmental risks	Tax inspections	Contingent liabilities	Other risks and charges	Total
Balance at 31 December 2012	40	272	11	12	10	48	393
Business combinations	-	-	-	-	-	1	1
Increases	22	21	4	9	-	8	64
Utilisations	(41)	(21)	-	-	-	(19)	(81)
Releases	(1)	(18)	(9)	(4)	(4)	(12)	(48)
Currency translation differences	-	(5)	-	-	-	(2)	(7)
Other	(1)	9	-	(1)	-	2	9
Total movements	(21)	(14)	(5)	4	(4)	(22)	(62)
Balance at 31 December 2013	19	258	6	16	6	26	331

The provision for restructuring costs reports a net decrease of Euro 21 million.

In particular, Euro 22 million has been recognised in the period, mainly for projects to restructure certain plants in Italy, Spain, Germany, France and The Netherlands; Euro 41 million of this provision has been utilised, mostly in connection with restructuring projects carried out in Germany, France, The Netherlands, Spain, Italy, and Finland.

At 31 December 2013, the provision for contractual and legal risks reports a net decrease of Euro 14 million:

- increases and releases, totalling Euro 3 million, relate to:

a) the risk regarding antitrust investigations underway in various jurisdictions, which has decreased by Euro 6 million, mainly due to exchange adjustments to the portion of the provision in foreign currency; this decrease has taken the total provision to around Euro 199 million at 31 December 2013. More specifically, the European Commission, the US Department of Justice and the Japanese antitrust authority started investigations in late January 2009 into several European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive practices in the high voltage underground and submarine cables markets. Subsequently, the Australian Competition and Consumers Commission ("ACCC") and the New Zealand Commerce Commission also started similar investigations. During 2011, the Canadian antitrust authority also started an investigation into a high voltage submarine project dating back to 2006. The investigations in Japan and New Zealand have ended without any sanctions for Prysmian. The other investigations are still in progress.

In Australia, the ACCC has filed a case before the Federal Court arguing that Prysmian Cavi e

Sistemi S.r.l. and two other companies violated antitrust rules in connection with a high voltage underground cable project awarded in 2003. Prysmian Cavi e Sistemi S.r.l. has filed its objections and presented its preliminary defence.

In Brazil, the local antitrust authority has started an investigation into several cable manufacturers, including Prysmian in the high voltage underground and submarine cables market. Prysmian has taken steps to present its preliminary defence. During the month of December 2013, the company ABB and one of its senior managers signed an agreement with the Brazilian antitrust authority, under which they admitted the conduct alleged by the authority and pledged to cooperate with it and to each pay an agreed fine.

At the start of July 2011, Prysmian received a statement of objection from the European Commission in relation to the investigation started in January 2009 into the high voltage underground and submarine energy cables market. This document contained the Commission's preliminary position on alleged anti-competitive practices and did not prejudge its final decision. Prysmian subsequently submitted its defence which it was also able to present at the hearing before the European Commission held during the month of June 2012. In July 2013, Prysmian submitted information, at the Commission's request, about its 2004 sales in the high voltage underground and submarine cables businesses. In addition, a state of play meeting was held between the Company and the European Commission at the start of October 2013. Subsequently, in February 2014, the Commission requested the figures for the Group's consolidated sales at 31 December 2013 which, together with the length of time elapsing since the investigation's start, could indicate that a decision may be issued soon.

As at 31 December 2013, the amount of the provision for the risks relating to the investigations underway in the various jurisdictions, except for Brazil, is approximately Euro 199 million.

Despite the uncertainty of the outcome of the investigations underway in the various jurisdictions, the amount of this provision is considered to represent the best estimate of the liability based on the information now available. It should be noted, however, that the Commission's decision is not final but must be submitted to two more levels of review.

- b) a net increase of approximately Euro 7 million for contractual risks;
- c) a net increase of approximately Euro 2 million for employment disputes.

- utilisations of Euro 21 million mostly refer to employment disputes, legal costs relating to antitrust investigations (Euro 2 million) and risks relating to contractual penalties and guarantees.

Provisions for other risks and charges report a net decrease of Euro 22 million, of which Euro 12 million for onerous contracts relating to Prysmian PowerLink Services Ltd and Euro 6 million in relation to the ending of a dispute with an agent of a Brazilian subsidiary.

Provisions for environmental risks report a net decrease of Euro 5 million, largely due to the release of Euro 5 million by some of the American subsidiaries.

Provisions for tax inspections report a net increase of Euro 4 million, mostly comprising Euro 9 million in new provisions and Euro 4 million in releases, reflecting developments in the status of unsettled tax assessments involving certain Group companies.

15. EMPLOYEE BENEFIT OBLIGATIONS

The Group provides a number of post-employment benefits through programmes that include defined benefit plans and defined contribution plans.

The defined contribution plans require the Group to pay, under legal or contractual obligations, contributions into public or private insurance institutions. The Group fulfils its obligations through payment of the contributions. At the financial reporting date, any amounts accrued but not yet paid to the above institutions are recorded in "Other payables", while the related costs, accrued on the basis of the service rendered by employees, are recognised in "Personnel costs".

The defined benefit plans mainly refer to Pension plans, Employee indemnity liability (for Italian companies), Medical benefit plans and other benefits such as seniority bonuses.

The liabilities arising from these plans, net of any assets serving such plans, are recognised in Employee benefit obligations and are measured using actuarial techniques.

Employee benefit obligations also include liabilities relating to long-term incentive plans for Group employees; more details can be found in Note 21. Personnel costs.

Employee benefit obligations are analysed as follows:

(in millions of Euro)	31 December 2013	31 December 2012
Pension plans	230	241
Employee indemnity liability (Italian TFR)	22	25
Medical benefit plans	23	28
Termination and other benefits	33	29
Incentive plans	-	21
Total	308	344

Restatement of comparative figures at 31 December 2012 following application of IAS 19 (revised)

As from 1 January 2013, the Group has applied IAS 19 (revised) to measure the Group's employee benefit obligations; the revised version of this standard has resulted in the following main changes:

- the return on plan assets recognised in net interest expense must be calculated using the discount rate applying to plan liabilities and no longer using the expected rate of return on plan assets;
- past service costs must be recognised immediately in profit or loss in the period a plan is amended and not on a straight-line basis over subsequent periods until such time as the benefits are vested;
- the administration costs of managing plan assets must be recognised as they are incurred in profit or loss, where they are classified as operating costs and no longer as finance costs.

In accordance with the IAS 19 transition rules, the Group has applied the amendments to IAS 19 retrospectively from 1 January 2013 by adjusting the balances in the statement of financial position at 1 January 2012 and at 31 December 2012, as well as the previously published figures in the 2012 income statement.

The adoption of IAS 19 (revised) had the following effects, which have been reflected in the consolidated financial statements:

(in millions of Euro)

31 December 2012**1 January 2012****Equity:**

Reserves	2	-
Net profit/(loss) for the year	(2)	-
Impact on equity attributable to the Group	-	-
Employee benefit obligations	-	-
	31 December 2012	
Finance costs	(2)	
Deferred taxes	-	
Net profit/(loss) for the year	(2)	

As a result, the application of the revised standard has involved recognising Euro 2 million more in "Finance costs" at 31 December 2012, with a consequent adjustment of Euro 2 million to "Net profit/(loss) for the year" and "Reserves".

Pension plan amendments in 2013

The following plans were amended during 2013:

- Draka Comteq Funded Plan in Norway: as a result of individual negotiations, the obligations relating to non-active members have been almost completely transferred to an insurance company; this has resulted in the recognition of a gain in the income statement of approximately Euro 2 million and in a corresponding reduction in liabilities;
- Draka UK Pension Plan in Great Britain: the plan has been converted from a defined benefit to a defined contribution plan for future benefits with effect from 31 December 2013. This conversion has resulted in the recognition of a gain in the income statement of approximately Euro 0.3 million.

Both the above gains have been classified as non-recurring items in the 2013 income statement.

PENSION PLANS

Pension plans relate to defined benefit pension schemes that can be "Funded" and "Unfunded".

Liabilities for "Funded pension plans" arise from contributions made by the employer and, in some cases, by employees, into a separately managed pension fund. The fund independently manages and administers the amounts received, investing in financial assets and paying benefits directly to employees. The Group's contributions to such funds are defined according to the legal requirements established in individual countries.

Liabilities for "Unfunded pension plans" relate to employer contributions and are generally calculated according to length of service of employees in the company and the remuneration paid in the period preceding cessation of employment. These plans have no assets to cover the liabilities.

At 31 December 2013, the most significant plans in terms of accrued employee benefit liabilities are the pension plans managed in the following countries:

- Germany

- Great Britain
- The Netherlands

Pension plans in the above countries account for approximately 80% of the related liability. The principal risks to which they are exposed are described below:

Germany

There are thirteen pension plans in Germany. These are mostly final salary plans in which the retirement age is generally set at 65. Although the plans are closed to new members, additional costs may need to be recognised in the future. As at 31 December 2013, the plans had an average duration of 14.8 years.

Total plan membership is made up as follows:

	Number of participants
Active	1,023
Deferred	1,118
Pensioners	1,644
Total membership	3,785

The German plans do not have assets that fund the liabilities; the Prysmian Group pays these benefits directly.

During the next year the benefits to be paid will amount to Euro 6 million.

The increase in benefits, and so in the recorded liability and in service costs, will mainly depend on inflation, wage growth and the life expectancy of plan members. Another variable to consider when determining the amount of the liability and of service costs is the discount rate, identified by reference to market yields of AA corporate bonds denominated in Euro.

Great Britain

Two defined benefit plans were in operation during 2013: the Draka pension fund and the Prysmian pension fund. Both funds are final salary plans, in which the retirement age is generally set at 65 for the majority of plan participants. The plans do not foresee any new members or future costs after 31 December 2013; this is the result of the Draka pension fund's recent conversion to a defined contribution plan, as described earlier.

As at 31 December 2013, the average duration of the Draka pension fund was approximately 21 years, while that of the Prysmian pension fund was 22.6 years.

Total plan membership is made up as follows:

	Draka pension fund	Prysmian pension fund	Total
	Number of participants	Number of participants	Number of participants
Active	-	-	-
Deferred	583	630	1,213
Pensioners	395	312	707
Total membership	978	942	1,920

Both plans operate under trust law and are managed and administered by a Board of Trustees on behalf of members and in accordance with the terms of the Trust Deed and Rules and current legislation. The assets that fund the liabilities are held by the Trust, for both plans.

For the purposes of determining the level of funding, the Trustees appoint an actuary to value the plans every three years, with annual updates. The latest valuations of the Draka pension fund and the Prysmian pension fund were conducted on 25 March 2013 and on 31 December 2011 respectively.

Even the contribution levels are set every three years at the time of performing the valuation to determine the level of plan funding. Currently, the contribution levels are set at Euro 1.7 million a year for the Draka pension fund and Euro 0.2 million a year for the Prysmian pension fund.

The Trustees decide on the investment strategy in agreement with the company. The strategies differ for both plans. In particular, the Draka pension fund has invested a higher proportion of its assets in equities; the fund's investment split is as follows: 66% in equities, 27% in bonds and 7% in other financial instruments. The Prysmian pension fund has invested its assets as follows: 43% in equities, 56% in bonds and 1% in other financial instruments.

The main risk for the Prysmian Group in Great Britain is that mismatches between the expected return and the actual return on plan assets would require contribution levels to be revised.

The liabilities and service costs are sensitive to the following variables: inflation, wage growth, life expectancy of plan participants and future growth in benefit levels. Another variable to consider when determining the amount of the liability is the discount rate, identified by reference to market yields of AA corporate bonds denominated in GB pounds.

The Netherlands

In The Netherlands there is one pension fund managed by Stichting Pensioenfonds Draka Holding, in which three legal entities participate. The rules of the plan are the same for all participating entities. The plan provides benefits according to length of average career and at a retirement age generally set at 65.

The plan is open to new members and has a duration of 16.4 years.

Total plan membership is made up as follows:

	Number of participants
Active	402
Deferred	608
Pensioners	1,038
Total membership	2,048

The plan's level of funding and of contributions are set annually by an actuary, in compliance with local legislation. The current level of contributions for the Group amounts to Euro 1.9 million.

The pension fund is responsible for its asset investment strategy, with 60% of its assets invested in bonds and 40% in equities. Under the plan's rules and local legislation, any surplus arising from the plan cannot be

reimbursed to the employer and cannot be used in lieu of the contribution due. Benefits are paid directly by the pension fund.

The main risk for the Prysmian Group in The Netherlands is that mismatches between the expected return and the actual return on plan assets that fund the obligations would require contribution levels to be revised. If the liabilities were not covered by the assets, the benefits might have to be reduced.

The liabilities and service costs are sensitive to the following variables: inflation, wage growth, life expectancy of plan participants and future growth in benefit levels. Another variable to consider when determining the amount of the liability is the discount rate, identified by reference to market yields of AA corporate bonds denominated in Euro.

In addition, significant changes are expected in local legislation regarding pension benefits. As from 1 January 2014, the retirement age could be extended from 65 to 67, with the contribution rate rising from 1.84% to 2.15%. As from 1 January 2015, the contribution rate is expected to decrease.

Pension plan obligations are analysed as follows at 31 December 2013:

(in millions of Euro)	31 December 2013				
	Germany	Great Britain	The Netherlands	Other countries	Total
Funded pension obligations:					
Present value of obligation		156	97	45	298
Fair value of plan assets		(108)	(99)	(36)	(243)
Asset ceiling			2	1	3
Unfunded pension obligations:					
Present value of obligations	143			29	172
Total	143	48	-	39	230

(in millions of Euro)	31 December 2012				
	Germany	Great Britain	The Netherlands	Other countries	Total
Funded pension obligations:					
Present value of obligation	-	142	97	61	300
Fair value of plan assets	-	(100)	(94)	(49)	(243)
Asset ceiling	-	-	-	1	1
Unfunded pension obligations:					
Present value of obligations	148	-	-	35	183
Total	148	42	3	48	241

At 31 December 2013, "Other countries" mainly refer to:

- United States: funded pension obligations have a present value of Euro 23 million compared with a fair value of Euro 20 million for plan assets;
- Norway: funded pension obligations have a present value of Euro 6 million compared with a fair value of Euro 2 million for plan assets;
- France: unfunded pension obligations have a present value of Euro 18 million;
- Sweden: unfunded pension obligations have a present value of Euro 7 million.

Changes during the year in pension plan obligations are as follows:

(in millions of Euro)

	2013	2012
Opening Defined Benefit Obligation	483	396
Current service costs	4	6
Interest costs	17	19
Plan participants' contributions	-	1
Administration costs and taxes	1	1
Actuarial (gains)/losses recognised in equity - Salary increase assumptions	(1)	(1)
Actuarial (gains)/losses recognised in equity - Demographic assumptions	6	6
Actuarial (gains)/losses recognised in equity - Financial assumptions	5	74
Disbursements from Plan Assets	(11)	(14)
Disbursements directly paid by the Employer	(8)	(8)
Plan settlements	(11)	-
Currency translation differences	(9)	3
Reclassifications	(6)	-
Total movements	(13)	87
Closing Defined Benefit Obligation	470	483

Changes during the year in pension plan assets are as follows:

(in millions of Euro)

	2013	2012
Opening Plan Assets	243	221
Interest income on Plan Assets	9	11
Actuarial gains/(losses) recognised in equity	10	15
Contributions paid by the Group	14	15
Contributions paid in by plan participants	-	1
Disbursements	(19)	(21)
Plan settlements	(9)	-
Currency translation differences	(5)	1
Total movements	-	22
Closing Plan Assets	243	243

At 31 December 2013, pension plan assets consisted of equities (47.5% versus 45.3% in 2012), government bonds (33.7% versus 33.6% in 2012), corporate bonds (13.7% versus 14.4% in 2012), and other assets (5.1% versus 6.7% in 2012).

Movements in the asset ceiling over the period are as follows:

(in millions of Euro)

	2013	2012
Opening asset ceiling	1	13
Interest costs	-	1
Changes in assets recognised in equity	2	(13)
Currency translation differences	-	-
Total movements	2	(12)
Closing asset ceiling	3	1

Pension plan costs recognised in the income statement are analysed as follows :

(in millions of Euro)

	31 December 2013				
	Germany	Great Britain	The Netherlands	Other countries	Total
Personnel costs	1	-	1	1	3
Interest costs	5	6	3	3	17
Expected returns on plan assets	-	(4)	(3)	(2)	(9)
Total pension plan costs	6	2	1	2	11

(in millions of Euro)

	31 December 2012				
	Germany	Great Britain	The Netherlands	Other countries	Total
Personnel costs	1	-	1	5	7
Interest costs	6	6	4	4	20
Expected returns on plan assets	-	(5)	(4)	(2)	(11)
Total pension plan costs	7	1	1	7	16

More details can be found in Note 21. Personnel costs.

The weighted average actuarial assumptions used to value the pension plans are as follows:

	31 December 2013					
	Germany		Great Britain		The Netherlands	
Interest rate	3.25%		4.40%		3.25%	
Expected future salary increase	2.00%		n.a.		2.00%	
Expected increase in pensions	2.00%		n.a.		2.00%	
Inflation rate	2.00%		3.50%		2.00%	
Life expectancy at age 65:	Male	Female	Male	Female	Male	Female
People currently aged 65	18.71	22.79	21.36	23.46	22.00	24.20
People currently aged 50	20.74	24.72	22.66	24.96	23.40	25.00

The following table presents a sensitivity analysis of the effects of an increase/decrease in the most significant actuarial assumptions used to determine the present value of pension plan obligations, such as the interest rate, inflation rate and life expectancy.

The sensitivity of the inflation rate includes any effects relating to assumptions about salary increases and increases in pension plan contributions.

31 December 2013

	Germany		Great Britain		The Netherlands	
	decrease - 0.5%	increase + 0.5%	decrease - 0.5%	increase + 0.5%	decrease - 0.5%	increase + 0.5%
Interest rate	+7.45%	-6.65%	+10.54%	-9.23%	+8.31%	-7.31%
	decrease - 0.25%	increase + 0.25%	decrease - 0.25%	increase + 0.25%	decrease - 0.25%	increase + 0.25%
Inflation rate	-2.79%	+2.93%	-3.72%	+3.93%	-3.83%	+4.08%

31 December 2013

	Germany	Great Britain	The Netherlands
1-year increase in life expectancy	+4.36%	+2.60%	+3.60%

EMPLOYEE INDEMNITY LIABILITY

Employee indemnity liability refers only to Italian companies and is analysed as follows:

(in millions of Euro)

	2013	2012
Opening balance	25	22
Personnel costs	-	-
Interest costs	1	1
Actuarial (gains)/losses recognised in equity	(1)	4
Disbursements	(3)	(2)
Total movements	(3)	3
Closing balance	22	25

The actuarial gains recognised at 31 December 2013 (Euro 1 million) mainly relate to the change in the associated economic parameters (the discount and inflation rates).

Under Italian law, the amount due to each employee accrues with service and is paid when the employee leaves the company. The amount due upon termination of employment is calculated on the basis of the length of service and the taxable remuneration of each employee. The liability is adjusted annually for the official cost of living index and statutory interest, and is not subject to any vesting conditions or periods, or any funding obligation; there are therefore no assets that fund this liability.

The rules governing this liability were revised by Legislative Decree 252/2005 and Law 296/2006 (Finance Act 2007): amounts accruing since 2007 by companies with at least 50 employees now have to be paid into the INPS Treasury Fund or to supplementary pension schemes, as decided by employees, which now take the form of "defined contribution plans". All the Group Italian companies nonetheless still account for revaluations of amounts accrued before 2007, while those companies with fewer than 50 employees continue to accrue amounts in respect of this liability that are not intended for supplementary pension schemes.

The benefits relating to this plan are paid to participants in the form of capital, in accordance with the related rules. The plan also allows partial advances to be paid against the full amount of the accrued benefit in specific circumstances.

The main risk is the volatility of the inflation rate and the interest rate, as determined by the market yield on AA corporate bonds denominated in Euro. Another risk factor is the possibility that members leave the plan or that higher advance payments than expected are requested, resulting in an actuarial loss for the plan, due to an acceleration of cash flows.

The actuarial assumptions used to value employee indemnity liability are as follows:

	31 December 2013	31 December 2012
Interest rate	3.00%	2.75%
Expected future salary increase	2.00%	2.00%
Inflation rate	2.00%	2.00%

The following table presents a sensitivity analysis of the effects of an increase/decrease in the most significant actuarial assumptions used to determine the present value of benefit obligations, namely the interest rate and inflation rate.

	31 December 2013	
	decrease - 0.5%	increase + 0.5%
Interest rate	+5.23%	-4.80%
	decrease - 0.25%	increase + 0.25%
Inflation rate	-2.58%	+2.64%

MEDICAL BENEFIT PLANS

Some Group companies provide medical benefit plans for retired employees. In particular, the Group finances medical benefit plans in Brazil, Canada and the United States. The plans in the United States account for approximately 80% of the total obligation for medical benefit plans.

Apart from interest rate and life expectancy risks, medical benefit plans are particularly susceptible to increases in the cost of meeting claims. None of the medical benefit plans has any assets to fund the associated obligations, with benefits paid directly by the employer.

As noted earlier, the US medical benefit plans account for the majority of the benefit obligation. These plans are not subject to the same level of legal protection as pension funds. The enactment of important health care legislation in the United States (the Affordable Care Act, also known as "ObamaCare") could result in a reduction of costs and risks associated with these plans, as plan members move to individual forms of insurance. Currently the new reform has had no impact on liabilities and costs.

The obligation in respect of medical benefit plans is analysed as follows:

(in millions of Euro)

	2013	2012
Opening balance	28	26
Personnel costs	1	1
Interest costs	1	1
Actuarial (gains)/losses recognised in equity - Salary increase assumptions	(2)	(1)
Actuarial (gains)/losses recognised in equity - Demographic assumptions	1	(1)
Actuarial (gains)/losses recognised in equity - Financial assumptions	(4)	3
Disbursements	(1)	(1)
Currency translation differences	(1)	-
Total movements	(5)	2
Closing balance	23	28

The actuarial assumptions used to value medical benefit plans are as follows:

31 December 2013		
Interest rate	5.63%	
Inflation rate	4.46%	
Expected future salary increase	3.00%	
Increase in claims	5.42%	
Life expectancy at age 65:	Male	Female
People currently aged 65	19.16	21.17
People currently aged 50	19.37	21.29

The following table presents a sensitivity analysis of the effects of an increase/decrease in the most significant actuarial assumptions used to determine the present value of benefit obligations, such as the interest rate, inflation rate/growth in medical care costs and life expectancy.

31 December 2013		
	decrease - 0.5%	increase + 0.5%
Interest rate	+7.40	-6.62
	decrease - 0.25%	increase + 0.25%
Inflation rate	-3.22	+3.54
31 December 2013		
1-year increase in life expectancy	+4.27	

OTHER INFORMATION

Contributions and payments for employee benefit obligations are estimated at Euro 5 million for 2014 (of which Euro 2 million in The Netherlands and Euro 2 million in Great Britain).

HEADCOUNT

Average headcount in the period is reported below for each category, compared with closing headcount at the end of each period:

2013				
	Average	%	Closing	%
Blue collar	14,536	74%	14,457	75%
White collar and management	4,996	26%	4,917	25%
Total	19,532	100%	19,374	100%
2012				
	Average	%	Closing	%
Blue collar	15,247	74%	14,746	74%
White collar and management	5,231	26%	5,150	26%
Total	20,478	100%	19,896	100%

The calculation of average and closing headcount for 2012 and 2013 includes 100% of the workforce of companies in which the Prysmian Group has a majority interest as well as those managed by the Group but in which it does not have a majority interest.

On this basis, the headcount numbers exclude Yangtze Optical Fibre and Cable Joint Stock Limited Co. (China).

16. DEFERRED TAXES

These are detailed as follows:

(in millions of Euro)

	31 December 2013	31 December 2012
Deferred tax assets:		
- Deferred tax assets recoverable after more than 12 months	81	108
- Deferred tax assets recoverable within 12 months	53	19
Total deferred tax assets	134	127
Deferred tax liabilities:		
- Deferred tax liabilities reversing after more than 12 months	(85)	(78)
- Deferred tax liabilities reversing within 12 months	(15)	(17)
Total deferred tax liabilities	(100)	(95)
Total net deferred tax assets (liabilities)	34	32

Movements in deferred taxes are detailed as follows:

(in millions of Euro)

	Accumulated depreciation	Provisions (*)	Tax losses	Other	Total
Balance at 31 December 2011	(163)	51	49	54	(9)
Currency translation differences	1	(3)	-	(1)	(3)
Impact on income statement	4	13	22	(7)	32
Impact on equity	-	14	-	3	17
Other and reclassifications	(5)	30	-	(30)	(5)
Balance at 31 December 2012	(163)	105	71	19	32
Currency translation differences	4	(4)	(1)	(5)	(6)
Impact on income statement	12	(24)	(1)	22	9
Impact on equity	-	(2)	-	-	(2)
Other and reclassifications	1	(6)	-	6	1
Balance at 31 December 2013	(146)	69	69	42	34

(*) These comprise Provisions for risks and charges (current and non-current) and Employee benefit obligations,

The Group has not recognised any deferred tax assets for carryforward tax losses of Euro 651 million at 31 December 2013 (Euro 675 million at 31 December 2012), or for future deductible temporary differences of Euro 180 million at 31 December 2013 (Euro 187 million at 31 December 2012). Unrecognised deferred tax assets relating to these carryforward tax losses and deductible temporary differences amount to Euro 240 million at 31 December 2013 (Euro 251 million at 31 December 2012).

The following table presents details of carryforward tax losses:

(in millions of Euro)	31 December 2013	31 December 2012
Carryforward tax losses	953	986
of which recognised as assets	302	311
Carryforward expires within 1 year	9	20
Carryforward expires between 2-5 years	110	112
Carryforward expires beyond 5 years	307	348
Unlimited carryforward	527	506

17. SALES OF GOODS AND SERVICES

These are detailed as follows:

(in millions of Euro)	2013	2012
Finished goods	5,925	6,552
Construction contracts	912	802
Services	84	174
Other	352	320
Total	7,273	7,848

18. CHANGE IN INVENTORIES OF WORK IN PROGRESS, SEMI-FINISHED AND FINISHED GOODS

This is detailed as follows:

(in millions of Euro)	2013	2012
Finished goods	14	(45)
Work in progress	12	14
Total	26	(31)

19. OTHER INCOME

This is detailed as follows:

(in millions of Euro)

	2013	2012
Rental income	1	1
Insurance reimbursements and indemnities	6	5
Gains on disposal of property	2	1
Other income	46	42
Non-recurring other income:		
Remeasurement of minority put option liability	-	7
Gains on asset disposals	5	3
Non-recurring other income	5	12
Total non-recurring other income	10	22
Total	65	71

20. RAW MATERIALS, CONSUMABLES USED AND GOODS FOR RESALE

These are detailed as follows:

(in millions of Euro)

	2013	2012
Raw materials	4,614	5,090
Other materials	-	-
Change in inventories	(43)	(7)
Total	4,571	5,083

21. PERSONNEL COSTS

Personnel costs are detailed as follows:

(in millions of Euro)	2013	2012
Wages and salaries	693	728
Social security	151	153
Fair value - stock options	14	17
Pension plans	5	6
Employee indemnity costs	-	-
Medical benefit costs	1	1
Termination and other benefits	2	6
Other personnel costs	50	50
Medium/long-term incentive plans	15	15
Non-recurring personnel costs:		
Company reorganisation	34	64
Terminated pension plans	(2)	-
Italian pensions reform	-	1
Non-recurring other costs	2	-
Total non-recurring personnel costs	34	65
Total	965	1,041

Share-based payments

At 31 December 2013 and 31 December 2012, the Prysmian Group had share-based compensation plans in place for managers and employees of Group companies and for members of the Parent Company's Board of Directors. These plans are described below.

Stock option plan 2007-2012

On 30 November 2006, the Company's shareholders approved a stock option plan which was dependent on the flotation of the Company's shares on Italy's Electronic Equities Market (MTA) organised and managed by Borsa Italiana S.p.A. The plan was reserved for employees of companies in the Prysmian Group.

Each option entitled the holder to subscribe to one share at a price of Euro 4.65.

The following table provides additional details about the stock option plan:

(in Euro)

	31 December 2013		31 December 2012	
	Number of options	Exercise price	Number of options	Exercise price
Options at start of year	82,937	4.65	198,237	4.65
Granted	-	-	-	4.65
Cancelled	(8)	-	-	-
Exercised	(82,929)	4.65	(115,300)	4.65
Options at end of year	-	-	82,937	4.65
of which vested at end of year	-	-	82,937	4.65
of which exercisable ⁽¹⁾	-	-	-	-
of which not vested at end of year	-	-	-	-

⁽¹⁾ Options could be exercised in specified periods only.

As at 31 December 2013 the options were all fully vested and exercised. The last window for exercising the options closed early in 2013.

