



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

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2014

WORLDWIDE LEADER IN RENEWABLES
EXTENDED PRODUCT OFFERING



Prysmian
Group

 **PRYSMIAN**
 **Draka**

Disclaimer

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

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DIRECTORS' REPORT

DIRECTORS AND AUDITORS

Board of Directors	Chairman	Massimo Tononi ^{(*) (2)}
	Chief Executive Officer & General Manager	Valerio Battista
	Directors	Maria Elena Cappello ^{(*) (**) (1)} Pier Francesco Facchini
		Cesare d'Amico ^{(*) (**)} Fritz Fröhlich ^{(*) (**) (1)}
		Claudio De Conto ^{(*) (**) (1) (2)} Fabio Ignazio Romeo
		Giulio Del Ninno ^{(*) (**) (2)} Giovanni Tamburi ^{(*) (**)}
		Massimo Battaini ⁽³⁾

Board of Statutory Auditors	Chairman	Pellegrino Libroia
	Standing Statutory Auditors	Paolo Francesco Lazzati Maria Luisa Mosconi
	Alternate Statutory Auditors	Marcello Garzia Claudia Mezzabotta

Independent Auditors **PricewaterhouseCoopers S.p.A.**

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

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

⁽¹⁾ Members of Control and Risks Committee

⁽²⁾ Members of the Compensation and Nominations Committee

⁽³⁾ Appointed on 16 April 2014

Introduction

This Half-Year Financial Report at 30 June 2014 (Interim management statement pursuant to art. 154-ter of Italian Legislative Decree 58/1998) has been drawn up and prepared:

- in compliance with art. 154-ter of Italian Legislative Decree 58/1998 and subsequent amendments and with the Issuer Regulations published by Consob (Italy's securities regulator);
- in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and in accordance with *IAS 34 – Interim Financial Reporting*, applying the same accounting standards and policies adopted to prepare the consolidated financial statements at 31 December 2013, except as described in the Explanatory Notes in the paragraph entitled "Accounting standards, amendments and interpretations applied from 1 January 2014".

This Half-Year Financial Report has been the subject of a limited review by the independent auditors.

As a result of the changes introduced by *IFRS 10 - Consolidated Financial Statements* and *IFRS 11- Joint Arrangements*, applicable retrospectively from 1 January 2014, the Group's consolidated figures have been restated as from 1 January 2013.

The main effects of applying the new standards relate to use of the equity method to consolidate Yangtze Optical Fibre and Cable Joint Stock Limited Co. and Power Cable Malaysia Sdn Bhd, previously consolidated using the proportionate method, and Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd., previously consolidated line-by-line.

In addition, the Group has adopted a new method of classifying its share of the net profit/(loss) of equity-accounted companies, whereby it recognises this amount as a component of Operating income when relating to companies that operate in the same sector as the Group.

Further details can be found in Section C. Restatement of comparative figures, contained in the Explanatory Notes, and in the section on Alternative Performance Indicators contained in the present Directors' Report.

SIGNIFICANT EVENTS DURING THE PERIOD

NEW INDUSTRIAL PROJECTS AND INITIATIVES

On 16 January 2014, the Prysmian Group was awarded a contract worth approximately USD 24 million by Petrobras, Brazil's national 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 at the Group's plants in Bridgewater (New Jersey - USA) and Cariacica (Brazil), using Brazilian-sourced materials such as steel. Delivery is scheduled for July 2014.

On 9 April 2014, Prysmian Group was awarded a contract by Energinet.dk, Denmark's grid operator, to develop a high voltage cable system for the underground connection of the Horns Rev3 offshore wind farm. The project, known as Horns Rev3, involves supplying a 245 kV High Voltage Alternate Current (HVAC) power cable for a 45 km underground route, Click-Fit™ network components and commissioning services to connect the Horns Rev3 offshore wind farm from the coastal substation to the 400 kV transmission station in Endrup. The underground cables for the Horns Rev3 wind farm connection will be produced at the Pikkala plant (Finland), one of the Group's centres of technological and manufacturing excellence for high voltage cables. This project is due to be completed by the end of 2015, with final delivery in 2016.

On 15 April 2014, TenneT, the Dutch-German grid operator, awarded Prysmian Group a contract, known as BorWin3, worth more than Euro 250 million for the connection of offshore wind farms in the North Sea to the German mainland. The project involves the supply, installation and commissioning of a 320 kV High Voltage Direct Current (HVDC) extruded cable with a 900 MW rating and integrated optical fibre cable system. The cable will be routed 29 km onshore and 130 km underwater. It will connect the mainland converter station at the Emden Ost power substation in Lower Saxony to BorWin gamma, the offshore converter platform in the BorWin cluster, approximately 120 km north of the German coast. The BorWin3 project will be completed using cables produced at the Group's centres of technological and manufacturing excellence in Pikkala (Finland) and Gron (France). Project execution will be managed by Prysmian's new offices in Hamburg. Installation of the HVDC system is scheduled for completion by October 2017.

On 22 April 2014, Prysmian Group was awarded a contract worth approximately Euro 30 million by Emirates Holding, a UAE-based construction company, on behalf of major offshore oil and gas producer ADMA-OPCO (Abu Dhabi Marine Operating Company). The contract involves the design and manufacture of submarine cable connections to replace power lines supplying the Zakum offshore oil field in Abu Dhabi. The Zakum contract is the first submarine electrification project planned by ADMA-OPCO and will be the benchmark for future projects to develop and implement a power transmission and distribution network between the various platforms, in order to increase capacity and improve the reliability of their production capability. The project will be managed by the Group's offices in the UAE, using cables manufactured at the Pikkala plant in Finland; the first 70 km batch is scheduled for delivery in November 2014, with project completion due by mid-2015.

On 24 April 2014, Prysmian Group was awarded a contract worth approximately Euro 40 million by ESB (Ireland) for the "Shannon River Crossing" project to install a power line between Kilpaddoge and Moneypoint on opposite banks of the River Shannon, running approximately 3 km along the riverbed. The project involves the supply, installation and commissioning of a 220 kV HVAC double-circuit power line, comprising 21 km of submarine cable including spare lengths, an optical fibre connection, network components and commissioning services. The cables for the "Shannon River Crossing" project will be produced at the Pikkala plant (Finland). The project is due to be completed by early 2016.

During the month of May 2014, Prysmian Group was awarded a contract worth approximately Euro 30 million (AUD 44 million) by Ausgrid, a public utility company in the state of New South Wales (Australia), which manages power distribution and transmission grids. This contract, for high voltage underground cables for the "North Shore cable upgrade" project, comes on the back of the separate smaller "Engadine" contract, worth approximately Euro 5 million (AUD 8 million), awarded in September 2013. Cable manufacture will involve multiple Prysmian locations: China will supply the 132 kV cable (approximately 105 km), China and the Netherlands will supply outdoor joints and terminations and Prysmian Australia's Liverpool and Dee Why plants will supply grounding and bonding cables and optical fibre data communication cables, respectively. The Engadine project is currently in the installation phase with completion scheduled for summer 2014, after which work on the North Shore project will begin.

On 20 May 2014, Prysmian Group was awarded a contract that could be worth up to some Euro 730 million (including options for grid connections for approximately Euro 250 million) by 50Hertz Offshore GmbH, a subsidiary of 50Hertz Transmission GmbH, a grid operator in Germany. The contract involves the design, manufacture and installation of cables to connect the West of Adlergrund offshore wind farm cluster in the Baltic Sea to electricity grids on the German mainland. The West of Adlergrund connection project involves a high voltage submarine cable between offshore wind farms, located approximately 40 km north-east of Rügen Island, and the Lubmin substation in north-east Germany (and consequently with the mainland electricity grid). The cable will be routed approximately 90 km underwater and 3 km underground onshore. The 220 kV HVAC (High Voltage Alternate Current) 3-core extruded cables (with an integrated optical fibre system) will be produced at the Group's centres of technological and manufacturing excellence for submarine cables in Pikkala (Finland) and Arco Felice (Naples, Italy). Marine installation will be performed using the Cable Enterprise DP2 cable-laying vessel, which has been newly upgraded to make the most of her particular experience in offshore wind farm installations and to best serve the growing markets in Northern Europe by providing highly complex installation solutions. Production and installation of the West of Adlergrund cable systems will start in 2015.

On 17 June 2014, Prysmian Group was awarded a contract worth approximately Euro 80 million, by KAHRAMAA, the Qatar General Electricity & Water Corporation, for power transmission system expansion projects. The contract involves the design, supply, construction, installation and commissioning of 173 km of 220 kV extra high voltage underground cable and related network components. The project is part of stage 2 of Phase XI of the project to expand the power transmission system in Qatar and will be managed by the

Group's offices in Qatar, using cables manufactured at the plants in Gron (France) and Livorno (Italy). Installation of the first circuits will start in 2014, with completion expected during 2015.

EUROPEAN COMMISSION'S DECISION RELATING TO THE ANTITRUST INVESTIGATION

On 2 April 2014, the European Commission concluded the investigations started in January 2009 by adopting a decision under which it found that, between 18 February 1999 and 28 January 2009, the world's largest cable producers, including Prysmian Cavi e Sistemi S.r.l., one of the Group's Italian subsidiaries, adopted anti-competitive practices in the European market for high voltage submarine and underground power cables.

The European Commission held Prysmian Cavi e Sistemi S.r.l. jointly liable with Pirelli & C. S.p.A. for the disputed infringement in the period from 18 February 1999 to 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and The Goldman Sachs Group Inc. for the disputed infringement in the period from 29 July 2005 to 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has appealed against this decision to the General Court of the European Union. Following a detailed and careful analysis of the European Commission's ruling, and nonetheless considering this has been appealed and so could be submitted to second-instance judgement, it has been decided to release the amount of Euro 34 million from the existing provision.

FINANCE AND M&A ACTIVITIES

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.

On 19 February 2014, Prysmian S.p.A. signed a credit agreement for Euro 100 million (the "Revolving Credit Facility 2014") with Mediobanca - Banca di Credito Finanziario S.p.A.. Under this five-year agreement, Mediobanca has provided the Group with a line of credit intended to refinance existing debt and working capital requirements.

On 28 February 2014, the Prysmian Group prepaid the outstanding balance owed under the Term Loan Facility 2010, amounting to Euro 184 million that had been due on 31 December 2014.

On 27 June 2014, Prysmian S.p.A. signed an agreement (the "Credit Agreement 2014") under which a syndicate of premier banks made available a long-term credit facility for Euro 1,000 million (the "Revolving Credit Facility 2014 in pool"). The facility, which expires on 27 June 2019, can also be used for the issue of

guarantees. The new revolving facility is intended to refinance the Revolving Credit Facility 2010 and to finance the Group's other operating activities. As at 30 June 2014, this facility had not been drawn down.

On the same date as agreeing this new facility, Prysmian S.p.A. extinguished early the Revolving Credit Facility 2010, originally due to expire on 31 December 2014 and carrying a maximum permitted drawdown of Euro 400 million.

On 28 March 2014 the Price adjustment process relating to the acquisition of Global Marine Systems Energy Ltd. (now renamed Prysmian PowerLink Services Ltd.) was completed, with a *Price adjustment* of GBP 20 million in the Prysmian Group's favour. Since this process was completed more than a year from the acquisition date of 15 November 2012, the difference between the adjusted final price and the price previously estimated has been accounted for in the income statement with the recognition of Euro 22 million in non-recurring income.

WESTERN HVDC LINK CONTRACT (UK)

During the last few days of April, the manufacture of the cables for the Western HVDC Link project in the United Kingdom encountered some technical problems, which were duly placed under detailed technical investigation. Accordingly, for the purposes of the quarterly financial report at 31 March 2014 the Directors had felt unable to estimate reliably the outcome of this contract, and as a consequence its revenues were recognised to the extent of the costs incurred.

Following tests on the quality of the cable produced and analysis of the materials and the manufacturing process, the Directors have felt able in this half-year financial report to make a reliable estimate of the project's revenues and costs.

The total impact on the first half of 2014 has been Euro 53 million, resulting from the full elimination of the margins previously recognised on the contract and the recognition of a provision to cover the expected contract loss. In addition, it is noted that the technical problems described above have resulted in the non-recognition of Euro 21 million in margins expected in the first half of 2014. Consequently, including non-recognition of the margin originally expected on this project in the period, the overall negative impact of the Western HVDC Link (UK) project on the results for the first half of 2014 would have been Euro 74 million.

CONSOLIDATED FINANCIAL HIGHLIGHTS*

(in millions of Euro)

	1st half 2014	1st half 2013 (**)	% change	FY 2013 (**)
Sales	3,287	3,504	-6.2%	6,995
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	189	268	-29.5%	578
Adjusted EBITDA ⁽¹⁾	204	282	-27.8%	613
EBITDA ⁽²⁾	244	256	-4.5%	563
Adjusted operating income ⁽³⁾	133	208	-36.3%	465
Operating income	176	138	27.5%	368
Profit/(loss) before taxes	102	56	82.1%	218
Net profit/(loss) for the period	80	41	94.6%	153

(in millions of Euro)

	30 June 2014	30 June 2013 (**)	Change	31 December 2013 (**)
Net capital employed	2,715	2,656	59	2,296
Employee benefit obligations	329	332	(3)	308
Equity	1,177	1,138	39	1,183
of which attributable to non-controlling interests	35	32	3	36
Net financial position	1,209	1,186	23	805

(in millions of Euro)

	1st half 2014	1st half 2013 (**)	% change	FY 2013 (**)
Investments ⁽⁴⁾	76	48	58.3%	144
Employees (at period end)	19,730	19,562	0.9%	19,232
Earnings/(loss) per share				
- basic	0.37	0.20		0.71
- diluted	0.37	0.20		0.71

⁽¹⁾ Adjusted EBITDA is defined as EBITDA before non-recurring income/(expenses).

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

⁽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.

(**) The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit/(loss) of associates and joint ventures.

GROUP PERFORMANCE AND RESULTS

(in millions of Euro)

	1st half 2014	1st half 2013 (*)	% change	FY 2013 (*)
Sales	3,287	3,504	-6.2%	6,995
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	189	268	-29.5%	578
% of sales	5.7%	7.6%		8.3%
Adjusted EBITDA	204	282	-27.8%	613
% of sales	6.2%	8.0%		8.8%
EBITDA	244	256	-4.5%	563
% of sales	7.4%	7.3%		8.1%
Fair value change in metal derivatives	6	(37)		(8)
Fair value stock options	(3)	(7)		(14)
Amortisation, depreciation and impairment	(71)	(74)		(173)
Operating income	176	138	27.5%	368
% of sales	5.4%	3.9%		5.3%
Net finance income/(costs)	(74)	(82)		(150)
Profit/(loss) before taxes	102	56	82.1%	218
% of sales	3.1%	1.6%		3.1%
Taxes	(22)	(15)		(65)
Net profit/(loss) for the period	80	41	94.6%	153
% of sales	2.4%	1.2%		2.2%
Attributable to:				
Owners of the parent	80	42		150
Non-controlling interests	-	(1)		3

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

Operating income (A)	176	138	27.5%	368
EBITDA (B)	244	256	-4.5%	563
Non-recurring expenses/(income):				
Company reorganisation	7	21		50
Antitrust investigations	(32)	(1)		(6)
Environmental remediation and other costs	-	2		(3)
Gains on asset disposals	-	-		(5)
Acquisition price adjustment ⁽¹⁾	(22)	-		-
Other net non-recurring expenses/(income)	7	4		14
Total non-recurring expenses/(income) (C)	(40)	26		50
Fair value change in metal derivatives (D)	(6)	37		8
Fair value stock options (E)	3	7		14
Impairment of assets (F)	-	-		25
Adjusted operating income (A+C+D+E+F)	133	208	-36.3%	465
Adjusted EBITDA (B+C)	204	282	-27.8%	613

⁽¹⁾ The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit/(loss) of associates and joint ventures.

⁽¹⁾ This refers to the acquisition in November 2012 of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) from Global Marine Systems Ltd.

The Prysmian Group's sales in the first half of 2014 came to Euro 3,287 million, compared with Euro 3,504 million in the first half of 2013.

In the remainder of this Half-Year Financial Report, the effects of the Western HVDC Link project are determined with respect to the expected situation prior to the discovery, towards the end of April, of some technical problems in the cable manufacturing process.

Excluding changes in metal prices and exchange rates, organic growth was a positive 1.3%. Excluding the extraordinary adjustments for the Western HVDC Link project, organic growth would have been 3.4%. Organic growth is analysed between the two operating segments as follows:

- Energy +1.4% (+3.8% excluding adjustments for the Western HVDC Link project);
- Telecom +0.8%.

The Energy Segment reported a moderate recovery in sales volumes, mainly in the traditional businesses of Trade & Installers, underground transmission (High Voltage) and renewable energy, although adversely affected to some extent by the decrease in Submarine sales following the effects of the Western HVDC Link project and by the negative performance in the Industrial business area. The Telecom segment reported a positive trend in demand for optical cables, as partially counterbalanced by the slowdown in markets not only for copper cables, due to product maturity, but also for OPGW products, due to postponement of investment projects.

Group Adjusted EBITDA (before Euro 40 million in net non-recurring income) came to Euro 204 million, posting a decrease of Euro 78 million on the corresponding figure of Euro 282 million (-27.8%) in 2013. Excluding the negative impact of the Western HVDC Link project, Adjusted EBITDA would have been Euro 278 million.

INCOME STATEMENT

The Group's sales came to Euro 3,287 million at the end of the first half of 2014, compared with Euro 3,504 million in the same period last year, posting a negative change of Euro 217 million (-6.2%). Excluding the negative impact on expected revenue from the Western HVDC Link project, the Group's sales would have amounted to Euro 3,358 million (-4.2%).

The decrease is attributable to the following factors:

- positive organic growth of Euro 45 million, (+1.3%); excluding adjustments for the Western HVDC Link project, this would have been Euro 116 million (+3.4%);
- negative exchange rate effects of Euro 173 million (-4.9%);
- negative change of Euro 89 million (-2.6%) in sales prices due to fluctuations in metal prices (copper, aluminium and lead).

Despite the low level of international demand for infrastructure and the continued delay in awarding investment projects, the organic growth in sales confirms the strategic validity of the acquisition and integration of the Draka Group. In fact, 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 and Fibres businesses. The Trade & Installers business, some high value-added businesses such as Submarine, High Voltage underground cables and the Industrial business enjoyed positive growth in spite of the negative impact of the Western HVDC Link contract and the continued slowdown in demand in the Power Distribution business. Growth in the Telecom business was mainly concentrated in the optical cables sector in Europe, which was counterbalanced by weakness in global demand for copper cables and by the postponement of certain OPGW projects.

Adjusted EBITDA amounted to Euro 204 million, down 27.8% from Euro 282 million in the first half of last year. Excluding the impact of the Western HVDC Link project, Adjusted EBITDA would have been Euro 278 million, basically in line with the same period last year. The overall decrease of Euro 78 million on the prior year equivalent period is almost entirely attributable to the Energy segment. The first-half result in 2014 was also negatively affected by Euro 14 million in exchange rate effects compared with the same period of 2013; these were particularly due to steep depreciation of the Argentine Peso, the Brazilian Real, the US Dollar, Australian 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 40 million in net non-recurring income (versus Euro 26 million in net expenses in the same period of 2013), mainly attributable to the price adjustment of Euro 22 million against the acquisition of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) and to the net release of Euro 32 million from the Antitrust provision mainly as a result of the European Commission's decision on 2 April 2014.

Group operating income was a positive Euro 176 million in the first half of 2014, compared with a positive Euro 138 million in the corresponding period of 2013, posting a positive change of Euro 38 million. Excluding the negative impact on expected profit margin for the Western HVDC Link project, operating income would have been Euro 250 million.

Net finance costs came to Euro 74 million in the first half of 2014, down from Euro 82 million (-9.8%) at the end of the same period last year.

Taxes amounted to Euro 22 million, representing an effective tax rate of around 22%, due to the absence of tax on income arising from the price adjustment and from the partial release of the Antitrust provision.

The net result for the first half of 2014 was a profit of Euro 80 million, compared with Euro 41 million for the first half of 2013. Excluding the adjustments for the Western HVDC Link project, the net result for the first half would have been a profit of Euro 132 million.

Adjusted net profit⁽¹⁾ was Euro 59 million, compared with Euro 115 million in the same period last year. Excluding the adjustments for the Western HVDC Link project, adjusted net profit for the first half of 2014 would have been Euro 111 million.

⁽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

(in millions of Euro)

	1st half 2014	1st half 2013 (*)	% change	FY 2013 (*)
Sales to third parties	2,799	2,990	-6.4%	6,009
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	152	225	-32.4%	491
% of sales	5.4%	7.5%		8.2%
Adjusted EBITDA	161	232	-30.5%	507
% of sales	5.8%	7.7%		8.4%
EBITDA	203	219	-6.5%	484
% of sales	7.3%	7.3%		8.1%
Amortisation and depreciation	(50)	(53)	-4.7%	(105)
Adjusted operating income	111	179	-38.0%	402
% of sales	4.0%	6.0%		6.7%

Reconciliation between EBITDA and Adjusted EBITDA

	2014	2013	% change	FY 2013
EBITDA (B)	203	219	-6.5%	484
Non-recurring expenses/(income):				
Company reorganisation	6	17		33
Antitrust investigations	(32)	(1)		(6)
Environmental remediation and other costs	-	2		(3)
Gains on asset disposals	-	-		(4)
Acquisition price adjustment ⁽¹⁾	(22)	-		-
Other net non-recurring expenses/(income)	6	(5)		3
Total non-recurring expenses/(income) (C)	(42)	13		23
Adjusted EBITDA (B+C)	161	232	-30.5%	507

⁽¹⁾ The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit/(loss) of associates and joint ventures.

⁽¹⁾ This refers to the acquisition in November 2012 of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) from Global Marine Systems Ltd.

Energy business sales to third parties amounted to Euro 2,799 million in the first half of 2014, compared with Euro 2,990 million in the corresponding period of 2013, posting a negative change of Euro 191 million (-6.4%). Excluding the negative impact of the Western HVDC Link project, Energy segment sales to third parties would have been Euro 2,870 million.

This negative change is attributable to the following principal factors:

- positive organic growth of Euro 41 million (+1.4%); excluding adjustments for the Western HVDC Link project, this would have been Euro 112 million (+3.8%);
- negative exchange rate effects of Euro 148 million (-4.9%);
- negative change of Euro 84 million (-2.9%) in sales prices due to fluctuations in metal prices.

Adjusted EBITDA for the first half of 2014 came to Euro 161 million, posting a decrease of Euro 71 million from Euro 232 million (-30.5%) in the corresponding period of 2013. Excluding the negative impact of the Western HVDC Link project, Adjusted EBITDA would have been Euro 235 million.

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

UTILITIES

(in millions of Euro)

	1st half 2014	1st half 2013 (*)	% change	% organic sales change	FY 2013 (*)
Sales to third parties	992	1,067	-7.0%	-2.2%	2,217
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	61	122	-50.0%		282
% of sales	6.1%	11.4%			12.7%
Adjusted EBITDA	64	124	-48.4%		287
% of sales	6.5%	11.6%			12.9%
Adjusted operating income	44	104	-57.7%		246
% of sales	4.4%	9.7%			11.1%

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit/(loss) of associates and joint ventures.

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 produces 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

During the first half of 2014, the markets in which the Prysmian Group's Utilities business area operates saw a consolidation of the signs already emerging since the second half of 2013.

Both the power distribution and generation markets, in which demand declined throughout 2012 and 2013, 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 below those in the same period last year.

This was due to 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, have adopted a selective approach to new investment projects. The focus in Europe, and North and South America has been on rationalisation and/or maintenance projects to improve efficiency and reduce energy generation costs, while the focus in the Middle East and Southeast Asia has been on extending and completing major projects. In addition, there was still significant competitive pressure on prices for operators in growing economies, like China and India, not only due to surplus production capacity in these regions, but also due to a large number of competitors and the need to limit financial exposure in the face of uncertain investment returns. Lastly, the mix of projects in the first half of this year was much less rich than in the past, with a high proportion of 110-220kV cables and lower proportion of 380-400kV cables.

With reference to the Submarine cables market, the first half of 2014 reported a slight growth on the first half of 2013, thanks to investments by utilities to build new offshore wind farms and commence major new interconnection projects.

However, during the last few days of April, the manufacture of the cables for the Western HVDC Link project in the United Kingdom encountered some technical problems. The additional analyses and technical tests conducted over the last quarter have made it possible to make a reliable estimate of the project's revenues and costs, as illustrated in the section on Significant events during the period.

In contrast, demand in the Power Distribution market slowed even more in the period, confirming and reinforcing the downward trend already seen during 2013 and in the first quarter of the current 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, have either maintained an extremely cautious approach given the difficulties in forecasting future growth, or else they have concentrated on restructuring to improve efficiency and reduce supply-side costs. As a result, the competitive environment in terms of price and mix has remained extremely challenging almost everywhere.

Markets in the Americas (both North and South) showed signs of general stability in the first half of 2014 compared with the same period last year, with signs of recovery visible throughout 2013.

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 trend in project developments, and so was up in Northern Europe, North America and the Middle East, but down in China and stable elsewhere. In addition, like in 2013, 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 tendency as a direct consequence of projects currently in progress around the world.

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

FINANCIAL PERFORMANCE

Sales to third parties by the Utilities business area amounted to Euro 992 million in the first half of 2014, compared with Euro 1,067 million in the same period of 2013, posting a negative change of Euro 75 million (-7.0%). Excluding the negative impact of the Western HVDC Link project, sales to third parties would have been Euro 1,063 million.

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

- negative organic variation of Euro 24 million (-2.2%); excluding adjustments for the Western HVDC Link project, this would have been positive for Euro 47 million (+4.5%);
- negative exchange rate effects of Euro 35 million (-3.3%);
- negative change of Euro 16 million (-1.5%) in sales prices due to fluctuations in metal prices.

The negative organic variation in the first half of 2014 reflects a combination of opposing factors, such as the positive trend in the Submarine Cables business line (before the Western HVDC Link effect), entirely offset by the growing weakness in the Power Distribution business.

The High Voltage and Network Components business lines both recorded positive trends compared with the first half of 2013, despite displaying significant regional differences.

High Voltage reported a generally positive performance in the Middle and Far East and Northern Europe, while remaining still disappointing in Russia; this business line's performance 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.

Performance by the Network Components business line was broadly in line with that in the same period last year, reflecting a decline in volumes of medium and low voltage accessories in the major European domestic markets but steady volumes for high voltage products. In contrast, sales on the Chinese market continued to decline due to lower demand accompanied by growing price pressure in the face of stiff local competition.

Sales by the Submarine Cables business line were in line with the same period last year, reflecting work on the main projects in the order book, including the Helwin 2, Sylwin 1 and Borwin 2 offshore wind farms in Germany. With regard to progress in the Western HVDC Link (UK) project, initiated in the third quarter of

2012, the manufacture of the cables has encountered some technical problems resulting in a downward revision of Euro 71 million to the period's expected sales.

The value of the Group's Submarine order book at the end of the first half of 2014 was up on the level at the close of the first half of 2013, providing sales visibility for a period of more than three years. The order book comprises the following contracts: the interconnector in the English Channel (Normandie3), the interconnectors in the Balearic Islands (Mallorca-Ibiza) and over the Dardanelles Strait, the link between the island of Capri and Torre Annunziata, the link between Montenegro and Italy (Monita), the power transmission system expansion project in Qatar (Kahramaa) and the contracts for offshore wind platform connections (DoWin3, Deutsche Bucht, 50Hertz) 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 since the end of 2011, and at the Arco Felice plant in Italy.

As a result of the above events in the Submarine Cables business, the project mix in the High Voltage underground business and the persistent weakness of Power Distribution, Adjusted EBITDA for the Utilities business area decreased to Euro 64 million, from Euro 124 million in the same period of 2013 (and would have been Euro 138 million without the negative impact of the Western HVDC Link project).

TRADE & INSTALLERS

(in millions of Euro)

	1st half 2014	1st half 2013 (*)	% change	% organic sales change	FY 2013 (*)
Sales to third parties	944	974	-3.1%	7.4%	1,914
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	29	37	-21.6%		71
% of sales	3.1%	3.8%			3.7%
Adjusted EBITDA	34	41	-17.1%		79
% of sales	3.6%	4.2%			4.1%
Adjusted operating income	23	28	-17.9%		54
% of sales	2.4%	2.9%			2.8%

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit/(loss) of associates and joint ventures.

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

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 throughout 2013 and in the first quarter of 2014, appears not to be showing any clear signs of recovery; instead, it is being fuelled by isolated cases of development related to specific geographical trends or projects.

Like in the first quarter of 2014, 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 low stocks and constant pressure on sales prices.

As previously described, countries in Europe, such as Spain and Italy, have been particularly hard hit due to the negative consequences for the property market of severe restrictions on bank credit. Even Germany and the Netherlands have been affected by a stationary trend in demand for new build; this has led to growing price pressure, 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 first half of 2014 also confirmed the uncertainty on the North American market – already affected by largely flat demand for products serving infrastructure construction – due to delays in confirming tax incentives for energy-efficient buildings. However, in Canada there was good growth in demand in the renewable energy sector (for wind farms).

In the markets of South America, the first half of 2014 confirmed the downturn in demand already visible in the first quarter and a reversal of the previous year's volume uptrend, due to a slowing in the industrial and residential construction sectors.

Lastly, the Australian construction market confirmed a stagnation in demand, characterised by strong competitive pressures from Asian operators, despite the Australian dollar's depreciation during the period.

FINANCIAL PERFORMANCE

Sales to third parties by the Trade & Installers business area amounted to Euro 944 million in the first half of 2014, compared with Euro 974 million in the corresponding period of 2013, posting a negative change of Euro 30 million (-3.1%), due to the combined effect of the following main factors:

- positive organic growth of Euro 72 million (+7.4%), due to volume recovery in Northern and Eastern Europe and growth in Asian countries and North America, as only partially offset by negative organic growth in South America;
- negative exchange rate effects of Euro 61 million (-6.3%);
- negative change of Euro 41 million (-4.2%) in sales prices due to fluctuations in metal prices.

During the first half of 2014, 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 and by increasing its market share in specific geographical areas.

This has led to a very complex commercial strategy, not only focused where possible on improving the sales mix in favour of products for the "safety of people and property" (Fire resistant/LSOH), but also aimed at regaining market share while seeking to minimise the impact on sales margins.

This strategy has been applied in Northern Europe, where market demand is still solid, and in Central and Southern Europe, where market demand is less strong and competitive price pressure greater.

In North America, where the general trend in demand is stable compared with the past and the current year signs are positive for certain specific renewable energy segments, Prysmian Group was able to boost sales volumes, benefiting from consolidation of manufacturing and industrial performance by its Canadian production site in Prescott.

In Asia, faced with continued growth in demand by the construction industry, Prysmian Group was able to gain market share..

Prysmian Group's sales suffered in South America from a downturn in demand in the first half of 2014 and where it has probably lost a small amount of market share while keeping prices at an acceptable level thanks to its wide product range.

The combined factors described above led to an Adjusted EBITDA of Euro 34 million in the first half of 2014, down from Euro 41 million (-17.1%) in the same period last year.