Long-term incentive plan 2011-2013

On 14 April 2011, the Ordinary Shareholders' Meeting of Prysmian S.p.A. had approved, pursuant to art. 114-bis of Legislative Decree 58/98, a long-term incentive plan for the period 2011-2013 for employees of the Prysmian Group, including certain members of the Board of Directors of Prysmian S.p.A., and granted the Board of Directors the necessary authority to establish and execute the plan. The plan's purpose was to incentivise the process of integration following Prysmian's acquisition of the Draka Group, and was conditional upon the achievement of performance targets, as detailed in the specific information memorandum.

The plan originally involved the participation of 290(*) employees of group companies in Italy and abroad viewed as key resources, and divided them into three categories, to whom the shares would be granted in the following proportions:

- *CEO*: to whom 7.70% of the total rights to receive Prysmian S.p.A. shares were allotted.
- *Senior Management*: this category initially had 44 participants who held key positions within the Group (including the Directors of Prysmian S.p.A. who held the positions of Chief Financial Officer, Energy Business Executive Vice President and Chief Strategy Officer), to whom 41.64% of the total rights to receive Prysmian shares were allotted.
- *Executives*: this category initially had 245 participants from the various operating units and businesses around the world, to whom 50.66% of the total rights to receive Prysmian shares were allotted.

(*) Following movements since the plan's issue, the number of plan participants amounted to 268 at 31 December 2013.

The plan established that the number of options granted would depend on the achievement of common business and financial performance objectives for all the participants.

The plan established that the participants' right to exercise the allotted options depended on achievement of the Target (being a minimum performance objective of at least Euro 1.75 billion in cumulative Adj. EBITDA for the Group in the period 2011-2013, assuming the same group perimeter) as well as continuation of a professional relationship with the Group up until 31 December 2013. The plan also established an upper limit

for Adj. EBITDA as the Target plus 20% (ie. Euro 2.1 billion), assuming the same group perimeter, that would determine the exercisability of the maximum number of options granted to each participant.

Access to the plan was conditional upon each participant's acceptance that part of their annual bonus would be co-invested, if achieved and payable in relation to financial years 2011 and 2012.

The allotted options will carry the right to receive or subscribe to ordinary shares in Prysmian S.p.A., the Parent Company. These shares may partly comprise treasury shares and partly new shares, obtained through a capital increase that excludes pre-emptive rights under art. 2441, par. 8 of the Italian Civil Code. Such a capital increase, involving the issue of up to 2,131,500 new ordinary shares of nominal value Euro 0.10 each, for a maximum amount of Euro 213,150, was approved by the shareholders in the extraordinary session of their meeting on 14 April 2011. The shares obtained from the Company's holding of treasury shares will be allotted for zero consideration, while the shares obtained from the above capital increase will be allotted to participants upon payment of an exercise price corresponding to the nominal value of the Company's shares.

In accordance with IFRS 2, for both new and treasury shares, the options granted have been measured at grant date fair value. In detail, the fair value of the options has been determined using the Cox-Ross-Rubinstein binomial pricing model, based on the following assumptions:

	Options for consideration	Options for no consideration
Grant date	2 September 2011	2 September 2011
Residual life at grant date (in years)	2.33	2.33
Exercise price (Euro)	0.10	-
Expected volatility	45.17%	45.17%
Risk-free interest rate	3.96%	3.96%
Expected dividend %	1.56%	1.56%
Option fair value at grant date (Euro)	10.53	10.63

As at 31 December 2013 the options are all fully vested, while the total cost recognised through the income statement, under "Personnel costs", for the fair value of the options granted, is equal to Euro 13 million.

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

(in Euro)

	For consideration		For no consideration	
	Number of options ⁽¹⁾	Exercise price	Number of options ⁽¹⁾	Exercise price
Options at start of year	2,131,500	0.10	1,890,875	-
Granted	-	-	-	-
Variation for target remeasurement	-	-	(309,331)	-
Cancelled	-	-	(165,235)	-
Exercised	-	-	-	-
Options at end of year	2,131,500	0.10	1,416,309	-
of which vested at end of year	2,131,500	0.10	1,416,309	-
of which exercisable	-	-	-	-
of which not vested at end of year	-	-	-	-

⁽¹⁾ The number of options shown has been determined based on cumulative EBITDA for the three years 2011-2013.

As at 31 December 2013 the options were all fully vested; the options will be exercisable in 2014, within the three months following the anniversary of the grant date (2 September 2014). Options not exercised during this period will be deemed forfeited and void.

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

Group employee share purchase plan (YES Plan)

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

The reasons behind the introduction of the Plan are:

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

The Plan offers the opportunity to purchase Prysmian's ordinary shares on preferential terms, with a maximum discount of 25% on the stock price, offered in the form of treasury shares, except for the Chief Executive Officer, the Chief Financial Officer, the Chief Strategy Officer and two key managers, for whom the discount is equal to 1% of the stock price.

The shares purchased will be subject to a retention period, during which they cannot be sold. The Plan envisages three purchase windows: 2014, 2015 and 2016.

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

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

During the month of October 2013, the plan was presented and explained to some 16,000 of the Group's employees in 27 countries. Employees were free to express their readiness to participate in the Plan by the end of December 2013 and have accordingly communicated the amount they intended to invest in the first purchase window and the method of payment. The amount collected, totalling Euro 7.6 million, will be used to make purchases of the Company's ordinary shares on the Milan Stock Exchange (MTA) over a period of 5 consecutive business days during the month of May 2014. The number of shares assigned to each participant will then be determined by taking into account the average purchase price of the shares acquired on behalf of participants, the individual investment and the applicable discount percentage.

All those who have adhered to the plan will also receive an entry bonus of six free shares, taken from the Company's portfolio of treasury shares, only available at the time of first purchase.

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

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

	1st Window (2013)	2nd Window (2014)	3rd Window (2015)
Grant date	13 November 2013	13 November 2013	13 November 2013
Share purchase date	19 May 2014	19 May 2015	19 May 2016
End of retention period	19 May 2017	19 May 2018	19 May 2019
Residual life at grant date (in years)	0.35	1.35	2.35
Share price at grant date (Euro)	18.30	18.30	18.30
Expected volatility	29.27%	30.11%	36.79%
Risk-free interest rate	0.03%	0.05%	0.20%
Expected dividend %	2.83%	2.83%	2.83%
Option fair value at grant date (Euro)	18.04	17.54	17.11

At 31 December 2013, the overall cost recognised in the income statement under "Personnel costs" in relation to the fair value of the options granted under this plan is Euro 1 million.

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

	Number of options
Options at start of year	-
Granted*	300,682
Cancelled	-
Exercised	-
Options at end of year	300,682
of which vested at end of year	-
of which exercisable	-
of which not vested at end of year	300,682

(*) The number of options has been determined on the basis of the number of shares expected to be bought by employees in the three purchase windows.

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

As at 31 December 2013, there are no outstanding loans or guarantees by the Parent Company or its subsidiaries to any of the directors, senior managers or statutory auditors.

22. AMORTISATION, DEPRECIATION AND IMPAIRMENT

These are detailed as follows:

(in millions of Euro)

	2013	2012
Depreciation of buildings, plant, machinery and equipment	114	124
Depreciation of other property, plant and equipment	8	5
Amortisation of intangible assets	33	35
Non-recurring impairment:		
Net impairment of property, plant and equipment*	25	24
Total non-recurring impairment	25	24
Total	180	188

(*) This amount includes Euro 1 million in reinstatements of value of previously impaired assets.

23. OTHER EXPENSES

These are detailed as follows:

(in millions of Euro)

	2013	2012
Professional services	33	34
Insurance	52	41
Maintenance costs	75	83
Sales costs	89	87
Utilities	148	155
Travel costs	40	41
Vessel charter	88	67
Increases in/(releases of) provisions for risks	(3)	(8)
Losses on disposal of assets	1	-
Sundry expenses	114	119
Other costs	617	558
Non-recurring other expenses:		
Company reorganisation	16	10
Antitrust investigations	(6)	1
Tax inspections	-	3
Draka integration costs	-	9
Environmental remediation and other costs	(3)	3
Non-recurring other expenses	19	25
Total non-recurring other expenses	26	51
Total	1,280	1,228

The Group incurred Euro 68 million in research and development costs in 2013 (Euro 69 million in 2012).

24. FINANCE COSTS

These are detailed as follows:

(in millions of Euro)

	2013	2012 (*)
Interest on syndicated loans	12	29
Interest on non-convertible bond	21	21
Interest on convertible bond - non-monetary component	6	-
Interest on convertible bond - monetary component	3	-
Amortisation of bank and financial fees and other expenses	8	10
Employee benefit interest costs	11	12
Other bank interest	20	33
Costs for undrawn credit lines	4	3
Sundry bank fees	14	11
Non-recurring other finance costs	7	5
Other	29	21
Finance costs	135	145
Non-recurring net losses on interest rate swaps	15	-
Losses on derivatives	15	-
Foreign currency exchange losses	290	247
Non-recurring other foreign currency exchange losses	-	3
Total finance costs	440	395

(*) The comparative figures for 2012 have been restated. Further details can be found in Note 15. Employee benefit obligations.

Non-recurring other finance costs report Euro 5 million for the accelerated amortisation of bank fees relating to the Credit Agreement 2010, after making a total of Euro 486 million in early repayments against this loan in the months of February and March 2013. These early repayments have led to the discontinuance of cash flow hedge accounting, resulting in the recognition of net losses of Euro 15 million on interest rate swaps, which have been classified in "Non-recurring net losses on interest rate swaps".

"Other" finance costs include Euro 17 million for differentials accruing on interest rate swaps; this includes Euro 6 million in relation to instruments for which hedge accounting was discontinued following the early repayments described above. This last figure is largely offset by the fair value measurement of the related derivatives, reported in "Net gains on interest rate swaps".

25. FINANCE INCOME

This is detailed as follows:

(in millions of Euro)

	2013	2012
Interest income from banks and other financial institutions	7	17
Other finance income	2	2
Non-recurring other finance income	-	3
Finance income	9	22
Net gains on interest rate swaps	6	-
Net gains on forward currency contracts	7	18
Gains on derivatives	13	18
Foreign currency exchange gains	265	218
Total finance income	287	258

26. SHARE OF NET PROFIT/(LOSS) OF ASSOCIATES AND DIVIDENDS FROM OTHER COMPANIES

This is detailed as follows:

(in millions of Euro)

	2013	2012
Kabeltrommel Gmbh & Co.K.G.	3	3
Oman Cables Industry (SAOG)	11	9
Elkat Ltd.	2	2
Tianjin YOFC XMKJ Optical Communications Co.,Ltd.	(1)	1
Eksa Sp. Zo.o.	-	2
Total	15	17

27. TAXES

These are detailed as follows:

(in millions of Euro)

	2013	2012
Current income taxes	77	105
Deferred income taxes	(9)	(32)
Total	68	73

The following table reconciles the effective tax rate with the Parent Company's theoretical tax rate:

(in millions of Euro)

	2013	Tax rate	2012	Tax rate
Profit/(loss) before taxes	222		242	
Theoretical tax expense at Parent Company's nominal tax rate	61	27.5%	67	27.5%
Differences in nominal tax rates of foreign subsidiaries	3	1.5%	4	1.7%
Utilisation of unrecognised carryforward tax losses	(20)	-8.8%	(45)	(18.5%)
Unrecognised deferred tax assets	21	9.6%	30	12.5%
Net increase (release) of provision for tax disputes	4	2.0%	(3)	(1.2%)
IRAP (Italian regional business tax)	12	5.3%	13	5.4%
Taxes on distributable reserves	2	0.8%	4	1.7%
Utilisation of prior year credit for taxes paid abroad	(7)	-3.2%	-	-
Asset impairment	4	1.9%	3	1.20%
Deferred tax assets from prior years recognised and utilised in current year	(2)	-0.9%	(2)	(1.2%)
Non-deductible costs/ (non-taxable income) and other	(10)	-5.3%	2	0.9%
Effective income taxes	68	30.4%	73	30.0%

28. EARNINGS/(LOSS) AND DIVIDENDS 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.

The options under the Incentive Plan 2011-2013 have been considered for the purposes of determining both basic and diluted earnings/(loss) per share, since they are grantable based on the level of cumulative EBITDA achieved in the three-year target period.

Diluted earnings/(loss) per share are affected by the options relating to adherences to the employee share purchase plan.

Instead, diluted earnings/(loss) per share are not impacted by the following:

- the options under the Stock Option Plan 2007-2012 which as at 31 December 2013 were fully vested and exercised;
- the options relating to the convertible bond that would have an anti-dilutive effect since the conversion is currently "out of the money".

(in millions of Euro)

	2013	2012 (*)
Net profit/(loss) attributable to owners of the parent	149	166
Weighted average number of ordinary shares (thousands)	211,835	211,416
Basic earnings/(loss) per share (in Euro)	0.71	0.79
Net profit/(loss) attributable to owners of the parent	149	166
Weighted average number of ordinary shares (thousands)	211,835	211,416
Adjustments for:		
Dilution from incremental shares arising from exercise of stock options (thousands)	6	88
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	211,841	211,504
Diluted earnings/(loss) per share (in Euro)	0.71	0.78

(*) The previously published figure for earnings per share in 2012 has been the subject of a restatement. Further details can be found in Section C. Restatement of comparative figures at 31 December 2012.

The dividend paid in 2013 amounted to approximately Euro 89 million (Euro 0.42 per share). A dividend of Euro 0.42 per share for the year ended 31 December 2013 will be proposed at the annual general meeting to be held on 16 April 2014 in a single call; based on the number of outstanding shares, the above dividend per share equates to a total dividend pay-out of approximately Euro 89 million. The current financial statements do not reflect any liability for the proposed dividend.

29. 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 31 December 2013, the contingent liabilities in respect of 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 reliably estimated, amount to approximately Euro 25 million.

30. COMMITMENTS

(a) Commitments to purchase property, plant and equipment and intangible assets

Contractual commitments already entered into with third parties as at 31 December 2013 and not yet reflected in the financial statements amount to Euro 21 million for investments in property, plant and equipment (Euro 25 million at the end of 2012) and to Euro 1 million for investments in intangible assets (Euro 2 million at the end of 2012).

(b) Operating lease commitments

Future commitments relating to operating leases are as follows:

(in millions of Euro)

	31 December 2013	31 December 2012
Due within 1 year	40	21
Due between 1 and 5 years	20	39
Due after more than 5 years	16	25
Total	76	85

31. RECEIVABLES FACTORING

With reference to factoring programmes, the Group has made use of without-recourse factoring of trade receivables. The amount of receivables factored but not yet paid by customers was Euro 309 million at 31 December 2013 (Euro 231 million at 31 December 2012).

32. FINANCIAL COVENANTS

The Credit Agreement 2010 and Credit Agreement 2011, details of which are presented in Note 12, 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 Credit Agreements)
- Ratio between Net Financial Position and EBITDA (as defined in the Credit Agreements)

The evolution of the covenants for the above agreements is shown in the following table:

	30 June 2011	31 December 2011	30 June 2012	31 December 2012	30 June 2013	31 December 2013	30 June 2014 and thereafter
Net financial position /EBITDA(*)	3.50x	3.50x	3.50x	3.00x	3.00x	2.75x	2.50x
EBITDA/Net finance costs(*)	4.00x	4.00x	4.00x	4.25x	4.25x	5.50x	5.50x

(*) The ratios have been calculated on the basis of the definitions contained in the Credit Agreement 2010 and the Credit Agreement 2011

b) Non-financial covenants

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

Default events

The main default events are as follows:

- default on loan repayment obligations;
- breach of financial covenants;
- breach of some of the non-financial covenants;
- declaration of bankruptcy or subjection of Group companies to other insolvency proceedings;
- issuance of particularly significant judicial rulings;
- occurrence of events that may adversely and significantly affect the business, the assets or the financial conditions of the Group.

Should any default event occur, the lenders are entitled to demand full or partial repayment of the outstanding amounts lent under the Credit Agreements, together with interest and any other amount due under the terms and conditions of these Agreements. No collateral security is required.

Actual financial ratios reported at year end are as follows:

	31 December 2013	31 December 2012
EBITDA/Net finance costs(*)	6.91	6.78
Net financial position /EBITDA(*)	1.28	1.32

(*) The ratios have been calculated on the basis of the definitions contained in the Credit Agreement 2010 and the Credit Agreement 2011.

The above financial ratios comply with both the covenants contained in the Credit Agreement 2010 and in the Credit Agreement 2011.

33. RELATED PARTY TRANSACTIONS

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

- trade relations involving intercompany purchases and sales of raw materials and finished goods;
- services (technical, organisational and general) provided by head office to subsidiaries worldwide;
- financial relations maintained by Group treasury companies on behalf of, and with, Group companies.

The disclosures of related party transactions also include the compensation paid to Directors, Statutory Auditors and Key Management Personnel.

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

The following tables summarise related party transactions in the years ended 31 December 2013 and 31 December 2012:

(in millions of Euro)	31 December 2013				
	Investments in associates	Trade and other receivables	Trade and other payables	Employee benefit obligations	Financial payables and derivatives classified as liabilities
Associates	99	14	9	-	-
Other related parties:					
Compensation of directors, statutory auditors and key management personnel	-	-	16	-	-
Total	99	14	25	-	-

(in millions of Euro)	31 December 2012				
	Investments in associates	Trade and other receivables	Trade and other payables	Employee benefit obligations	Financial payables and derivatives classified as liabilities
Associates	99	17	10	-	-
Other related parties:					
Compensation of directors, statutory auditors and key management personnel	-	-	5	6	-
Total	99	17	15	6	-

(in millions of Euro)	2013				
	Share of net profit/(loss) of associates and dividends from other companies	Sales of goods and services and other income	Personnel costs	Cost of goods and services	Finance income/(costs)
Associates	15	94	-	73	-
Other related parties:					
Compensation of directors, statutory auditors and key management personnel	-	-	16	1	-
Total	15	94	16	74	-

(in millions of Euro)	2012				
	Share of net profit/(loss) of associates and dividends from other companies	Sales of goods and services and other income	Personnel costs	Cost of goods and services	Finance income/(costs)
Associates	17	100	-	84	-
Other related parties:					
Compensation of directors, statutory auditors and key management personnel	-	-	15	1	-
Total	17	100	15	85	-

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.

Key management compensation

Key management compensation is analysed as follows:

(in thousands of Euro)

	2013	2012
Salaries and other short-term benefits - fixed part	4,698	4,778
Salaries and other short-term benefits - variable part	9,584	7,115
Other benefits	31	54
Share-based payments	2,174	3,523
Total	16,487	15,470
of which Directors	13,406	11,922

At 31 December 2013, Other payables for key management compensation amount to Euro 15.6 million (Euro 5 million at 31 December 2012), while Employee benefit obligations for key management compensation amount to Euro 0.2 million (Euro 6 million at 31 December 2012).

34. COMPENSATION OF DIRECTORS AND STATUTORY AUDITORS

The compensation of the Directors of Prysmian S.p.A. amounts to Euro 13.6 million in 2013 (Euro 12.3 million in 2012). The compensation of the Statutory Auditors of Prysmian S.p.A. amounts to Euro 0.22 million in 2013 (Euro 0.09 million in 2012). Compensation includes emoluments, and any other types of remuneration, pension and medical benefits, received for their service as Directors or Statutory Auditors of Prysmian S.p.A. and other companies included in the scope of consolidation, and that have constituted a cost for Prysmian.

35. 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 took place during 2013.

36. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

As required by Consob Communication DEM/6064293 dated 28 July 2006, the effects of non-recurring events and transactions on the income statement are shown below, involving total net non-recurring expenses of Euro 97 million in 2013 and Euro 123 million in 2012.

(in millions of Euro)

	2013	2012
Non-recurring other income:		
Gains on asset disposals	5	3
Remeasurement of minority put option liability	-	7
Non-recurring other income	5	12
Total non-recurring other income	10	22
Non-recurring personnel costs:		
Company reorganisation	(34)	(64)
Terminated pension plans	2	-
Italian pensions reform	-	(1)
Non-recurring other costs	(2)	-
Total non-recurring personnel costs	(34)	(65)
Non-recurring impairment:		
Impairment of property, plant and equipment	(25)	(24)
Total non-recurring impairment	(25)	(24)
Non-recurring other expenses:		
Draka integration costs	-	(9)
Tax inspections	-	(3)
Antitrust investigations	6	(1)
Company reorganisation	(16)	(10)
Environmental remediation and other costs	3	(3)
Non-recurring other expenses:	(19)	(25)
Total non-recurring other expenses	(26)	(51)
Non-recurring other finance costs:		
Non-recurring net losses on interest rate swaps	(15)	-
Non-recurring other finance costs	(7)	(5)
Non-recurring other foreign currency exchange losses	-	(3)
Total non-recurring other finance costs	(22)	(8)
Non-recurring other finance income:		
Non-recurring other finance income	-	3
Total non-recurring other finance income	-	3
Total	(97)	(123)

37. STATEMENT OF CASH FLOWS

Net cash flow provided by operating activities amounted to Euro 399 million in 2013.

This flow was influenced by an increase of Euro 19 million in working capital. Therefore, after deducting Euro 64 million in tax payments, net cash flow from operating activities in the period was a positive Euro 399 million.

Net operating investments in 2013 amounted to Euro 114 million; in the case of the Energy segment, this expenditure mainly referred to production capacity increases for high voltage cables in Russia, for submarine cables in Italy and Norway and for the Oil & Gas sector at the plants in Sorocaba and Santo André (Brazil). In the case of the Telecom segment, of particular importance was the investment in Romania, which has become one of Europe's new centres of excellence for optical telecom cables.

Cash flows provided by financing activities were influenced by the distribution of dividends, amounting to Euro 92 million, the repayment of the Credit Agreement 2010 for Euro 486 million, and by the simultaneous issue of the convertible bond for Euro 296 million, net of related costs. Finance costs paid net of finance income received came to Euro 126 million.

38. INFORMATION PURSUANT TO ART.149-DUODECIIES OF THE CONSOB ISSUER REGULATIONS

Pursuant to art. 149-duodecies of the Consob Issuer Regulations, the following table shows the fees in 2013 and 2012 for audit work and other services provided by the independent auditors PricewaterhouseCoopers S.p.A. and companies in the PricewaterhouseCoopers network.

(in thousands of Euro)

	Supplier of services		Recipient	Fees relating to 2013	Fees relating to 2012
Audit services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.		1,140	772
	PricewaterhouseCoopers S.p.A.		Italian subsidiaries	584	592
	PricewaterhouseCoopers S.p.A.		Foreign subsidiaries	319	386
	PricewaterhouseCoopers Network		Foreign subsidiaries	3,144	3,871
Certification services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.		83	103
	PricewaterhouseCoopers S.p.A.		Italian subsidiaries	110	102
	PricewaterhouseCoopers Network		Foreign subsidiaries	-	-
Other services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A. ⁽¹⁾		105	115
	PricewaterhouseCoopers S.p.A.		Italian subsidiaries	110	118
	PricewaterhouseCoopers Network		Foreign subsidiaries ⁽²⁾	482	187
Total				6,077	6,246

⁽¹⁾ Audit support and other services.

⁽²⁾ Tax and other services.

39. SUBSEQUENT EVENTS

On 16 January 2014, the Group was awarded a new contract worth approximately USD 24 million by Petrobras, the Brazilian oil company.

The contract refers to the supply of special Down Hole Technology (DHT) cable systems for the offshore oil & gas industry, which will be manufactured using Brazilian-sourced materials (steel) at the Group's plants in Bridgewater, NJ (USA) and Cariacica, Brazil, and are due to be delivered in July 2014. DHT systems are technology-driven specialty products for oil, gas and geothermal wells that include Tubing Encapsulated Cables, used in individual wells to monitor temperature, pressure, and other parameters in order to optimise flows within reservoirs.

On 5 February 2014, the European Investment Bank (EIB) paid the Parent Company Prysmian S.p.A the Euro 100 million loan, intended to fund the Prysmian Group's European research & development programmes over the period 2013-2016. The loan agreement was signed in December 2013 and will fund about 50% of the planned investment expenditure by R&D centres in six countries: France, Great Britain, The Netherlands, Spain, Germany and Italy. The loan will be repaid in 12 equal half-yearly instalments starting on 5 August 2015 and ending on 5 February 2021.

On 19 February 2014, Prysmian S.p.A signed a loan agreement for Euro 100 million with Mediobanca - Banca di Credito Finanziario S.p.A. The agreement has a five-year term and is intended to refinance existing debt and working capital requirements.

On 21 February 2014, the Group sent the syndicate of banks party to the Credit Agreement 2010, a Prepayment Notice that it would repay early the outstanding loan of Euro 184 million on 28 February 2014.