INDUSTRIAL

(in millions of Euro)

	1st half 2014	1st half 2013 (*)	% change	% organic sales change	FY 2013 (*)
Sales to third parties	817	895	-8.7%	-0.3%	1,764
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	57	62	-8.1%		134
% of sales	7.0%	6.9%			7.6%
Adjusted EBITDA	58	63	-7.9%		133
% of sales	7.1%	7.0%			7.6%
Adjusted operating income	41	45	-8.9%		97
% of sales	5.0%	5.0%			5.5%

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit/(loss) of associates and joint ventures.

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, Prysmian cables are 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

Trends on Industrial cable markets in the first half of 2014 displayed considerable inconsistencies between the various business lines and large differences between the diverse geographical areas. As already seen with the Accessories business line, the common trend, even in the Industrial cables business area, 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 leading edge application field of the OEM, Elevator and Automotive markets, while others experienced a contraction in volumes, like the Onshore Oil & Gas segment, affected by delays in investment projects, the renewable energy market, still suffering from low demand, and the OEM infrastructure market, where demand depends on specific geographical factors.

As already mentioned, international demand declined in the Oil & Gas and port facilities sectors due to delays in several projects in the Middle and Far East, while nonetheless remaining strong in South America and Oceania. This decline was particularly pronounced during the second half of 2013, resulting in a low order book, with a consequent impact on performance in the first half of 2014. During the second quarter, the order situation stabilised and the project mix improved, boding well for a recovery in the second half of the current year.

Demand in the industrial infrastructure and mining sectors was weak and below the corresponding period of 2013, primarily due to falling commodity prices and significant production overcapacity.

As far as applications for the transport sector are concerned, the major European players have 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.

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 continued to be the sector within the industrial business most affected by the 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. In contrast, North America saw an upswing in demand for wind applications in the first half of 2014, boding well for the second half of the year.

FINANCIAL PERFORMANCE

Sales to third parties by the Industrial business area amounted to Euro 817 million in the first half of 2014, compared with Euro 895 million in the same period of 2013. The reduction of Euro 78 million (-8.7%) is due to the following factors:

- negative organic variation of Euro 3 million (-0.3%), largely due to the reduction in volumes for infrastructure and onshore work, forming part of the Specialties&OEM and Oil & Gas business lines

respectively, that was only partially offset by the growth for the Elevator and Renewables business lines;

- negative exchange rate effects of Euro 49 million (-5.4%);
- negative change of Euro 26 million (-2.9%) in sales prices due to fluctuations in metal prices.

In Europe, Prysmian Group saw a slowdown in its order book for the high-end OEM sector (mining cables, mainly in Germany) 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 (Offshore), served by the Norwegian and British markets, despite a steep downturn in exports to energy-producing nations in the Middle East, mainly in the Onshore sector.

On the other hand, despite the generally weak demand for Renewables, the Group nonetheless saw its market share increase, particularly in Central and Northern Europe and North America, thus offsetting the weakness in Southern Europe.

The strategy of technological specialisation of the solutions offered has allowed Prysmian Group to consolidate its Elevator market leadership in North America and to expand into the Chinese and European markets, where its exposure is still marginal although significantly greater than last year.

As for the Surf market segment, sales of umbilical cables and flexible pipes, manufactured for the South American market at the Vila Velha plant, were below the corresponding period of 2013 mainly because of the rescheduling of investment projects requiring flexible pipes. In contrast, the Down-Hole-Technology (DHT) business continued to perform well in North America.

Asia Pacific, Brazil and China were the regions offering the Group the most attractive growth opportunities in the first half of 2014, thanks to consolidation of its market share in Australia, growth in Brazil and the development of Offshore projects in Singapore and China.

Adjusted EBITDA for the first half of 2014 came to Euro 58 million, down Euro 5 million (-7.9%) from Euro 63 million in the corresponding period of 2013.

OTHER

(in millions of Euro)

	1st half 2014	1st half 2013 (*)	FY 2013 (*)
Sales to third parties	46	54	114
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	5	4	5
Adjusted EBITDA	5	4	8
Adjusted operating income	3	2	4

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit/(loss) of associates and joint ventures.

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.

TELECOM BUSINESS

(in millions of Euro)

	1st half 2014	1st half 2013 (*)	% change	FY 2013 (*)
Sales to third parties	488	514	-5.1%	986
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	37	43	-14.2%	87
% of sales	7.6%	8.3%		8.8%
Adjusted EBITDA	43	50	-15.4%	106
% of sales	8.8%	9.8%		10.8%
EBITDA	44	38	11.7%	86
% of sales	9.0%	7.4%		8.7%
Amortisation and depreciation	(21)	(21)		(43)
Adjusted operating income	22	29	-25.2%	63
% of sales	4.5%	5.6%		6.4%

Reconciliation between EBITDA and Adjusted EBITDA

	44	38	11.7%	86
EBITDA (B)	44	38	11.7%	86
Non-recurring expenses/(income):				
Company reorganisation	-	4		13
Antitrust investigations	-	-		-
Gains on asset disposals	-	-		(1)
Other net non-recurring expenses/(income)	(1)	8		8
Total non-recurring expenses/(income) (C)	(1)	12		20
Adjusted EBITDA (B+C)	43	50	-15.4%	106

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit/(loss) of associates and joint ventures.

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 sewerage networks and inside various buildings where they must satisfy specific fire-resistant requirements.

Prysmian Group operates in the telecommunications market with a wide range of cable solutions and systems that respond to the demand for 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

Forecasts for the optical fibre cables market predict that the size of the global market will grow although with large regional differences. In fact, the first half of 2014 saw demand grow in fast-developing markets (China) and in those with high communication infrastructure needs (India), along with a volume recovery in Europe. In Brazil, first-half volumes were stable, while awaiting full implementation of the government's tax measures in support of investment. North America reported a recovery in demand after the steep drop in 2013 with the ending of government incentives.

The Access/Broadband/FTTx market grew marginally in the first half of 2014, 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 has continued 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 decline in this market was increasingly evident in the first half of 2014, 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

Telecom business sales to third parties amounted to Euro 488 million in the first half of 2014, compared with Euro 514 million in the first half of 2013, posting a negative change of Euro 26 million (-5.1%).

This change is attributable to the following factors:

- positive organic growth of Euro 4 million (+0.8%), thanks to volume recovery for optical fibre cables;
- negative exchange rate effects of Euro 25 million (-4.9%);
- negative change of Euro 5 million (-1.0%) in sales prices due to fluctuations in metal prices.

Positive organic growth in the first half of 2014 was mainly driven by the recovery in demand for optical fibre cables and partly by multimedia solutions cables, which offset lower demand for copper cables caused by product maturity, and for OPGW products due to the postponement of investment projects.

The optical fibre market's recovery has been mainly thanks to demand generated by large-scale projects, such as those started with BT (United Kingdom), Jazztel (Spain), Telefonica (Spain), Orange (France), and Free Infrastructure (France), but also to demand from emerging markets and channels, such as Eastern Europe and India. In North America, despite the region's increasingly competitive market environment following the contraction in domestic demand with the ending of government incentives, and consequent reduction in average prices, Prysmian managed to achieve a stable level of volumes compared with the previous six-month period.

In Brazil, Prysmian posted a decline in volumes compared with the second half of 2013. Average prices have continued to be low, staying at last year's levels in anticipation of implementation of the incentive programme for new communications infrastructure, designed to incentivise the development of local technology and production and which should be very beneficial for all telecom operators.

The volume recovery in the European market has been marked by strong pressure on prices, which has reduced the sector's profits. Such pressure is explained by the highly competitive nature of the market, with the presence of many small and medium-sized local producers together with the recent entry of others from Asia. In addition, the market for copper telecom cables continued to suffer from a gradual phasing out in favour of next-generation networks. Lastly, the first half of 2014 saw a slight growth 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 43 million in the first half of 2014, reporting a decrease of Euro 7 million (-15.4%) from Euro 50 million in the corresponding of 2013.

GROUP STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	30 June 2014	30 June 2013 (*)	Change	31 December 2013 (*)
Net fixed assets	2,232	2,244	(12)	2,207
Net working capital	751	696	55	386
Provisions	(268)	(284)	16	(297)
Net capital employed	2,715	2,656	59	2,296
Employee benefit obligations	329	332	(3)	308
Total equity	1,177	1,138	39	1,183
of which attributable to non-controlling interests	35	32	3	36
Net financial position	1,209	1,186	23	805
Total equity and sources of funds	2,715	2,656	59	2,296

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11.

Net fixed assets amounted to Euro 2,232 million at 30 June 2014, compared with Euro 2,207 million at 31 December 2013, posting an increase of Euro 25 million mainly due to the combined effect of the following factors:

- Euro 76 million in investments in property, plant and equipment and intangible assets;
- Euro 71 million in depreciation, amortisation and impairment charges for the period;
- Euro 20 million in positive currency translation differences;
- Euro 8 million in dividends received from equity-accounted investments, whose measurement has resulted in an increase in value of Euro 15 million;
- Euro 6 million in disposals of assets held for sale.

Net working capital of Euro 751 million at 30 June 2014 was Euro 365 million higher than the corresponding figure of Euro 386 million at 31 December 2013 (or Euro 370 million higher excluding the impact of the fair value change in derivatives).

The change in net working capital is related to the following main factors:

- growth in working capital employed in multi-year Submarine projects, linked to their stage of completion with respect to the agreed delivery dates;
- reduction of Euro 64 million in without-recourse factoring transactions;
- increase as a result of paying the Long-term incentive plan classified among payables to employees at 31 December 2013;
- increase linked to the greater seasonality of sales in the quarter just ended and of those expected in the third quarter;
- increase of Euro 7 million for exchange rate differences.

The net financial position of Euro 1,209 million at 30 June 2014 has increased by Euro 404 million since 31 December 2013 (Euro 805 million), mainly reflecting the following factors:

- negative impact of Euro 341 million from changes in working capital;
- positive cash flow from operating activities (before changes in net working capital) of Euro 154 million;
- payment of Euro 29 million in taxes;
- receipt of Euro 15 million upon completing the price adjustment process for the acquisition of Global Marine Systems Energy Ltd;
- net operating investments of Euro 69 million;
- receipt of Euro 8 million in dividends from investments in equity-accounted companies;
- payment of Euro 90 million in dividends;
- payment of Euro 54 million in net finance costs.

NET WORKING CAPITAL

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

(in millions of Euro)

	30 June 2014	30 June 2013 (*)	Change	31 December 2013 (*)
Inventories	1,028	984	44	881
Trade receivables	1,051	1,171	(120)	933
Trade payables	(1,425)	(1,462)	37	(1,409)
Other receivables/(payables)	108	41	67	(13)
Net operating working capital	762	734	28	392
Derivatives	(11)	(38)	27	(6)
Net working capital	751	696	55	386

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11.

Net operating working capital amounted to Euro 762 million at 30 June 2014 (11.2% of the latest quarter's annualised sales), compared with Euro 392 million at 31 December 2013 (5.8% of the latest quarter's annualised sales).

NET FINANCIAL POSITION

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

(in millions of Euro)

	30 June 2014	30 June 2013 (*)	Change	31 December 2013 (*)
Long-term financial payables				
Term loan facility	400	584	(184)	400
Bank fees	(2)	(5)	3	(3)
EIB loan	100	-	100	-
Non-convertible bond	-	398	(398)	399
Convertible bond	267	259	8	263
Derivatives	4	25	(21)	4
Other financial payables	36	72	(36)	60
Total long-term financial payables	805	1,333	(528)	1,123
Short-term financial payables				
Term loan facility	-	-	-	183
EIB loan	1	-	1	-
Non-convertible bond	404	5	399	15
Convertible bond	1	1	-	1
Securitization	-	116	(116)	-
Revolving Credit Facility 2011	100	-	100	3
Revolving Credit Facility 2014	30	-	30	-
Derivatives	14	7	7	19
Other financial payables	206	204	3	90
Total short-term financial payables	756	333	423	311
Total financial liabilities	1,561	1,666	(105)	1,434
Long-term financial receivables	1	9	(8)	4
Long-term bank fees	6	2	4	-
Short-term financial receivables	10	7	3	12
Short-term derivatives	6	4	2	5
Short-term bank fees	3	5	(2)	5
Financial assets held for trading	71	78	(7)	93
Cash and cash equivalents	255	375	(120)	510
Total financial assets	352	480	(128)	629
Net financial position	1,209	1,186	23	805

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11.

STATEMENT OF CASH FLOWS

(in millions of Euro)

	1st half 2014	1st half 2013 (*)	Change	FY 2013 (*)
EBITDA	244	256	(12)	563
Changes in provisions (including employee benefit obligations)	(52)	(37)	(15)	(69)
(Gains)/losses on disposal of property, plant and equipment, intangible assets and non-current assets	(1)	(1)	-	(7)
Share of net profit/(loss) of equity-accounted companies	(15)	(14)	(1)	(35)
Acquisition price adjustment ⁽¹⁾	(22)	-	(22)	-
Net cash flow provided by operating activities (before changes in net working capital)	154	204	(50)	452
Changes in net working capital	(341)	(338)	(3)	(6)
Taxes paid	(29)	(27)	(2)	(60)
Dividends from investments in equity-accounted companies	8	16	(8)	16
Net cash flow provided/(used) by operating activities	(208)	(145)	(63)	402
Acquisitions	15	-	15	-
Net cash flow used in operational investing activities	(69)	(47)	(22)	(107)
Free cash flow (unlevered)	(262)	(192)	(70)	295
Net finance costs	(54)	(72)	18	(124)
Free cash flow (levered)	(316)	(264)	(52)	171
Dividend distribution	(90)	(91)	1	(92)
Net cash flow provided/(used) in the period	(406)	(355)	(51)	79
Opening net financial position	(805)	(888)	83	(888)
Net cash flow provided/(used) in the period	(406)	(355)	(51)	79
Convertible bond equity component	-	39	(39)	39
Other changes	2	18	(16)	(35)
Closing net financial position	(1,209)	(1,186)	(23)	(805)

⁽¹⁾ The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit/(loss) of associates and joint ventures.

⁽¹⁾ This refers to the acquisition in November 2012 of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) from Global Marine Systems Ltd.

Net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 154 million at the end of the first six months of 2014.

This cash flow was negatively impacted by the increase of Euro 341 million in net working capital described earlier. Therefore, after deducting Euro 29 million in tax payments and Euro 8 million in dividend receipts, net cash flow from operating activities in the period was a negative Euro 208 million.

Net operating investments in the first six months of 2014 amounted to Euro 69 million and mainly refer to the purchase of the Pikkala site in Finland, the expansion of production capacity and improvements in industrial efficiency.

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;
- **Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies:** Adjusted EBITDA as defined above calculated before the share of net profit/(loss) of equity-accounted companies;
- **Organic growth:** growth in sales calculated net of changes in the scope of consolidation, changes in metal prices and the effect of exchange rates.

The alternative indicators used for reviewing the reclassified statement of financial position include:

- **Net fixed assets:** sum of the following items contained in the statement of financial position:
 - Intangible assets
 - Property, plant and equipment
 - Equity-accounted investments
 - Available-for-sale financial assets, net of non-current securities classified as long-term financial receivables in 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 30 June 2014

(in millions of Euro)

	Note	Partial amounts from financial statements	30 June 2014 Total amounts from financial statements	31 December 2013 (*) Partial amounts from financial statements	Total amounts from financial statements
Net fixed assets					
Property, plant and equipment			1,415		1,390
Intangible assets			587		588
Equity-accounted investments			212		205
Available-for-sale financial assets			12		12
Assets held for sale			6		12
Total net fixed assets	A		2,232		2,207
Net working capital					
Inventories	B		1,028		881
Trade receivables	C		1,051		933
Trade payables	D		(1,425)		(1,409)
Other receivables/payables - net	E		108		(13)
of which:					
<i>Other receivables - non-current</i>	3	23		24	
<i>Tax receivables</i>	3	15		13	
<i>Receivables from employees</i>	3	2		2	
<i>Other</i>	3	6		9	
<i>Other receivables - current</i>	3	782		705	
<i>Tax receivables</i>	3	156		109	
<i>Receivables from employees and pension plans</i>	3	6		5	
<i>Advances to suppliers</i>	3	14		17	
<i>Other</i>	3	103		99	
<i>Construction contracts</i>	3	503		475	
<i>Other payables - non-current</i>	11	(14)		(20)	
<i>Tax and social security payables</i>	11	(8)		(12)	
<i>Accrued expenses</i>	11	-		(3)	
<i>Other</i>	11	(6)		(5)	
<i>Other payables - current</i>	11	(658)		(688)	
<i>Tax and social security payables</i>	11	(119)		(99)	
<i>Advances from customers</i>	11	(234)		(241)	
<i>Payables to employees</i>	11	(71)		(98)	
<i>Accrued expenses</i>	11	(118)		(136)	
<i>Other</i>	11	(116)		(114)	
<i>Current tax payables</i>		(25)		(34)	
Total net operating working capital	F = B+C+D+E		762		392
Derivatives	G	(11)		(6)	
of which:					
<i>Forward currency contracts on commercial transactions (cash flow hedges) - current</i>	5	-		1	
<i>Forward currency contracts on commercial transactions - current</i>	5	(4)		6	
<i>Metal derivatives - non-current</i>	5	1		(1)	
<i>Metal derivatives - current</i>	5	(8)		(12)	
Total net working capital	H = F+G		751		386

(¹) The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11.

(in millions of Euro)

		30 June 2014		31 December 2013 (*)	
	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			(60)		(51)
Provisions for risks and charges - current			(245)		(279)
Deferred tax assets			111		130
Deferred tax liabilities			(74)		(97)
Total provisions	I		(268)		(297)
Net capital employed	L = A+H+I		2,715		2,296
Employee benefit obligations	M		329		308
Total equity	N		1,177		1,183
Equity attributable to non-controlling interests			35		36
Net financial position					
Total long-term financial payables	O		805		1,123
Term loan facility	10	400		400	
Bank fees	10	(2)		(3)	
Credit Agreements	10	398		397	
EIB loan	10	100		-	
Non-convertible bond	10	-		399	
Convertible bond	10	267		263	
Derivatives		4		4	
of which:					
Interest rate swaps	5	4		4	
Other payables		36		60	
of which:					
Finance lease obligations	10	15		15	
Other financial payables	10	21		45	
Total short-term financial payables	P		756		311
Term loan facility	10	-		184	
Bank fees	10	-		(1)	
EIB loan	10	1		-	
Non-convertible bond	10	404		15	
Convertible bond	10	1		1	
Revolving facility-Credit Agreement	10	100		3	
Revolving Credit Facility 2014	10	30		-	
Derivatives		14		19	
of which:					
Interest rate swaps	5	7		14	
Forward currency contracts on financial transactions	5	7		5	
Other payables		206		90	
of which:					
Finance lease obligations	10	1		2	
Other financial payables	10	205		88	
Total financial liabilities	Q = O+P		1,561		1,434
Long-term financial receivables	R	3	(1)		(4)
Long-term bank fees	R	3	(6)		-
Short-term financial receivables	R	3	(10)		(12)
Short-term derivatives	R		(6)		(5)
of which:					
Forward currency contracts on financial transactions (current)	5		(6)		(5)
Short-term bank fees	R	3	(3)		(5)
Available-for-sale financial assets (current)	S		-		-
Financial assets held for trading	T		(71)		(93)
Cash and cash equivalents	U		(255)		(510)
Total financial assets	V = R+S+T+U		(352)		(629)
Total net financial position	W = Q+V		1,209		805
Total equity and sources of funds			2,715		2,296

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11.

Reconciliation between the principal income statement indicators and the Income Statement contained in the Consolidated Financial Statements and Explanatory Notes at 30 June 2014

(in millions of Euro)

	Note	1st half 2014 Amounts from income statement	1st half 2013 (*) Amounts from income statement
Sales of goods and services	A	3,287	3,504
Change in inventories of work in progress, semi-finished and finished goods		62	97
Other income		44	28
Raw materials, consumables used and goods for resale		(2,126)	(2,266)
Personnel costs		(461)	(480)
Other expenses		(580)	(648)
Operating costs	B	(3,061)	(3,269)
Share of net profit/(loss) of equity-accounted companies	C	15	14
Fair value stock options	D	3	7
EBITDA	E = A+B+C+D	244	256
Non-recurring other income	F	22	7
Non-recurring personnel costs	G	(7)	(12)
Non-recurring other expenses	H	25	(21)
Adjusted EBITDA	I = E-F-G-H	204	282
Share of net profit/(loss) of equity-accounted companies	L	15	14
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	M = I-L	189	268

(in millions of Euro)

	Note	1st half 2014 Amounts from income statement	1st half 2013 (*) Amounts from income statement
Operating income	A	176	138
Non-recurring other income		22	7
Non-recurring personnel costs		(7)	(12)
Non-recurring other expenses		25	(21)
Change in inventories of work in progress, semi-finished and finished goods		-	-
Total non-recurring expenses	B	40	(26)
Fair value change in metal derivatives	C	6	(37)
Fair value stock options	D	(3)	(7)
Adjusted operating income	E=A-B-C-D	133	208

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit/(loss) of associates and joint ventures.

Following the adoption of *IFRS 10 - Consolidated Financial Statements* and *IFRS 11 - Joint Arrangements*, applicable retrospectively from 1 January 2014, the Group's consolidated figures have been restated as from 1 January 2013.

In particular, the changes introduced by *IFRS 11 - Joint Arrangements* have eliminated the possibility of proportionate consolidation; accordingly, the companies Yangtze Optical Fibre and Cable Joint Stock Limited Co., Yangtze Optical Fibre and Cable (Hong Kong) Co. Ltd., Precision Fiber Optics Ltd. and Power Cables Malaysia Sdn Bhd, previously consolidated using the proportionate method, have now been consolidated using the equity method.

In addition, further to the changes introduced by *IFRS 10 - Consolidated Financial Statements*, the Chinese company Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd., previously consolidated line-by-line, has now been consolidated using the equity method; the Brazilian company Sociedade Produtora de Fibras Opticas S.A., previously consolidated line-by-line, has been defined as a "joint operation" and so is now being consolidated according to the rights and obligations arising under the contractual arrangement.

The alternative performance indicators at 31 December 2013 and for 1st half 2013 have therefore been restated as follows:

Alternative performance indicators at 30 June 2013:

Reclassified statement of financial position

(in millions of Euro)

	30 June 2013 Published*	Effects application IFRS 10-11	30 June 2013 Restated
Net fixed assets	2,241	3	2,244
Net working capital	775	(79)	696
Provisions	(286)	2	(284)
Net capital employed	2,730	(74)	2,656
Employee benefit obligations	332	-	332
Total equity	1,150	(12)	1,138
of which attributable to non-controlling interests	44	(12)	32
Net financial position	1,248	(62)	1,186
Total equity and sources of funds	2,730	(74)	2,656

(*) Restated following finalisation of the accounting for the business combination of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) which had been accounted for provisionally at 30 June 2013. Further details can be found in the 2013 Annual Report.

Net working capital

(in millions of Euro)

	30 June 2013 Published*	Effects application IFRS 10-11	30 June 2013 Restated
Inventories	1,025	(41)	984
Trade receivables	1,272	(101)	1,171
Trade payables	(1,493)	31	(1,462)
Other receivables/(payables)	9	32	41
Net operating working capital	813	(79)	734
Derivatives	(38)	-	(38)
Net working capital	775	(79)	696

(*) Restated following finalisation of the accounting for the business combination of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) which had been accounted for provisionally at 30 June 2013. Further details can be found in the 2013 Annual Report.

Income statement

(in millions of Euro)

	1st half 2013 Published	Effects application IFRS 10-11	Other reclassifications	1st half 2013 Restated
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	282	(14)	-	268
Adjusted EBITDA	282	(6)	6	282
EBITDA	256	(6)	6	256
Adjusted operating income	204	(2)	6	208

Alternative performance indicators at 31 December 2013

Reclassified statement of financial position

(in millions of Euro)

	31 December 2013 Published	Effects application IFRS 10-11	31 December 2013 Restated
Net fixed assets	2,190	17	2,207
Net working capital	444	(58)	386
Provisions	(297)	-	(297)
Net capital employed	2,337	(41)	2,296
Employee benefit obligations	308	-	308
Total equity	1,195	(12)	1,183
of which attributable to non-controlling interests	48	(12)	36
Net financial position	834	(29)	805
Total equity and sources of funds	2,337	(41)	2,296

Net working capital

(in millions of Euro)

	31 December 2013 Published	Effects application IFRS 10-11	31 December 2013 Restated
Inventories	920	(39)	881
Trade receivables	1,010	(77)	933
Trade payables	(1,441)	32	(1,409)
Other receivables/(payables)	(39)	26	(13)
Net operating working capital	450	(58)	392
Derivatives	(6)	-	(6)
Net working capital	444	(58)	386

Income statement

(in millions of Euro)

	FY 2013 Published	Effects application IFRS 10-11	Other reclassifications	FY 2013 Restated
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	612	(34)	-	578
Adjusted EBITDA	612	(16)	17	613
EBITDA	562	(16)	17	563
Adjusted operating income	457	(9)	17	465

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Mergers & Acquisitions

On 9 July 2014, Prysmian Group finalised the acquisition of the remaining 34% of the subsidiary AS Draka Keila Cables, becoming the sole shareholder of this Estonian company. The purchase price was Euro 6.2 million. The investment in Keila Cables will allow the Group to further accelerate its growth strategy in this high-potential region.

Plant closures

On 6 July 2014, the Management Board of Prysmian Netherlands announced to the trade union representatives the intention to close the plant in Amsterdam - 78 employees - and transfer production to the plants in Delft and Emmen.

On 16 July 2014, Draka Paricable (France) initiated the consultation process with the trade unions for the closure of the Aubevoye plant - 92 employees - and the transfer of production to the plants in Amfreville and Gron.

These consultations are in response to the need to optimise manufacturing footprint at individual country level, with the aim of realigning industrial presence with the potential of the relevant business/market and of improving production capacity utilisation, as well as overall economic performance, through economies of scale.

Consequent impairment testing of the assets of the plants due to be restructured has not resulted in the recognition of any impairment losses. Other restructuring costs, however, will depend on the outcome of negotiations in progress with the trade unions, and so it has not yet been possible to make a sufficiently accurate estimate.

Other subsequent events

On 3 July 2014, the barge AMT Explorer, chartered to transport power cables for the Deutsche Butch and Butendiek offshore wind farms in Germany, capsized while under tow en route from Arco Felice (Naples) to Bremerhaven (Germany). The barge's rotating platform and cargo sank as a result. The cables being transported were worth approximately Euro 28 million, against which the Group has adequate insurance coverage. Prysmian and TenneT, the partner in the wind farm projects, are working to avoid any consequences that could affect the project execution timetable.

BUSINESS OUTLOOK

The macroeconomic environment in the first part of 2014, especially in those areas hardest hit by the crisis, has shown signs of stabilisation and improvement compared with the recessionary trend experienced since the second half of 2011.

In such an economic context, the Group is forecasting for 2014 that demand for medium voltage cables for utilities will follow the current slowing trend and that building wires 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 the last few days of April, the manufacture of the cables for the Western HVDC Link project in the United Kingdom encountered some technical problems, which were duly placed under investigation. Accordingly, for the purposes of the quarterly financial report at 31 March 2014 the Directors had felt unable to estimate reliably the outcome of this contract, and so its revenues were recognised to the extent of the costs incurred. Following examination of the quality of the cable produced and analysis of the materials and the manufacturing process, the Directors have felt able in this half-year report to make a reliable estimate of the project's revenues and costs. In the first half of the year this has resulted in total elimination of the margins recognised in the contract and recognition of a provision to cover the expected contract loss.

Based on the existing order book and considering the negative impact of the technical problems with the manufacture of cables for the Western HVDC Link (UK) project, as well as negative exchange rate effects, the Group is forecasting Adjusted EBITDA for FY 2014 in the range of Euro 506-556 million (Euro 600-650 million excluding the negative impact of the Western HVDC Link (UK) project estimated at Euro 94 million for FY 2014) compared with Euro 613 million in 2013.

Lastly, the Prysmian Group will carry on during 2014 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.

FORESEEABLE RISKS IN 2014*

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 Directors have therefore assessed that there are no financial, operating or other kind of indicators that might provide evidence of the Group's inability to meet its obligations in the foreseeable future and particularly in the next 12 months.

The 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. Given operating performance in the first six months of the year and the specific macroeconomic context, the principal risk factors currently foreseeable for the second half of 2014 are described below according to their nature.

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. 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.

The first half of 2014 reported an increase in the Prysmian Group's overall volumes compared with the prior year equivalent period, thereby reversing the slowdown in demand underway since mid-2012. However, despite the ongoing rationalisation of the manufacturing footprint and the growth in sales volumes, the level of plant utilisation still 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 acceptable results both in terms of profits and cash flow; however, if another significant deterioration 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.

(*) The risks described in this section are those that, at the date of the present document, the Group believes, if they were to occur, could have a material adverse near-term impact on its business, financial condition, earnings and future prospects. The Group is also exposed to other risk factors and uncertainties that, at the date of the present document, nonetheless appear to be of limited significance; these risks are described more fully in the Annual Report.

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 potentially negative impacts both on sales volumes and sales prices.

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 phase, 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 the Group 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 specific 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, Latin America, the Middle East and Eastern Europe. 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.

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. The 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 June 2014, the Group obtained from a syndicate of premier banks a five-year revolving credit facility for Euro 1,000 million (Credit Agreement 2014). This agreement is notable not only for the large amount obtained thanks to strong interest by the lenders involved, but also for its more competitive cost than existing facilities. The agreement also confirms the wider level of financial covenants already applied to the Group for the facility obtained from Mediobanca - Banca di Credito Finanziario S.p.A. discussed below. On the same date as entering this new agreement, the Group cancelled early the Revolving Credit Facility 2010, originally due to expire on 31 December 2014 and carrying a maximum permitted drawdown of Euro 400 million. The Term Loan Facility, also maturing on 31 December 2014, was cancelled early on 28 February 2014 with repayment of the outstanding balance of Euro 184 million. In February 2014, the Group obtained a five-year revolving facility for Euro 100 million from Mediobanca – Banca di Credito Finanziario S.p.A. and in December 2013 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.

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

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

As at 30 June 2014, 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 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 and otherwise, were fully observed at 30 June 2014. In particular:

- (i) the ratio between EBITDA and Net finance costs, as defined in the credit agreements, was 5.92x (against a required covenant of not less than 5.50x for the credit agreements signed before December 2013 and 4.00x for those signed in 2014);
- (ii) the ratio between Net Financial Position and EBITDA, as defined in the credit agreements, was 2.17x (against a required covenant of below 2.50x for the credit agreements signed before December 2013 and 3.00x for those signed in 2014).

As things stand and in view of the level of the financial covenants reported above, Prysmian Group believes that it will not have to face this risk in the near future.

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.

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.

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.

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.

During the last few days of April, the manufacture of the cables for the Western HVDC Link project in the United Kingdom encountered some technical problems, which were duly placed under technical investigation. Accordingly, for the purposes of the quarterly financial report at 31 March 2014 the Directors had felt unable to estimate reliably the outcome of this contract, and so its revenues were recognised to the extent of the costs incurred. Following tests on the quality of the cable produced and analysis of the materials and the manufacturing process, the Directors have felt able in this half-year report to make a reliable estimate of the project's revenues and costs. The total impact on the first half of 2014 has been Euro 53 million, resulting from the full elimination of the margins previously recognised on the contract and the recognition of a provision to cover the expected contract loss. In addition, it is noted that the technical problems described above have resulted in the non-recognition of Euro 21 million in margins expected in the first half of 2014. Consequently, including non-recognition of the margin originally expected on this project in the period, the overall negative impact of the Western HVDC Link (UK) project on the results for the first half of 2014 would have been Euro 74 million.