Milan, 25 February 2014

ON BEHALF OF THE BOARD OF DIRECTORS
THE CHAIRMAN
Massimo Tononi

SCOPE OF CONSOLIDATION – APPENDIX A

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

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Europe					
Austria					
Prysmian OEKW GmbH	Wien	Euro	2,053,008	100.00%	Prysmian Cavi e Sistemi S.r.l.
Belgium					
Draka Belgium N.V.	Antwerpen	Euro	61,973	98.52%	Draka Holding N.V.
				1.48%	Draka Kabel B.V.
Denmark					
Prysmian Denmark A/S	Brøndby	Danish Krone	40,000,000	100.00%	Draka Denmark Holding A/S
Draka Denmark Holding A/S	Brøndby	Danish Krone	88,734,000	100.00%	Draka Holding N.V.
Estonia					
AS Draka Keila Cables	Keila	Euro	1,661,703	66.00%	Prysmian Finland OY
				34.00%	Third parties
Finland					
Prysmian Finland OY	Kirkkonummi	Euro	100,000	77.80%	Prysmian Cavi e Sistemi S.r.l.
				19.93%	Draka Holding N.V.
				2.27%	Draka Comteq B.V.
France					
Prysmian (French) Holdings S.A.S.	Paron	Euro	173,487,250	100.00%	Prysmian Cavi e Sistemi S.r.l.
GSCP Athena (French) Holdings II S.A.S.	Paron	Euro	47,000	100.00%	Prysmian (French) Holdings S.A.S.
Prysmian Cables et Systèmes France S.A.S.	Paron	Euro	136,800,000	100.00%	Prysmian (French) Holdings S.A.S.
Draka Comteq France	Paron	Euro	246,554,316	100.00%	Draka France S.A.S.
Draka Fileca S.A.S.	Sainte Geneviève	Euro	5,439,700	100.00%	Draka France S.A.S.
Draka Paricable S.A.S.	Sainte Geneviève	Euro	5,177,985	100.00%	Draka France S.A.S.
Draka France S.A.S.	Marne La Vallée	Euro	261,551,700	100.00%	Draka Holding N.V.
Quoroon S.A.S.	Paron	Euro	10,000	100.00%	Prysmian Cables et Systemes France S.A.S.
Germany					
Prysmian Kabel und Systeme GmbH	Berlin	Euro	15,000,000	93.75%	Draka Cable Wuppertal GmbH
				6.25%	Prysmian S.p.A.
Prysmian Unterstuetzungseinrichtung Lynen GmbH	Eschweiler	Deutsche Mark	50,000	100.00%	Prysmian Kabel und Systeme GmbH
Draka Cable Wuppertal GmbH	Wuppertal	Euro	25,000	100.00%	Draka Deutschland GmbH
Draka Comteq Berlin GmbH & Co.KG	Berlin	Deutsche Mark	46,000,000	50.10%	Kabelbedrijven Draka Nederland B.V.
		Euro	1	49.90%	Draka Deutschland GmbH
Draka Comteq Germany Verwaltungs GmbH	Koln	Euro	25,000	100.00%	Draka Comteq BV
Draka Comteq Germany GmbH & Co.KG	Koln	Euro	26,000	100.00%	Draka Comteq B.V.
Draka Deutschland Erste Beteiligungs- GmbH	Wuppertal	Euro	25,000	100.00%	Draka Holding N.V.
Draka Deutschland GmbH	Wuppertal	Euro	25,000	90.00%	Draka Deutschland Erste Beteiligungs- GmbH
				10.00%	Draka Deutschland Zweite Beteiligungs- GmbH

PRYSMIAN GROUP | EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Draka Deutschland Verwaltungs- GmbH	Wuppertal	Deutsche Mark	50,000	100.00%	Draka Cable Wuppertal GmbH
Draka Deutschland Zweite Beteiligungs- GmbH	Wuppertal	Euro	25,000	100.00%	Kabelbedrijven Draka Nederland B.V.
Draka Kabeltechnik GmbH	Wuppertal	Euro	25,000	100.00%	Draka Cable Wuppertal GmbH
Draka Service GmbH	Nummberg	Euro	25,000	100.00%	Draka Cable Wuppertal GmbH
Höhn GmbH	Wuppertal	Deutsche Mark	1,000,000	100.00%	Draka Deutschland GmbH
Kaiser Kabel GmbH	Wuppertal	Deutsche Mark	9,000,000	100.00%	Draka Deutschland GmbH
Kaiser Kabel Vertriebs GmbH i.L.	Wuppertal	Euro	25,100	100.00%	Kaiser Kabel GmbH
NKF Holding (Deutschland) GmbH	Wuppertal	Euro	25,000	100.00%	Kabelbedrijven Draka Nederland B.V.
usb-elektro Kabelkonfektions- GmbH i.L.	Bendorf	Deutsche Mark	2,750,000	100.00%	Draka Holding N.V
Wagner Management-und Projektgesellschaft mit beschränkter Haftung i.L. Berlin		Deutsche Mark	50,000	60.00%	Draka Cable Wuppertal GmbH
				40.00%	Third parties
U.K.					
Prysmian Cables & Systems Ltd.	Eastleigh	British Pound	45,292,120	100.00%	Prysmian UK Group Ltd.
Prysmian Construction Company Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (2000) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (Industrial) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (Supertension) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables and Systems International Ltd.	Eastleigh	Euro	100,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Cable Makers Properties & Services Limited	Hampton	British Pound	33	74.99%	Prysmian Cables & Systems Ltd.
				25.01%	Third parties
Prysmian Telecom Cables and Systems UK Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Metals Limited	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Comergy Ltd.	Eastleigh	British Pound	1,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Pension Scheme Trustee Limited	Eastleigh	British Pound	1	100.00%	Prysmian S.p.A.
Prysmian UK Group Ltd.	Eastleigh	British Pound	40,011,000	100.00%	Draka Holding N.V.
Draka Distribution Aberdeen Limited	Eastleigh	British Pound	1	100.00%	Draka UK Group Limited
Draka Comteq UK Limited	Eastleigh	British Pound	9,000,002	100.00%	Prysmian UK Group Ltd
Draka UK Limited	Eastleigh	British Pound	202,000	100.00%	Draka UK Group Limited
Draka UK Group Limited	Eastleigh	British Pound	10,000,103	99.99999%	Prysmian UK Group Ltd
				0.00001%	Third parties
Draka UK Pension Plan Trust Company Ltd.	Eastleigh	British Pound	1	100.00%	Draka UK Limited
Prysmian Powerlink Services Ltd	Eastleigh	British Pound	16,000,100	100.00%	Prysmian UK Group Ltd.
Ireland					
Prysmian Financial Services Ireland Limited	Dublin	Euro	1,000	100.00%	Third parties
Prysmian Re Company Limited	Dublin	Euro	3,000,000	100.00%	Prysmian (Dutch) Holdings B.V.
Italy					
Prysmian Cavi e Sistemi S.r.l.	Milan	Euro	100,000,000	100.00%	Prysmian S.p.A.
Prysmian Cavi e Sistemi Italia S.r.l.	Milan	Euro	77,143,249	100.00%	Prysmian S.p.A.
Prysmian Treasury S.r.l.	Milan	Euro	30,000,000	100.00%	Prysmian S.p.A.
Prysmian PowerLink S.r.l.	Milan	Euro	50,000,000	100.00%	Prysmian S.p.A.
Fibre Ottiche Sud - F.O.S. S.r.l.	Battipaglia	Euro	47,700,000	100.00%	Prysmian S.p.A.
Prysmian Electronics S.r.l.	Milan	Euro	10,000	80.00%	Prysmian Cavi e Sistemi S.r.l.
				20.00%	Third parties

PRYSMIAN GROUP | EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Luxembourg					
Prysmian Treasury (Lux) S.à r.l.	Luxembourg	Euro	3,050,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Norway					
Prysmian Kabler og Systemer A.S.	Ski	Norwegian Krone	100,000	100.00%	Prysmian Finland OY
Draka Norsk Kabel A.S.	Drammen	Norwegian Krone	22,500,000	100.00%	Draka Norway A.S.
Draka Norway A.S.	Drammen	Norwegian Krone	112,000	100.00%	Draka Holding N.V.
The Netherlands					
Prysmian (Dutch) Holdings B.V.	Delft	Euro	18,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Draka Comteq B.V.	Amsterdam	Euro	1,000,000	100.00%	Draka Holding N.V.
Draka Comteq Fibre B.V.	Eindhoven	Euro	18,000	100.00%	Prysmian Netherlands Holding B.V.
Draka Holding N.V.	Amsterdam	Euro	42,952,436	63.432%	Prysmian S.p.A.
				36.568%	Prysmian Cavi e Sistemi S.r.l.
Draka Kabel B.V.	Amsterdam	Euro	2,277,977	100.00%	Kabelbedrijven Draka Nederland B.V.
Donne Draad B.V.	Nieuw Bergen	Euro	28,134	100.00%	Kabelbedrijven Draka Nederland B.V.
Prysmian Treasury (The Netherlands) B.V.	Delft	Euro	2,268,901	100.00%	Draka Holding N.V.
Kabelbedrijven Draka Nederland B.V.	Amsterdam	Euro	18,151	100.00%	Prysmian Netherlands Holding B.V.
NK China Investments B.V.	Delft	Euro	19,000	100.00%	Kabelbedrijven Draka Nederland B.V.
NKF Vastgoed I B.V.	Delft	Euro	18,151	99.00%	Draka Holding N.V.
				1.00%	Kabelbedrijven Draka Nederland B.V.
NKF Vastgoed III B.V.	Amsterdam	Euro	18,151	99.00%	Draka Deutschland GmbH
				1.00%	Kabelbedrijven Draka Nederland B.V.
Draka Sarphati B.V.	Amsterdam	Euro	18,151	100.00%	Draka Holding N.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 N.V.
Czech Republic					
Draka Kabely, s.r.o.	Velke Mezirici	Czech Koruna	255,000,000	100.00%	Draka Holding N.V.
Romania					
Prysmian Cabluri Si Sisteme S.A.	Slatina	Romanian Leu	103,850,920	99.9995%	Prysmian (Dutch) Holdings 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%	Prysmian (Dutch) Holdings B.V.
				1.00%	Prysmian Cavi e Sistemi S.r.l.
Limited Liability Company "Rybinskelektrokabel"	Rybinsk city	Russian Rouble	90,312,000	100.00%	Limited Liability Company Prysmian RUS
Draka Industrial Cable Russia LLC	St. Petersburg	Russian Rouble	100,000	100.00%	Draka Holding N.V.
Neva Cables Ltd	St. Petersburg	Russian Rouble	194,000	100.00%	Prysmian Finland OY

PRYSMIAN GROUP | EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Slovakia					
Prysmian Kablo s.r.o.	Bratislava	Euro	21,246,001	99.995%	Prysmian Cavi e Sistemi S.r.l.
				0.005%	Prysmian S.p.A.
Draka Comteq Slovakia s.r.o.	Prešov	Euro	1,506,639	100.00%	Draka Comteq B.V.
Spain					
Prysmian Spain S.A.U.	Vilanova I la Geltrú	Euro	58,178,234	100.00%	Draka Holding N.V. y CIA Soc. Col.
Marmavil S.L.U.	Santa Perpetua de Mogoda	Euro	3,006	100.00%	Draka Holding N.V.
Draka Holding NV Y CIA Soc. Col.	Santa Perpetua de Mogoda	Euro	24,000,000	99.99999%	Draka Holding N.V.
				0.00001%	Marmavil S.L.U.
Draka Comteq Iberica, S.L.U.	Maliaño	Euro	4,000,040	100.00%	Draka Holding NV Y CIA Soc. Col.
Sweden					
Prysmian Kablar och System AB	Hoganas	Swedish Krona	100,000	100.00%	Prysmian Finland OY
Draka Comteq Sweden AB	Nässjö	Swedish Krona	100,000	100.00%	Draka Comteq B.V.
NK Cables Sverige AB	Orebro	Swedish Krona	100,000	100.00%	Prysmian Finland OY
Draka Sweden AB	Nässjö	Swedish Krona	100,100	100.00%	Draka Holding N.V.
Draka Kabel Sverige AB	Nässjö	Swedish Krona	100,000	100.00%	Draka Sweden AB
Fastighets Spännbucklan AB	Nässjö	Swedish Krona	25,000,000	100.00%	Draka Sweden AB
Fastighets Hygget AB	Nässjö	Swedish Krona	100,000	100.00%	Fastighets Spännbucklan AB
Switzerland					
Prysmian Cables and Systems SA	Manno	Swiss Franc	500,000	100.00%	Prysmian (Dutch) Holdings B.V.
Turkey					
Turk Prysmian Kablo Ve Sistemleri A.S.	Mudanya	Turkish new Lira	112,233,652	83.746%	Prysmian (Dutch) Holdings B.V.
				16.254%	Third parties
Draka Istanbul Asansor İthalat İhracat Üretim Ticaret Ltd. Şti.	Istanbul	Turkish new Lira	180,000	100.00%	Draka Holding N.V.
Draka Comteq Kablo Limited Sirketi	Istanbul	Turkish new Lira	45,818,775	99.50%	Draka Comteq B.V.
				0.50%	Prysmian Netherlands B.V.
Hungary					
Prysmian MKM Magyar Kabel Muvek KFT	Budapest	Hungarian Forint	5,000,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
North America					
Canada					
Prysmian Power Cables and Systems Canada Ltd.	Saint John	Canadian Dollar	1,000,000	100.00%	Prysmian (Dutch) Holdings B.V.
Draka Elevator Products, Inc.	Brantford	Canadian Dollar	n/a	100.00%	Draka Cableteq USA, Inc.
U.S.A.					
Prysmian Cables and Systems (US) Inc.	Carson City	US Dollar	330,517,608	100.00%	Draka Holding N.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
Prysmian Power Financial Services US LLC	Wilmington	US Dollar	100	100.00%	Prysmian Cables and Systems USA LLC
Prysmian Communications Financial Services US LLC	Wilmington	US Dollar	100	100.00%	Prysmian Cables and Systems USA LLC
Draka Cableteq USA Inc.	Boston	US Dollar	10	100.00%	Prysmian Cables and Systems (US) Inc.
Draka Elevator Products, Inc.	Boston	US Dollar	1	100.00%	Draka Cableteq USA Inc.
Draka Transport USA LLC	Boston	US Dollar	n/a	100.00%	Draka Cableteq USA Inc.

PRYSMIAN GROUP | EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Central/South America					
Argentina					
Prysmian Energia Cables y Sistemas de Argentina S.A.	Buenos Aires	Argentine Peso	66,966,667	94.68%	Prysmian Consultora Conductores e Instalaciones SAIC
				5.00%	Prysmian (Dutch) Holdings B.V.
				0.32%	Third parties
Prysmian Consultora Conductores e Instalaciones SAIC	Buenos Aires	Argentine Peso	48,571,242	95.00%	Prysmian (Dutch) Holdings B.V.
				5.00%	Prysmian Cavi e Sistemi S.r.l.
Cables Ópticos y Metálicos para Telecomunicaciones Telcon S.R.L.	Buenos Aires	Argentine Peso	500,000	100.00%	Prysmian Draka Brasil S.A.
Brazil					
Prysmian Energia Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real	153,794,214	99.857%	Prysmian Cavi e Sistemi S.r.l.
				0.143%	Prysmian S.p.A.
Sociedade Produtora de Fibras Ópticas S.A.	Sorocaba	Brazilian Real	1,500,100	51.00%	Prysmian Draka Brasil S.A.
				49.00%	Third parties
Prysmian Surfex Umbilicais e Tubos Flexíveis do Brasil Ltda	Vila Velha	Brazilian Real	158,385,677	99.999999%	Prysmian Cavi e Sistemi S.r.l.
				0.000001%	Prysmian S.p.A.
Prysmian Draka Brasil S.A.	Sorocaba	Brazilian Real	207,784,953	55.885510%	Prysmian Energia Cabos e Sistemas do Brasil S.A.
				34.849900%	Draka Comteq B.V.
				9.206810%	Draka Holding N.V.
				0.057040%	Prysmian Cavi e Sistemi S.r.l.
				0.000630%	Kabelbedrijven Draka Nederland B.V.
				0.000120%	Draka Kabel B.V.
Doiter Industria e Comercio Ltda	Espirito Santo, Vitoria	Brazilian Real	118,000	99.9992%	Draka Comteq Cabos Brasil S.A.
				0.0008%	Third parties
Prysmian Fibras Ópticas Brasil Ltda	Sorocaba	Brazilian Real	42,628,104	99.99%	Prysmian Draka Brasil S.A.
				0.01%	Prysmian Energia Cabos e Sistemas do Brasil SA
Draka Comteq Cabos Brasil S.A.	Santa Catarina	Brazilian Real	17,429,703	77.836%	Draka Comteq B.V.
				22.164%	Prysmian Energia Cabos e Sistemas do Brasil S.A.
Chile					
Prysmian Instalaciones Chile S.A.	Santiago	Chilean Peso	1,147,127,679	99.80%	Prysmian Consultora Conductores e Instalaciones SAIC
				0.20%	Third parties
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 N.V.
Draka Mexico Holdings S.A. de C.V.	Durango	Mexican Peso	57,036,501	99.999998%	Draka Holding N.V.
				0.000002%	Draka Comteq B.V.
NK Mexico Holdings S.A. de C.V.	Mexico City	Mexican Peso	n/a	100.00%	Prysmian Finland OY
Prysmian Cables y Sistemas de Mexico S. de R. L. de C. V.	Durango	Mexican Peso	3,000	0.033%	Draka Holding N.V.
				99.967%	Draka Mexico Holdings S.A. de C.V.
Africa					
Ivory Coast					
SICABLE - Société Ivoirienne de Cables S.A.	Abidjan	CFA Franc	740,000,000	51.00%	Prysmian Cables et Systèmes France S.A.S.
				49.00%	Third parties
Tunisia					
Auto Cables Tunisie S.A.	Grombalia	Tunisian Dinar	4,050,000	50.998%	Prysmian Cables et Systèmes France S.A.S.
				49.002%	Third parties
Eurelectric Tunisie S.A.	Soliman	Tunisian Dinar	510,000	99.8824%	Prysmian Cables et Systèmes France S.A.S.
				0.0196%	Prysmian (French) Holdings S.A.S.
				0.0196%	Prysmian Cavi e Sistemi S.r.l.
				0.0784%	Third parties

PRYSMIAN GROUP | EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Oceania					
Australia					
Prismian Power Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	15,000,000	100.00%	Prismian Cavi e Sistemi S.r.l.
Prismian Telecom Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	38,500,000	100.00%	Prismian Cavi e Sistemi S.r.l.
New Zealand					
Prismian Power Cables & Systems New Zealand Ltd.	Auckland	New Zealand Dollar	10,000	100.00%	Prismian Power Cables & Systems Australia Pty Ltd.
Asia					
Saudi Arabia					
Prismian Powerlink Saudi LLC	Al Khoabar	Saudi Arabian Riyal	500,000	95.00%	Prismian PowerLink S.r.l.
				5.00%	Third parties
China					
Prismian Tianjin Cables Co. Ltd.	Tianjin	US Dollar	28,400,000	67.00%	Prismian (China) Investment Company Ltd.
				33.00%	Third parties
Prismian Cable (Shanghai) Co.Ltd.	Shanghai	US Dollar	5,000,000	100.00%	Prismian (China) Investment Company Ltd.
Prismian Baosheng Cable Co.Ltd.	Jiangsu	US Dollar	35,000,000	67.00%	Prismian (China) Investment Company Ltd.
				33.00%	Third parties
Prismian Wuxi Cable Co. Ltd .	Wuxi	US Dollar	29,941,250	100.00%	Prismian (China) Investment Company Ltd.
Prismian Angel Tianjin Cable Co. Ltd.	Tianjin	US Dollar	14,000,000	100.00%	Prismian (China) Investment Company Ltd.
Prismian Hong Kong Holding Ltd.	Hong Kong	Euro	55,000,000	100.00%	Prismian Cavi e Sistemi S.r.l.
Prismian (China) Investment Company Ltd.	Beijing	Euro	55,000,000	100.00%	Prismian Hong Kong Holding Ltd.
Nantong Haixun Draka Elevator Products Co. LTD	Nantong	US Dollar	2,400,000	75.00%	Draka Elevator Product INC.
				25.00%	Third parties
Nantong Zhongyao Draka Elevator Products Co. LTD	Nantong	US Dollar	2,000,000	75.00%	Draka Elevator Product INC.
				25.00%	Third parties
Draka Cables (Hong Kong) Limited	Hong Kong	Hong Kong Dollar	6,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Shanghai Optical Fibre Cable Co Ltd.	Shanghai	US Dollar	15,580,000	55.00%	Draka Comteq Germany GmbH & Co.KG
				45.00%	Third parties
Suzhou Draka Cable Co. Ltd	Suzhou	Chinese Renminbi (Yuan)	174,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd.	Shanghai	US Dollar	12,000,000	28.125%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				25.00%	Draka Comteq B.V.
				46.875%	Third parties
NK Wuhan Cable Co. Ltd.	Wuhan	US Dollar	12,000,000	60.00%	NK China Investments B.V.
				7.50%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				32.50%	Third parties
Philippines					
Draka Philippines Inc.	Cebu	Philippine Peso	253,652,000	99.9999975%	Draka Holding N.V.
				0.0000025%	Third parties
India					
Associated Cables Pvt. Ltd.	Mumbai	Indian Rupee	61,261,900	32.00%	Draka UK Group Limited
				28.00%	Prismian Treasury (The Netherlands) B.V.
				40.00%	Oman Cables Industry SAOG
Jaguar Communication Consultancy Services Private Ltd.	Mumbai	Indian Rupee	34,432,100	99.99997%	Prismian Cavi e Sistemi S.r.l.
				0.00003%	Prismian S.p.A.
Indonesia					
P.T.Prysmian Cables Indonesia	Cikampek	US Dollar	67,300,000	99.48%	Prismian (Dutch) Holdings B.V.
				0.52%	Prismian Cavi e Sistemi S.r.l.

PRYSMIAN GROUP | EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Malaysia					
Submarine Cable Installation Sdn Bhd	Kuala Lumpur	Malaysian Ringgit	10,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Sindutch Cable Manufacturer Sdn Bhd	Malacca	Malaysian Ringgit	500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Marketing and Services Sdn Bhd	Malacca	Malaysian Ringgit	500,000	100.00%	Cable Supply and Consulting Company Pte Ltd
Draka (Malaysia) Sdn Bhd	Malacca	Malaysian Ringgit	8,000,002	100.00%	Cable Supply and Consulting Company Pte Ltd
Singapore					
Prysmian Cables Asia-Pacific Pte Ltd.	Singapore	Singapore Dollar	213,324,290	100.00%	Prysmian (Dutch) Holdings B.V.
Prysmian Cable Systems Pte Ltd.	Singapore	Singapore Dollar	25,000	50.00%	Prysmian (Dutch) Holdings B.V.
				50.00%	Prysmian Cables & Systems Ltd.
Draka Offshore Asia Pacific Pte Ltd	Singapore	Singapore Dollar	51,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Cableteq Asia Pacific Holding Pte Ltd	Singapore	Singapore Dollar	28,630,542	100.00%	Draka Holding N.V.
Singapore Cables Manufacturers Pte Ltd	Singapore	Singapore Dollar	990,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Cable Supply and Consulting Company Pte Ltd	Singapore	Singapore Dollar	50,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Comteq Singapore Pte Ltd	Singapore	Singapore Dollar	500,000	100.00%	Draka Comteq B.V.
Draka NK Cables (Asia) pte ltd	Singapore	Singapore Dollar	200,000	100.00%	Prysmian Finland OY
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

PRYSMIAN GROUP | EXPLANATORY NOTES

The following companies have been consolidated on a proportionate basis:

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Asia					
China					
Yangtze Optical Fibre and Cable Joint Stock Limited Co.	Wuhan	Chinese Renminbi (Yuan)	479,592,598	37.50%	Draka Comteq B.V.
				62.50%	Third parties
Japan					
Precision Fiber Optics Ltd.	Chiba	Japanese Yen	360,000,000	50.00%	Draka Comteq Fibre B.V.
				50.00%	Third parties
Malaysia					
Power Cables Malaysia Sdn Bhd	Selangor Darul Eshan	Malaysian Ringgit	8,000,000	40.00%	Prysmian (Dutch) Holdings B.V.
				60.00%	Third parties

PRYSMIAN GROUP | EXPLANATORY NOTES

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

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Europe					
Germany					
Kabeltrommel GmbH & CO.KG	Troisdorf	Euro	10,225,838	29.68%	Prysmian Kabel und Systeme GmbH
				13.50%	Draka Cable Wuppertal GmbH
				56.82%	Third parties
Kabeltrommel GmbH	Troisdorf	Deutsche Mark	51,000	17.65%	Prysmian Kabel und Systeme GmbH
				23.53%	Draka Cable Wuppertal GmbH
				58.82%	Third parties
KTG Europe GmbH	Troisdorf	Euro	100,000	100.00%	Kabeltrommel GmbH & CO.KG
U.K.					
Rodco Ltd.	Weybridge	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 Cable Sistemi S.r.l.
				70.051%	Third parties
Russia					
Elkat Ltd.	Moscow	Russian Rouble	10,000	40.00%	Prysmian Finland OY
				60.00%	Third parties
Asia					
China					
Jiangsu Yangtze Zhongli Optical Fibre & Cable Co., Ltd.	Changshu	Chinese Renminbi (Yuan)	92,880,000	51.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				49.00%	Third parties
Yangtze Optical Fibre & Cable Sichuan Co. Ltd.	Emeishan City	Chinese Renminbi (Yuan)	53,800,000	51.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				49.00%	Third parties
Tianjin YOFC XMKJ Optical Communications Co.,Ltd.	Tianjin	Chinese Renminbi (Yuan)	220,000,000	49.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				51.00%	Third parties
Shenzhen SDGI Optical Fibre Co., Ltd.	Shenzhen	Chinese Renminbi (Yuan)	206,518,320	35.36%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				64.64%	Third parties
Shantou Hi-Tech Zone Aoxing Optical Communication EquipmentsCo.,Ltd.	Shantou	Chinese Renminbi (Yuan)	170,558,817	42.42%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				57.58%	Third parties
Yangtze (Wuhan) Optical System Corp., Ltd.	Wuhan	Chinese Renminbi (Yuan)	47,500,000	46.32%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				53.68%	Third parties
Tianjin YOFC XMKJ Optical Cable Co., Ltd.	Tianjin	Chinese Renminbi (Yuan)	100,000,000	20.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				80.00%	Third parties
Wuhan Guanyuan Electronic Technology Co. Ltd.	Wuhan	Chinese Renminbi (Yuan)	5,000,000	20.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				80.00%	Third parties
Yangtze Optical Fibre and Cable Company (Hong Kong) Ltd.	Hong Kong	Hong Kong Dollar	80,000	100.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
Oman					
Oman Cables Industry SAOG	Al Rusayl Industrial Zone	Omani Rial	8,970,000	34.78%	Draka Holding N.V.
				65.22%	Third parties

LIST OF UNCONSOLIDATED OTHER INVESTMENTS

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 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, Carlo Soprano and Andreas Bott, 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 2013 the accounting and administrative processes for preparing the 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 consolidated financial statements at 31 December 2013 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.

3. They also certify that:

3.1 The consolidated financial statements at 31 December 2013:

- 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 directors' report contains a reliable analysis of performance and the results of operations, and of the situation of the issuer and the group of companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Milan, 25 February 2014

/S/ Valerio Battista

/S/ Carlo Soprano and Andreas Bott

Chief Executive Officer

Managers responsible for preparing corporate accounting documents

Valerio Battista

Carlo Soprano

Andreas Bott

CONSOLIDATED FINANCIAL STATEMENTS

AUDIT REPORT



AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the Shareholders of
Prysmian SpA

- 1 We have audited the consolidated financial statements of Prysmian SpA and its subsidiaries ("Prysmian Group") as of 31 December 2013 which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows and the related explanatory notes. The Directors of Prysmian SpA are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for listed Companies and Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference is made to our report dated 15 March 2013.
- 3 In our opinion, the consolidated financial statements of the Prysmian Group as of 31 December 2013 comply with the International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position as of 31 December 2013, the result of operations and cash flows of the Prysmian Group for the year then ended.
- 4 As described in the explanatory notes to the consolidated financial statements in note 14 "Provisions for risks and charges", in 2009 the European Commission and other regulatory authorities initiated an investigation on the Prysmian Group and other European and Asian electrical cable manufacturers aimed at assessing the existence of price fixing agreements in the high voltage land and submarine cables business. The recent request of information received from the European Commission, together with the length of time elapsed since the

PricewaterhouseCoopers SpA

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start of the investigation, could indicate that a decision may be issued soon. Although the outcome of the investigations in the different jurisdictions is still uncertain, and considering that the Commission decision would not be definitive but should be subject to two further levels of judicial review, the Directors believe that the provision booked represents the best estimate of the liability based on the information currently available.

- 5 The Directors of Prysmian SpA are responsible for the preparation of the Directors' report and of the report on corporate governance and ownership structure, published in the "investor relations/corporate governance" section of the Prysmian SpA internet site in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' report and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/1998, presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard 1 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the Directors' report and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/1998 presented in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of the Prysmian Group as of 31 December 2013.

Milan, 20 March 2014

PricewaterhouseCoopers SpA

Signed by

Stefano Bravo
(Partner)

This report is an English translation of the original audit report, which was issued in Italian. This report has been prepared solely for the convenience of international readers.

PARENT COMPANY

DIRECTORS' REPORT

FINANCIAL PERFORMANCE OF PRYSMIAN S.P.A.

The tables presented and discussed below have been prepared by reclassifying the financial statements at 31 December 2013, which in turn have been drawn up in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and with the provisions implementing art. 9 of Legislative Decree 38/2005.

As from 1 July 2013, the activities of purchasing strategic materials (copper, aluminium and lead) from third-party suppliers and reselling them to the Group's operating companies have been centralised in Prysmian S.p.A.. This operation is part of the reorganisation of activities within the Prysmian Group with the goal of having greater control over what is considered a strategic business for the Group.

Following the above operation, Prysmian S.p.A.'s "Revenue from ordinary operations" relates to the sale of strategic metals to Group operating companies, while "Other income" primarily refers to services provided and royalties from the licensing of patents and know-how to other Group companies or even third parties.

INCOME STATEMENT

(in thousands of Euro)

	2013	2012
Revenue from ordinary operations	452,225	-
Other income	102,068	111,038
<i>of which non-recurring other income</i>	333	350
Operating costs	(501,444)	(53,484)
<i>of which non-recurring income/(expenses)</i>	(2,463)	(2,979)
<i>of which personnel costs for stock option fair value</i>	(4,599)	(5,557)
Other expenses	(67,031)	(72,539)
<i>of which non-recurring other expenses</i>	(1,666)	(3,289)
Amortisation, depreciation and impairment	(10,463)	(8,685)
Operating income	(24,645)	(23,670)
Net finance income/(costs)	(38,775)	(35,408)
<i>of which non-recurring net finance income/(costs)</i>	(2,311)	-
Net income from investments	219,861	150,000
Profit/(loss) before taxes	156,441	90,922
Taxes	28,244	21,216
Net profit/(loss) for the year	184,685	112,138

Unless specifically indicated below, the reasons behind the more significant changes in individual items within the Prysmian S.p.A. income statement are described in the Explanatory Notes to the Financial Statements of Prysmian S.p.A., to which reference should be made.

The Parent Company's income statement for 2013 reports Euro 184,685 thousand in net profit, showing an increase of Euro 72,547 thousand on the prior year.

The items contributing to this result will now be discussed:

Revenue from ordinary operations of Euro 452,225 thousand comprises Euro 451,100 thousand from the resale of strategic materials (copper, aluminium and lead) to the Group's operating companies after this activity was centralised in the Company from July 2013, and Euro 1,125 thousand from the change in inventories of such strategic materials.

Other income of Euro 102,068 thousand (Euro 111,038 thousand in 2012) mostly refers to amounts charged back by Prysmian S.p.A. to Group companies for coordination activities, for services provided by headquarters functions and for royalties relating to patents and know-how.

Operating costs of Euro 501,444 thousand in 2013 versus Euro 53,484 thousand in 2012, refer to the purchase of strategic materials and other consumables (Euro 453,015 thousand in 2013 versus Euro 2,017 thousand in 2012), to the fair value change in metal derivatives (a positive Euro 38 thousand in 2013) and to personnel costs (Euro 48,467 thousand in 2013 versus Euro 51,467 thousand in 2012).

Net finance costs amount to Euro 38,775 thousand (Euro 35,408 thousand in 2012), mainly relating to interest accruing on the bonds and to interest payable under the Credit Agreement 2010 and Credit Agreement 2011.

Net income from investments amounts to Euro 219,861 thousand, compared with Euro 150,000 thousand in the prior year, and mainly refers to dividends paid by the subsidiaries Prysmian Cavi e Sistemi S.r.l. and Prysmian PowerLink S.r.l..

Income taxes are a positive Euro 28,244 thousand (Euro 21,216 thousand in 2012) and comprise the recognition of a negative Euro 2,847 thousand for deferred tax liabilities and a positive Euro 31,091 thousand for current taxes. The latter mainly reflect the net positive effects of the relief provided by tax losses transferred from some Italian companies under the rules of the group tax consolidation.

More details about the Italian companies which have elected to file for tax on a group basis with Prysmian S.p.A. can be found in Note 22. Taxes, contained in the Explanatory Notes to the Parent Company Financial Statements.

Research and development costs are fully expensed to income as incurred; more details can be found in Note 32. Research and development, contained in the Explanatory Notes to the Parent Company Financial Statements.

STATEMENT OF FINANCIAL POSITION

The Parent Company's statement of financial position is summarised as follows:

(in thousands of Euro)

	31 December 2013	31 December 2012
Net fixed assets	1,787,648	1,721,587
- of which: Investments in subsidiaries	1,728,516	1,660,978
Net working capital	(116,147)	114,087
Provisions	(31,477)	(27,619)
Net capital employed	1,640,024	1,808,055
Employee benefit obligations	6,305	15,880
Equity	1,021,052	871,588
Net financial position	612,667	920,587
Total equity and sources of funds	1,640,024	1,808,055

Note: the composition and method of calculating the above indicators are discussed in the Directors' Report contained in the Group Annual Report.

Unless specifically indicated below, the reasons behind the more significant changes in individual items within the Prysmian S.p.A. statement of financial position are described in the Explanatory Notes to the Financial Statements of Prysmian S.p.A., to which reference should be made.

Net fixed assets basically comprise the controlling interests in Prysmian Cavi e Sistemi S.r.l., Draka Holding N.V. and in the Group's Italian companies.

The increase in investments in subsidiaries of Euro 67,538 thousand since 2012 is due to Euro 25,757 thousand for a capital increase by the subsidiary Prysmian Treasury S.r.l., Euro 40,000 thousand in capital contributions paid to the subsidiary Fibre Ottiche Sud – F.O.S. S.r.l. and to a total of Euro 1,781 thousand in increases for the pay-related component of stock option plans, with underlying Prysmian S.p.A. shares, for employees of other Group companies to which no costs are recharged.

Investments in "Property, plant and equipment" and "Intangible assets" amount to Euro 24,094 thousand in 2013 (Euro 11,573 thousand in 2012). The main investments relate to the finance lease taken over on the Ansaldo 16 building, Research and Development function headquarters (Euro 13,093 thousand) and to software costs (Euro 5,838 thousand), chiefly in connection with the SAP Consolidation project. More details can be found in Note 1. Property, plant and equipment and Note 2. Intangible assets, contained in the Explanatory Notes to the Parent Company Financial Statements.

Net working capital is a negative Euro 116,147 thousand and comprises:

- Euro 195,569 thousand as the net negative balance between trade receivables and trade payables (see Notes 6 and 11 to the Parent Company Financial Statements);
- a positive balance Euro 1,125 thousand in inventories (see Note 5 to the Parent Company Financial Statements);
- Euro 78,297 thousand as the overall positive balance for other receivables/payables net of financial receivables/payables (see Notes 6 and 11 to the Parent Company Financial Statements).

Provisions, presented above net of deferred tax assets, amount to Euro 31,477 thousand at 31 December 2013 (see Notes 4 and 12 to the Parent Company Financial Statements).

Equity amounts to Euro 1,021,052 thousand at 31 December 2013, reporting a net increase of Euro 149,464 thousand since 31 December 2012, mainly due to the non-monetary component of the convertible bond (amounting to Euro 39,632 thousand), and to the net profit for the year, net of the dividend distribution.

A more detailed analysis of the changes in equity can be found in the specific table presented as part of the Parent Company Financial Statements.

The Group's consolidated equity at 31 December 2013 and consolidated net profit for 2013 are reconciled with the corresponding figures for the Parent Company Prysmian S.p.A. in a table presented in the Directors' Report contained in the Group Annual Report.

The Net financial position reports Euro 612,667 thousand in net debt at 31 December 2013, compared with Euro 920,587 thousand at 31 December 2012.

The composition of Net financial position is presented in detail in the following table.

(in thousands of Euro)

	31 December 2013	31 December 2012
Long-term financial payables		
Term Loan Facility	400,000	660,800
Bank fees	(3,024)	(7,326)
Credit Agreements	396,976	653,474
Non-convertible bond	398,576	397,515
Convertible bond	263,401	-
Finance leases	11,098	-
Total long-term financial payables	1,070,051	1,050,989
Short-term financial payables		
Term Loan Facility	88,388	60,237
Bank fees	(570)	(678)
Non-convertible bond	15,305	15,304
Convertible bond	1,187	-
Finance leases	537	-
Other borrowings	223	722
Total short-term financial payables	105,070	75,585
Total financial liabilities	1,175,121	1,126,574
Long-term financial receivables	26	21
Long-term bank fees	-	3,919
Short-term financial receivables	55	7
Short-term financial receivables from Group companies	553,744	197,440
Short-term bank fees	4,029	3,919
Cash and cash equivalents	4,600	681
Net financial position	612,667	920,587

Note 10 to the Parent Company Financial Statements presents the reconciliation of the Company's net financial position to the amount that must be reported under Consob Communication DEM/6064293 dated 28 July 2006 in compliance with the CESR recommendation dated 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses".

A more detailed analysis of cash flows is presented in the statement of cash flows, forming part of the Parent Company Financial Statements presented in the following pages.

HUMAN RESOURCES, ENVIRONMENT AND SAFETY

Prysmian S.p.A. had a total of 325 employees at 31 December 2013 (324 at 31 December 2012), of whom 290 management/white-collar staff (287 at 31 December 2012) and 35 blue-collar staff (37 at 31 December 2012).

The Company has taken systematic and ongoing steps to implement all the fundamental activities required to manage issues relating to the environment, and the health and safety of its employees.

More details can be found in the Directors' Report contained in the Group Annual Report.

DIRECTION AND COORDINATION

Prysmian S.p.A. is not under the direction and coordination of other companies or entities but decides its general and operational strategy in complete autonomy. Pursuant to art. 2497-bis of the Italian Civil Code, the direct and indirect subsidiaries of Prysmian S.p.A. have identified it as the entity which exercises direction and coordination for them. Such direction and coordination involves identifying general and operational strategies for the Group as a whole and defining and implementing internal control system, model of governance and corporate structure.

INTERCOMPANY AND RELATED PARTY TRANSACTIONS

Information on related party transactions, including that required by the Consob Communication dated 28 July 2006, is presented in Note 25 to the Parent Company Financial Statements.

SECONDARY OFFICES

The Company does not have any secondary offices.

SHARE CAPITAL AND CORPORATE GOVERNANCE

Share capital amounts to Euro 21,459 thousand at 31 December 2013, consisting of 214,591,710 ordinary shares (including 3,028,500 treasury shares), with a nominal value of Euro 0.10 each. The total number of outstanding voting shares is 211,552,541, stated net of 10,669 treasury shares held indirectly.

Information about Corporate Governance can be found in the Directors' Report contained in the Group Annual Report.

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 took place during 2013.

RISK FACTORS

Prysmian S.p.A. is exposed in the normal conduct of its business to a number of financial and non-financial risk factors which, if they should arise, could also have a material impact on its results of operations and financial condition. Prysmian S.p.A. adopts specific procedures to manage the risk factors that might influence its business results. These procedures are the result of corporate policy which has always sought to maximise value for shareholders by taking every necessary action to prevent the risks inherent in the Company's business. For this purpose, the Board of Directors voted on 24 January 2006 to adopt a model of organisation, management and control ("Organisational Model"), designed to prevent commission of the criminal offences envisaged by Legislative Decree 231/01.

In order to reflect the intervening organisational changes since first adopting the Organisational Model, and changes in the above law, the Company's Board of Directors voted on 27 August 2008 to adopt a revised Organisational Model. The revised model has been drawn up on the basis of recent pronouncements by the legal and academic profession and the Guidelines of Confindustria (Italian confederation of industry) and addresses the need for keeping the Company's system of corporate governance constantly updated.

In the course of 2013, the Company updated its risk assessment matrices following the introduction of new illegal acts carrying corporate criminal liability. As a result, it updated its Organisational Model, which was submitted for approval by the same meeting of the Company's Board of Directors that approved its draft annual financial statements.

The Company's corporate governance structure is based on the recommendations and rules contained in the "Italian Stock Exchange Self-Regulatory Code for Listed Companies - Ed. 2011", which the Company has adopted. Based on its financial performance and cash generation in recent years, as well as its available financial resources at 31 December 2013, the Company believes that, barring any extraordinary events, there are no significant uncertainties, such as to cast significant doubt upon the business's ability to continue as a going concern.

More details about risk factors can be found in the Directors' Report contained in the Group Annual Report.

FINANCIAL RISK MANAGEMENT POLICIES

Financial risk management policies are discussed in Sections C and C.1 of the Explanatory Notes to the Parent Company Financial Statements.

EVENTS AFTER THE REPORTING PERIOD

On 1 February 2014, Prysmian (Dutch) Holdings B.V., a company owned by the subsidiary Prysmian Cavi e Sistemi S.r.l., was merged with Draka Holding N.V.. This transaction, effective 1 January 2014 for accounting purposes, has increased the interest of Prysmian Cavi e Sistemi S.r.l. in Draka Holding N.V. to 47.83%, and decreased the interest of Prysmian S.p.A. in the same subsidiary to 52.17%.

On 5 February 2014, the European Investment Bank (EIB) paid the Parent Company Prysmian S.p.A. the Euro 100 million loan, intended to fund the Prysmian Group's European Research & Development programmes over the period 2013-2016. The loan agreement was signed in December 2013 and will fund about 50% of the planned investment expenditure by R&D centres in six countries: France, Great Britain, Holland, Spain, Germany and Italy. The loan will be repaid in 12 equal half-yearly instalments starting on 5 August 2015 and ending on 5 February 2021.

On 19 February 2014, Prysmian S.p.A. signed a loan agreement for Euro 100 million with Mediobanca - Banca di Credito Finanziario S.p.A.. The agreement has a five-year term and is intended to refinance existing debt and working capital requirements.

On 19 February 2014, the Ansaldo 20 building, located in Milan, was spun off from the subsidiary Fibre Ottiche Sud - FOS S.r.l. to Prysmian S.p.A.. This building will undergo renovations in order to transform it into the Prysmian Group's new headquarters.

On 21 February 2014, the Group sent the syndicate of banks party to the Credit Agreement 2010, a Prepayment Notice that it would repay early the outstanding loan of Euro 88 million on 28 February 2014.

With regard to business outlook, please refer to the Directors' Report contained in the Group Annual Report.

PROPOSAL TO APPROVE THE FINANCIAL STATEMENTS AND TO ALLOCATE NET PROFIT FOR 2013

Shareholders,

We are submitting the financial statements for the year ended 31 December 2013 for your approval and propose that you adopt the following:

RESOLUTION

The Shareholders' Meeting:

- acknowledges the report by the Board of Directors,
- acknowledges the reports by the Board of Statutory Auditors and by the Independent Auditors,
- has examined the financial statements at 31 December 2013, which close with a net profit of Euro 184,684,558, and

RESOLVES

a) to approve:

- the report on operations by the Board of Directors;
- the financial statements at 31 December 2013;

as presented by the Board of Directors - as a whole and in their individual parts, along with the proposed provisions - which report a net profit of Euro 184,684,558;

b) to allocate net profit for the year of Euro 184,684,558 as follows:

- Euro 909 to the Legal Reserve, thereby reaching one-fifth of share capital at 31 December 2013, as required by art. 2430 of the Italian Civil Code;
- approximately Euro 89 million to pay a gross dividend of Euro 0.42 to each voting share (taking account of directly held treasury shares, currently numbering 3,028,500);
- Euro 536,480 to the "Share issue reserve under art. 2349 of the Italian Civil Code", subject to the shareholders' approval at today's meeting of both the incentive plan that provides for the allotment of new shares, and the related share capital increase to serve this incentive plan;
- the remainder of approximately Euro 95 million to retained earnings.

The dividend will be paid out from 25 April 2014 (record date 24 April) to those shares outstanding on the ex-div date of 22 April 2014.

Milan, 25 February 2014

ON BEHALF OF THE BOARD OF DIRECTORS
THE CHAIRMAN
Massimo Tononi

PARENT COMPANY

**PARENT COMPANY
FINANCIAL
STATEMENTS**

STATEMENT OF FINANCIAL POSITION

(in Euro)

	Note	31 December 2013	Of which related parties (Note 25)	31 December 2012	Of which related parties (Note 25)
Non-current assets					
Property, plant and equipment	1	17,948,649		4,242,182	
Intangible assets	2	41,182,998		41,287,217	
Investments in subsidiaries	3	1,728,516,487	1,728,516,487	1,660,977,581	1,660,977,581
Derivatives	7	36,364	36,364	-	
Deferred tax assets	4	2,962,042		6,000,533	
Other receivables	6	65,024		19,020,028	15,033,615
Total non-current assets		1,790,711,564		1,731,527,541	
Current assets					
Inventories	5	1,124,530		-	
Trade receivables	6	100,221,795	97,820,527	107,679,057	102,165,159
Other receivables	6	666,239,014	636,137,595	249,320,220	240,205,491
Derivatives	7	99,475	99,475	-	
Cash and cash equivalents	8	4,600,296		681,083	
Total current assets		772,285,110		357,680,360	
Total assets		2,562,996,674		2,089,207,901	
Capital and reserves:					
Share capital	9	21,459,171		21,450,878	
Reserves	9	814,907,778		737,999,851	
Net profit/(loss) for the year	9	184,684,558		112,137,644	
Total equity		1,021,051,507		871,588,373	
Non-current liabilities					
Borrowings from banks and other lenders	10	1,070,051,250		1,050,989,117	
Derivatives	7	36,364	36,364	-	
Employee benefit obligations	13	6,305,285	161,000	15,880,314	5,472,484
Total non-current liabilities		1,076,392,899		1,066,869,431	
Current liabilities					
Borrowings from banks and other lenders	10	105,069,712		75,585,614	
Trade payables	11	295,791,143	6,003,696	27,653,139	12,639,368
Other payables	11	29,260,044	15,744,043	13,816,913	4,597,782
Derivatives	7	88,266	88,266	-	
Provisions for risks and charges	12	34,438,944		33,619,548	
Current tax payables		904,159	35,892	74,883	74,883
Total current liabilities		465,552,268		150,750,097	
Total liabilities		1,541,945,167		1,217,619,528	
Total equity and liabilities		2,562,996,674		2,089,207,901	

INCOME STATEMENT

(in Euro)

	Note	2013	Of which related parties (Note 25)	2012	Of which related parties (Note 25)
Revenue from sales	14	451,099,905	449,437,400	-	-
Change in inventories of work in progress, semi-finished and finished goods		1,124,530		-	
Other income	15	102,068,048	97,293,623	111,037,568	104,146,174
<i>of which non-recurring other income</i>	26	333,438	333,438	350,000	350,000
Raw materials and consumables used	16	(453,014,043)	(511,335)	(2,016,975)	(308,243)
Fair value change in metal derivatives		38,249	38,249	-	
Personnel costs	17	(48,467,095)	(12,648,676)	(51,467,270)	(13,246,544)
<i>of which non-recurring personnel costs</i>	26	(2,462,737)	(1,687,000)	(2,978,653)	
<i>of which personnel costs for fair value of stock options</i>	17	(4,599,442)	(1,670,829)	(5,557,026)	(3,043,209)
Amortisation, depreciation and impairment	18	(10,463,424)		(8,684,733)	
Other expenses	19	(67,030,778)	(18,551,644)	(72,538,958)	(18,780,921)
<i>of which non-recurring other expenses</i>	26	(1,666,229)	(1,731,992)	(3,288,754)	(72,260)
Operating income		(24,644,608)		(23,670,368)	
Finance costs	20	(53,323,707)	(1,208,533)	(51,253,008)	(153,043)
<i>of which non-recurring finance costs</i>		(2,310,817)		-	
Finance income	20	14,547,994	14,340,956	15,844,923	15,793,656
Dividends from subsidiaries	21	219,861,163	219,861,163	150,000,000	150,000,000
Profit before taxes		156,440,842		90,921,547	
Taxes	22	28,243,716	27,115,381	21,216,097	35,535,044
Net profit/(loss) for the year		184,684,558		112,137,644	

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of Euro)

	Note	2013	2012
Net profit/(loss) for the year	9	184,685	112,138
Items that will NOT be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on employee benefits - gross of tax	9	149	(522)
Actuarial gains/(losses) on employee benefits - tax effect	9	(41)	143
Total items that will NOT be reclassified subsequently to profit or loss	9	108	(379)
Total comprehensive income/(loss) for the year	9	184,793	111,759

STATEMENT OF CHANGES IN EQUITY

(in thousands of Euro)

	Share capital	Share premium reserve	Capital increase costs	Legal reserve	Treasury shares reserve	Extraordinary reserve	IAS/IFRS first-time adoption reserve	Capital contribution reserve	Actuarial gains/(losses) - employee benefits	Convertible bond reserve	Stock option reserve	Treasury shares(*)	Retained earnings	Net profit/(loss) for the year	Total
	Note 9	Note 9	Note 9	Note 9	Note 9	Note 9	Note 9	Note 9	Note 9	Note 9	Note 9	Note 9	Note 9		
Balance at 31 December 2011	21,439	484,972	(3,720)	3,641	30,179	52,688	30,177	6,113	(745)	-	8,464	(30,179)	83,978	99,432	786,439
Capital increases	12	524	-	-	-	-	-	-	-	-	-	-	-	-	536
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	(44,395)	(44,395)
Share-based compensation	-	-	-	-	-	-	-	-	-	-	17,511	-	-	-	17,511
Allocation of prior year net profit	-	-	-	647	-	-	-	-	-	-	-	-	54,390	(55,037)	-
Capital increase costs - tax effect	-	-	(262)	-	-	-	-	-	-	-	-	-	-	-	(262)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-	(379)	-	-	-	-	112,138	111,759
Balance at 31 December 2012	21,451	485,496	(3,982)	4,288	30,179	52,688	30,177	6,113	(1,124)	-	25,975	(30,179)	138,368	112,138	871,588
Capital increases	8	377	-	-	-	-	-	-	-	-	-	-	-	-	385
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	(88,857)	(88,857)
Share-based compensation	-	-	-	-	-	-	-	-	-	-	12,593	-	1,576	-	14,169
Allocation of prior year net profit	-	-	-	3	-	-	-	-	-	-	-	-	23,278	(23,281)	-
Non-monetary component of convertible bond	-	-	-	-	-	-	-	-	-	39,236	-	-	-	-	39,236
Capital increase costs - tax effect	-	-	(262)	-	-	-	-	-	-	-	-	-	-	-	(262)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-	108	-	-	-	-	184,685	184,793
Balance at 31 December 2013	21,459	485,873	(4,244)	4,291	30,179	52,688	30,177	6,113	(1,016)	39,236	38,568	(30,179)	163,222	184,685	1,021,052

(*) At 31 December 2013, the number of treasury shares held came to 3,028,500, with a nominal value of Euro 302,850.

STATEMENT OF CASH FLOWS

(in thousands of Euro)

	2013	Of which related parties (Note 25)	2012	Of which related parties (Note 25)
Profit before taxes	156,441		90,922	
Depreciation and impairment of property, plant and equipment	841		869	
Amortisation and impairment of intangible assets	9,622		7,816	
Net gains on disposal of property, plant and equipment, intangible assets and other non-current assets	(62)		-	
Share-based compensation	4,599		5,557	
Dividends	(219,861)	(219,861)	(150,000)	(150,000)
Fair value change in metal derivatives	(38)	(38)	-	-
Net finance costs	38,776	13,132	35,408	(15,641)
Changes in inventories	(1,125)		-	
Changes in trade receivables/payables	275,595	(2,291)	(60,708)	(50,258)
Changes in other receivables/payables	(12,013)	(50,775)	(4,624)	(49,351)
Taxes collected/(paid) ¹	27,097	27,061	30,170	30,657
Utilisation of provisions (including employee benefit obligations)	(1,104)		(1,531)	
Increases in provisions (including employee benefit obligations)	4,578		11,091	
Transfer of employee benefit obligations	(36)		522	
A Net cash flow provided by/(used in) operating activities	283,310		(34,508)	
Acquisitions ²	-		(8,886)	(8,886)
Investments in property, plant and equipment	(2,769)		(2,237)	
Disposals of property, plant and equipment	90		623	
Investments in intangible assets	(9,738)		(9,336)	
Investments to recapitalise subsidiaries	(65,757)	(65,757)	(254,000)	(254,000)
Dividends received	202,286	202,286	150,000	150,000
B Net cash flow provided by/(used in) investing activities	124,112		(123,836)	
Capital contributions ³	385		536	
Dividend distribution	(88,857)		(44,395)	
Proceeds from convertible bond ⁴	296,150		-	
Early repayment of Credit Agreement	(232,084)		-	
Finance costs paid ⁵	(38,448)	(980)	(46,624)	(124)
Finance income received ⁶	14,514	14,341	12,260	12,076
Changes in financial receivables/payables	(355,163)	(356,304)	236,058	(30,970)
C Net cash flow provided by/(used in) financing activities	(403,503)		157,835	
D Total cash flow provided/(used) in the year (A+B+C)	3,919		(509)	
E Net cash and cash equivalents at the beginning of the year	681		1,190	
F Net cash and cash equivalents at the end of the year (D+E)	4,600		681	

¹ Refer to receipts relating to tax consolidation receivables from Italian Group companies for the transfer of 2013 IRES (Italian corporate income tax), net of the Company's payments of IRES and other taxes.

² The figure of Euro 8,886 thousand in 2012 represents the cash outlay to purchase the remaining ordinary shares in Draka Holding N.V., after completing the squeeze-out procedure on 27 February 2012.

³ Refer to increases in share capital (Euro 8 thousand) and in the share premium reserve (Euro 377 thousand), as a result of stock options exercised in 2013.

⁴ The Bond became convertible following the resolution adopted by the Shareholders' Meeting on 16 April 2013.

⁵ Finance costs paid of Euro 38,448 thousand include Euro 32,517 thousand in interest expense paid in 2013 (Euro 35,597 thousand in 2012).

⁶ Finance income received of Euro 14,514 thousand includes Euro 2 thousand in interest receipts as well as amounts collected from Group companies for recharges of fees for guarantees given by the Company on their behalf.

Please refer to Note 30 for comments on the statement of cash flows.

PARENT COMPANY

EXPLANATORY NOTES

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 was formed on 12 May 2005 and has its registered office in Viale Sarca, 222 - Milan (Italy).

Through its controlling interests in Italian companies and the sub-holding companies Prysmian Cavi e Sistemi S.r.l. and Draka Holding N.V. (acquired on 22 February 2011), the Company indirectly owns equity interests in the Prysmian Group's operating companies. The Company and its subsidiaries produce, distribute and sell cables and systems and related accessories for the energy and telecommunications industries worldwide.

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

Significant events during the year

The following significant events took place over the course of 2013:

Early Repayment of Credit Agreement 2010

On 22 February 2013 and 15 March 2013, Prysmian S.p.A. made early repayments of Euro 88,800 thousand and Euro 143,284 thousand respectively against the Credit Agreement 2010 disbursed on 3 May 2012.

Convertible bond

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

The Company completed the placement of the Bonds on 8 March 2013, while their settlement took place on 15 March 2013.

At a meeting held on 16 April 2013, the shareholders of Prysmian S.p.A. authorised:

- the convertibility of the 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 1,344,411.30, by issuing, in single or multiple instalments, up to 13,444,113 ordinary shares of Prysmian S.p.A., with the same characteristics as its outstanding ordinary shares, exclusively and irrevocably to serve the Bond's conversion.

The initial conversion price of the Bonds into existing and/or new ordinary shares of Prysmian S.p.A. is Euro 22.3146 per share.

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

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

Group employee share purchase plan (YES Plan)

On 16 April 2013, the shareholders approved a share purchase plan reserved for employees of Prysmian S.p.A. and its subsidiaries, including some of the Company's Directors.

The Plan offers the opportunity to purchase Prysmian's ordinary shares on preferential terms, with a maximum discount of 25% on the stock price, offered in the form of treasury shares. The shares purchased will be subject to a retention period, during which they cannot be sold. The Plan envisages three purchase windows: 2014, 2015 and 2016.

During the month of October 2013, the plan was presented and explained to some 16,000 of the Group's employees in 27 countries and subscriptions were collected for the first purchase window.

More details can be found in Note 17. Personnel costs.

Termination of receivables securitization programme

The trade receivables securitization programme, started by the Prysmian Group in 2007, was terminated in July 2013 upon reaching its natural end date.

Business reorganisation

As from 1 July 2013, the activities of purchasing strategic materials (copper, aluminium and lead) from third-party suppliers and reselling them to the Group's operating companies have been centralised in Prysmian S.p.A.. This operation is part of the reorganisation of activities within the Prysmian Group with the goal of having greater control over what is considered a strategic business for the Group.

Finance lease

On 14 November 2013, Prysmian S.p.A. took over a finance lease relating to a building located in Milan; the Company took the opportunity to take over the lease on this property which hosts the Research and Development function and was previously rented under an operating lease. This property is also of strategic importance as it is next to the site where the new headquarters of the Prysmian Group will be built. An interest rate of 2.12103% has been applied to this finance lease, which expires on 20 January 2027. More information can be found in Note 1. Property, plant and equipment and Note 10. Borrowings from banks and other lenders.

EIB Loan

On 18 December 2013, Prysmian S.p.A. entered into a loan agreement with the European Investment Bank (EIB) for Euro 100 million, to fund the Prysmian Group's European Research & Development (R&D) programmes over the period 2013-2016. The loan, known as the EIB Loan, represents about 50% of the Group's planned investment expenditure in Europe during the period concerned.

The EIB Loan is particularly intended to support projects developed in the Group's R&D centres in six countries: France, Great Britain, the Netherlands, Spain, Germany and Italy.

The EIB Loan was received on 5 February 2014; it will be repaid in 12 equal half-yearly instalments starting on 5 August 2015 and ending on 5 February 2021.

Investments in subsidiaries

On 17 September 2013, the share capital of the subsidiary Prysmian Treasury S.r.l. was increased by Euro 25,757 thousand.

On 27 September 2013, a capital contribution of Euro 40,000 thousand was paid to the subsidiary Fibre Ottiche Sud – F.O.S. S.r.l..

Share capital

The share capital of Prysmian S.p.A. increased during 2013 after 82,929 options were exercised under the stock option plan. After this exercise, the total number of shares at 31 December 2013 is 214,591,710 (including 3,028,500 treasury shares).

The financial statements contained herein were approved by the Board of Directors on 25 February 2014.

BASIS OF PREPARATION

The 2013 financial statements represent the separate financial statements of the Parent Company Prysmian S.p.A..

The present financial statements have been prepared on a going concern basis, with the directors having assessed that there are no financial, operating or other kind of indicators that might provide evidence of the Company's inability to meet its obligations in the foreseeable future and particularly in the next 12 months. Section C. Financial risk management and Section C.1 Capital risk management of these Explanatory Notes contain a description of how the Company manages financial risks, including liquidity and capital risks.

Under Legislative Decree 38 of 28 February 2005 "Exercise of the options envisaged by art. 5 of European Regulation 1606/2002 on international accounting standards", issuers are required to prepare not only consolidated financial statements but also separate financial statements for the Parent Company in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and published in the Official Journal of the European Union.

The term IFRS refers to all the International Financial Reporting Standards, all the International Accounting Standards (IAS), and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

IFRS have been applied consistently to all the periods presented in this document. The Company's financial statements have, therefore, been prepared in accordance with IFRS and related best practice; any future guidance and new interpretations will be reflected in subsequent years, in the manner established from time to time by the relevant accounting standards.

The financial statements have been prepared on the historical cost basis, except for the valuation of certain financial assets and liabilities, including derivatives, which must be reported using the fair value method.

REPORTING FORMATS AND DISCLOSURES

The Company has elected to present its income statement according to the nature of expenses, whereas assets and liabilities in the statement of financial position have been classified as either current or non-current. The statement of cash flows has been prepared using the indirect method.

The Company has also applied the provisions of Consob Resolution 15519 dated 27 July 2006 concerning financial statement formats and the requirements of Consob Communication 6064293 dated 28 July 2006 regarding disclosures.

All the amounts shown in the tables in the following Notes are expressed in thousands of Euro, unless otherwise stated.

It should be noted that, in view of the reorganisation mentioned in Section A. General information, the Company has decided to change the way it presents its income, classifying it as follows:

- Revenue from sales of strategic materials: this reports revenue from the resale of strategic materials (copper, aluminium and lead) to Group companies;
- Other income: this mainly comprises charges made by Prysmian S.p.A to its subsidiaries for services provided by its head office functions and for royalties for use of patents and know-how.

Based on this classification, the Company has reclassified the prior year data to provide readers with a more consistent comparison with the figures presented in the financial statements at 31 December 2013. Accordingly, it has reclassified Euro 55,730 thousand in recharges of head office services from "Revenue from sales" to "Other income". The Company does not consider this change to the 2012 data to be of significance.