It is not possible to rule out that in the future, in the face of any further technical problems on the Western HVDC Link contract, the Group may incur additional losses on top of those estimated in this half-year financial report.

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.

In addition, activities relating to the submarine cables business are closely dependent on certain specific assets, such as the manufacturing facilities in Arco Felice (Italy) and Pikkala (Finland) and the cable-laying ships, the "Giulio Verne" and the "Cable Enterprise". 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.

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. Right at its inception, the Prysmian Group approved a Code of Ethics, a document which contains ethical standards and guidelines for conduct to be observed by all those engaged in activities on behalf of Prysmian or its subsidiaries, including managers, officers, employees, agents, representatives, contractors, suppliers and consultants. In particular, the Code of Ethics requires full compliance with current regulations and the avoidance of any kind of misconduct or illegal behaviour. The Group 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 have ended without any sanctions for Prysmian. The other investigations are still in progress, except for the one by the European Commission, which has ended with the adoption of the decision described below.

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.

On 2 April 2014, the European Commission adopted a decision under which it found that, between 18 February 1999 and 28 January 2009, the world's largest cable producers, including Prysmian Cavi e Sistemi S.r.l., adopted anti-competitive practices in the European market for high voltage submarine and underground power cables. The European Commission held Prysmian Cavi e Sistemi S.r.l. jointly liable with Pirelli & C. S.p.A. for the disputed infringement in the period from 18 February 1999 to 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and The Goldman Sachs Group Inc. for the disputed infringement in the period from 29 July 2005 to 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has appealed against this decision to the General Court of the European Union. Following a detailed and careful analysis of the European Commission's ruling, and nonetheless considering this has been appealed and so could be submitted to second-instance judgement, it has been decided to release the amount of Euro 34 million from the existing provision.

As at 30 June 2014, the amount of the provision for the risks relating to the European Commission's ruling and the investigations underway in the various jurisdictions, except for Brazil, is approximately Euro 167 million. Despite the uncertainty of the outcome of the investigations underway in jurisdictions other than the European Union, the amount of this provision is considered to represent the best estimate of the liability based on the information now available.

STOCK OPTION PLANS

Information about the evolution of existing stock option plans can be found in Note 24 of the Explanatory Notes.

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 21 of the Explanatory Notes.

Milan, 31 July 2014

ON BEHALF OF THE BOARD OF DIRECTORS

THE CHAIRMAN

Massimo Tononi

**CONSOLIDATED
FINANCIAL
STATEMENTS AND
EXPLANATORY NOTES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	Note	30 June 2014	of which related parties (Note 21)	31 December 2013 (*)	of which related parties (Note 21)	1 January 2013 (*)	of which related parties
Non-current assets							
Property, plant and equipment	1	1,415		1,390		1,484	
Intangible assets	1	587		588		608	
Equity-accounted investments	2	212	212	205	205	193	193
Available-for-sale financial assets		12		12		12	
Derivatives	5	4		2		3	
Deferred tax assets		111		130		125	
Other receivables	3	30		28		40	
Total non-current assets		2,371		2,355		2,465	
Current assets							
Inventories	4	1,028		881		866	
Trade receivables	3	1,051	10	933	10	1,083	19
Other receivables	3	795	1	722	3	560	4
Financial assets held for trading	6	71		93		78	
Derivatives	5	21		23		16	
Cash and cash equivalents	7	255		510		787	
Total current assets		3,221		3,162		3,390	
Assets held for sale	8	6		12		4	
Total assets		5,598		5,529		5,859	
Equity attributable to the Group:							
Share capital	9	21		21		21	
Reserves	9	1,041		977		925	
Net profit/(loss) for the period		80		149		166	
Equity attributable to non-controlling interests:		35		36		35	
Share capital and reserves		35		33		33	
Net profit/(loss) for the period		-		3		2	
Total equity		1,177		1,183		1,147	
Non-current liabilities							
Borrowings from banks and other lenders	10	801		1,119		1,428	
Other payables	11	14		20		23	
Provisions for risks and charges	12	60		51		73	
Derivatives	5	7		7		41	
Deferred tax liabilities		74		97		91	
Employee benefit obligations	13	329		308		344	6
Total non-current liabilities		1,285		1,602		2,000	
Current liabilities							
Borrowings from banks and other lenders	10	742		292		311	
Trade payables	11	1,425	4	1,409	3	1,416	5
Other payables	11	658	5	688	18	616	7
Derivatives	5	41		42		24	
Provisions for risks and charges	12	245		279		317	
Current tax payables		25		34		28	
Total current liabilities		3,136		2,744		2,712	
Total liabilities		4,421		4,346		4,712	
Total equity and liabilities		5,598		5,529		5,859	

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

CONSOLIDATED INCOME STATEMENT

(in millions of Euro)

	Note	1st half 2014	of which related parties (Note 21)	1st half 2013 (*)	of which related parties (Note 21)
Sales of goods and services		3,287	18	3,504	23
Change in inventories of work in progress, semi-finished and finished goods		62		97	
Other income		44	2	28	3
<i>of which non-recurring other income</i>		22		7	
Raw materials, consumables used and goods for resale		(2,126)	(7)	(2,266)	(5)
Fair value change in metal derivatives		6		(37)	
Personnel costs		(461)	(4)	(480)	(9)
<i>of which non-recurring personnel costs</i>		(7)		(12)	
<i>of which personnel costs for stock option fair value</i>		(3)		(7)	
Amortisation, depreciation and impairment		(71)		(74)	
Other expenses		(580)		(648)	
<i>of which non-recurring other expenses</i>		25		(21)	
Share of net profit/(loss) of equity-accounted companies		15	15	14	14
Operating income	14	176		138	
Finance costs	15	(197)		(244)	
<i>of which non-recurring finance costs</i>		(13)		(20)	
Finance income	15	123		162	
Dividends from other companies		-		-	
Profit/(loss) before taxes		102		56	
Taxes	16	(22)		(15)	
Net profit/(loss) for the period		80		41	
Attributable to:					
Owners of the parent		80		42	
Non-controlling interests		-		(1)	
Basic earnings/(loss) per share (in Euro)	17	0.37		0.20	
Diluted earnings/(loss) per share (in Euro)	17	0.37		0.20	

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit/(loss) of associates and joint ventures. Further details can be found in Section C. Restatement of comparative figures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Euro)

	1st half 2014	1st half 2013 (*)
Net profit/(loss) for the period	80	41
Comprehensive income/(loss) for the period:		
<i>- items that may be reclassified subsequently to profit or loss:</i>		
Fair value gains/(losses) on cash flow hedges - gross of tax	(1)	6
Fair value gains/(losses) on cash flow hedges - tax effect	-	(3)
Release of cash flow hedge reserve after discontinuing cash flow hedging - gross of tax	4	15
Release of cash flow hedge reserve after discontinuing cash flow hedging - tax effect	(1)	(5)
Currency translation differences (**)	16	(32)
Total items that may be reclassified, net of tax	18	(19)
<i>- items that will NOT be reclassified subsequently to profit or loss:</i>		
Actuarial gains/(losses) on employee benefits - gross of tax	(21)	16
Actuarial gains/(losses) on employee benefits - tax effect	4	(2)
Total items that will NOT be reclassified, net of tax	(17)	14
Total comprehensive income/(loss) for the period	81	36
Attributable to:		
Owners of the parent	81	37
Non-controlling interests	-	(1)

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

(**) The statement of comprehensive income does not include any significant items relating to equity-accounted companies.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of Euro)

	Share capital	Cash flow hedge reserve	Currency translation reserve	Other reserves	Net profit / (loss) for the period	Equity attributable to the Group	Non-controlling interests	Total
Balance at 31 December 2012 (*)	21	(23)	(62)	1,010	166	1,112	35	1,147
Allocation of prior year net result	-	-	-	166	(166)	-	-	-
Fair value - stock options	-	-	-	7	-	7	-	7
Dividend distribution	-	-	-	(89)	-	(89)	(2)	(91)
Non-monetary component of convertible bond	-	-	-	39	-	39	-	39
Total comprehensive income/(loss) for the period	-	13	(32)	14	42	37	(1)	36
Balance at 30 June 2013 (*)	21	(10)	(94)	1,147	42	1,106	32	1,138

(in millions of Euro)

	Share capital	Cash flow hedge reserve	Currency translation reserve	Other reserves	Net profit / (loss) for the period	Equity attributable to the Group	Non-controlling interests	Total
Balance at 31 December 2013 (*)	21	(8)	(156)	1,141	149	1,147	36	1,183
Allocation of prior year net result	-	-	-	149	(149)	-	-	-
Dividend distribution	-	-	-	(89)	-	(89)	(1)	(90)
Fair value - stock options	-	-	-	3	-	3	-	3
Non-monetary component of convertible bond	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	2	16	(17)	80	81	-	81
Balance at 30 June 2014	21	(6)	(140)	1,187	80	1,142	35	1,177

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Euro)

	1st half 2014	of which related parties (Note 21)	1st half 2013 (*)	of which related parties (Note 21)
Profit/(loss) before taxes	102		56	
Depreciation and impairment of property, plant and equipment	56		58	
Amortisation and impairment of intangible assets	15		16	
Net gains on disposal of property, plant and equipment, intangible assets and price adjustment	(23)		(1)	
Share of net profit/(loss) of equity-accounted companies	(15)	(15)	(14)	(14)
Share-based payments	3		7	
Fair value change in metal derivatives and other fair value items	(6)		37	
Net finance costs	74		82	
Changes in inventories	(139)		(137)	
Changes in trade receivables/payables	(106)	1	(36)	5
Changes in other receivables/payables	(96)	(11)	(165)	5
Changes in receivables/payables for derivatives	-		-	
Taxes paid	(29)		(27)	
Dividends received from equity-accounted companies	8	8	16	16
Utilisation of provisions (including employee benefit obligations)	(79)		(66)	1
Increases in provisions (including employee benefit obligations)	27		29	
A. Net cash flow provided by/(used in) operating activities	(208)		(145)	
Acquisitions ⁽¹⁾	15		-	
Investments in property, plant and equipment	(67)		(39)	
Disposals of property, plant and equipment and assets held for sale	7		1	
Investments in intangible assets	(9)		(9)	
Investments in financial assets held for trading	(4)		(17)	
Disposals of financial assets held for trading	31		11	
B. Net cash flow provided by/(used in) investing activities	(27)		(53)	
Capital contributions and other changes in equity	-		-	
Dividend distribution	(90)		(91)	
EIB loan	100		-	
Proceeds from convertible bond ⁽²⁾	-		296	
Early repayment of credit agreement	(184)		(486)	
Finance costs paid ⁽³⁾	(175)		(215)	
Finance income received ⁽⁴⁾	121		143	
Changes in other net financial payables	211		148	
C. Net cash flow provided by/(used in) financing activities	(17)		(205)	
D. Currency translation gains/(losses) on cash and cash equivalent	(3)		(9)	
E. Total cash flow provided/(used) in the period (A+B+C+D)	(255)		(412)	
F. Net cash and cash equivalents at the beginning of the period	510		787	
G. Net cash and cash equivalents at the end of the period (E+F)	255		375	

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit/(loss) of associates and joint ventures. Further details can be found in Section C. Restatement of comparative figures.

⁽¹⁾ This refers to receipt of the price adjustment relating to the acquisition of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd).

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

⁽³⁾ Finance costs paid of Euro 175 million include Euro 36 million in interest payments in the first six months of 2014 (Euro 43 million in the first six months of 2013).

⁽⁴⁾ Finance income received of Euro 121 million includes Euro 3 million in interest income (Euro 2 million in the first six months of 2013).

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 2014

European Commission's decision relating to the Antitrust investigation

On 2 April 2014, the European Commission concluded the investigations started in January 2009 by adopting a decision under which it found that, between 18 February 1999 and 28 January 2009, the world's largest cable producers, including Prysmian Cavi e Sistemi S.r.l., one of the Group's Italian subsidiaries, adopted anti-competitive practices in the European market for high voltage submarine and underground power cables.

The European Commission held Prysmian Cavi e Sistemi S.r.l. jointly liable with Pirelli & C. S.p.A. for the disputed infringement in the period from 18 February 1999 to 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and The Goldman Sachs Group Inc. for the disputed infringement in the period from 29 July 2005 to 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has appealed against this decision to the General Court of the European Union. Following a detailed and careful analysis of the European Commission's ruling, and nonetheless considering this has been appealed and so could be submitted to second-instance judgement, it has been decided to release the amount of Euro 34 million from the existing provision.

Finance Activities

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.

Revolving Credit Facility 2014

On 19 February 2014, Prysmian S.p.A signed a credit agreement for Euro 100 million (the "Revolving Credit Facility 2014") with Mediobanca - Banca di Credito Finanziario S.p.A.. Under this five-year agreement, Mediobanca has provided the Group with a line of credit intended to refinance existing debt and working capital requirements.

Credit Agreements 2010 and 2014

On 28 February 2014, the Prysmian Group prepaid the outstanding balance owed under the Term Loan Facility 2010, amounting to Euro 184 million that had been due on 31 December 2014.

On 27 June 2014, Prysmian S.p.A. signed an agreement (the "Credit Agreement 2014") under which a syndicate of premier banks made available a long-term credit facility for Euro 1,000 million (the "Revolving Credit Facility 2014 in pool"). The facility, which expires on 27 June 2019, can also be used for the issue of guarantees. The new revolving facility is intended to refinance the Revolving Credit Facility 2010 and to finance the Group's other operating activities. As at 30 June 2014, this facility had not been drawn down.

On the same date as agreeing this new facility, Prysmian S.p.A. extinguished early the Revolving Credit Facility 2010, originally due to expire on 31 December 2014 and carrying a maximum permitted drawdown of Euro 400 million.

Mergers & Acquisitions

Acquisition price adjustment: Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd)

The price adjustment process relating to the acquisition of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) was completed on 28 March 2014, with a price adjustment of GBP 20 million in the Prysmian Group's favour. Since this process was completed more than a year from the acquisition date of 15 November 2012, the difference between the adjusted final price and that previously estimated has been accounted for in the income statement with the recognition of Euro 22 million in non-recurring income.

Other significant events

Western HVDC Link contract (UK)

During the last few days of April, the manufacture of the cables for the Western HVDC Link project in the United Kingdom encountered some technical problems, which were duly placed under detailed technical investigation. Accordingly, for the purposes of the quarterly financial report at 31 March 2014 the Directors

had felt unable to estimate reliably the outcome of this contract, and so its revenues were recognised to the extent of the costs incurred.

Following tests on the quality of the cable produced and analysis of the materials and the manufacturing process, the Directors have felt able in this half-year report to make a reliable estimate of the project's revenues and costs.

The total impact on the first half of 2014 has been Euro 53 million, resulting from the full elimination of the margins previously recognised on the contract and the recognition of a provision to cover the expected contract loss.

Including non-recognition of the margin originally expected on this project in the period, the overall negative impact of the Western HVDC Link (UK) project on the results for the first half of 2014 would have been Euro 74 million.

The consolidated financial statements contained herein were approved by the Board of Directors on 31 July 2014 and have been the subject of a limited review by the independent auditors.

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

B. FORM AND CONTENT

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

In particular, the Group's estimates and projections take account of the possible risk factors described in the Directors' Report, and confirm the Prysmian Group's ability to operate as a going concern and to comply with its financial covenants.

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

The information contained in the half-year financial report must be read in conjunction with the annual IFRS consolidated financial statements at 31 December 2013.