B. ACCOUNTING POLICIES

The accounting policies and standards adopted are the same as those used for preparing the consolidated financial statements, to which reference should be made, except as described below.

B.1 DIVIDENDS

Dividend income is recognised in the income statement when the right to receive the dividends is established, normally coinciding with the shareholders' resolution declaring the same, irrespective of whether such dividends are paid out of an investee company's pre- or post-acquisition earnings.

The distribution of dividends to shareholders is recognised as a liability in the Company's financial statements when the distribution of such dividends is approved.

B.2 SHARE-BASED PAYMENTS

Stock options are valued on the basis of the difference between grant date fair value and purchase price, and, in the case of most subsidiary company employees, on the basis of the difference between vesting date fair value and purchase price. This value is recognised:

- a) as an expense in the income statement, with a matching credit to an equity reserve, for options vesting in favour of the Company's employees;
- b) if the related cost is recharged, the part relating to the grant date fair value is recognised in equity, while the difference between the grant date fair value and the vesting date fair value is recognised as a dividend in the income statement;
- c) as an increase in the value of investments in subsidiaries, with a matching credit to an equity reserve, for options vesting in favour of employees of Group companies.

In all cases, the value is recognised on a straight-line basis over the option vesting period; this recognition is based on the estimated number of stock options that will effectively vest in favour of eligible employees, taking into consideration any vesting conditions that are not based on the market value of the shares.

B.3 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are carried at cost, less any impairment losses.

If there is specific evidence of impairment, the value of investments in subsidiaries, determined on the basis of cost, is tested for impairment. This involves comparing the carrying amount of investments with their recoverable amount, defined as the higher of fair value, less costs to sell, and value in use.

The value of investments is tested for impairment in at least one of the following circumstances:

- the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets, including any associated goodwill;
- the investee's reported EBITDA is less than 50% of the same amount projected in the business plan, if this performance indicator is relevant to the company in question;
- the dividend distributed by the investee exceeds the total comprehensive income of the investee in the period to which the dividend refers.

If the recoverable amount of an investment is less than its carrying amount, then the carrying amount is reduced to the recoverable amount. This reduction represents an impairment loss, which is recognised through the income statement.

For the purposes of impairment testing, the fair value of investments in listed companies is determined with reference to market value, regardless of the size of holding. The fair value of investments in unlisted companies is determined using valuation techniques.

Value in use is determined using the "Discounted Cash Flow - equity side" method: this involves calculating the present value of estimated future cash flows generated by a subsidiary, including cash flows from operating activities and the consideration arising from the investment's ultimate sale, net of the financial position at the valuation date.

If the reasons for a previously recognised impairment loss cease to apply, the carrying amount of the investment is reinstated but to no more than its original cost, with the related revaluation recognised through the income statement.

B.4 TREASURY SHARES

Treasury shares are reported as a deduction from equity. The original cost of treasury shares and revenue arising from any subsequent sales are treated as movements in equity.

C. FINANCIAL RISK MANAGEMENT

Prysmian S.p.A. measures and manages its exposure to financial risks in accordance with the Group's policies.

The main financial risks are centrally coordinated and monitored by the Group Finance Department. Risk management policies are approved by the Group Finance, Administration and Control Department, which provides written guidelines on managing the different kinds of risks and on using financial instruments.

The financial risks to which Prysmian S.p.A. is exposed, directly or indirectly through its subsidiaries, are the same as those of the companies of which it is the Parent Company. Reference should therefore be made to Section D. Financial risk management of the Explanatory Notes to the Group's Consolidated Financial Statements.

The principal types of risks to which the Company is exposed are discussed below:

(a) Exchange rate risk

This arises from commercial or financial transactions not yet completed and from assets and liabilities in foreign currency already recognised in the accounts. The Company mitigates this risk by using forward contracts entered into with the Group's central treasury company (Prysmian Treasury S.r.l.), which manages the various currency positions. Following the business reorganisation, discussed in Section A. General information, the foreign currency debtor and creditor positions and related financial hedging instruments reported by Prysmian S.p.A. at 31 December 2013 are of limited relevance. More information can be found in Note 7. Derivatives.

(b) Interest rate risk

The interest rate risk to which the Company is exposed is mainly due to long-term financial liabilities, carrying both fixed and variable rates.

Fixed rate debt exposes the Company to a fair value risk. The Company does not operate any particular hedging policies in relation to the risk arising from such contracts.

The Group Finance Department monitors the exposure to interest rate risk and adopts appropriate hedging strategies to keep the exposure within the limits defined by the Group Finance, Administration and Control Department, arranging derivative contracts, if necessary.

The net liabilities considered for sensitivity analysis include variable rate financial receivables and payables and cash and cash equivalents whose value is influenced by rate volatility. The Company calculates the pre-tax impact on the income statement of changes in interest rates.

The simulations carried out for balances at 31 December 2013 indicate that, with all other variables remaining equal, an increase of 25 basis points in interest rates would have decreased financial payables by Euro 146 thousand (2012: increase of Euro 1,307 thousand), while a 25-point decrease would have increased financial payables by Euro 146 thousand (2012: decrease of Euro 1,307 thousand). This simulation exercise is carried out on a regular basis to ensure that the maximum potential loss is within the limits set by management.

(c) Price risk

This risk relates to the possibility of fluctuations in the price of strategic materials, whose purchase price is subject to market volatility. Following the business reorganisation discussed in Section A. General information, the Company is now responsible for centrally managing the purchase of such materials from third-party suppliers and their resale to Group operating companies. The Company is exposed to a residual price risk on those buying positions that have not been promptly recharged to Group operating companies. More information about metal derivatives can be found in Note 7. Derivatives.

(d) Credit risk

The Company does not have significant concentrations of credit risk insofar as almost all its customers are companies belonging to the Group. There are also no significant past due receivables that have not been written down.

(e) Liquidity risk

Prudent management of the liquidity risk arising from the Company's normal operations involves the maintenance of adequate levels of cash and cash equivalents, short-term securities and funds obtainable from an adequate amount of committed credit lines. The Company's Finance Department prefers flexibility when sourcing funds by using committed credit lines.

At 31 December 2013, cash and cash equivalents stand at Euro 4,600 thousand, compared with Euro 681 thousand at 31 December 2012. The Company can potentially draw down the credit lines granted to the Group in the form of the Revolving Credit Facility (Euro 400 million) and the EIB Loan (Euro 100 million). More details can be found in the Explanatory Notes to the Consolidated Financial Statements (Section D. Financial risk management).

The following table presents an analysis, by due date, of the payables and liabilities settled on a net basis. The various due date categories are determined on the basis of the period between the reporting date and the contractual due date of the obligations.

	31 December 2013			
	(in thousands of Euro)			
	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
Borrowings from banks and other lenders	140,204	418,298	672,715	-
Finance lease obligations	1,428	651	1,952	9,978
Derivatives	88	36	-	-
Trade and other payables	325,051	-	-	-
Total	466,771	418,985	674,667	9,978

(in thousands of Euro)

31 December 2012

	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
Borrowings from banks and other lenders	114,304	296,224	809,261	-
Trade and other payables	41,470	-	-	-
Total	155,774	296,224	809,261	-

In completion of the disclosures about financial risks, the financial assets and liabilities reported in the Company's statement of financial position are classified according to the IFRS 7 definitions of financial assets and liabilities as follows:

(in thousands of Euro)

31 December 2013

	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortised cost
Trade receivables	-	100,222	-	-
Other receivables	-	666,304	-	-
Derivatives (assets)	135	-	-	-
Cash and cash equivalents	-	4,600	-	-
Borrowings from banks and other lenders	-	-	-	1,175,121
Trade payables	-	-	-	295,791
Other payables	-	-	-	29,260
Derivatives (liabilities)	-	-	124	-

(in thousands of Euro)

31 December 2012

	Loans and receivables	Financial liabilities carried at amortised cost
Trade receivables	107,679	-
Other receivables	268,340	-
Cash and cash equivalents	681	-
Borrowings from banks and other lenders	-	1,126,575
Trade payables	-	27,653
Other payables	-	13,817

C.1 CAPITAL RISK MANAGEMENT

The Company's objective in capital risk management is mainly to safeguard business continuity in order to guarantee returns for shareholders and benefits for other stakeholders. The Company also aims to maintain an optimal capital structure in order to reduce the cost of debt and to comply with a series of covenants under the various credit agreements (Note 10. Borrowings from banks and other lenders and Note 29. Financial covenants).

The Company monitors capital on the basis of its gearing ratio (i.e. the ratio between net financial position and capital). Details of how the net financial position is determined can be found in Note 10. Borrowings from banks and other lenders. Capital is defined as the sum of equity and the Net financial position.

The gearing ratios at 31 December 2013 and 31 December 2012 are shown below:

(in thousands of Euro)

	31 December 2013	31 December 2012
Net financial position	612,667	920,587
Equity	1,021,052	871,588
Total capital	1,633,719	1,792,175
Gearing ratio	38%	51%

The change in the gearing ratio is largely attributable to:

- an improvement of Euro 307,920 thousand in the net financial position, mainly due to the Company's higher level of cash and cash equivalents after issuing the convertible bond;
- an increase of Euro 149,464 thousand in equity, reflecting higher net profit and recognition of a reserve for the convertible bond, further details of which can be found in Note 9. Share capital and reserves.

C.2 FAIR VALUE

The fair value of financial instruments listed on 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.

The fair value of instruments not listed on an active market is determined using valuation techniques based on a series of methods and assumptions linked to market conditions at the reporting date.

Other techniques, such as that of estimating discounted cash flows, are used for the purposes of determining the fair value of other financial instruments.

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

D. ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to apply accounting policies and methods which, at times, rely on subjective judgements and estimates based on past experience and assumptions deemed to be reasonable and realistic according to the circumstances. The application of these estimates and assumptions influences the amounts reported in the financial statements, meaning the statement of financial position, the income statement, the statement of comprehensive income and the statement of cash flows, as well as the accompanying disclosures. Ultimate amounts, previously reported on the basis of estimates and assumptions, may differ from original estimates because of the uncertain nature of the assumptions and conditions on which the estimates were based.

The following is a brief description of the accounting policies that require the management of Prysmian S.p.A. to exercise greater subjectivity of judgement when preparing estimates and for which a change in underlying assumptions could have a significant impact on the financial statements.

(a) Provisions for risks and charges

Provisions are recognised for legal and tax risks and reflect the risk of a negative outcome. The value of the provisions recorded in the financial statements against such risks represents the best estimate by management at that date. This estimate requires the use of assumptions depending on factors which may change over time and which could, therefore, have a significant impact on the current estimates made by management to prepare the Company's financial statements.

(b) Impairment of assets

In accordance with the accounting standards applied by the Group, property, plant and equipment, intangible assets with finite useful lives and equity investments are tested for impairment. Any impairment loss is recognised by means of a write-down, when indicators suggest it will be difficult to recover the related net book value through use of the assets. Verification of these indicators requires management to make subjective judgements based on the information available within the Company and from the market, as well as on past experience. In addition, if a potential impairment loss is identified, the Company determines the amount of such impairment using suitable valuation techniques. Correct identification of impairment indicators as well as the estimates for determining the amount of impairment depend on factors which can vary over time, thus influencing judgements and estimates made by management.

Irrespective of the existence of potential impairment indicators or otherwise, all intangible assets not yet ready for use must be tested for impairment once a year.

(c) Depreciation and amortisation

The cost of property, plant and equipment and intangible assets is depreciated/amortised on a straight-line basis over the estimated useful lives of the assets concerned. The useful economic life of the Company's property, plant and equipment and intangible assets is determined by management when assets are acquired. This is based on past experience for similar assets, market conditions and expectations regarding future events that could impact useful life, including changes in technology. Therefore, actual economic life may differ from estimated useful life. The Company periodically reviews technological and sector changes to update residual useful lives. This periodic update may lead to a variation in the depreciation/amortisation period and therefore also in the depreciation/amortisation charge for future years.

(d) Taxes

Current taxes are calculated on the basis of the taxable income for the year, applying the tax rates effective at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is likely that future taxable income will be available against which they can be recovered.

(e) Employee benefit obligations

The present value of the pension plans reported in the financial statements depends on an independent actuarial calculation and on a number of different assumptions. Any changes in assumptions and in the discount rate used are duly reflected in the present value calculation and may have a significant impact on the consolidated figures. The assumptions used for the actuarial calculation are examined by the Company annually.

Present value is calculated by discounting future cash flows at an interest rate equal to that on high-quality corporate bonds issued in the currency in which the liability will be settled and which takes account of the duration of the related pension plan.

Further information can be found in Note 13. Employee benefit obligations and Note 17. Personnel costs.

(f) Incentive plan

The employee share purchase plan involves granting options to almost all of the Group's employees. The operation of this plan is described in Note 17. Personnel costs.

The grant of options is subject to an employee's continued professional relationship with the Group in the months between signing up for one of the plan's purchase windows and the purchase of the shares themselves on the stock market. The plan's financial and economic impact has therefore been estimated on the basis of the best possible estimates and information currently available.

1. PROPERTY, PLANT AND EQUIPMENT

Details of these balances and related movements are as follows:

(in thousands of Euro)

	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2011	198	1,298	405	806	790	3,497
Movements in 2012:						
- Investments	-	411	208	356	908	1,883
- Disposals	-	(461)	(162)	-	-	(623)
- Reclassifications	-	134	124	552	(456)	354
- Depreciation	(50)	(318)	(250)	(251)	-	(869)
Total movements	(50)	(234)	(80)	657	452	745
Balance at 31 December 2012	148	1,064	325	1,463	1,242	4,242
Of which:						
- Historical cost	420	5,272	1,270	3,086	1,242	11,290
- Accumulated depreciation and impairment	(272)	(4,208)	(945)	(1,623)	-	(7,048)
Net book value	148	1,064	325	1,463	1,242	4,242

(in thousands of Euro)

	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2012	148	1,064	325	1,463	1,242	4,242
Movements in 2013:						
- Investments	13,093	80	-	60	1,123	14,356
- Disposals	-	(28)	-	-	-	(28)
- Reclassifications	-	11	248	378	(417)	220
- Depreciation	(117)	(179)	(148)	(397)	-	(841)
Total movements	12,976	(116)	100	41	706	13,707
Balance at 31 December 2013	13,124	948	425	1,504	1,948	17,949
Of which:						
- Historical cost	13,513	5,335	1,511	3,457	1,948	25,764
- Accumulated depreciation and impairment	(389)	(4,387)	(1,086)	(1,953)	-	(7,815)
Net book value	13,124	948	425	1,504	1,948	17,949

"Buildings", with a balance of Euro 13,124 thousand, report an increase of Euro 13,093 thousand after taking over a finance lease on a building in Milan that hosts the research and development department. This lease agreement will expire on 27 January 2027 and contains a purchase option. The building under finance lease reports a net book value of Euro 13,026 thousand at 31 December 2013. The difference compared with the total net book value of "Buildings" refers to expenditure on rented properties.

"Plant and machinery" (Euro 948 thousand) and "Equipment" (Euro 425 thousand) mostly refer to instrumentation used for Research and Development activities.

"Other assets" (Euro 1,504 thousand) comprise Euro 1,359 thousand in office furniture and equipment and Euro 145 thousand in motor and other vehicles.

"Assets under construction and advances" (Euro 1,948 thousand) mostly refer to plant and machinery that will be used for Research and Development and which are expected to become available for use in the next year.

No borrowing costs were capitalised during the year.

2. INTANGIBLE ASSETS

Details of these balances and related movements are as follows:

(in thousands of Euro)

	Patents	Concessions, licences, trademarks and similar rights	Software	Intangibles in progress and advances	Total
Balance at 31 December 2011	6,638	368	27,381	5,380	39,767
Movements in 2012:					
- Investments	-	815	4,239	4,636	9,690
- <i>of which internally generated intangible assets</i>	-	-	2,527	4,064	6,591
- Reclassifications	-	383	4,374	(5,111)	(354)
- Amortisation	(1,193)	(217)	(6,406)	-	(7,816)
Total movements	(1,193)	981	2,207	(475)	1,520
Balance at 31 December 2012	5,445	1,349	29,588	4,905	41,287
Of which:					
- Historical cost	11,394	1,622	47,826	4,905	65,747
- Accumulated amortisation and impairment	(5,949)	(273)	(18,238)	-	(24,460)
Net book value	5,445	1,349	29,588	4,905	41,287

(in thousands of Euro)

	Patents	Concessions, licences, trademarks and similar rights	Software	Intangibles in progress and advances	Total
Balance at 31 December 2012	5,445	1,349	29,588	4,905	41,287
Movements in 2013:					
- Investments	-	586	5,838	3,314	9,738
- <i>of which internally generated intangible assets</i>	-	-	5,828	2,374	8,202
- Reclassifications	-	1,201	2,840	(4,261)	(220)
- Amortisation	(1,192)	(368)	(8,062)	-	(9,622)
Total movements	(1,192)	1,419	616	(947)	(104)
Balance at 31 December 2013	4,253	2,768	30,204	3,958	41,183
Of which:					
- Historical cost	11,394	3,409	56,504	3,958	75,265
- Accumulated amortisation and impairment	(7,141)	(641)	(26,300)	-	(34,082)
Net book value	4,253	2,768	30,204	3,958	41,183

"Patents" refer to the patent portfolio held by Prysmian S.p.A. and licensed to Group companies.

"Concessions, licences, trademarks and similar rights" refer to purchases of software licences.

"Software" reports an increase of Euro 5,838 thousand, mainly in connection with progress in the SAP Consolidation project that aims to harmonise this information system's use throughout the Group. This information system, with a net book value of Euro 30,194 thousand at 31 December 2013, entered service in 2009 and will be amortised over 8 years ending in 2017.

"Intangibles in progress and advances" refer to investments still in progress at year end, which have therefore not been amortised.

The balance at 31 December 2013 includes Euro 2,353 thousand in expenditure on rolling out the SAP Consolidation project, and on developing other software in the areas of human resource management and research and development.

No borrowing costs were capitalised during the year.

3. INVESTMENTS IN SUBSIDIARIES

With a balance of Euro 1,728,516 thousand at 31 December 2013, these investments report the following movements over the year:

(in thousands of Euro)

	31 December 2012	Capital contributions	Capital contributions for stock options	31 December 2013
Prysmian Cavi e Sistemi S.r.l.	277,522	-	1,000	278,522
Draka Holding N.V.	1,216,482	-	472	1,216,954
Prysmian Cavi e Sistemi Italia S.r.l.	48,955	-	204	49,159
Prysmian PowerLink S.r.l.	63,481	-	105	63,586
Fibre Ottiche Sud - F.O.S. S.r.l.	40,383	40,000	-	80,383
Prysmian Treasury S.r.l.	12,000	25,757	-	37,757
Prysmian Kabel Und Systeme GmbH	2,154	-	-	2,154
Prysmian Kablo SRO	1	-	-	1
Prysmian Pension Scheme Trustee L.	-	-	-	-
Jaguar Communication Consultancy Services Private Ltd.	-	-	-	-
Prysmian Surfex Umbilicais e Tubos Flexiveis do Brasil Ltda	-	-	-	-
Total investments in subsidiaries	1,660,978	65,757	1,781	1,728,516

The change of Euro 67,538 thousand in the value of Investments in subsidiaries is attributable to the following transactions:

- on 17 September 2013, the share capital of the subsidiary Prysmian Treasury S.r.l. was increased by Euro 25,757 thousand;
- on 27 September 2013, a capital contribution of Euro 40,000 thousand was paid to the subsidiary Fibre Ottiche Sud – F.O.S. S.r.l.;
- increases totalling Euro 1,781 thousand for the pay-related component of stock option plans, with underlying Prysmian S.p.A. shares, benefiting employees of other Group companies to which no costs are recharged; see Note 17. Personnel costs for more details. This component has been treated like a capital contribution and so reported as an increase in the value of the investments in the subsidiaries in which the plan beneficiaries are directly or indirectly employees. These increases are matched by a corresponding movement in the specific equity reserve. Further information can be found in Note 9. Share capital and reserves.

The Company reviews the carrying amounts of its investments in accordance with the policy set out in Section B. Accounting policies. In particular, such impairment testing has not revealed any impairment losses in respect of its investments.

The following table summarises key information about investments held in subsidiaries:

	Registered office	Share capital	% owned 2013	% owned 2012
Prysmian Cavi e Sistemi S.r.l.	Milan	EUR 100,000,000	100	100
Draka Holding N.V.	Amsterdam	EUR 42,952,436	63.43	69.691
Prysmian Cavi e Sistemi Italia S.r.l.	Milan	EUR 77,143,249	100	100
Prysmian PowerLink S.r.l.	Milan	EUR 50,000,000	100	100
Fibre Ottiche Sud - F.O.S. S.r.l.	Battipaglia	EUR 47,700,000	100	100
Prysmian Treasury S.r.l.	Milan	EUR 30,000,000	100	100
Prysmian Kabel Und Systeme GmbH	Berlin	EUR 15,000,000	6.25	6.25
Prysmian Pension Scheme Trustee L.	Hampshire	GBP 1	100	100
Prysmian Kablo SRO ⁽¹⁾	Bratislava	EUR 21,246,001	0.005	0.005
Jaguar Communication Consultancy Services Private Ltd. ⁽¹⁾	Mumbai	INR 34,432,100	0.00003	0.00008
Prysmian Surfex Umbilicais e Tubos Flexiveis do Brasil Ltda ⁽¹⁾	Vila Velha	BRL 158,385,677	0.000001	0.01

⁽¹⁾ Controlled indirectly

The process of corporate rationalisation following the acquisition of Draka in 2011 carried on throughout 2013. It was as part of this process that the subsidiary Prysmian Cavi e Sistemi S.r.l. transferred its interest in two of its own subsidiaries (Prysmian Cable Holding B.V. and Prysmian Cables and Systems B.V.) to Draka Holding N.V. at market value. This transfer has raised the interest of Prysmian Cavi e Sistemi S.r.l. in Draka Holding N.V. to 36.57%, with a corresponding reduction in the interest of Prysmian S.p.A. in this same company to 63.43%.

4. DEFERRED TAX ASSETS

These are detailed as follows:

(in thousands of Euro)

	31 December 2013	31 December 2012
Deferred tax assets:		
- Deferred tax assets recoverable beyond 12 months	1,100	3,809
- Deferred tax assets recoverable within 12 months	1,862	2,192
Total deferred tax assets	2,962	6,001

Movements in deferred taxes are detailed as follows:

(in thousands of Euro)

	Employee benefit obligations	Provisions for risks	Capital increase costs	Other	Total
Balance at 31 December 2012	2,870	1,738	787	606	6,001
Impact on income statement	(2,527)	(166)	-	(154)	(2,847)
Impact on equity	(41)	-	(262)	111	(192)
Balance at 31 December 2013	302	1,572	525	563	2,962

Deferred tax assets amount to Euro 2,962 thousand (Euro 6,001 thousand at 31 December 2012) and reflect the effect of temporary differences between the accounting value of assets and liabilities at 31 December 2013 and their corresponding tax value.

5. INVENTORIES

Inventories, amounting to Euro 1,125 thousand, relate to strategic metals (copper, aluminium and lead) which had not yet been delivered to the Group's operating companies at 31 December 2013.

6. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in thousands of Euro)	31 December 2013		
	Non-current	Current	Total
Trade receivables	-	100,247	100,247
Allowance for doubtful accounts	-	(25)	(25)
Total trade receivables	-	100,222	100,222
Other receivables:			
Tax receivables	-	21,814	21,814
Financial receivables	26	553,799	553,825
Prepaid finance costs	-	4,029	4,029
Receivables from employees	39	869	908
Other	-	85,728	85,728
Total other receivables	65	666,239	666,304
Total	65	766,461	766,526

(in thousands of Euro)	31 December 2012		
	Non-current	Current	Total
Trade receivables	-	107,679	107,679
Total trade receivables	-	107,679	107,679
Other receivables:			
Tax receivables	-	2,010	2,010
Financial receivables	21	197,447	197,468
Prepaid finance costs	3,919	3,919	7,838
Receivables from employees	46	408	454
Other	15,034	45,536	60,570
Total other receivables	19,020	249,320	268,340
Total	19,020	356,999	376,019

The following table breaks down trade and other receivables according to the currency in which they are expressed:

(in thousands of Euro)

	31 December 2013	31 December 2012
Euro	666,994	375,927
British Pound	95,823	92
US Dollar	3,004	-
Australian Dollar	468	-
Other currencies	237	-
Total	766,526	376,019

Trade receivables at 31 December 2013 mainly refer to charges made by Prysmian S.p.A. to its subsidiaries for head office services, for patent and know-how user licences, and for the resale of strategic materials.

The book value of trade receivables approximates their fair value.

Trade receivables are all due within the next year and do not include any significant past due balances.

Tax receivables of Euro 21,814 thousand mainly refer to:

- tax credits for withholdings paid abroad (Euro 10,121 thousand);
- residual credits for IRES - Italian corporate income tax (Euro 3,340 thousand), after duly offsetting against the provision of Euro 7,268 thousand;
- VAT credits (Euro 7,910 thousand);
- residual tax credit (Euro 406 thousand) for Research and Development under art. 1, par. 280-283, of Law 296 dated 27 December 2006, as per the authorisation received from the tax office on 15 June 2009.

Financial receivables mostly comprise the credit balance of Euro 553,744 thousand on the current account with Prysmian Treasury S.r.l., the Group's central treasury company (Euro 197,440 thousand at 31 December 2012).

"Prepaid finance costs" of Euro 4,029 thousand relate to:

- Euro 2,437 thousand for the Company's portion of the costs incurred for the revolving credit facilities under the Forward Start Agreement signed on 21 January 2010 (now termed Credit Agreement 2010, see Note 10. Borrowings from banks and other lenders for more details), that the Company is amortising over the term of the agreement, i.e. until 31 December 2014;
- Euro 1,592 thousand in costs incurred to renegotiate the Credit Agreement 2010, that the Company is amortising over the term of the agreement, i.e. until 31 December 2014.

At 31 December 2013, "Other" mainly comprises:

- Euro 40,396 thousand in receivables from Group companies for the chargeback of the pay-related component of stock option plans involving Prysmian S.p.A. shares whose beneficiaries are employees of other Group companies;

- Euro 32,399 thousand in receivables from Italian Group companies for the transfer of IRES (Italian corporate income tax) under the group tax consolidation (art. 117 *et seq.* of the Italian Income Tax Code).

The book value of financial receivables and other current receivables approximates the respective fair value.

7. DERIVATIVES

Following the business reorganisation discussed in Section A. General information, details of this balance are presented below:

(in thousands of Euro)

	31 December 2013	
	Asset	Liability
Non-current		
Metal derivatives	36	36
Total non-current derivatives	36	36
Current		
Forward currency contracts on commercial transactions	46	73
Metal derivatives	53	15
Total current derivatives	99	88
Total	135	124

At 31 December 2012 there were no significant positions in derivatives. The above derivatives have all been entered into with Prysmian Treasury S.r.l., the Group's treasury company.

8. CASH AND CASH EQUIVALENTS

These amount to Euro 4,600 thousand at 31 December 2013, compared with Euro 681 thousand at 31 December 2012, and relate to the cash held on Euro bank current accounts repayable on demand.

The credit risk associated with Cash and cash equivalents is limited insofar as the counterparties are major national and international banks.

The value of cash and cash equivalents is considered to be in line with the respective fair value.

9. SHARE CAPITAL AND RESERVES

Equity amounts to Euro 1,021,052 thousand at 31 December 2013, reporting an increase of Euro 149,464 thousand since 31 December 2012. The changes over this period are discussed in the paragraphs relating to the individual components of Equity.

Share capital

Share capital amounts to Euro 21,459 thousand at 31 December 2013, consisting of 214,591,710 ordinary shares (including 3,028,500 treasury shares), with a nominal value of Euro 0.10 each. The total number of outstanding voting shares is 211,552,541, stated net of 10,669 treasury shares held indirectly.

The following table reconciles the number of outstanding shares at 31 December 2011, at 31 December 2012 and 31 December 2013:

	Ordinary shares	Treasury shares	Total
Balance at 31 December 2011	214,393,481	(3,028,500)	211,364,981
Capital increase ⁽¹⁾	115,300	-	115,300
Treasury shares	-	-	-
Balance at 31 December 2012	214,508,781	(3,028,500)	211,480,281
Capital increase ⁽¹⁾	82,929	-	82,929
Treasury shares	-	-	-
Balance at 31 December 2013	214,591,710	(3,028,500)	211,563,210

⁽¹⁾ Capital increase following exercise of a part of options under the Stock Option Plan 2007-2012.

More details about treasury shares can be found in the subsequent note on "Treasury shares".

Share premium reserve

This amounts to Euro 485,873 thousand at 31 December 2013, reporting an increase of Euro 377 thousand since 31 December 2012, due to the exercise of 82,929 options under the Stock option plan described in Note 17. Personnel costs.

Capital increase costs

This reserve, which reports a post-tax negative balance of Euro 4,244 thousand at 31 December 2013, relates to the costs incurred for the capital increase serving the public mixed exchange and cash offer for the ordinary shares of Draka Holding N.V., announced on 22 November 2010 and formalised on 5 January 2011.

Legal reserve

This amounts to Euro 4,291 thousand at 31 December 2013, and is Euro 3 thousand higher than at 31 December 2012 following apportionment of part of the prior year's net profit, as approved by the shareholders on 16 April 2013.

Treasury shares reserve

This reserve amounts to Euro 30,179 thousand at 31 December 2013, in compliance with the legal limit (art. 2357-ter of the Italian Civil Code). It was formed during 2008 after the shareholders adopted a

resolution on 15 April 2008 authorising a programme to buy back up to 10% of the Company's shares. Under this resolution, purchases and sales of shares had to meet the following conditions: (i) the minimum price could be no more than 10% below the stock's official price reported in the trading session on the day before carrying out each individual purchase transaction; (ii) the maximum price could be no more than 10% above the stock's official price reported in the trading session on the day before carrying out each individual purchase transaction; (iii) the maximum number of shares purchased per day could not exceed 25% of the average daily volume of trades in Prysmian shares on the Milan Stock Exchange in the 20 trading days prior to the purchase date; (iv) the purchase price could not be greater than the higher of the price of the last independent transaction and the highest independent bid price currently quoted on the market. On 7 October 2008, the Board of Directors subsequently granted the Chief Executive Officer and Chief Financial Officer separate powers to purchase up to 4 million of the Company's shares by 31 December 2008. At that date a total of 3,028,500 shares had been bought back for Euro 30.2 million. On 9 April 2009, the shareholders renewed the authorisation to buy and dispose of treasury shares, while cancelling the previous resolution adopted on 15 April 2008. The authorisation permitted the purchase of shares representing no more than 10% of the Company's share capital at any time, including any treasury shares already held by the Company. Purchases could not exceed the amount of undistributed earnings and distributable reserves reported in the most recently approved annual financial statements. The programme was to last for a maximum of 18 months commencing from the date of the shareholders' approval and therefore expired on 9 October 2010.

Movements in treasury shares are as follows:

	Number of ordinary shares	Total nominal value (in Euro)	% of total share capital	Average unit value (in Euro)	Total carrying value (in Euro)
At 31 December 2011	3,028,500	302,850	1.41%	9.965	30,179,003
- Purchases	-	-	-	-	-
- Sales	-	-	-	-	-
At 31 December 2012	3,028,500	302,850	1.41%	9.965	30,179,003
- Purchases	-	-	-	-	-
- Sales	-	-	-	-	-
At 31 December 2013	3,028,500	302,850	1.41%	9.965	30,179,003

The Shareholders' Meeting held on 16 April 2013 authorised a share buy-back and disposal programme. This programme provides the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total cannot exceed 10% of share capital, equal to 18,420,002 ordinary shares as at the date of 16 April 2013, taking account of the treasury shares already held by the Company.

Extraordinary reserve

This reserve amounts to Euro 52,688 thousand at 31 December 2013 and was formed following the apportionment of net profit for 2006, as approved by the shareholders on 28 February 2007.

IAS/IFRS first-time adoption reserve

This reserve was created in accordance with IFRS 1 and reflects the differences arising on first-time adoption of IAS/IFRS.

It amounts to Euro 30,177 thousand at 31 December 2013, the same as at 31 December 2012.

Convertible bond reserve

This reserve amounts to Euro 39,236 thousand (net of the related tax effect) at 31 December 2013 and refers to the non-monetary components of the bond, discussed in more detail in Note 10. Borrowings from banks and other lenders.

Stock option reserve

This reserve amounts to Euro 38,568 thousand at 31 December 2013, reporting a net increase of Euro 12,593 thousand since 31 December 2012 due to:

- the total cost of Euro 4,599 thousand recognised in the income statement during the year (Euro 5,557 thousand in 2012), for stock option plans involving Prysmian S.p.A. shares;
- the grant date fair value (Euro 7,789 thousand), recognised as a receivable from subsidiaries in which beneficiaries of stock option plans involving Prysmian S.p.A. shares are directly or indirectly employees;
- an increase of Euro 1,781 thousand in the carrying amount of investments in subsidiaries, in which beneficiaries of stock option involving Prysmian S.p.A. shares are directly or indirectly employees;
- the reclassification to retained earnings of Euro 1,576 thousand in respect of the Stock option plan 2007-2012, all of whose options are now fully vested and exercised.

Further information can be found in Note 17. Personnel costs.

Retained earnings

Retained earnings amount to Euro 163,222 thousand at 31 December 2013, having increased by Euro 24,854 thousand since 31 December 2012 following the apportionment of net profit for 2012 (Euro 23,278 thousand) and the reclassification of the reserve for the Stock Option Plan 2007-2012 (Euro 1,576 thousand), all of whose options are now fully vested and exercised.

In compliance with art. 2427, no. 7-bis of the Italian Civil Code, the following table analyses each component of Equity, indicating its origin, permitted use and distribution, as well as how it has been used in previous years.

(in thousands of Euro)

Nature/description	Amount	Permitted use (A,B,C)	Amount available for distribution	Uses in three previous years	
				to cover losses	other purposes
Share capital	21,459				
Capital reserves:					
. Capital contribution reserve	6,113	A,B,C (*)	6,113		
. Share premium reserve	485,873	A,B,C	485,873		
Earnings reserves:					
. Extraordinary reserve	52,688	A,B,C	52,688		
. IAS/IFRS first-time adoption reserve	30,177	A,B,C	30,177		
. Legal reserve	4,291	B			
. Retained earnings	163,222	A,B,C	163,222		25,488
Total	763,823		738,073		25,488
Undistributable amount			-		
Distributable amount			738,073		

Key:

A: to increase capital

B: to cover losses

C: distribution to shareholders

(*) Entirely available for capital increases and to cover losses.

Dividend distribution

The shareholders of Prysmian S.p.A. voted on 16 April 2013 to distribute a gross dividend of Euro 0.42 per share, for a total of Euro 88,857 thousand; this dividend was paid on 26 April 2013, with the shares going ex-dividend on 25 April 2013.

A proposal to pay a dividend of Euro 0.42 per share, for a total of some Euro 89 million, in respect of the year ended 31 December 2013, will be presented to the Shareholders' Meeting convened in single call for 16 April 2014.

The present financial statements do not reflect any liability for the proposed dividend.

10. BORROWINGS FROM BANKS AND OTHER LENDERS

These amount to Euro 1,175,121 thousand at 31 December 2013, compared with Euro 1,126,574 thousand at 31 December 2012.

(in thousands of Euro)	31 December 2013		
	Non-current	Current	Total
Borrowings from banks and other financial institutions	396,976	88,041	485,017
Non-convertible bond	398,576	15,305	413,881
Convertible bond	263,401	1,187	264,588
Finance lease obligations	11,098	537	11,635
Total	1,070,051	105,070	1,175,121

(in thousands of Euro)	31 December 2012		
	Non-current	Current	Total
Borrowings from banks and other financial institutions	653,474	60,281	713,755
Non-convertible bond	397,515	15,304	412,819
Total	1,050,989	75,585	1,126,574

Non-current borrowings from banks and other financial institutions

At 31 December 2013, Non-current borrowings from banks and other financial institutions, amounting to Euro 396,976 thousand, refer to the Company's share of the outstanding debt under the Credit Agreement 2011 entered into by Prysmian S.p.A. on 7 March 2011, net of the related fees being amortised.

Current borrowings from banks and other financial institutions

The current portion of Borrowings from banks and other financial institutions, amounting to Euro 88,041 thousand, primarily reflects Euro 87,346 thousand for the Company's share of the outstanding debt repayable on 31 December 2014 under the Credit Agreement 2010, net of the related fees being amortised, Euro 143 thousand in 2013 interest payable on the Credit Agreement 2010, and Euro 329 thousand in 2013 interest payable on the Credit Agreement 2011.

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

(in thousands of Euro)	31 December 2013	31 December 2012
Credit Agreements ⁽¹⁾	484,794	713,033
Other borrowings	11,858	722
Borrowings from banks and other financial institutions	496,652	713,755
Non-convertible bond	413,881	412,819
Convertible bond	264,588	-
Total	1,175,121	1,126,574

⁽¹⁾ Credit Agreements refer to the following lines: Term Loan Facility 2010 and Term Loan Facility 2011.

Credit Agreement 2010 and Credit Agreement 2011

The evolution of the Credit Agreements 2010 and 2011, signed at Group level, is summarised below, along with their impact on the Company's financial statements.

On 3 May 2012, a Forward Start Credit Agreement (now termed "Credit Agreement 2010") was activated with a pool of major national and international banks. This credit agreement replaced the previous "Credit Agreement" entered into on 18 April 2007.

The Credit Agreement 2010 is an agreement negotiated in advance of its period of use, under which the lenders have made available to Prysmian S.p.A. and some of its subsidiaries, loans and credit facilities totalling Euro 1,070 million at Group level (including a Term Loan Facility for Euro 320 million made available to Prysmian S.p.A.).

On 22 February 2013 and 15 March 2013, the Prysmian Group made early repayments of Euro 186 million and Euro 300 million respectively against the Term Loan Facility disbursed on 3 May 2012; Prysmian S.p.A.'s share of these repayments was Euro 88,800 thousand and Euro 143,284 thousand respectively. The first repayment was in respect of payments due in 2013 and in the first half 2014, while the second referred to the payment due in December 2014. As a result of these repayments, Prysmian S.p.A. has accelerated the amortisation of Euro 2,311 thousand in bank fees relating to the Credit Agreement 2010; this cost has been treated as a non-recurring item in Finance costs, as shown in Note 26.

The repayment of the Term Loan Facility 2010 ends on 31 December 2014 with a final payment of Euro 184 million by the Prysmian Group (of which the Prysmian S.p.A. share is Euro 87,916 thousand) and has therefore been classified in current liabilities.

On 7 March 2011, Prysmian S.p.A. entered into a five-year credit agreement for Euro 800 million with a syndicate of major banks (known as the "Credit Agreement 2011"). This agreement comprises a loan for Euro 400 million (Term Loan Facility 2011), all of which is recorded among the Company's liabilities and repayable in full on 7 March 2016, and a revolving facility for Euro 400 million (Revolving Credit Facility 2011). The Term Loan Facility 2011 has therefore been classified in non-current liabilities.

The Credit Agreement 2010 and Credit Agreement 2011 do not require any collateral security. Further information can be found in Note 29. Financial covenants.

At 31 December 2013, the fair values of the Credit Agreements 2010 and 2011 approximate the related carrying amounts. The fair values have been determined using valuation techniques that refer to observable market data.

EIB Loan

On 18 December 2013, Prysmian S.p.A. entered into a loan agreement with the European Investment Bank (EIB) for Euro 100 million, to fund the Prysmian Group's European Research & Development (R&D) programmes over the period 2013-2016. The EIB Loan is particularly intended to support projects developed in the Group's R&D centres in six countries (France, Great Britain, the Netherlands, Spain,

Germany and Italy) and represents about 50% of the Group's planned investment expenditure in Europe during the period concerned.

The EIB Loan was received on 5 February 2014 and will be repaid in 12 equal half-yearly instalments starting on 5 August 2015 and ending on 5 February 2021.

The following tables summarise the Committed Lines available to the Company at 31 December 2013 and 31 December 2012:

(in thousands of Euro)	31 December 2013		
	Total lines	Used	Unused
Term Loan Facility 2010	87,916	(87,916)	-
Term Loan Facility 2011	400,000	(400,000)	-
Total Credit Agreements	487,916	(487,916)	-
EIB Loan	100,000	-	100,000
Total	587,916	(487,916)	100,000

(in thousands of Euro)	31 December 2012		
	Total lines	Used	Unused
Term Loan Facility 2010	320,000	(320,000)	-
Term Loan Facility 2011	400,000	(400,000)	-
Total Credit Agreements	720,000	(720,000)	-

At the Group level there is also another Euro 800 million in committed lines as follows:

- Revolving Credit Facility 2010 (Euro 400 million);
- Revolving Credit Facility 2011 (Euro 400 million).

These lines are available to a certain number of Group companies, including Prysmian S.p.A..

As at 31 December 2013 and 31 December 2012, the Company had not drawn down any of the Group credit facilities shown above.

More details about the nature and drawdown of the Group-level facilities shown above can be found in the Explanatory Notes to the Consolidated Financial Statements (Note 12. Borrowings from banks and other lenders).

Bonds

As at 31 December 2013, Prysmian S.p.A. had issued the following bonds:

Non-convertible bond

Further to the resolution adopted by the Board of Directors on 3 March 2010, Prysmian S.p.A. completed the placement of an unrated bond with institutional investors on the Eurobond market on 30 March 2010 for a total nominal amount of Euro 400 million. The bond, with an issue price of Euro 99.674, has a 5-year term and pays a fixed annual coupon of 5.25%. The bond settlement date was 9 April 2010. The bond has been admitted to the Luxembourg Stock Exchange's official list and is traded on the related regulated market. The fair value of the Bond at 31 December 2013 was Euro 417,440 thousand (Euro 420,000 thousand at

31 December 2012). Fair value has been determined with reference to the quoted price in the relevant market.

Convertible bond

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

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

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

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

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

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

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

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

The accounting treatment for the convertible Bond has resulted in the recognition of an equity component of Euro 39,632 thousand and a debt component of Euro 260,368 thousand, determined at the Bond issue date.

(in thousands of Euro)

Value of convertible bond	300,000
Equity reserve for convertible bond	(39,632)
Issue date net balance	260,368
Interest - non-monetary	5,913
Interest - monetary accrued	3,062
Interest - monetary paid	(1,875)
Related costs	(2,880)
Balance at 31 December 2013	264,588

The fair value of the convertible Bond (equity component and debt component) was Euro 338,844 thousand at 31 December 2013; the fair value of the debt component was Euro 265,388 thousand. In the absence of trading on the relevant market, fair value has been determined using valuation techniques that refer to observable market data.

Finance lease obligations

Finance lease obligations refer to the liability arising after taking over a finance lease for a building on 14 November 2013. This lease will expire on 20 January 2027 and carries an interest rate of 2.12103%. The finance lease obligation (Euro 11,635 thousand at 31 December 2013) is reconciled with outstanding payments as follows:

(in thousands of Euro)

	31 December 2013
Due within 1 year	1,428
Due between 1 and 5 years	2,603
Due after more than 5 years	9,978
Minimum finance lease payments	14,009
Future interest costs	(2,374)
Finance lease obligations	11,635

The finance lease obligation is analysed by maturity as follows:

(in thousands of Euro)

	31 December 2013
Due within 1 year	537
Due between 1 and 5 years	2,181
Due after more than 5 years	8,917
Total	11,635

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

(in thousands of Euro)

	Credit Agreements	Non-convertible bond	Convertible bond ⁽¹⁾	Other borrowings	Total
Balance at 31 December 2012	713,033	412,819	-	722	1,126,574
Drawdowns/new funds	-	-	257,027	11,587	268,614
Repayments	(232,084)	-	-	(92)	(232,176)
Amortisation of bank and financial fees and other expenses ⁽²⁾	4,410	1,062	461	-	5,933
Interest and other movements	(565)	-	7,100	(359)	6,176
Total movements	(228,239)	1,062	264,588	11,136	48,547
Balance at 31 December 2013	484,794	413,881	264,588	11,858	1,175,121

⁽¹⁾ "Drawdowns/New funds" pertaining to the convertible Bond are stated net of the Equity component of Euro 39,632 thousand and of Euro 3,341 thousand in related expenses.

⁽²⁾ Includes the accelerated amortisation of Euro 2,230 thousand in bank fees following the early repayments of the Credit Agreement 2010.

(in thousands of Euro)

	Credit Agreements	Non-convertible bond	Other borrowings	Total
Balance at 31 December 2011	462,117	411,817	2,001	875,935
Drawdowns/new funds	315,035	-	-	315,035
Repayments	(67,000)	-	(2,001)	(69,001)
Amortisation of bank and financial fees and other expenses	2,633	1,002	-	3,635
Interest and other movements	248	-	722	970
Total movements	250,916	1,002	(1,279)	250,639
Balance at 31 December 2012	713,033	412,819	722	1,126,574

The following tables provide a breakdown of borrowings from banks and other lenders by maturity and currency at 31 December 2013 and 2012:

(in thousands of Euro)

31 December 2013

	Variable rate	Fixed rate	Total
	Euro	Euro	
Due within 1 year	88,579	16,491	105,070
Due between 1 and 2 years	418	398,575	398,993
Due between 2 and 3 years	397,403	-	397,403
Due between 3 and 4 years	436	-	436
Due between 4 and 5 years	447	263,401	263,848
Due after more than 5 years	9,371	-	9,371
Total	496,654	678,467	1,175,121
Average interest rate in period, as per contract	1.6%	4.9%	3.5%

(in thousands of Euro)

31 December 2012

	Variable rate	Fixed rate	Total
	Euro	Euro	
Due within 1 year	60,281	15,304	75,585
Due between 1 and 2 years	257,814	-	257,814
Due between 2 and 3 years	-	397,515	397,515
Due between 3 and 4 years	395,660	-	395,660
Due between 4 and 5 years	-	-	-
Due after more than 5 years	-	-	-
Total	713,755	412,819	1,126,574
Average interest rate in period, as per contract	2.6%	5.3%	3.5%

NET FINANCIAL POSITION

(in thousands of Euro)

	31 December 2013	Of which related parties (Note 25)	31 December 2012	Of which related parties (Note 25)
Long-term financial payables				
Term Loan Facilities	400,000		660,800	
Bank fees	(3,024)		(7,326)	
Credit Agreements	396,976		653,474	
Non-convertible bond	398,576		397,515	
Convertible bond	263,401		-	
Finance leases	11,098		-	
Total long-term financial payables	1,070,051		1,050,989	
Short-term financial payables				
Term Loan Facility	88,388		60,237	
Bank fees	(570)		(678)	
Non-convertible bond	15,305		15,304	
Convertible bond	1,187		-	
Finance leases	537		-	
Other borrowings	223		722	
Total short-term financial payables	105,070		75,585	
Total financial liabilities	1,175,121		1,126,574	
Long-term financial receivables	26		21	
Long-term bank fees	-		3,919	
Short-term financial receivables	55		7	
Short-term financial receivables from Group companies	553,744	553,744	197,440	197,440
Short-term bank fees	4,029		3,919	
Cash and cash equivalents	4,600		681	
Net financial position	612,667		920,587	

The Company's Net financial position is reconciled below to the amount that must be reported under Consob Communication DEM/6064293 issued on 28 July 2006 in compliance with the CESR recommendation dated 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses":

(in thousands of Euro)

	31 December 2013	Of which related parties (Note 25)	31 December 2012	Of which related parties (Note 25)
Net financial position - as reported above	612,667		920,587	
Long-term financial receivables	26		21	
Long-term bank fees	-		3,919	
Net forward currency contracts on commercial transactions	27	27		
Net metal derivatives	(38)	(38)	-	
Recalculated Net financial position	612,682		924,527	

11. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in thousands of Euro)

	31 December 2013	31 December 2012
Trade payables - current portion	295,791	27,653
Total trade payables - current portion	295,791	27,653
Other payables - current portion:		
Tax and social security payables	4,293	3,919
Payables to employees	23,102	7,987
Accrued expenses	45	490
Other	1,820	1,421
Total other payables - current portion	29,260	13,817
Total	325,051	41,470

Trade payables mostly refer to charges by suppliers of strategic metals and only partly to those by suppliers of other goods and services provided by external consultants in organisational, legal and IT matters.

Other payables comprise:

- social security payables relating to contributions on employee wages and salaries and amounts payable into supplementary pension funds;
- tax payables mainly relating to tax withheld from employees and not yet paid to the tax authorities;
- payables to employees for accrued wages and salaries not yet paid. The balance at 31 December 2013 includes Euro 14,908 thousand in respect of the liability for the Long-term incentive plan 2011-2013, which will be paid in the first half of 2014;
- other payables, which mainly relate to amounts due to Group companies for the transfer of recoverable withholding taxes to the Company under the group tax consolidation (art. 117 *et seq* of the Italian Income Tax Code).

At 31 December 2013, the liabilities for Trade payables and Other payables are all due within 12 months.

Trade payables include around Euro 23,635 thousand for the supply of strategic metals, whose payment terms are longer than normal for this type of transaction.

The following table breaks down Trade payables according to the currency in which they are expressed:

(in thousands of Euro)

	31 December 2013	31 December 2012
Euro	290,141	27,097
US Dollar	4,746	164
British Pound	503	237
Australian Dollar	121	137
Brazilian Real	118	-
Chinese Renminbi (Yuan)	109	-
Other currencies	53	18
Total	295,791	27,653

12. PROVISIONS FOR RISKS AND CHARGES

The following table reports movements in this balance during the period:

(in thousands of Euro)

	Contractual and legal risks	Other risks and charges	Total
Balance at 31 December 2012	33,583	37	33,620
Increases	-	2,728	2,728
Utilisations	(474)	-	(474)
Releases	(1,529)	-	(1,529)
Other	94	-	94
Total movements	(1,909)	2,728	819
Balance at 31 December 2013	31,674	2,765	34,439

(in thousands of Euro)

	Contractual and legal risks	Other risks and charges	Total
Balance at 31 December 2011	31,874	37	31,911
Currency translation differences	-	-	-
Increases	2,712	-	2,712
Utilisations	(1,003)	-	(1,003)
Releases	-	-	-
Other	-	-	-
Total movements	1,709	-	1,709
Balance at 31 December 2012	33,583	37	33,620

The net decrease of Euro 1,909 thousand in the Provision for contractual and legal risks includes Euro 474 thousand in utilisations for legal fees relating to the Antitrust investigations in progress in various jurisdictions; as a result, the provision for Antitrust investigations recognised by Prysmian S.p.A. amounts to approximately Euro 30,814 thousand at 31 December 2013.

More specifically, the European Commission, the US Department of Justice and the Japanese Antitrust Authority started investigations in late January 2009 into several European and Asian electrical cable

manufacturers to verify the existence of alleged anti-competitive practices in the high voltage underground and submarine cables markets. Subsequently, the Australian Competition and Consumers Commission ("ACCC") and the New Zealand Commerce Commission also started similar investigations. During 2011, the Canadian Antitrust Authority also started an investigation into a high voltage submarine project dating back to 2006. The investigations in Japan and New Zealand have ended without any sanctions for Prysmian. The other investigations are still in progress.

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

In Brazil, the local antitrust authority has started an investigation into several cable manufacturers, including Prysmian in the high voltage underground and submarine cables markets. Prysmian has taken steps to present its preliminary defence. During the month of December 2013, the company ABB and one of its senior managers signed an agreement with the Brazilian Antitrust Authority, under which they admitted the conduct alleged by the authority and pledged to cooperate with it and to each pay an agreed fine.

At the start of July 2011, Prysmian received a statement of objection from the European Commission in relation to the investigation started in January 2009 into the high voltage underground and submarine energy cables market. This document contained the Commission's preliminary position on alleged anti-competitive practices and did not prejudice its final decision. Prysmian subsequently submitted its defence which it was also able to present at the hearing before the European Commission held during the month of June 2012. In July 2013, Prysmian submitted information, at the Commission's request, about its 2004 sales in the high voltage underground and submarine cables businesses. In addition, a state of play meeting was held between the Company and the European Commission at the start of October 2013. Subsequently, in February 2014, the Commission requested the figures for the Group's consolidated sales at 31 December 2013 which, together with the length of time elapsing since the investigation's start, could indicate that a decision may be issued soon.

As at 31 December 2013, the amount of the provision for the risks relating to the investigations underway in the various jurisdictions, except for Brazil, is approximately Euro 30,814 thousand.

Despite the uncertainty of the outcome of the investigations underway in the various jurisdictions, the amount of this provision is considered to represent the best estimate of the liability based on the information now available. It should be noted, however, that the Commission's decision is not final but must be submitted to two more levels of review.

13. EMPLOYEE BENEFIT OBLIGATIONS

Prysmian S.p.A. provides post-employment benefits through programmes that include defined benefit plans, like the Employee indemnity liability and seniority bonuses.

Employee benefit obligations amount to Euro 6,305 thousand at 31 December 2013 (Euro 15,880 thousand at 31 December 2012) and are detailed as follows:

(in thousands of Euro)

	31 December 2013	31 December 2012
Employee indemnity liability (Italian TFR)	4,545	5,029
Termination and other benefits	1,760	1,663
Incentive plans	-	9,188
Total	6,305	15,880

The change of Euro 9,575 thousand is mainly attributable to the reclassification of liabilities for the long-term incentive plan 2011-2013 as Payables to employees, since they are due for settlement in the first few months of 2014; further details can be found in Note 17. Personnel costs.

As from 1 January 2013, the Prysmian Group has applied IAS 19 (revised) to measure the Group's Employee benefit obligations; this adoption has not had any effects on the financial statements of Prysmian S.p.A..

The income and expenses relating to Employee benefit obligations are as follows:

(in thousands of Euro)

	31 December 2013	31 December 2012
Employee indemnity liability (Italian TFR)	289	382
Termination and other benefits	139	585
Incentive plans	-	6,652
Total	428	7,619

Employee indemnity liability

Movements in this balance are as follows:

(in thousands of Euro)

	2013	2012
Opening balance	5,029	3,975
Current service costs	156	200
Interest cost	133	182
Actuarial (gains)/losses recognised in equity	(149)	522
Staff transfer	(36)	522
Disbursements	(588)	(372)
Total movements	(484)	1,054
Closing balance	4,545	5,029

The actuarial gains recognised at 31 December 2013 (Euro 149 thousand) mainly relate to the change in the associated economic parameters (the discount and inflation rates).

Under Italian law, the amount due to each employee accrues with service provided and is paid when the employee leaves the company. The amount due upon termination of employment is calculated on the basis of the length of service and the taxable remuneration of each employee. The liability is adjusted annually for the official cost of living index and statutory interest, and is not subject to any vesting conditions or periods, or any funding obligation; there are therefore no assets that fund this liability.

The rules governing this liability were revised by Legislative Decree 252/2005 and Law 296/2006 (Finance Act 2007). Amounts accruing since 2007 by companies with at least 50 employees now have to be paid into the INPS Treasury Fund or to supplementary pension schemes, as decided by employees, which now take the form of "defined contribution plans". All companies nonetheless still account for revaluations of amounts accrued before 2007, while those companies with fewer than 50 employees continue to accrue amounts in respect of this liability that are not intended for supplementary pension schemes.

The benefits relating to this plan are paid to participants in the form of capital, in accordance with the related rules. The plan also allows partial advances to be paid against the full amount of the accrued benefit in specific circumstances.

The main risk is the volatility of the inflation rate and the discount rate, as determined by the market yield on AA corporate bonds denominated in Euro. Another risk factor is the possibility that members leave the plan earlier than expected or that higher advance payments than expected are requested, resulting in an actuarial loss for the plan, due to an acceleration of cash flows.

The actuarial assumptions used to value Employee indemnity liability are as follows:

	31 December 2013	31 December 2012
Discount rate	3.00%	2.75%
Future expected salary increase	2.00%	2.00%
Inflation rate	2.00%	2.00%

The following table presents a sensitivity analysis of the effects of an increase/decrease in the most significant actuarial assumptions used to determine the present value of the Employee indemnity liability, namely the discount rate and inflation rate:

	31 December 2013	
Change in inflation rate	- 0.25%	+ 0.25%
Effects on liability	-3.16%	3.25%
Change in discount rate	- 0.5%	+ 0.5%
Effects on liability	4.98%	-4.53%

Contributions for employee benefit obligations (Employee indemnity liability) are estimated at Euro 298 thousand for 2014.

Average headcount in the period is reported below, compared with closing headcount at the end of each period:

	2013			
	Average	%	Closing	%
White collar and management	294	89%	290	89%
Blue collar	35	11%	35	11%
Total	329	100%	325	100%

	2012			
	Average	%	Closing	%
White collar and management	278	89%	287	89%
Blue collar	36	11%	37	11%
Total	314	100%	324	100%

14. REVENUE FROM SALES

This amounts to Euro 451,100 thousand and refers to the sale of strategic materials (copper, lead and aluminium) to Group companies, following the business reorganisation described in Section A. General information.

15. OTHER INCOME

This amounts to Euro 102,068 thousand, compared with Euro 111,038 thousand in 2012, and is detailed as follows:

(in thousands of Euro)

	2013	2012
Royalties	37,317	40,771
Head office services	53,170	55,730
Other services	472	1,001
Rental income	934	1,155
Insurance reimbursements and indemnities	-	19
Other income	9,842	12,012
Non-recurring other income		
<i>Special project income</i>	103	350
<i>Recharges for stock options</i>	230	-
Total other income	10,175	12,362
Total	102,068	111,038

Royalties refer to amounts charged to the subsidiary Prysmian Cavi e Sistemi S.r.l. (Euro 37,233 thousand) and to other companies outside the Group (Euro 84 thousand) for the use of patents and know-how.