B.1 FINANCIAL STATEMENTS AND DISCLOSURES

The Group has elected to present its income statement according to the nature of expenses, whereas assets and liabilities in the statement of financial position are classified as current or non-current. The statement of cash flows has been prepared using the indirect method. The 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.

When preparing the half-year financial report, management has made judgements, estimates and assumptions that affect the value of revenues, costs, assets and liabilities and the disclosures relating to contingent assets and liabilities at the reporting date. As estimates, these may differ from the actual results attained in the future. Some valuation processes, particularly more complex ones such as the determination of any impairment losses against the value of property, plant and equipment and intangible assets, are carried out fully only at year end, when all the necessary information is available, unless there are indicators of impairment that require the immediate recognition of a loss.

Amendment of financial statements

Application of IFRS 10 and IFRS 11

The consolidated financial statements for 2013, presented in this half-year financial report for comparative purposes, have been amended compared with the previously published figures due to the application of IFRS 10 and IFRS 11. Following these amendments, investments in associates and joint ventures accounted for using the equity method have been presented in a separate line of the statement of financial position. Further details can be found in Section C. Restatement of comparative figures.

Reclassification of share of net profit/(loss) of equity-accounted companies

The Group has adopted a new method of classifying its share of the net profit/(loss) of associates and joint ventures, whereby it recognises this amount as a component of Operating income when relating to companies that operate in the same sector as the Group. The comparative figures have been reclassified accordingly. Further details can be found in Section C. Restatement of comparative figures.

Other changes

Lastly, some reclassifications have been made between "Historical cost" and "Accumulated depreciation and impairment" in "Property, plant and equipment", as shown in Note 1. Property, plant and equipment and intangible assets.

B.2 ACCOUNTING STANDARDS

Accounting standards used to prepare the half-year financial report

The basis of consolidation, the methods used to translate financial statements into the presentation currency, the accounting standards and the accounting estimates and policies adopted are the same as those used for the consolidated financial statements at 31 December 2013, to which reference should be made for more details, except for:

1. income taxes, which have been recognised using the best estimate of the Group's weighted average tax rate expected for the full year;

2. the accounting standards and amendments discussed below, which have been mandatorily applied with effect from 1 January 2014 after receiving endorsement from the competent authorities.

Accounting standards, amendments and interpretations applied from 1 January 2014

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.

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 to the consolidation obligations of IFRS 10 for companies that manage and measure their investments on a fair value basis. These amendments apply to financial years beginning on or after 1 January 2014 and have not entailed any significant effects for the Group.

Further details about the effects of the above amendments can be found in Section C. Restatement of comparative figures.

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

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 apply to financial years beginning on or after 1 January 2014 and must be applied retrospectively; they have not entailed 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 of information about the recoverable amount of impaired assets, if that amount is based on fair value less costs of disposal. The amendment requires disclosures about the recoverable amount of such assets or cash-generating units only when impairment is recognised or a previous impairment is reversed. This amendment applies to financial years beginning on or after 1 January 2014 and has not entailed 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 applies to financial years beginning on or after 1 January 2014 and has not entailed any significant effects for the Group. The amendment will also appear in *IFRS 9 - Financial Instruments*.

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

On 20 May 2013, the IASB issued *IFRIC 21 – Levies*, an interpretation of *IAS 37 - Provisions, Contingent Liabilities and Contingent Assets*. The interpretation, which addresses the recognition of liabilities for the payment of taxes other than income taxes, provides guidance on identifying the event that gives rise to the obligation and when to recognise the liability. The interpretation applies to financial years beginning on or after 1 January 2014. The introduction of this interpretation is not expected to entail any significant effects for the Group.

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 this amendment.

On 6 May 2014, the IASB issued amendments to *IFRS 11 - Joint Arrangements* to provide guidance on how to account for the acquisition of an interest in a joint operation that constitutes as business. These amendments are effective retrospectively for financial years beginning on or after 1 January 2016.

On 12 May 2014, the IASB published amendments to *IAS 16 - Property, Plant and Equipment* and *IAS 38 - Intangible Assets* to provide guidance on acceptable methods of depreciation and amortisation. In particular, the amendments clarify that revenue-based methods to calculate depreciation or amortisation are applicable only in limited circumstances. These amendments are effective retrospectively for financial years beginning on or after 1 January 2016.

On 28 May 2014, the IASB issued *IFRS 15 - Revenue from Contracts with Customers* with the aim of improving the quality and uniformity of revenue reporting. The publication of this standard is part of the convergence project with the FASB to improve the comparability of financial statements.

The objective of the standard is to define the time of transfer of control as a factor in revenue recognition and the amount that the company is entitled to receive. The standard therefore defines the following steps to follow for the recognition of revenue:

- 1 Identify the contract with the customer;
- 2 Identify the performance obligations in the contract;
- 3 Determine the transaction price;
- 4 Allocate the transaction price to the performance obligations in the contract;
- 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

This standard applies to financial years beginning on or after 1 January 2017.

On 24 July 2014, the IASB issued *IFRS 9 - Financial Instruments*, divided into the following sections:

- classification and measurement of derivative instruments;
- impairment methodology for financial instruments;
- rules for the application of hedge accounting;
- accounting for changes in the reporting entity's own credit when measuring the fair value of liabilities.

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

B.3 CHANGES IN THE SCOPE OF CONSOLIDATION

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

The following changes took place in the scope of consolidation during the first six months of 2014:

Mergers

On 1 February 2014, the merger was completed of Prysmian (Dutch) Holdings B.V. into Draka Holding N.V..

On 24 April 2014, the merger was completed of Cables Opticos Y Metalicos para Telecomunicaciones Telcon s.r.l. into Prysmian Energy Cables y Sistemas de Argentina S.A..

On 1 May 2014, the merger was completed of Kabelbedrijven Draka Nederland B.V. into Prysmian Netherlands B.V..

Name changes

On 13 February 2014, the Dutch company Draka Holding N.V. changed its name to Draka Holding B.V..

Appendix A to these notes contains a list of the companies included in the scope of consolidation at 30 June 2014.

C. RESTATEMENT OF COMPARATIVE FIGURES

Following the adoption of *IFRS 10 - Consolidated Financial Statements* and *IFRS 11 - Joint Arrangements*, applicable retrospectively from 1 January 2014, the Group's consolidated figures have been restated as from 1 January 2013.

In particular, the changes introduced by *IFRS 11 - Joint Arrangements* have eliminated the possibility of proportionate consolidation; accordingly, the companies Yangtze Optical Fibre and Cable Joint Stock Limited Co., Yangtze Optical Fibre and Cable (Hong Kong) Co. Ltd., Precision Fiber Optics Ltd. and Power Cables Malaysia Sdn Bhd, previously consolidated using the proportionate method, have now been consolidated using the equity method.

In addition, further to the changes introduced by *IFRS 10 - Consolidated Financial Statements*, the Chinese company Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd., previously consolidated line-by-line, has now been consolidated using the equity method; the Brazilian company Sociedade Produtora de Fibras Opticas S.A., previously consolidated line-by-line, has been defined as a "joint operation" and so is now being consolidated according to the rights and obligations arising under the contractual arrangement.

The following table summarises the changes made to the scope of consolidation:

	Method of consolidation	
	31 December 2012	From 1 January 2013
China		
Yangtze Optical Fibre and Cable Joint Stock Limited Co.	Proportionate	Equity
Yangtze Optical Fibre and Cable (Hong Kong) Co. Ltd.	Proportionate	Equity
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd.	Line-by-line	Equity
Japan		
Precision Fiber Optics Ltd.	Proportionate	Equity
Malaysia		
Power Cables Malaysia Sdn Bhd	Proportionate	Equity
Brazil		
Sociedade Produtora de Fibras Opticas S.A.	Line-by-line	Line-by-line (*)

(*) Company defined as a joint operation, which is being consolidated line-by-line according to the rights and obligations arising under the contractual arrangement.

The Consolidated Financial Statements at 1 January 2013, at 31 December 2013 and for the first half of 2013 have therefore been restated as follows:

Consolidated Statement of Financial Position at 1 January 2013:

(in millions of Euro)

	1 January 2013 Published	Effects application IFRS 10-11	1 January 2013 Restated
Non-current assets			
Property, plant and equipment	1,539	(55)	1,484
Intangible assets	644	(36)	608
Equity-accounted investments	99	94	193
Available-for-sale financial assets	14	(2)	12
Derivatives	3	-	3
Deferred tax assets	127	(2)	125
Other receivables	41	(1)	40
Total non-current assets	2,467	(2)	2,465
Current assets			
Inventories	897	(31)	866
Trade receivables	1,163	(80)	1,083
Other receivables	573	(13)	560
Financial assets held for trading	78	-	78
Derivatives	16	-	16
Cash and cash equivalents	812	(25)	787
Total current assets	3,539	(149)	3,390
Assets held for sale	4	-	4
Total assets	6,010	(151)	5,859
Equity attributable to the Group:	1,112	-	1,112
Share capital	21	-	21
Reserves	925	-	925
Net profit/(loss) for the year	166	-	166
Equity attributable to non-controlling interests:	47	(12)	35
Share capital and reserves	44	(11)	33
Net profit/(loss) for the year	3	(1)	2
Total equity	1,159	(12)	1,147
Non-current liabilities			
Borrowings from banks and other lenders	1,433	(5)	1,428
Other payables	27	(4)	23
Provisions for risks and charges	76	(3)	73
Derivatives	41	-	41
Deferred tax liabilities	95	(4)	91
Employee benefit obligations	344	-	344
Total non-current liabilities	2,016	(16)	2,000
Current liabilities			
Borrowings from banks and other lenders	361	(50)	311
Trade payables	1,450	(34)	1,416
Other payables	654	(38)	616
Derivatives	24	-	24
Provisions for risks and charges	317	-	317
Current tax payables	29	(1)	28
Total current liabilities	2,835	(123)	2,712
Total liabilities	4,851	(139)	4,712
Total equity and liabilities	6,010	(151)	5,859

Consolidated Statement of Financial Position at 31 December 2013:

(in millions of Euro)

	31 December 2013 Published	Effects application IFRS 10-11	31 December 2013 Restated
Non-current assets			
Property, plant and equipment	1,441	(51)	1,390
Intangible assets	623	(35)	588
Equity-accounted investments	99	106	205
Available-for-sale financial assets	15	(3)	12
Derivatives	2	-	2
Deferred tax assets	134	(4)	130
Other receivables	29	(1)	28
Total non-current assets	2,343	12	2,355
Current assets			
Inventories	920	(39)	881
Trade receivables	1,010	(77)	933
Other receivables	739	(17)	722
Financial assets held for trading	94	(1)	93
Derivatives	23	-	23
Cash and cash equivalents	561	(51)	510
Total current assets	3,347	(185)	3,162
Assets held for sale	12	-	12
Total assets	5,702	(173)	5,529
Equity attributable to the Group:			
Share capital	21	-	21
Reserves	977	-	977
Net profit/(loss) for the year	149	-	149
Equity attributable to non-controlling interests:	48	(12)	36
Share capital and reserves	43	(10)	33
Net profit/(loss) for the year	5	(2)	3
Total equity	1,195	(12)	1,183
Non-current liabilities			
Borrowings from banks and other lenders	1,154	(35)	1,119
Other payables	24	(4)	20
Provisions for risks and charges	52	(1)	51
Derivatives	7	-	7
Deferred tax liabilities	100	(3)	97
Employee benefit obligations	308	-	308
Total non-current liabilities	1,645	(43)	1,602
Current liabilities			
Borrowings from banks and other lenders	338	(46)	292
Trade payables	1,441	(32)	1,409
Other payables	728	(40)	688
Derivatives	42	-	42
Provisions for risks and charges	279	-	279
Current tax payables	34	-	34
Total current liabilities	2,862	(118)	2,744
Total liabilities	4,507	(161)	4,346
Total equity and liabilities	5,702	(173)	5,529

Consolidated Income Statement 1st half 2013:

(in millions of Euro)

	1st half 2013 Published	Effects application IFRS 10-11	Other reclassifications	1st half 2013 Restated
Sales of goods and services	3,622	(118)	-	3,504
Change in inventories of work in progress, semi-finished and finished goods	102	(5)	-	97
Other income	29	(1)	-	28
<i>of which non-recurring other income</i>	7	-	-	7
Raw materials, consumables used and goods for resale	(2,356)	90	-	(2,266)
Fair value change in metal derivatives	(37)	-	-	(37)
Personnel costs	(489)	9	-	(480)
<i>of which non-recurring personnel costs</i>	(12)	-	-	(12)
<i>of which personnel costs for stock option fair value</i>	(7)	-	-	(7)
Amortisation, depreciation and impairment	(78)	4	-	(74)
<i>of which non-recurring impairment</i>	-	-	-	-
Other expenses	(659)	11	-	(648)
<i>of which non-recurring other expenses</i>	(21)	-	-	(21)
Share of net profit/(loss) of equity-accounted companies	-	8	6	14
Operating income	134	(2)	6	138
Finance costs	(246)	2	-	(244)
<i>of which non-recurring finance costs</i>	(20)	-	-	(20)
Finance income	164	(2)	-	162
Share of net profit/(loss) of associates and dividends from other companies	6	-	(6)	-
Profit/(loss) before taxes	58	(2)	-	56
Taxes	(17)	2	-	(15)
Net profit/(loss) for the period	41	-	-	41
Attributable to:				
Owners of the parent	42	-	-	42
Non-controlling interests	(1)	-	-	(1)

It should be noted that the adoption of IFRS 10 and IFRS 11 has not resulted in any changes to the statement of comprehensive income.

Consolidated Statement of Cash Flows 1st half 2013:

(in millions of Euro)

	1st half 2013 Published	Effects application IFRS 10-11	Other reclassifications	1st half 2013 Restated
Profit/(loss) before taxes	58	(2)	-	56
Depreciation and impairment of property, plant and equipment	61	(3)	-	58
Amortisation and impairment of intangible assets	17	(1)	-	16
Net gains on disposal of property, plant and equipment, intangible assets and other non-current assets	(1)	-	-	(1)
Share of net profit/(loss) of equity-accounted companies	(6)	(8)	-	(14)
Share-based payments	7	-	-	7
Fair value change in metal derivatives and other fair value items	37	-	-	37
Net finance costs	82	-	-	82
Changes in inventories	(145)	8	-	(137)
Changes in trade receivables/payables	(59)	23	-	(36)
Changes in other receivables/payables	(163)	(2)	-	(165)
Changes in receivables/payables for derivatives	-	-	-	-
Taxes paid	(28)	1	-	(27)
Dividends received from equity-accounted companies	-	8	8	16
Utilisation of provisions (including employee benefit obligations)	(69)	3	-	(66)
Increases in provisions (including employee benefit obligations)	29	-	-	29
A. Net cash flow provided by/(used in) operating activities	(180)	27	8	(145)
Investments in property, plant and equipment	(42)	3	-	(39)
Disposals of property, plant and equipment and assets held for sale	1	-	-	1
Investments in intangible assets	(9)	-	-	(9)
Investments in financial assets held for trading	(17)	-	-	(17)
Disposals of financial assets held for trading	11	-	-	11
Dividends received	8	-	(8)	-
B. Net cash flow provided by/(used in) investing activities	(48)	3	(8)	(53)
Dividend distribution	(91)	-	-	(91)
Proceeds from Convertible bond	296	-	-	296
Early repayment of Credit Agreement	(486)	-	-	(486)
Finance costs paid	(216)	1	-	(215)
Finance income received	144	(1)	-	143
Changes in other net financial payables	164	(16)	-	148
C. Net cash flow provided by/(used in) financing activities	(189)	(16)	-	(205)
D. Currency translation gains/(losses) on cash and cash equivalents	(9)	-	-	(9)
E. Total cash flow provided/(used) in the period (A+B+C+D)	(426)	14	-	(412)
F. Net cash and cash equivalents at the beginning of the period	812	(25)	-	787
G. Net cash and cash equivalents at the end of the period (E+F)	386	(11)	-	375

D. FINANCIAL RISK MANAGEMENT

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

This half-year financial report does not contain all the information about financial risks presented in the annual financial report at 31 December 2013, which should be consulted for more detailed analysis.