Head office services of Euro 53,170 thousand (Euro 55,730 thousand in 2012), refer to charges invoiced by Prysmian S.p.A., under specific contracts, to its sub-holding company Prysmian Cavi e Sistemi S.r.l. for coordination activities and services provided by head office functions to Group companies.

Other services refer to amounts charged to Prysmian Financial Services Ireland Ltd., an Irish special purpose company, for services rendered in relation to the receivables securitization programme, which ended in July 2013.

Rental income refers to the recharge to Group companies of rent for the Company's office building, based on the space used by each of them.

Other income refers to sundry types of income and expense recharges.

16. RAW MATERIALS AND CONSUMABLES USED

This amounts to Euro 453,014 thousand, compared with Euro 2,017 thousand in 2012, and is detailed as follows:

(in thousands of Euro)

	2013	2012
Strategic materials	451,188	-
Consumables	1,826	2,017
Total	453,014	2,017

17. PERSONNEL COSTS

These are detailed as follows:

(in thousands of Euro)

	2013	2012
Wages and salaries	30,746	29,720
Social security	6,813	7,152
Retirement pension costs	1,737	1,658
Employee indemnity costs	156	105
Non-recurring personnel costs (income):		
<i>Company reorganisation</i>	2,463	2,979
Total non-recurring personnel costs (income)	2,463	2,979
Other personnel costs	6,552	9,854
Total	48,467	51,467

Other personnel costs mostly reflect the recognition of liabilities for the Long-term incentive plan 2011-2013, which will be settled in 2014, and for the YES Plan; more details can be found in the later paragraphs on "Long-term incentive plan 2011-2013" and "Group employee share purchase plan (YES Plan)".

Share-based payments

At 31 December 2013 and 31 December 2012, Prysmian S.p.A. had share-based compensation plans in place for managers of Group companies and members of the Company's Board of Directors. These plans are described below.

Stock option plan 2007-2012

On 30 November 2006, the Company's shareholders approved a Stock option plan which was dependent on the flotation of the Company's shares on Italy's Electronic Equities Market (Mercato Telematico Azionario - MTA) organised and managed by Borsa Italiana S.p.A.. The plan was reserved for employees of companies in the Prysmian Group.

Each option entitled the holder to subscribe to one share at a price of Euro 4.65.

The following table provides additional details about the stock option plan:

(in Euro)

	31 December 2013		31 December 2012	
	Number options	Exercise price	Number options	Exercise price
Options at start of year	82,937	4.65	198,237	4.65
Granted	-	4.65	-	4.65
Cancelled	(8)	-	-	-
Exercised	(82,929)	4.65	(115,300)	4.65
Options at end of year	-	4.65	82,937	4.65
<i>of which for Prysmian Spa employees</i>	-	4.65	65,333	4.65
of which vested at end of year	-	4.65	82,937	4.65
<i>of which for Prysmian Spa employees</i>	-	4.65	65,333	4.65
of which exercisable ⁽¹⁾	-	-	-	-
of which not vested at end of year	-	4.65	-	4.65
<i>of which for Prysmian Spa employees</i>	-	4.65	-	4.65

⁽¹⁾ Options could be exercised in specified periods only.

As at 31 December 2013 the options were all fully vested and exercised. The last window for exercising the options closed early in 2013.

Long-term incentive plan 2011-2013

On 14 April 2011, the Ordinary Shareholders' Meeting of Prysmian S.p.A. approved, pursuant to art. 114-bis of Legislative Decree 58/98, a long-term incentive plan for the period 2011-2013 for employees of the Prysmian Group, including certain members of the Board of Directors of Prysmian S.p.A., and granted the Board of Directors the necessary authority to establish and execute the plan. The plan's purpose was to incentivise the process of integration following Prysmian's acquisition of the Draka Group, and was conditional upon the achievement of performance targets, as detailed in the specific information memorandum.

The plan originally involved the participation of 290^(*) employees of Group companies in Italy and abroad viewed as key resources, and divided them into three categories, to whom the shares would be granted in the following proportions:

- *CEO*: to whom 7.70% of the total rights to receive Prysmian S.p.A. shares were allotted.
- *Senior Management*: this category initially had 44 participants who held key positions within the Group (including the Directors of Prysmian S.p.A. who held the positions of Chief Financial Officer, Energy Business Executive Vice President and Chief Strategic Officer), to whom 41.64% of the total rights to receive Prysmian shares were allotted.
- *Executives*: this category initially had 245 participants from the various operating units and businesses around the world, to whom 50.66% of the total rights to receive Prysmian shares were allotted.

(*) Following movements since the plan's issue, the number of plan participants amounted to 268 at 31 December 2013. The number of employees of Prysmian S.p.A. participating in the above plan is 45.

The plan established that the number of options granted would depend on the achievement of common business and financial performance objectives for all the participants.

The plan established that the participants' right to exercise the allotted options depended on achievement of the Target (being a minimum performance objective of at least Euro 1.75 billion in cumulative Adj. EBITDA for the Group in the period 2011-2013, assuming the same group perimeter) as well as continuation of a professional relationship with the Group up until 31 December 2013. The plan also established an upper limit for Adj. EBITDA as the Target plus 20% (i.e. Euro 2.1 billion), assuming the same group perimeter, that would determine the exercisability of the maximum number of options granted to each participant.

Access to the Plan was conditional upon each participant's acceptance that part of their annual bonus would be co-invested, if achieved and payable in relation to financial years 2011 and 2012.

The allotted options will carry the right to receive or subscribe to ordinary shares in Prysmian S.p.A., the Parent Company. These shares may partly comprise treasury shares and partly new shares, obtained through a capital increase that excludes pre-emptive rights under art. 2441, par. 8 of the Italian Civil Code. Such a capital increase, involving the issue of up to 2,131,500 new ordinary shares of nominal value Euro 0.10 each, for a maximum amount of Euro 213,150, was approved by the shareholders in the extraordinary session of their meeting on 14 April 2011. The shares obtained from the Company's holding of treasury shares will be allotted for zero consideration, while the shares obtained from the above capital increase will be allotted to participants upon payment of an exercise price corresponding to the nominal value of the Company's shares.

In accordance with IFRS 2, for both new and treasury shares, the options granted have been measured at their grant date fair value.

In detail, the fair value of the options has been determined using the Cox-Ross-Rubinstein binomial pricing model, based on the following assumptions:

	Options for consideration	Options for no consideration
Grant date	2 September 2011	2 September 2011
Residual life at grant date (in years)	2.33	2.33
Exercise price (Euro)	0.10	-
Expected volatility	45.17%	45.17%
Risk-free interest rate	3.96%	3.96%
Expected interest rate	1.56%	1.56%
Option fair value at grant date (Euro)	10.53	10.63

The following table provides additional details about the plan:

(in Euro)

	For consideration		For no consideration	
	Number of options (*)	Exercise price	Number of options (*)	Exercise price
Options at start of year	2,131,500	0.10	1,890,875	-
Granted	-	-	-	-
Variation for target remeasurement	-	-	(309,331)	-
Cancelled	-	-	(165,235)	-
Exercised	-	-	-	-
Options at end of year	2,131,500	0.10	1,416,309	-
<i>of which for Prysmian S.p.A. employees</i>	<i>745,126</i>	<i>0.10</i>	<i>495,887</i>	-
of which vested at end of year	2,131,500	0.10	1,416,309	-
<i>of which for Prysmian S.p.A. employees</i>	<i>745,126</i>	<i>0.10</i>	<i>495,887</i>	-
of which exercisable	-	-	-	-
of which not vested at end of year	-	-	-	-
<i>of which for Prysmian S.p.A. employees</i>	-	-	-	-

(*) The number of options shown has been determined based on cumulative EBITDA for the three years 2011-2013.

As at 31 December 2013 the options were all fully vested. The options will be exercisable in 2014, within the three months following the anniversary of the grant date (2 September 2014). Options not exercised during this period will be deemed forfeited and void.

At 31 December 2013, the overall cost recognised in the income statement under "Personnel costs" in relation to the fair value of the options granted has been estimated at Euro 4,476 thousand.

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

Group employee share purchase plan (YES Plan)

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

The reasons behind the introduction of the Plan are:

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

The Plan offers the opportunity to purchase Prysmian's ordinary shares on preferential terms, with a maximum discount of 25% on the stock price, offered in the form of treasury shares, except for the Chief Executive Officer, the Chief Financial Officer, the Chief Strategy Officer and two key managers, for whom the discount is equal to 1% of the stock price.

The shares purchased will be subject to a retention period, during which they cannot be sold. The Plan envisages three purchase windows: 2014, 2015 and 2016.

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

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

During the month of October 2013, the plan was presented and explained to some 16,000 of the Group's employees in 27 countries. Employees were free to express their readiness to participate in the Plan by the end of December 2013 and have accordingly communicated the amount they intended to invest in the first purchase window and the method of payment. The amount collected, totalling Euro 7,640 thousand, will be used to make purchases of the Company's ordinary shares on the Milan Stock Exchange (MTA) over a period of 5 consecutive business days during the month of May 2014. The number of shares assigned to each participant will then be determined by taking into account the average purchase price of the shares acquired on behalf of participants, the individual investment and the applicable discount percentage.

All those who have adhered to the plan will also receive an entry bonus of six free shares, taken from the Company's portfolio of treasury shares, only available at the time of first purchase.

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

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

	1st Window (2014)	2nd Window (2015)	3rd Window (2016)
Grant date	13 November 2013	13 November 2013	13 November 2013
Share purchase date	19 May 2014	19 May 2015	19 May 2016
End of retention period	19 May 2017	19 May 2017	19 May 2017
Residual life at grant date (in years)	0.35	1.35	2.35
Share price at grant date (Euro)	18.30	18.30	18.30
Expected volatility	29.27%	30.11%	36.79%
Risk-free interest rate	0.028%	0.052%	0.203%
Expected dividend %	2.830%	2.830%	2.830%
Option fair value at grant date (Euro)	18.04	17.54	17.11

At 31 December 2013, the overall cost recognised in the income statement under "Personnel costs" in relation to the fair value of the options granted under this plan is Euro 124 thousand.

The following table provides additional details about the plan:

	Number of options
Options at start of year	-
Granted (*)	300,682
Cancelled	-
Exercised	-
Options at end of year	300,682
<i>of which for Prysmian Spa employees</i>	<i>36,015</i>
of which vested at end of year	-
<i>of which for Prysmian Spa employees</i>	-
of which exercisable	-
of which not vested at end of year	300,682
<i>of which for Prysmian Spa employees</i>	<i>36,015</i>

(*) The number of options has been determined on the basis of the number of shares expected to be bought by employees in the three purchase windows.

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

As at 31 December 2013, Prysmian S.p.A. had made no loans or given guarantees to any of its directors, senior managers or statutory auditors.

18. AMORTISATION, DEPRECIATION AND IMPAIRMENT

These are detailed as follows:

(in thousands of Euro)

	2013	2012
Depreciation of buildings, plant, machinery and equipment	443	618
Depreciation of other property, plant and equipment	398	251
Amortisation of intangible assets	9,622	7,816
Total	10,463	8,685

The significant increase in amortisation of intangible assets is mainly due to amortisation of the new information system now in use as a result of the "SAP Consolidation" project.

19. OTHER EXPENSES

These amount to Euro 67,031 thousand in 2013, compared with Euro 72,539 thousand in the prior year. Other expenses are analysed as follows:

(in thousands of Euro)

	2013	2012
Professional services	30,966	34,066
IT costs	16,312	18,028
Insurance	1,449	1,430
Maintenance services	74	182
Operating and other costs	5,043	3,531
Utilities	1,044	2,025
Travel costs	4,503	4,267
Rental costs	5,861	5,608
Increases in provisions for risks	113	113
Non-recurring other expenses and provisions:		
<i>Increase in provisions for risks</i>	(1,641)	599
<i>Recharged Stock option costs for seconded personnel</i>	1,331	-
<i>Special project costs</i>	1,976	2,690
Total non-recurring other expenses	1,666	3,289
Total	67,031	72,539

Professional services mainly refer to outsourcing costs (particularly for IT and personnel administration services) of Euro 5,961 thousand (Euro 8,769 thousand in 2012), costs for the use of personnel seconded from other Group companies of Euro 7,587 thousand (Euro 7,546 thousand in 2012), research and development costs of Euro 3,170 thousand (Euro 3,420 thousand in 2012), costs incurred to manage the patents portfolio of Euro 2,709 thousand (Euro 2,567 thousand in 2012) and costs relating to the receivables securitization programme of Euro 368 thousand (Euro 983 thousand in 2012).

Professional services also include the compensation of the Directors and Statutory Auditors of Prysmian S.p.A., respectively of Euro 414 thousand (Euro 430 thousand in 2012) and Euro 175 thousand (Euro 47 thousand in 2012), and the fees of the independent auditors of Euro 803 thousand (Euro 772 thousand in 2012).

Operating and other costs mainly refer to costs incurred for promotional activities and attendance at exhibitions and trade fairs.

Rental costs primarily refer to rent of Euro 2,360 thousand for the Company's office building (Euro 2,007 thousand in 2012) and rent of Euro 1,884 thousand for the premises and laboratories used by the Company's Research and Development department (Euro 2,056 thousand in 2012).

20. FINANCE INCOME AND COSTS

Finance costs are detailed as follows:

(in thousands of Euro)

	2013	2012
Interest on syndicated loans	8,618	15,595
Interest on non-convertible bond	21,000	21,000
Interest on convertible bond - monetary component	3,062	-
Interest on convertible bond - non-monetary component	5,913	-
Amortisation of bank and financial fees and other expenses	7,620	6,989
Employee benefit interest costs	178	240
Other bank interest	58	39
Costs for undrawn credit lines	2,650	3,444
Sundry bank fees	618	3,726
Other	66	7
Non-recurring other finance costs		
<i>Amortisation of bank fees</i>	2,311	-
Total non-recurring other finance costs	2,311	-
Finance costs	52,094	51,040
Foreign currency exchange losses	1,230	213
Total finance costs	53,324	51,253

Interest on syndicated loans comprises Euro 2,555 thousand on the share of the Term Loan received by Prysmian S.p.A. under the Credit Agreement 2010, and Euro 6,063 thousand on its share of the Term Loan Facility 2011. The decrease compared with 2012 is mainly due to a reduction in interest expense following early repayment of part of the Credit Agreement 2010 (see Note 10. Borrowings from banks and other lenders).

Amortisation of bank and financial fees and other expenses mainly reflects the Company's share of the annual costs relating to the loans obtained under the Credit Agreement 2010 and the Credit Agreement 2011, and of the costs of the convertible and non-convertible bonds.

Non-recurring finance costs mainly refer to the accelerated amortisation of bank fees following early repayment of the Credit Agreement 2010 (see Note 10. Borrowings from banks and other lenders).

Finance income is detailed as follows:

(in thousands of Euro)

	2013	2012
Interest income from banks and other financial institutions	2	308
Other finance income	13,085	15,364
Finance income	13,087	15,672
Foreign currency exchange gains	1,461	173
Total finance income	14,548	15,845

Other finance income mainly refers to the recharge to Group companies of fees for guarantees given by the Company on their account.

21. DIVIDENDS FROM SUBSIDIARIES

During 2013, Prysmian S.p.A. earned a total of Euro 219,861 thousand in dividends, chiefly from its subsidiaries Prysmian Cavi e Sistemi S.r.l. and Prysmian PowerLink S.r.l..

22. TAXES

These are detailed as follows:

(in thousands of Euro)

	2013	2012
Current income taxes	(31,091)	(20,010)
Deferred income taxes	2,847	(1,206)
Total	(28,244)	(21,216)

Current income taxes report a positive Euro 31,091 thousand in 2013, compared with Euro 20,010 thousand in 2012, and mainly reflect the net positive effects of the relief provided by tax losses transferred from some Italian companies under the rules of the group tax consolidation.

Information about deferred taxes can be found in Note 4. Deferred tax assets.

Taxes charged on profit before taxes differ from those calculated using the theoretical tax rate applying to the Company for the following reasons:

(in thousands of Euro)

	2013	Tax rate	2012	Tax rate
Profit before taxes	156,441		90,922	
Theoretical tax expense at Parent Company's nominal tax rate	43,021	27.5%	25,004	27.5%
Dividends from subsidiaries	(57,439)	(36.7%)	(39,188)	(43.1%)
Other permanent differences	407	0.3%	854	0.9%
Tax credit paid abroad	(8,192)	(5.2%)	-	0.0%
Other	1,237	0.8%	(1,235)	(1.4%)
Net effect of group tax consolidation for the year	(7,278)	(4.7%)	(6,651)	(7.3%)
Effective income taxes	(28,244)	(18.1%)	(21,216)	(23.3%)

Since 2006 the Company, along with all its Italian resident subsidiaries, has opted to file for tax on a group basis, pursuant to art. 117 *et seq.* of the Italian Income Tax Code, with the Company acting as the head of this group. The intercompany transactions arising under such a group tax consolidation are governed by specific rules and an agreement between the participating companies, which involve common procedures for applying the tax laws and regulations.

These rules were updated in 2008 to reflect the amendments and additions introduced by Law 244 of 24 December 2007 (Finance Act 2008) and Legislative Decree 112 of 25 June 2008.

These rules were amended on 26 March 2012 to incorporate in the transactions between the head of the tax group and the individual participating companies, the amendments introduced by Legislative Decree 201/2011 and the Ministerial Decree dated 14 March 2012 concerning Aid for Economic Growth.

Prysmian S.p.A. acts as the head of the tax group and calculates a single taxable base for companies in the Italian tax group. This has the benefit of being able to offset taxable profits against tax losses in a single tax return, thereby ensuring optimisation of the tax charge.

On 7 June 2012, the head of the tax group sent the required notice of renewal of the group tax election for the three years 2012 – 2013 – 2014 for the following companies:

- Fibre Ottiche Sud – F.O.S. S.r.l.
- Prysmian Cavi e Sistemi S.r.l.
- Prysmian Cavi e Sistemi Italia S.r.l.
- Prysmian Treasury S.r.l.

This notice also included the election to include the Prysmian Electronics S.r.l. in the group tax consolidation with effect from 2012.

Prysmian PowerLink S.r.l. had renewed its election to file for tax on a group basis for the three years 2011 - 2012 – 2013 on 7 June 2011.

The rate used for calculating the tax charge is 27.5% for IRES (Italian corporate income tax), and 5.57% for IRAP (Italian regional business tax).

23. CONTINGENT LIABILITIES

As a global operator, the Company is exposed to legal risks primarily, by way of example, in the areas of product liability, and environmental, antitrust and tax rules and regulations. Outlays relating to current or future proceedings cannot be predicted with certainty. The outcome of such 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 Company's financial position and results.

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

24. COMMITMENTS

The Company has the following types of commitments at 31 December 2013:

a) Commitments to purchase property, plant and equipment and intangible assets

Contractual commitments, already given to third parties at 31 December 2013 and not yet reflected in the financial statements, amount to Euro 941 thousand (Euro 1,228 thousand at 31 December 2012), of which Euro 264 thousand in relation to the SAP Consolidation project (Euro 446 thousand at 31 December 2012).

b) Operating lease commitments

Future commitments relating to operating leases are as follows:

(in thousands of Euro)

	2013	2012
Due within 1 year	2,175	4,339
Due between 1 and 5 years	2,029	3,575
Due after more than 5 years	-	-
Total	4,204	7,914

c) Comfort letters in support of bank guarantees given to Group companies

Comfort letters in support of bank guarantees given in the interest of Group companies amount to Euro 73 thousand, all of which relating to P.T. Prysmian Cables Indonesia.

d) Other guarantees given in the interest of Group companies

These amount to Euro 961,456 thousand at 31 December 2013 (Euro 946,757 thousand at 31 December 2012), analysed as follows:

(in thousands of Euro)

	2013	2012
Prysmian Cavi e Sistemi S.r.l.	42,766	65,114
Prysmian Netherlands B.V.	47,740	42,804
Prysmian PowerLink S.r.l.	837,246	809,102
Prysmian Cables & Systems Limited	23,750	24,262
Prysmian Kabel und Systeme GmbH	242	271
Fibre Ottiche Sud - F.O.S. S.r.l.	7,712	5,204
Other companies	2,000	-
Total	961,456	946,757

The comfort letters and guarantees given in the interest of Group companies in (c) and (d) mainly refer to projects and supply contracts and to the offsetting of VAT credits under the Group VAT settlement. The increase is mainly attributable to the guarantee issued to the subsidiary Prysmian PowerLink S.r.l. for the Western HVDC Link project.

e) Comfort letters in support of bank guarantees given in the interest of the Company

These amount to Euro 2,124 thousand, compared with Euro 2,440 thousand in the prior year.

As required by art. 2427 point 22-ter, it is reported that, in addition to the above disclosures about commitments, there are no other agreements that are not reflected in the statement of financial position that carry significant risks or benefits and which are critical for assessing the Company's assets and liabilities, financial position and results of operations.

25. RELATED PARTY TRANSACTIONS

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

- services (technical, organisational and general) provided by head office to subsidiaries;
- financial relations maintained by the Parent Company on behalf of, and with, Group companies.

All the above transactions fall within the ordinary course of business of the Parent Company and its subsidiaries.

The disclosures of related party transactions also include the compensation paid to Directors, Statutory Auditors and Key Management Personnel.

More details about related party transactions are provided in the attached table "Intercompany and related party transactions (disclosure under art. 2428 of the Italian Civil Code)".

The following tables summarise related party transactions in the year ended 31 December 2013:

(in thousands of Euro)		31 December 2013			
	Investments in subsidiaries	Trade and other receivables and derivatives	Trade and other payables and derivatives	Employee benefit obligations	Tax payables
Subsidiaries	1,728,516	733,987	6,172	-	36
Other related parties:					
Compensation of Directors, Statutory Auditors and Key management personnel	-	107	15,700	161	-
Total	1,728,516	734,094	21,872	161	36

(in thousands of Euro)		31 December 2012			
	Investments in subsidiaries	Trade and other receivables	Trade and other payables	Employee benefit obligations	Tax payables
Subsidiaries	1,660,977	357,404	12,687	-	75
Other related parties:					
Compensation of Directors, Statutory Auditors and Key management personnel	-	-	4,550	5,472	-
Total	1,660,977	357,404	17,237	5,472	75

(in thousands of Euro)		2013						
	Revenue from sales and Other income	Raw materials and consumables used	Cost of goods and services	Fair value change in metal derivatives	Personnel costs	Finance income/(costs)	Dividends	Taxes
Subsidiaries	546,731	511	17,947	38	-	13,132	219,861	27,115
Other related parties:								
Compensation of Directors, Statutory Auditors and Key management personnel	-	-	605	-	12,649	-	-	-
Total	546,731	511	18,552	38	12,649	13,132	219,861	27,115

(in thousands of Euro)		2012						
	Revenue from sales and Other income	Raw materials and consumables used	Cost of goods and services	Personnel costs	Finance income/(costs)	Dividends	Taxes	
Subsidiaries	104,146	308	18,304	-	15,641	150,000	35,535	
Other related parties:								
Compensation of Directors, Statutory Auditors and Key management personnel	-	-	477	13,247	-	-	-	
Total	104,146	308	18,781	13,247	15,641	150,000	35,535	

Transactions with subsidiaries

These refer to services supplied to and received from Group companies and to current account transactions with the Group's central treasury company.

Key management compensation

Key management compensation is analysed as follows:

(in thousands of Euro)

	2013	2012
Salaries and other short-term benefits - fixed part	3,951	3,885
Salaries and other short-term benefits - variable part	6,989	6,274
Other benefits	38	45
Share-based payments	1,671	3,043
Total	12,649	13,247
of which Directors	11,073	11,424

26. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

As required by Consob Communication DEM/6064293 dated 28 July 2006, the effects of non-recurring events and transactions on the Company's income statement are shown below, involving total net non-recurring expenses of Euro 6,107 thousand in 2013 and Euro 5,918 thousand in 2012.

(in thousands of Euro)

	2013	2012
Non-recurring other income:		
<i>Special project income</i>	103	350
<i>Recharged Stock option for seconded personnel</i>	230	-
Total non-recurring other income	333	350
Non-recurring other personnel costs:		
<i>Company reorganisation</i>	(2,463)	(2,979)
Total non-recurring other personnel costs	(2,463)	(2,979)
Non-recurring other expenses:		
<i>Special project costs</i>	(1,976)	(2,690)
<i>Recharged Stock option costs for seconded personnel</i>	(1,331)	-
<i>Increases in provisions for risks</i>	1,641	(599)
Total non-recurring other expenses	(1,666)	(3,289)
Non-recurring finance costs	(2,311)	
Total	(6,107)	(5,918)

The Statement of financial position and the Net financial position contain no material amounts in connection with non-recurring events.

27. COMPENSATION OF DIRECTORS AND STATUTORY AUDITORS

Directors' compensation amounts to Euro 11,503 thousand in 2013, and Euro 11,854 thousand in 2012. Statutory auditors' compensation for duties performed in Prysmian S.p.A. amounts to Euro 175 thousand in 2013 (Euro 47 thousand in 2012). Compensation includes emoluments, and any other types of remuneration, pension and medical benefits, received for their service as directors or statutory auditors of Prysmian S.p.A.. Further details can be found in the Remuneration Report.

28. ATYPICAL 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 took place during the year.

29. GROUP FINANCIAL COVENANTS

The Credit Agreement 2010 and Credit Agreement 2011, 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 Credit Agreements)
- Ratio between Net Financial Position and EBITDA (as defined in the Credit Agreements)

The evolution of the Covenants for the above agreements is shown in the following table:

	30 June 2011	31 December 2011	30 June 2012	31 December 2012	30 June 2013	31 December 2013	30 June 2014 and thereafter
Net financial position/EBITDA ⁽¹⁾	3.50x	3.50x	3.50x	3.00x	3.00x	2.75x	2.50x
EBITDA/Net finance costs ⁽¹⁾	4.00x	4.00x	4.00x	4.25x	4.25x	5.50x	5.50x

⁽¹⁾ The ratios have been calculated on the basis of the definitions contained in the Credit Agreement 2010 and the Credit Agreement 2011.

b) Non-financial covenants

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

Default events

The main default events are as follows:

- default on loan repayment obligations;
- breach of financial covenants;
- breach of some of the non-financial covenants;
- declaration of bankruptcy or subjection of Group companies to other insolvency proceedings;
- issuance of particularly significant judicial rulings;

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

Should any default event occur, the lenders are entitled to demand full or partial repayment of the outstanding amounts lent under the Credit Agreements, together with interest and any other amount due under the terms and conditions of these Agreements. No collateral security is required.

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

	31 December 2013	31 December 2012
EBITDA/Net finance costs (*)	6.91	6.78
Net financial position/EBITDA (*)	1.28	1.32

(*) The ratios have been calculated on the basis of the definitions contained in the Credit Agreement 2010 and the Credit Agreement 2011.

The above financial ratios comply with both the covenants contained in the Credit Agreement 2010 and in the Credit Agreement 2011.

30. STATEMENT OF CASH FLOWS

Net cash flow provided by operating activities amounted to Euro 283,310 thousand in 2013, inclusive of Euro 27,097 thousand in taxes collected by the Group's Italian companies for IRES transferred under the group tax consolidation (art. 117 *et seq.* of the Italian Income Tax Code).

Investing activities provided a net positive Euro 124,112 thousand in cash flow, after collecting Euro 202,286 thousand in dividends from subsidiaries.

Net finance costs recognised in the income statement came to Euro 38,776 thousand inclusive of non-cash items; excluding these items, net cash finance costs reflected in the statement of cash flows amounted to Euro 23,934 thousand, most of which referring to interest expense, bank fees and other incidental expenses in connection with the Credit Agreement 2010, the Credit Agreement 2011, the Convertible bond and the Non-convertible bond.

Cash flow relating to financing activities includes the proceeds of the Convertible bond and the early repayment of the Credit Agreement 2010.

31. INFORMATION PURSUANT TO ART.149-DUODECIES OF THE CONSOB ISSUER REGULATIONS

Pursuant to art. 149-duodecies of the Consob Issuer Regulations, the following table shows the fees in 2013 and 2012 for audit work and other services provided by the independent auditors PricewaterhouseCoopers S.p.A. and companies in the PricewaterhouseCoopers network:

(in thousands of Euro)

	Supplier of services	Fees relating to 2013	Fees relating to 2012
Audit services	PricewaterhouseCoopers S.p.A.	1,140	772
Certification services	PricewaterhouseCoopers S.p.A. ⁽¹⁾	83	103
Other services	PricewaterhouseCoopers S.p.A. ⁽²⁾	105	115
Total		1,328	990

(1) Audit support and other services.

(2) Tax and other services.