With reference to the risks described in the annual financial report at 31 December 2013, there have been no changes in the types of risks to which the Group is exposed or in its policies for managing such risks.

(a) Fair value estimation

With reference to assets and liabilities recognised in the statement of financial position, IFRS 13 requires that such amounts are classified on the basis of a hierarchy that reflects the significance of the inputs used in determining fair value.

Financial instruments are classified according to the following fair value hierarchy:

Level 1: fair value is determined with reference to quoted prices (unadjusted) in active markets for identical financial instruments;

Level 2: fair value is determined using valuation techniques where the input is based on observable market data;

Level 3: fair value is determined using valuation techniques where the input is not based on observable market data.

(in millions of Euro)

				30 June 2014
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss:				
Derivatives	7	12	-	19
Financial assets held for trading	66	5	-	71
Hedging derivatives	-	6	-	6
Available-for-sale financial assets	-	-	12	12
Total assets	73	23	12	108
Liabilities				
Financial liabilities at fair value through profit or loss:				
Derivatives	15	23	-	38
Hedging derivatives	-	10	-	10
Total liabilities	15	33	-	48

Financial assets classified in fair value Level 3 have reported no significant movements in the period.

Given the short-term nature of trade receivables and payables, their book values, net of any allowance for doubtful accounts, are treated as a good approximation of fair value.

During the first half of 2014 there were no transfers of financial assets and liabilities between the different levels of the fair value hierarchy.

(b) Valuation techniques

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

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

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

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

E. SEGMENT INFORMATION

The criteria used for identifying reportable segments are consistent with the Group's long-established organisational model. From 1 January 2014 the Group has embarked on a process of organisational change, as described in the 2013 annual financial report. Reporting systems in support of the new model are still in the process of being implemented; it has therefore been decided, for the purposes of this half-year financial report, not to change the way of reporting segment information.

In particular, segment information is structured in the same way as the report periodically prepared in order to review business performance. This report presents operating performance by macro type of business (Energy and Telecom) and the results of operating segments primarily on the basis of Adjusted EBITDA, defined as earnings (loss) for the period before non-recurring items (eg. restructuring costs), the fair value change in metal price derivatives and in other fair value items, amortisation, depreciation and impairment, finance costs and income and taxes. This report also provides information about the statement of financial position for the Group as a whole 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, forming 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; Renewables; 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 presentation is does not produce significantly different results from analysing sales of goods and services by destination of the products 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.

E.1 OPERATING SEGMENTS

The following tables present information by operating segment.

(in millions of Euro)

	Energy					Telecom	Corporate	1st half 2014
	Utilities	Trade & Installers	Industrial	Other	Total			Group total
Sales ⁽¹⁾	992	944	817	46	2,799	488	-	3,287
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	61	29	57	5	152	37	-	189
% of sales	6.1%	3.1%	7.0%		5.4%	7.6%		5.7%
Adjusted EBITDA (A)	64	34	58	5	161	43	-	204
% of sales	6.5%	3.6%	7.1%		5.8%	8.8%		6.2%
EBITDA (B)	115	31	53	4	203	44	(3)	244
% of sales	11.6%	3.3%	6.5%		7.3%	9.0%		7.4%
Amortisation and depreciation (C)	(20)	(11)	(17)	(2)	(50)	(21)	-	(71)
Adjusted operating income (A+C)	44	23	41	3	111	22	-	133
% of sales	4.4%	2.4%	5.0%		4.0%	4.5%		4.0%
Fair value change in metal derivatives (D)								6
Fair value stock options (E)								(3)
Impairment of assets (F)								-
Operating income (B+C+D+E+F)								176
% of sales								5.4%
Finance income								123
Finance costs								(197)
Share of net profit/(loss) of associates and dividends from other companies								-
Taxes								(22)
Net profit/(loss) for the period								80
% of sales								2.4%
Attributable to:								
Owners of the parent								80
Non-controlling interests								-
RECONCILIATION BETWEEN EBITDA AND ADJUSTED EBITDA								
EBITDA (A)	115	31	53	4	203	44	(3)	244
Non-recurring expenses/(income):								
Company reorganisation	1	2	3	-	6	-	1	7
Antitrust investigations	(32)	-	-	-	(32)	-	-	(32)
Acquisition price adjustment	(22)	-	-	-	(22)	-	-	(22)
Other net non-recurring expenses/(income)	2	1	2	1	6	(1)	2	7
Total non-recurring expenses/(income) (B)	(51)	3	5	1	(42)	(1)	3	(40)
Adjusted EBITDA (A+B)	64	34	58	5	161	43	-	204

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

(in millions of Euro)

1st half 2013 (*)

	Energy					Telecom	Corporate	Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
Sales ⁽¹⁾	1,067	974	895	54	2,990	514	-	3,504
Adjusted EBITDA before share of net profit/(loss) of equity accounted companies	122	37	62	4	225	43	-	268
% of sales	11.4%	3.8%	6.9%		7.5%	8.3%		7.6%
Adjusted EBITDA (A)	124	41	63	4	232	50	-	282
% of sales	11.6%	4.2%	7.0%		8%	10%		8.0%
EBITDA (B)	129	31	60	(1)	219	38	(1)	256
% of sales	12.1%	6.9%	6.7%		7.3%	7.4%		7.3%
Amortisation and depreciation (C)	(20)	(13)	(18)	(2)	(53)	(21)	-	(74)
Adjusted operating income (A+C)	104	28	45	2	179	29	-	208
% of sales	9.7%	2.9%	5.0%		6.0%	5.6%		5.9%
Fair value change in metal derivatives (D)								(37)
Fair value stock options (E)								(7)
Operating income (B+C+D+E)								138
% of sales								3.9%
Finance income								162
Finance costs								(244)
Taxes								(15)
Net profit/(loss) for the period								41
% of sales								1.2%
Attributable to:								
Owners of the parent								42
Non-controlling interests								(1)
RECONCILIATION BETWEEN EBITDA AND ADJUSTED EBITDA								
EBITDA (A)	129	31	60	(1)	219	38	(1)	256
Non-recurring expenses/(income):								
Company reorganisation	1	8	3	5	17	4	-	21
Antitrust investigations	(1)	-	-	-	(1)	-	-	(1)
Environmental remediation and other costs	-	2	-	-	2	-	-	2
Other net non-recurring expenses/(income)	(5)	-	-	-	(5)	8	1	4
Total non-recurring expenses/(income) (B)	(5)	10	3	5	13	12	1	26
Adjusted EBITDA (A+B)	124	41	63	4	232	50	-	282

⁽¹⁾ The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit/(loss) of associates and joint ventures. Further details can be found in Section C. Restatement of comparative figures.

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

E.2 GEOGRAPHICAL AREAS

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

(in millions of Euro)

	1st half 2014	1st half 2013 (*)
Sales of goods and services	3,287	3,504
EMEA*	2,158	2,288
(of which Italy)	406	459
North America	486	508
Latin America	252	320
Asia Pacific	391	388

* EMEA = Europe, Middle East and Africa

⁽¹⁾ The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

1. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Details of these balances and related movements are as follows:

(in millions of Euro)

	Property, plant and equipment	Intangible assets	of which Goodwill
Balance at 31 December 2013 (*)	1,390	588	377
Movements in 2014:			
- Investments	67	9	-
- Disposals	(1)	-	-
- Depreciation and amortisation	(56)	(15)	-
- Impairment	-	-	-
- Currency translation differences	16	4	2
- Other	(1)	1	-
Total movements	25	(1)	2
Balance at 30 June 2014	1,415	587	379
Of which:			
- Historical cost	2,260	803	399
- Accumulated depreciation/amortisation and impairment	(845)	(216)	(20)
Net book value	1,415	587	379

(in millions of Euro)

	Property, plant and equipment	Intangible assets	of which Goodwill
Balance at 31 December 2012 (*)	1,484	608	377
Movements in 2013:			
- Business combinations	-	1	2
- Investments	39	9	-
- Disposals	-	-	-
- Depreciation and amortisation	(58)	(16)	-
- Impairment	-	-	-
- Currency translation differences	(29)	(5)	(3)
- Reclassifications to Assets held for sale	(2)	-	-
- Other	1	-	-
Total movements	(49)	(11)	(1)
Balance at 30 June 2013 (*)	1,435	597	376
Of which:			
- Historical cost	2,083	782	396
- Accumulated depreciation/amortisation and impairment	(648)	(185)	(20)
Net book value	1,435	597	376

(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

A total of Euro 67 million has been invested in property, plant and equipment in the first six months of 2014.

This expenditure is analysed as follows:

- around 40%, or Euro 27 million, for structural projects, mainly involving the purchase of the Pikkala site in Finland, work on buildings and production lines for compliance with the latest regulations and conversion of the cable ship owned by Prysmian PowerLink Services Ltd;
- around 39%, or Euro 26 million, for projects to increase production capacity and develop new products;
- around 20%, or Euro 13 million, for projects to improve industrial efficiency.

Machinery is subject to Euro 12 million in liens in connection with long-term loans (mainly in relation to the Brazilian subsidiaries).

Investments in intangible assets have amounted to Euro 9 million in the period, most of which in connection with the "SAP Consolidation" project, aimed at harmonising the information system across the Group (Euro 6 million) and with a Brazilian subsidiary's development of a prototype destined for flexible pipe production (Euro 3 million).

There has been no need to recognise any significant impairment losses at 30 June 2014. This does not mean that impairment losses, even significant ones, will not emerge when tests are performed in more detail at the time of preparing the annual financial statements.

2. EQUITY-ACCOUNTED INVESTMENTS

These are detailed as follows:

(in millions of Euro)

	30 June 2014	31 December 2013 (*)
Investments in associates	79	78
Investments in joint ventures	133	127
Total equity-accounted investments	212	205

(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

Investments in associates

Information about the nature of the main investments in associates:

Company name	Registered office	% owned
Oman Cables Industry (SAOG)	Sultanate of Oman	34.78%
Kabeltrommel Gmbh & Co.K.G.	Germany	43.18%
Elkat Ltd.	Russia	40.00%

Oman Cables Industry (SAOG) is based in the Sultanate of Oman and is listed on the local stock exchange. The company and its subsidiaries manufacture and sell power cables and conductors and operate mainly in the local market, the Middle East and North Africa.

Kabeltrommel Gmbh & Co. K.G. is a German company that heads a consortium for the production, procurement, management and sale of disposable and reusable cable carrying devices (reels). The services offered by the company include both the sale of such devices, and the complete management of logistics services such as shipping, handling and the subsequent retrieval of cable carrying devices. The company operates primarily in the German market.

Elkat Ltd. is based in Russia and manufactures and sells copper conductors; it is the only company certified by the LME to test copper cathodes for the local market.

Investments in joint ventures

Information about the nature of the main investments in joint ventures:

Company name	Registered office	% owned
Yangtze Optical Fibre & Cable Joint Stock Limited Company	China	37.50%
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd	China	53.125%
Power Cables Malaysia Sdn Bhd	Malaysia	40.00%
Precision Fiber Optics Ltd	Japan	50.00%

Yangtze Optical Fibre & Cable Joint Stock Limited Company, a Chinese company formed in 1988, is a joint venture between three partners: China Telecommunications Corporation, Wuhan Yangtze Communications Industry Group Company Ltd. and the Prysmian Group. The company is one of the industry's most important manufacturer of optical fibre and cables. The company's products and solutions are sold in more than 50 countries, including the United States, Japan, the Middle East and Africa.

Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd, formed in 2002, is based in Shanghai (China) and is a joint venture between Yangtze Optical Fibre & Cable Joint Stock Limited Company and the Prysmian Group. The company specialises in the manufacture and sale of optical fibre and cables, offering a wide range of optical fibre cables and accessories, services and FTTx solutions.

Power Cables Malaysia Sdn Bhd is a joint venture based in Malaysia between the Prysmian Group and the Armed Forces Fund Board (LTAT), a Malaysian government retirement benefits fund. The company, a leader in the local market, manufactures and sells power cables and conductors and is mainly specialised in high voltage products.

Lastly, Precision Fiber Optics Ltd., based in Japan, manufactures and sells optical fibre cables in the local market.

3. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in millions of Euro)

	30 June 2014		
	Non-current	Current	Total
Trade receivables	-	1,104	1,104
Allowance for doubtful accounts	-	(53)	(53)
Total trade receivables	-	1,051	1,051
Other receivables:			
Tax receivables	15	156	171
Financial receivables	1	10	11
Prepaid finance costs	6	3	9
Receivables from employees	2	4	6
Pension fund receivables	-	2	2
Construction contracts	-	503	503
Advances to suppliers	-	14	14
Other	6	103	109
Total other receivables	30	795	825
Total	30	1,846	1,876

(in millions of Euro)

	31 December 2013 (*)		
	Non-current	Current	Total
Trade receivables	-	986	986
Allowance for doubtful accounts	-	(53)	(53)
Total trade receivables	-	933	933
Other receivables:			
Tax receivables	13	109	122
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	9	99	108
Total other receivables	28	722	750
Total	28	1,655	1,683

(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

4. INVENTORIES

These are detailed as follows:

(in millions of Euro)

	30 June 2014	31 December 2013 (*)
Raw materials	303	249
<i>of which allowance for obsolete and slow-moving raw materials</i>	<i>(41)</i>	<i>(29)</i>
Work in progress and semi-finished goods	278	227
<i>of which allowance for obsolete and slow-moving work in progress and semi-finished goods</i>	<i>(8)</i>	<i>(5)</i>
Finished goods (**)	447	405
<i>of which allowance for obsolete and slow-moving finished goods</i>	<i>(53)</i>	<i>(48)</i>
Total	1,028	881

(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

(**) Finished goods also include goods for resale.

5. DERIVATIVES

These are detailed as follows:

(in millions of Euro)

	30 June 2014	
	Asset	Liability
Non-current		
Interest rate sw aps (cash flow hedges)	-	4
Forw ard currency contracts on commercial transactions (cash flow hedges)	2	2
Total hedging derivatives	2	6
Metal derivatives	2	1
Total other derivatives	2	1
Total non-current	4	7
Current		
Forw ard currency contracts on commercial transactions (cash flow hedges)	4	4
Total hedging derivatives	4	4
Forw ard currency contracts on commercial transactions	3	7
Forw ard currency contracts on financial transactions	6	7
Interest rate sw aps	-	7
Metal derivatives	8	16
Total other derivatives	17	37
Total current	21	41
Total	25	48

(in millions of Euro)

	31 December 2013 (*)	
	Asset	Liability
Non-current		
Interest rate sw aps (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 sw aps (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 sw aps	-	9
Metal derivatives	5	17
Total other derivatives	19	34
Total current	23	42
Total	25	49

(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

6. FINANCIAL ASSETS HELD FOR TRADING

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 which invest available liquidity temporarily in such funds.

7. CASH AND CASH EQUIVALENTS

These are detailed as follows:

(in millions of Euro)

	30 June 2014	31 December 2013 (*)
Cash and cheques	5	-
Bank and postal deposits	250	510
Total	255	510

(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

Cash and cash equivalents, deposited with premier financial institutions, are managed through the Group's treasury companies and in its various operating units.

Cash and cash equivalents managed through the Group's treasury companies amounted to Euro 54 million at 30 June 2014 compared with Euro 208 million at 31 December 2013.