32. RESEARCH AND DEVELOPMENT

The Group's research and development activities are mostly concentrated in Prysmian S.p.A.. The central team, in coordination with R&D and engineering centres in the various countries, developed numerous projects over the year in the field of both energy and telecom cables; significant advances were made in the area of materials and optical fibre technology.

R&D costs incurred in 2013 and expensed to income amounted to Euro 16,507 thousand, compared with Euro 19,233 thousand in 2012.

33. EVENTS AFTER THE REPORTING PERIOD

On 1 February 2014, Prysmian (Dutch) Holdings B.V., a company owned by the subsidiary Prysmian Cavi e Sistemi S.r.l., was merged with Draka Holding N.V.. This transaction, effective 1 January 2014 for accounting purposes, has increased the interest of Prysmian Cavi e Sistemi S.r.l. in Draka Holding N.V. to 47.83%, and decreased the interest of Prysmian S.p.A. in the same subsidiary to 52.17%.

On 5 February 2014, the European Investment Bank (EIB) paid the Parent Company Prysmian S.p.A the Euro 100 million loan, intended to fund the Prysmian Group's European Research & Development programmes over the period 2013-2016. The loan agreement was signed in December 2013 and will fund about 50% of the planned investment expenditure by R&D centres in six countries: France, Great Britain, the Netherlands, Spain, Germany and Italy. The loan will be repaid in 12 equal half-yearly instalments starting on 5 August 2015 and ending on 5 February 2021.

On 19 February 2014, Prysmian S.p.A signed a loan agreement for Euro 100 million with Mediobanca - Banca di Credito Finanziario S.p.A.. The agreement has a five-year term and is intended to refinance existing debt and working capital requirements.

On 19 February 2014, the Ansaldo 20 building, located in Milan, was spun off from the subsidiary Fibre Ottiche Sud - FOS S.r.l. to Prysmian S.p.A.. This building will undergo renovations in order to transform it into the Prysmian Group's new headquarters.

On 21 February 2014, the Group sent the syndicate of banks party to the Credit Agreement 2010, a Prepayment Notice that it would repay early the outstanding loan of Euro 88 million on 28 February 2014.

34. FILING OF FINANCIAL STATEMENTS

Prysmian S.p.A.'s financial statements at 31 December 2013 will be filed within the legally required term at its registered office in Viale Sarca 222, Milan and at Borsa Italiana S.p.A. and published on the website at www.prysmiangroup.com.

The financial statements of the two sub-holding companies, Prysmian Cavi e Sistemi S.r.l. and Draka Holding N.V., will be filed at the registered office in Viale Sarca 222, Milan.

Milan, 25 February 2014

ON BEHALF OF THE BOARD OF DIRECTORS
THE CHAIRMAN
Massimo Tononi

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES AT 31 DECEMBER 2013

The following information relating to investments is provided in accordance with art. 2427 point 5) of the Italian Civil Code:

(in thousands of Euro)

	Registered office	Book value	% owned	Share capital	Total equity	Prysmian share of equity	Net profit/(loss) for the year
Italian subsidiaries							
Prysmian Cavi e Sistemi S.r.l.	Milan, Viale Sarca 222	278,522	100	100,000	366,343	366,343	98,464
Prysmian Cavi e Sistemi Italia S.r.l.	Milan, Viale Sarca 222	49,159	100	77,143	98,410	98,410	(2,990)
Prysmian PowerLink S.r.l.	Milan, Viale Sarca 222	63,586	100	50,000	173,409	173,409	72,093
Fibre Ottiche Sud - F.O.S. S.r.l.	Battipaglia, Strada Provinciale 135	80,383	100	47,700	83,098	83,098	(24,962)
Prysmian Treasury S.r.l.	Milan, Viale Sarca 222	37,757	100	30,000	42,691	42,691	(9,989)
Total Italian subsidiaries		509,407					
Foreign subsidiaries							
Draka Holding N.V.	Amsterdam, Netherlands	1,216,954	63.43	42,952	1,378,230	874,211	94,913
Prysmian Kabel und Systeme GmbH	Berlin, Germany	2,154	6.25	15,000	(4,258)	(266)	11,124
Prysmian Kablo SRO	Bratislava, Slovakia	1	0.005	21,246	2,572	-	(528)
Jaguar Communication Consultancy Services Private Ltd.	Mumbai, India	-	0.00003	403	146	-	(59)
Prysmian Surfex Umbilicais e Tubos Flexiveis do Brasil Ltda	Vila Velha, Brazil	-	0.000001	49,025	82,630	-	(3,678)
Total foreign subsidiaries		1,219,109					
Grand total		1,728,516					

The above figures are taken from the IFRS reporting packages of the subsidiaries at 31 December 2013.

INTERCOMPANY AND RELATED PARTY TRANSACTIONS (DISCLOSURE UNDER ART. 2428 OF THE ITALIAN CIVIL CODE)

With reference to the disclosures required by art. 2428 of the Italian Civil Code concerning transactions between the Company and its subsidiaries, associates, parents and companies controlled by parents, the following table presents the impact of such transactions on the Company's statement of financial position and income statement at 31 December 2013:

(in thousands of Euro)

Subsidiaries:	Investments in			Employee benefit obligations	Costs			Income			
	subsidiaries	Receivables	Payables		Personnel costs	Goods, services and fair value change in metal derivatives	Finance costs	Goods and services	Finance income	Dividends and (Impairment)/ Reversal of impairment of investments	Income (costs) from group tax consolidation
Fibre Ottiche Sud - F.O.S. S.r.l.	80,383	302	(47)	-	-	(386)	-	155	-	120	-
Pysmian Telecom Cables & Systems Australia PTY Limited	-	166	(21)	-	-	(107)	-	-	2	-	-
Pysmian Wuxi Cable Company Ltd	-	-	(50)	-	-	-	-	-	-	-	-
Pysmian Cables and Systems Usa LLC	-	3,922	(305)	-	-	(701)	(1)	216	-	-	-
Pysmian Cables and Systems (US) INC.	-	-	(27)	-	-	(27)	-	-	-	-	-
Pysmian Treasury Srl	37,757	557,194	(86)	-	-	208	(612)	15	540	59	3,171
Pysmian Cable Systems PTE LTD	-	3	-	-	-	-	-	3	-	-	-
Pysmian Cables & Systems Limited	-	16,589	(541)	-	-	(1,954)	(489)	105,616	1,066	-	-
Pysmian Energia Cables y Sistemas de Argentina S.A.	-	2	(73)	-	-	(69)	-	-	-	-	-
Pysmian Energia Cabos e Sistemas do Brasil S.A.	-	31	(400)	-	-	(482)	-	27	-	-	-
Pysmian Power Cables and Systems Canada LTD	-	-	(3)	-	-	(38)	-	2	-	-	-
Pysmian Cables et Systèmes France SAS	-	12,210	(515)	-	-	(1,268)	-	70,803	-	-	-
Pysmian Spain S.A.U.	-	5,395	(123)	-	-	(270)	-	4,890	-	-	-
P.T. Pysmian Cables Indonesia	-	3	(36)	-	-	(36)	-	3	-	-	-
Comergy Ltd	-	-	-	-	-	-	-	-	-	-	-
Pysmian - OEKW GmbH	-	5	-	-	-	-	-	18	-	-	-
Pysmian Kabel und Systeme GmbH	2,154	5,154	(47)	-	-	(613)	-	7,822	-	-	-
Pysmian MKM Magyar Kabel Muevek Kft	-	4,555	(12)	-	-	(117)	-	63,098	-	-	-
Turk Pysmian Kablo Ve Sistemleri A.S.	-	1,186	(33)	-	-	(183)	-	1,340	-	-	-
Pysmian Cabluri Si Sisteme S.A.	-	599	(10)	-	-	(74)	-	6,308	-	-	-
Fercable S.L. (ora Pysmian Spain S.A.U.)	-	-	-	-	-	-	-	(13)	-	-	-
Pysmian Tianjin Cables Co. Ltd.	-	-	(29)	-	-	(9)	-	-	-	-	-
Pysmian Kablo s.r.o.	1	265	-	-	-	-	-	67	-	-	-
Pysmian Finland OY	-	9,071	(80)	-	-	(80)	-	44,550	-	-	-
Pysmian Netherlands B.V.	-	1,807	(4)	-	-	(465)	-	11,643	669	-	-
Pysmian Cavi e Sistemi Italia S.r.l.	49,159	3,296	(320)	-	-	(580)	-	10,952	-	916	-
Pysmian Baosheng Cable Co. Ltd	-	13	(92)	-	-	(92)	-	-	-	-	-
Pysmian Power Cables & Systems Australia Pty Limited	-	1,138	(99)	-	-	(773)	(18)	24	5	-	-
Pysmian Cavi e Sistemi S.r.l.	278,522	48,717	(77)	-	-	(28)	-	84,977	-	145,479	3,615
Pysmian Power Cables & Systems New Zealand Limited	-	-	-	-	-	-	-	2	-	-	-
Pysmian PowerLark Srl	63,586	33,558	(18)	-	-	(3)	-	16,405	12,030	60,833	20,240
Pysmian Hong Kong Holding Limited	-	-	-	-	-	-	-	-	-	-	-
Pysmian (China) Investment Company Ltd	-	8	(25)	-	-	(20)	-	8	-	-	-
LLC Pysmian RUS	-	446	(20)	-	-	-	-	185	-	-	-
LLC "Rybnskelektrokabel"	-	1,597	-	-	-	-	-	677	-	-	-
Ravin Cables Limited	-	25	-	-	-	-	-	-	-	-	-
Pysmian Surfex Umbilicais e Tubos Flexveis do Brasil Ltda	-	9	(306)	-	-	(225)	-	-	-	-	-
Pysmian Electronics S.r.l.	-	107	(400)	-	-	(400)	-	16	-	-	89
Draka Holding N.V.	1,216,954	3,200	(1,744)	-	-	(8,066)	-	14	-	12,454	-
Kabelbedrijven Draka Nederland BV	-	3,773	(1)	-	-	(0)	-	31,349	-	-	-
Draka Comteq Fibre BV	-	608	(3)	-	-	(6)	-	67	-	-	-
Draka Cableteq USA INC	-	944	(4)	-	-	(52)	(2)	80	-	-	-
Draka Elevator Products INC	-	735	-	-	-	-	-	-	-	-	-
Draka Comteq France SAS	-	1,313	-	-	-	(75)	-	319	-	-	-
Draka Paricable SAS	-	451	-	-	-	-	-	1,623	-	-	-
Draka Comteq Germany GmbH & Co.KG	-	910	(107)	-	-	(217)	-	9,685	-	-	-
Draka Norsk Kabel AS	-	851	(156)	-	-	(237)	-	113	-	-	-
Draka Kabel Sverige AB	-	3,153	(12)	-	-	(101)	-	14,231	-	-	-
Draka Cable Wuppertal GmbH	-	1,868	-	-	-	-	-	6,359	-	-	-
Draka Kabel B.V.	-	-	(8)	-	-	-	-	-	-	-	-
Draka Comteq Berlin GmbH & Co KG	-	346	-	-	-	-	-	173	-	-	-
AS Draka Keila Cables	-	1,017	-	-	-	-	-	5,944	-	-	-
Draka Comteq Iberica S.L.L.U.	-	34	-	-	-	-	-	74	-	-	-
Draka Kabely s.r.o	-	3,654	(28)	-	-	(169)	-	36,489	-	-	-
Pysmian Fibras Otcas Brasil Ltda	-	-	(31)	-	-	(31)	-	-	-	-	-
Draka Belgium N.V.	-	-	-	-	-	-	-	2	-	-	-
Pysmian Denmark A/S	-	459	(11)	-	-	(55)	-	288	-	-	-
Draka Denmark Holding A/S	-	135	-	-	-	-	-	47	-	-	-
Draka Fileca S.A.S.	-	231	(12)	-	-	(170)	-	89	-	-	-
Draka Deutschland GmbH	-	33	-	-	-	-	-	157	-	-	-
Draka Kabeltechnik GmbH	-	8	-	-	-	-	-	36	-	-	-
Draka Service GmbH	-	12	-	-	-	-	-	60	-	-	-
Draka Comteq UK Limited	-	-	(13)	-	-	(152)	-	-	-	-	-
Draka UK Limited	-	-	-	-	-	(108)	(4)	-	1	-	-
Draka Comteq Cable Solutions B.V. (now Pysmian Netherlands B.V.)	-	-	-	-	-	-	-	26	-	-	-
Draka Comteq Slovakia s.r.o.	-	15	-	-	-	-	-	73	-	-	-
Draka Sweden AB	-	245	-	-	-	-	-	291	-	-	-
Draka Istanbul Asansor Inhalet Ihracat Uretim Ticaret Ltd Sti.	-	(9)	(15)	-	-	(15)	-	(9)	-	-	-
Draka Comteq Kablo Limited Sirketi	-	(9)	-	-	-	-	-	(9)	-	-	-
Draka Marine Oil & Gas International LLC (now Draka Cableteq USA Inc)	-	-	-	-	-	-	(7)	-	-	-	-
Draka Transport USA LLC	-	-	-	-	-	-	-	6	-	-	-
Pysmian Draka Brasil S.A.	-	-	(225)	-	-	(56)	-	-	-	-	-
Draka Durango S. de R.L. de C.V.	-	3	-	-	-	-	-	3	-	-	-
Draka Cables (Hong Kong) Limited	-	43	-	-	-	-	-	3	-	-	-

(in thousands of Euro)

	Investments in subsidiaries	Receivables	Payables	Employee benefit obligations	Costs			Income			
					Personnel costs	Goods, services and fair value change in metal derivatives	Finance costs	Goods and services	Finance income	Dividends and (Impairment)/ Reversal of impairment of investments	Income (costs) from group tax consolidation
Suzhou Draka Cable Co. Ltd	-	71	-	-	-	-	-	-	-	-	-
Draka Philippines Inc.	-	1,090	-	-	-	-	(75)	8,796	28	-	-
Sindutch Cable Manufacturer Sdn Bhd	-	-	-	-	-	-	-	2	-	-	-
Draka (Malaysia) Sdn Bhd	-	-	(9)	-	-	(9)	-	-	-	-	-
Draka Cableteq Asia Pacific Holding Pte Ltd	-	810	-	-	-	-	-	49	-	-	-
Singapore Cables Manufacturers Pte Ltd	-	81	(14)	-	-	(87)	-	20	1	-	-
Draka Comteq Singapore Pte Ltd	-	-	-	-	-	(20)	-	-	-	-	-
MCI-Draka Cable Co. Ltd	-	4	-	-	-	-	-	3	-	-	-
Prysmian UK Group Limited	-	347	-	-	-	-	-	(3)	-	-	-
Prysmian PowerLink - Branch Singapore	-	-	(15)	-	-	-	-	-	-	-	-
Power Cables Malaysia SMD - BHD	-	190	-	-	-	-	-	-	-	-	-
Prysmian Financial Services Ireland Limited	-	-	-	-	-	-	-	472	-	-	-
Compensation of Directors, Statutory Auditors and Key management personnel	-	107	(15,700)	(161)	(12,649)	(605)	-	-	-	-	-
Total	1,728,516	734,094	(21,908)	(161)	(12,649)	(19,025)	(1,208)	546,731	14,341	219,861	27,115

CERTIFICATION OF THE 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 Andreas Bott, 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 2013 the accounting and administrative processes for preparing the 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 financial statements at 31 December 2013 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.

3. They also certify that:

3.1 The financial statements at 31 December 2013:

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;

correspond to the underlying accounting records and books of account;

are able to provide a true and fair view of the issuer's statement of financial position and results of operations.

3.2 The directors' report contains a reliable analysis of performance and the results of operations, and of the issuer's situation, together with a description of the principal risks and uncertainties to which it is exposed.

Milan, 25 February 2014

/S/ Valerio Battista

/S/ Carlo Soprano

Andreas Bott

Chief Executive Officer

Managers responsible for preparing corporate accounting documents

Valerio Battista

Carlo Soprano

Andreas Bott

PARENT COMPANY

**REPORT BY THE BOARD
OF STATUTORY
AUDITORS**

REPORT BY THE BOARD OF STATUTORY AUDITORS (ART. 153 LEGISLATIVE DECREE 58/1998 AND ART. 2429 ITALIAN CIVIL CODE)

Shareholders,

This report refers to the activities performed by the Board of Statutory Auditors of Prysmian S.p.A. (the "Company" and together with its subsidiaries, the "Group") during the year ended 31 December 2013 (the "Financial Year").

1. In performing its supervisory and control activities, the Board of Statutory Auditors reports that:

a) it has monitored compliance with the law and the Company's By-laws and the observance of good management practices, in accordance with its duties set out in art. 2403 of the Italian Civil Code, art. 149 of Legislative Decree 58/1998 (Italy's Unified Financial Act, hereinafter "U.F.A.") and Consob Communication 1025564 dated 6 April 2001 and subsequent amendments, and with reference to the standards of conduct established by the Italian Accountancy Profession;

b) it attended meetings of the Board of Directors and the Control and Risks Committee, set up under art. 19 of the By-laws, and it received regular information from the Directors about the Company's performance and outlook, and about transactions with the most significant impact on its results of operations, financial position and cash flows that were approved and actioned during the Financial Year by the Company and Group companies, including those transactions specifically mentioned in art. 150, par. 1, UFA.

The Board of Statutory Auditors is able to provide reasonable assurance that the transactions approved and put into action complied with the law and the By-laws and were not manifestly imprudent, risky, in potential conflict of interest, in contrast with resolutions adopted by the shareholders in general meetings, nor such as to compromise the integrity of the Company's net assets. Resolutions adopted by the Board of Directors have been faithfully executed by management and the organisation;

c) it has not observed the existence of atypical and/or unusual transactions with Group companies or with third or related parties, nor has it received information in this regard from the Board of Directors, the Independent Auditors, or the director in charge of supervising the internal control and risk management system. The Directors' Report, prepared by the Board of Directors, contains adequate information about the effects of ordinary transactions entered into with subsidiaries on an arm's length basis that have an important impact on results of operations, financial position and cash flows. The Board of Statutory Auditors is of the opinion that related party transactions are adequately controlled, also basing its conclusion on the results of work carried out by the Internal Audit department. In this regard, the Board of Statutory Auditors notes that the Company has adopted a set of procedures for related party transactions in compliance with the provisions of Consob Regulation 17221 dated 12 March 2010 and the Consob Communication dated 24 September 2010, as well as specific rules contained in the Group's Ethical, which set out how to avoid or manage situations in which the Directors have a conflict of interest or a personal interest. In accordance with art. 4 of the above Consob Regulation, the Board of Statutory Auditors has verified that the procedures adopted by the Company comply with the Regulation's principles, and that such procedures have been observed;

d) it has obtained information about and monitored (i) the adequacy of the Company's organisational structure, within the scope of its remit, and (ii) the observance of good management practices, by acquiring information from heads of the relevant departments and by holding meetings with representatives from PricewaterhouseCoopers S.p.A., the auditing firm engaged to perform the statutory audit (the "Independent Auditors"), including for the purpose of exchanging relevant information and data; no critical issues have emerged as a result of these meetings. No critical issues have emerged as a result of meetings with the Boards of Statutory Auditors and sole Statutory Auditors of the Company's Italian subsidiaries (Prysmian Cavi e Sistemi Srl; Prysmian Cavi e Sistemi Italia S.r.l.; Fibre Ottiche Sud - F.O.S. S.r.l.; Prysmian Powerlink S.r.l.; Prysmian Treasury S.r.l. and Prysmian Electronics S.r.l.);

e) it has assessed and monitored, to the extent of its remit under art. 19 of Legislative Decree 39/2010, the financial reporting process, the adequacy of systems of internal control, administration and accounting, and the latter's reliability for the purposes of fairly representing business performance, by:

- i. regularly exchanging information with executive directors and particularly with the Managers responsible for preparing corporate accounting documents, whose role is governed by art. 154-bis, UFA;
- ii. examining the reports prepared by the Head of Internal Audit, including information on the outcome of any remedial actions implemented as a result of auditing activities;
- iii. obtaining information from the heads of departments;
- iv. holding meetings and exchanging information with the statutory auditors of the subsidiaries (Prysmian Cavi e Sistemi S.r.l.; Prysmian Cavi e Sistemi Italia S.r.l.; Fibre Ottiche Sud - F.O.S. S.r.l.; Prysmian Powerlink S.r.l.; Prysmian Treasury S.r.l.; and Prymian Electronics S.r.l.), as permitted by paragraphs 1 and 2 of art. 151, UFA, during which the Board of Statutory Auditors obtained information about the management and control systems of these subsidiaries and general trends in their business;
- v. examining the activities of the Independent Auditors and reviewing the results of their work;
- vi. attending meetings of the Control and Risks Committee and, when matters so required, addressing such matters jointly with this Committee.

These activities have not revealed any anomalies that could be considered evidence of inadequacies in the internal control and risk management system;

f) as required by art. 150, par. 3, UFA and art. 19 of Legislative Decree 39/2010, it has had meetings with senior management from the firm of Independent Auditors, during which no facts or situations emerged that would require disclosure in this report, and it has performed the supervisory activities prescribed by art. 19 of Legislative Decree 39/2010;

g) it has monitored the arrangements for implementing the Self-Regulatory Code for listed companies promoted by Borsa Italiana S.p.A., adopted by the Company, as described in the Report on Corporate Governance and Ownership Structure approved by the Board of Directors on 25 February 2014. The Board of Statutory Auditors has also verified the correct application of the criteria and procedures adopted by the Board of Directors to evaluate the independence of its

members. The Board of Statutory Auditors has also verified that its own members comply with the independence requirements, laid down in the Self-Regulatory Code;

h) it has examined and obtained information about the activities of an organisational and procedural nature implemented under Legislative Decree 231/2001 on corporate criminal liability. The Monitoring Board instituted by the Company has reported on its activities during the Financial Year and has not notified the Board of Statutory Auditors of any significant matters;

i) it has verified that the flow of information provided by subsidiaries located outside the European Union is adequate for the audit of the annual and interim financial reports, as required by art. 36 of the Market Regulation adopted under Consob resolution 16191 dated 29 October 2007;

j) it has followed the implementation of organisational measures connected with developments in the business.

The Board of Statutory Auditors has issued opinions under art. 2389 of the Italian Civil Code.

The Board of Statutory Auditors met eight times during 2013 and also attended meetings of the Board of Directors and the Control and Risks Committee; it also met with the Boards of Statutory Auditors and sole Statutory Auditors of the subsidiaries mentioned earlier.

As regards exchange of information with the Monitoring Board (instituted under Legislative Decree 231/2001), the Chairman of the Monitoring Board reports systematically to the Board of Statutory Auditors on its supervisory activities involving the Organisational Model adopted by the Company under Legislative Decree 231/2001.

Based on the information obtained, the Board of Statutory Auditors considers that the business is run in accordance with good management practices and that as a whole, its organisational structure, system of internal controls and administrative and accounting systems are appropriate for its business needs.

2. With regard to relations with the Independent Auditors, the Board of Statutory Auditors reports that:

a) PricewaterhouseCoopers S.p.A. has issued today its "annual independence confirmation", under art. 17, par. 9 a) of Legislative Decree 39/2010;

b) on 20 March 2013, PricewaterhouseCoopers S.p.A. issued its report, required by art. 19, par. 3 of Legislative Decree 39/2010, for the year ended 31 December 2012, which showed that there were no material weaknesses in the internal controls relating to the financial reporting process;

c) PricewaterhouseCoopers S.p.A. has issued reports, also dated today, under art. 14 and art. 16 of Legislative Decree 39/2010, which state that:

- i. the separate financial statements and consolidated financial statements for the year ended 31 December 2013 have been prepared clearly and give a true and fair view of the financial position as of 31 December 2013, the results of operations and changes in equity and cash flows of the Company and the Group for the Financial Year then ended;
- ii. the Directors' Report and the information referred to in paragraph 1, letters c), d), f), l) m) and

paragraph 2, letter b) of art. 123-bis UFA, presented in the Report on Corporate Governance and Ownership Structure, are consistent with the separate financial statements and the consolidated financial statements;

d) in addition to the duties prescribed by listed company regulations, PricewaterhouseCoopers S.p.A. and member companies of the PricewaterhouseCoopers S.p.A. network were engaged to perform other non-audit services for a total of Euro 890,000 during the Financial Year, as disclosed in the notes to the separate and consolidated financial statements; the nature of such services is consistent with art.17 of Legislative Decree 39/2010.

The Board of Statutory Auditors believes, also based on the foregoing information, that there are no critical issues concerning the independence of PricewaterhouseCoopers S.p.A.;

e) during the Financial Year, PricewaterhouseCoopers S.p.A., issued a legally required opinion on the issue price of the shares relating to the capital increase with exclusion of pre-emption rights, serving the conversion of the equity-linked bonds, known as "300,000,000 1.25 per cent. Equity Linked Bonds due 2018".

3. On 22 May 2013, during its quarterly review, the Board of Statutory Auditors learned of a complaint brought under art. 2408 of the Italian Civil Code by Mr. D'Atri, representing D&C Governance S.r.l., during the Shareholders' Meeting held on 16 April 2013. In particular, Mr. D'Atri requested to check whether the list of candidates for the office of Statutory Auditor, submitted by a group of shareholders comprising asset management companies and institutional investors, had been submitted in accordance with the provisions of applicable law. The investigations carried out by the Board of Statutory Auditors and recorded in an official report, have led to the conclusion that this complaint was unfounded.
4. The Board of Auditors is not aware of any matters or complaints of which the Shareholders' Meeting should be informed. During the course of its activities and based on the information obtained, the Board of Statutory Auditors has not observed any omissions, misconduct, irregularities or any other circumstances that would require reporting to the external Supervisory Authority or disclosure in the present report.
5. The Board of Directors has promptly provided the Board of Statutory Auditors with copies of the financial statements and the Directors' Report. Within the scope of its remit, the Board of Statutory Auditors observes that the formats used are in accordance with the law, that the accounting policies adopted, as described in the accompanying notes, are adequate in relation to the activities and operations carried out by the Company, that the procedure adopted for testing the impairment of goodwill and trademarks presented in the financial statements is adequate and that the financial statements correspond to the facts and information of which the Board of Statutory Auditors is aware as a result of attending meetings of the Company's governing bodies and of its own supervisory activities.
6. Given the results of specific work performed by the Independent Auditors to test accounting controls and check the reliability of the financial statements, as well as the Board of Statutory Auditors' own supervisory activities, the Board of Statutory Auditors expresses a favourable opinion

concerning the approval of the financial statements for the year ended 31 December 2013 and agrees with the proposal of the Board of Directors regarding the allocation of profits.

7. Lastly, the Board of Statutory Auditors recalls that the agenda of the Shareholders' Meeting convened for 16 April 2014 includes:

Ordinary business

- approval of the financial statements for the year ended 31 December 2013 and related resolutions;
- appointment of a director;
- grant of authority to the Board of Directors to buy back and dispose of treasury shares;
- approval of the incentive plan: resolutions under art. 114-bis of Legislative Decree 58/98;
- consultation on the Group's remuneration policies;

Extraordinary business

- approval of the proposed increase in share capital free of charge, to be reserved for the Group's employees for the implementation of an incentive plan.

Milan, 20 March 2014

For the Board of Statutory Auditors
The Chairman
Pellegrino Libroia

PARENT COMPANY

AUDIT REPORT



AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the Shareholders of
Prysmian SpA

- 1 We have audited the financial statements of Prysmian SpA as of 31 December 2013 which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows and the related explanatory notes. The Directors of Prysmian SpA are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for listed Companies and Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference is made to our report dated 15 March 2013.
- 3 In our opinion, the financial statements of Prysmian SpA as of 31 December 2013 comply with the International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position as of 31 December 2013, the result of operations and cash flows of Prysmian SpA for the year then ended.
- 4 As described in the explanatory notes to the financial statements in note 12 "Provisions for risks and charges", in 2009 the European Commission and other regulatory authorities initiated an investigation on the Prysmian Group and other European and Asian electrical cable manufacturers aimed at assessing the existence of price fixing agreements in the high voltage land and submarine cables business. The recent request of information received from the European Commission, together with the length of time elapsed since the start of the

PricewaterhouseCoopers SpA

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investigation, could indicate that a decision may be issued soon. Although the outcome of the investigations in the different jurisdictions is still uncertain, and considering that the Commission decision would not be definitive but should be subject to two further levels of judicial review, the Directors believe that the provision booked represents the best estimate of the liability based on the information currently available.

- 5 The Directors of Prysmian SpA are responsible for the preparation of the Directors' report and of the report on corporate governance and ownership structure, published in the "investor relations/corporate governance" section of the Prysmian SpA internet site in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' report and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/1998, presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard 1 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the Directors' report and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/1998 presented in the report on corporate governance and ownership structure are consistent with the financial statements of Prysmian SpA as of 31 December 2013.

Milan, 20 March 2014

PricewaterhouseCoopers SpA

Signed by

Stefano Bravo
(Partner)

This report is an English translation of the original audit report, which was issued in Italian. This report has been prepared solely for the convenience of international readers.

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