8. ASSETS HELD FOR SALE

These are detailed as follows:

(in millions of Euro)

	30 June 2014	31 December 2013 (*)
Land	6	6
Buildings	-	6
Total	6	12

(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

During the first half of 2014 the following transactions were completed:

- sale of the Eschweiler site in Germany, reducing this line item by Euro 3 million, and
- sale of the Derby site in Great Britain, reducing this line item by Euro 3 million.

9. SHARE CAPITAL AND RESERVES

Consolidated equity has recorded a decrease of Euro 6 million since 31 December 2013, mainly reflecting the net effect of:

- positive currency translation differences of Euro 16 million;
- the negative change of Euro 17 million in the reserve for actuarial gains on employee benefits;
- the release of Euro 3 million from the cash flow hedge reserve as a result of discontinuing cash flow hedging, following early repayment of the outstanding amount of the Term Loan Facility 2010;
- the negative post-tax change of Euro 1 million in the fair value of derivatives designated as cash flow hedges;
- the positive change of Euro 3 million in the share-based compensation reserve linked to the stock option plan;
- the net profit for the period of Euro 80 million;
- the distribution of Euro 90 million in dividends.

At 30 June 2014, 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 of Prysmian S.p.A. are as follows:

	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
	Ordinary shares	Treasury shares	Total
Balance at 31 December 2013	214,591,710	(3,039,169)	211,552,541
Capital increase	-	-	-
Treasury shares ⁽²⁾	-	139,676	139,676
Balance at 30 June 2014	214,591,710	(2,899,493)	211,692,217

⁽¹⁾ Capital increase following exercise of part of the options under the Stock Option Plan 2007-2012.

⁽²⁾ The movement in treasury shares refers to the allotment of shares under the Group employee share purchase plan (YES Plan).

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 million shares. This period was subsequently extended to October 2010 under a resolution adopted on 9 April 2009. The number of treasury shares increased in 2011 following the acquisition of Draka Holding N.V. (now renamed Draka Holding B.V.), which holds 10,669 Prysmian S.p.A. shares.

	Number of shares	Total nominal value (in Euro)	% of share capital	Average unit value (in Euro)	Total carrying value (in Euro)
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
- Purchases	-	-	-	-	-
- Sales	(139,676)	(13,968)	-0.07%	9.965	(1,391,871)
At 30 June 2014	2,899,493	289,949	1.35%	9.963	28,887,207

The Shareholders' Meeting held on 16 April 2013 authorised a share buy-back and disposal programme. This programme provided the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total could not exceed 10% of share capital, equal to 18,420,002 ordinary shares as at the date of 16 April 2013, after deducting the treasury shares already held by the Company.

The Shareholders' Meeting held on 16 April 2014 authorised a new share buy-back and disposal programme, and revoked the above programme at the same time. The new 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 the Shareholders' Meeting, after deducting the treasury shares already held by the Company. Purchases may not exceed the amount of undistributed earnings and available reserves reported in the most recently approved annual financial statements. The authorisation to buy back treasury shares will last for 18 months commencing from the date of the Shareholders' Meeting; the authorisation to dispose of treasury shares has no time limit.

During the month of May 2014, the number of treasury shares decreased by 139,676 for those shares allotted to employees that had signed up to the first window of the employee share purchase plan.

10. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

(in millions of Euro)

	30 June 2014		
	Non-current	Current	Total
Borrowings from banks and other financial institutions	519	336	855
Non-convertible bond	-	404	404
Convertible bond	267	1	268
Finance lease obligations	15	1	16
Total	801	742	1,543

(in millions of Euro)

	31 December 2013 (*)		
	Non-current	Current	Total
Borrowings from banks and other financial institutions	442	274	716
Non-convertible bond	399	15	414
Convertible bond	263	1	264
Finance lease obligations	15	2	17
Total	1,119	292	1,411

(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

Borrowings from banks and other financial institutions and Bonds are analysed as follows:

(in millions of Euro)

	30 June 2014	31 December 2013 (*)
Credit Agreements ⁽¹⁾	398	580
EIB loan	101	-
Revolving Credit Facility 2014	30	-
Other borrowings	326	136
Borrowings from banks and other financial institutions	855	716
Non-convertible bond	404	414
Convertible bond	268	264
Total	1,527	1,394

(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

(1) Credit Agreements refer at 30 June 2014 to the Term Loan Facility 2011 and at 31 December 2013 to the Term Loan Facility 2010 and the Term Loan Facility 2011.

Credit Agreements

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 (the "Term Loan Facility 2011") and a revolving facility for Euro 400 million (the "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 30 June 2014, the fair value of the Credit Agreement 2011 approximated the related carrying amount. Fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

On 27 June 2014, Prysmian S.p.A. signed an agreement (the "Credit Agreement 2014") under which a syndicate of premier banks made available a long-term credit facility for Euro 1,000 million (the "Revolving Credit Facility 2014 in pool"). The facility, which expires on 27 June 2019, can also be used for the issue of guarantees. The new revolving facility is intended to refinance the Revolving Credit Facility 2010 and to finance the Group's other operating activities. As at 30 June 2014, this facility had not been drawn down. On the same date as entering this new agreement, Prysmian S.p.A. extinguished early the Revolving Credit Facility 2010, originally been due to expire on 31 December 2014 and carrying a maximum permitted drawdown of Euro 400 million. The Term Loan Facility 2010, also maturing on 31 December 2014, had been extinguished early on 28 February 2014 with repayment of the outstanding balance of Euro 184 million.

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.

At 30 June 2014, the fair value of the EIB Loan approximated the related carrying amount. Fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

Revolving Credit Facility 2014

On 19 February 2014, Prysmian S.p.A. signed a credit agreement for Euro 100 million (the "Revolving Credit Facility 2014") with Mediobanca - Banca di Credito Finanziario S.p.A.. Under this five-year agreement, Mediobanca has provided the Group with a line of credit intended to refinance existing debt and working capital requirements.

As at 30 June 2014, the Revolving Credit Facility 2014 had been drawn down by Euro 30 million.

The following table summarises the committed lines available to the Group at 30 June 2014 and 31 December 2013:

(in millions of Euro)

	30 June 2014		
	Total lines	Used	Unused
Term Loan Facility 2010	-	-	-
Term Loan Facility 2011	400	(400)	-
Revolving Credit Facility 2010	-	-	-
Revolving Credit Facility 2011	400	(100)	300
Revolving Credit Facility 2014 in pool	1,000	-	1,000
Total Credit Agreements	1,800	(500)	1,300
EIB loan	100	(100)	-
Revolving Credit Facility 2014	100	(30)	70
Total	2,000	(630)	1,370

(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
Revolving Credit Facility 2014 in pool	-	-	-
Total Credit Agreements	1,384	(587)	797
EIB loan	100	-	100
Revolving Credit Facility 2014	-	-	-
Total	1,484	(587)	897

(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

The Revolving Credit Facilities are intended to finance ordinary working capital requirements.

Bonds

As at 30 June 2014, 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 412 million at 30 June 2014 (Euro 417 million at 31 December 2013). 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	10
Interest - monetary accrued	5
Interest - monetary paid	(4)
Related costs	(4)
Balance at 30 June 2014	268

The fair value of the convertible bond (equity component and debt component) was Euro 322 million at 30 June 2014 (Euro 339 million at 31 December 2013), of which the fair value of the debt component was Euro 270 million (Euro 265 million at 31 December 2013). 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

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

(in millions of Euro)

	Credit Agreements	BB loan	Non-convertible bond	Convertible bond	Other borrowings/ Finance lease obligations	Total
Balance at 31 December 2013 (*)	580	-	414	264	153	1,411
Currency translation differences	-	-	-	-	5	5
Draw downs/New funds	-	100	-	-	257	357
Repayments	(184)	-	-	-	(43)	(227)
Amortisation of bank and financial fees and other expenses ⁽¹⁾	2	-	-	-	-	2
Interest and other movements	-	1	(10)	4	-	(5)
Total movements	(182)	101	(10)	4	219	132
Balance at 30 June 2014	398	101	404	268	372	1,543

(in millions of Euro)

	Credit Agreements	BB loan	Non-convertible bond	Convertible bond ⁽²⁾	Other borrowings/ Finance lease obligations	Total
Balance at 31 December 2012 (*)	1,060	-	413	-	266	1,739
Currency translation differences	-	-	-	-	(6)	(6)
Draw downs/New funds	-	-	-	257	151	408
Repayments	(486)	-	-	-	(19)	(505)
Amortisation of bank and financial fees and other expenses	7	-	-	-	-	7
Interest and other movements	(2)	-	(10)	3	-	(9)
Total movements	(481)	-	(10)	260	126	(105)
Balance at 30 June 2013 (*)	579	-	403	260	392	1,634

^(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

⁽¹⁾ Includes the accelerated amortisation of Euro 2 million in bank fees following the early repayment 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.

NET FINANCIAL POSITION

(in millions of Euro)

	Note	30 June 2014	31 December 2013 (*)
Long-term financial payables			
Term Loan Facility		400	400
Bank fees		(2)	(3)
Credit Agreements	10	398	397
EIB loan	10	100	-
Non-convertible bond	10	-	399
Convertible bond	10	267	263
Finance leases	10	15	15
Interest rate sw aps	5	4	4
Other financial payables	10	21	45
Total long-term financial payables		805	1,123
Short-term financial payables			
Term Loan Facility	10	-	184
Bank fees	10	-	(1)
EIB loan	10	1	-
Non-convertible bond	10	404	15
Convertible bond	10	1	1
Finance leases	10	1	2
Interest rate sw aps	5	7	14
Forward currency contracts on financial transactions	5	7	5
Revolving Credit Facility 2011	10	100	3
Revolving Credit Facility 2014	10	30	-
Other financial payables	10	205	88
Total short-term financial payables		756	311
Total financial liabilities		1,561	1,434
Long-term financial receivables	3	1	4
Long-term bank fees	3	6	-
Forward currency contracts on financial transactions (current)	5	6	5
Short-term financial receivables	3	10	12
Short-term bank fees	3	3	5
Financial assets held for trading	6	71	93
Cash and cash equivalents	7	255	510
Net financial position		1,209	805

(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

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 millions of Euro)

	Note	30 June 2014	31 December 2013 (*)
Net financial position - as reported above		1,209	805
Long-term financial receivables	3	1	4
Long-term bank fees	3	6	-
Net forward currency contracts on commercial transactions	5	4	(7)
Net metal derivatives	5	7	13
Recalculated net financial position		1,227	815

(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

11. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in millions of Euro)

	30 June 2014		
	Non-current	Current	Total
Trade payables	-	1,425	1,425
Total trade payables	-	1,425	1,425
Other payables:			
Tax and social security payables	8	119	127
Advances from customers	-	234	234
Payables to employees	-	71	71
Accrued expenses	-	118	118
Other	6	116	122
Total other payables	14	658	672
Total	14	2,083	2,097

(in millions of Euro)

	31 December 2013 (*)		
	Non-current	Current	Total
Trade payables	-	1,409	1,409
Total trade payables	-	1,409	1,409
Other payables:			
Tax and social security payables	12	99	111
Advances from customers	-	241	241
Payables to employees	-	98	98
Accrued expenses	3	136	139
Other	5	114	119
Total other payables	20	688	708
Total	20	2,097	2,117

(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

Trade payables include around Euro 184 million (Euro 183 million at 31 December 2013) 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 157 million at 30 June 2014 compared with Euro 155 million at 31 December 2013. This liability represents the amount by which work invoiced exceeds costs incurred plus accumulated profits (or losses) recognised using the percentage of completion method.

Payables to employees at 30 June 2014 have decreased from Euro 36 million at 31 December 2013, following settlement of almost all the liabilities for the long-term incentive plan 2011-2013.

12. PROVISIONS FOR RISKS AND CHARGES

These are detailed as follows:

(in millions of Euro)

	30 June 2014		
	Non-current	Current	Total
Restructuring costs	1	11	12
Contractual and legal risks	20	204	224
Environmental risks	-	5	5
Tax inspections	18	8	26
Contingent liabilities	4	-	4
Other risks and charges	17	17	34
Total	60	245	305

(in millions of Euro)

	31 December 2013 (*)		
	Non-current	Current	Total
Restructuring costs	1	18	19
Contractual and legal risks	23	234	257
Environmental risks	-	6	6
Tax inspections	12	4	16
Contingent liabilities	6	-	6
Other risks and charges	9	17	26
Total	51	279	330

(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

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 2013	19	257	6	16	6	26	330
Increases	6	12	-	4	-	11	33
Utilisations	(13)	(3)	-	-	-	(1)	(17)
Releases	-	(41)	-	-	(1)	(4)	(46)
Currency translation differences	-	1	-	-	-	1	2
Other	-	(2)	(1)	6	(1)	1	3
Total movements	(7)	(33)	(1)	10	(2)	8	(25)
Balance at 30 June 2014	12	224	5	26	4	34	305

The provision for restructuring costs reports a net decrease of Euro 7 million.

In particular, Euro 13 million has been utilised during the period, mostly in connection with restructuring projects in the Netherlands, Germany, France, Italy and Spain, while Euro 6 million in new provisions have been recognised, mainly for projects underway in Spain, the Netherlands and Australia.

The provision for contractual and legal risks, amounting to Euro 224 million at 30 June 2014, has decreased by Euro 33 million since 31 December 2013, mainly due to a net reduction of Euro 32 million in the provision for antitrust investigations in different jurisdictions. 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, except for the one by the European Commission, which has ended with the adoption of the decision described below.

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.

On 2 April 2014, the European Commission adopted a decision under which it found that, between 18 February 1999 and 28 January 2009, the world's largest cable producers, including Prysmian Cavi e Sistemi S.r.l., adopted anti-competitive practices in the European market for high voltage submarine and underground power cables. The European Commission held Prysmian Cavi e Sistemi S.r.l. jointly liable with Pirelli & C. S.p.A. for the disputed infringement in the period from 18 February 1999 to 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and The Goldman Sachs Group Inc. for the disputed infringement in the period from 29 July 2005 to 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has appealed against this decision to the General Court of the European Union. Following a detailed and careful analysis of the European Commission's ruling, and nonetheless considering this has been appealed and so could be submitted to second-instance judgement, it has been decided to release the amount of Euro 34 million from the existing provision.

As at 30 June 2014, the amount of the provision for the risks relating to the European Commission's ruling and the investigations underway in the various jurisdictions, except for Brazil, is approximately Euro 167 million.

Despite the uncertainty of the outcome of the investigations underway in jurisdictions other than the European Union, the amount of this provision is considered to represent the best estimate of the liability based on the information now available.

The utilisations of Euro 3 million mostly refer to employment disputes and risks relating to contractual penalties and guarantees.

13. EMPLOYEE BENEFIT OBLIGATIONS

These are detailed as follows:

(in millions of Euro)

	30 June 2014	31 December 2013 (*)
Pension plans	247	230
Employee indemnity liability (Italian TFR)	23	22
Medical benefit plans	25	23
Termination and other benefits	34	33
Incentive plans	-	-
Total	329	308

(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

The increase in the liability for employee benefit obligations is primarily due to the average reduction in discount rates recorded during the first half of 2014.

Movements in employee benefit obligations have had an overall impact of Euro 8 million on the period's income statement, of which Euro 3 million classified in personnel costs and Euro 5 million in finance costs.

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

	1st half 2014	1st half 2013 (*)
Average number	19,442	19,396
	30 June 2014	31 December 2013 (*)
Closing number	19,730	19,232

(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

14. OPERATING INCOME

Operating income is a profit of Euro 176 million in the first six months of 2014 (compared with a profit of Euro 138 million in the first six months of 2013) and includes the following non-recurring items:

(in millions of Euro)

	1st half 2014	1st half 2013 (*)
Company reorganisation	(7)	(21)
Antitrust investigations	32	1
Acquisition price adjustment ⁽¹⁾	22	-
Environmental remediation and other costs	-	(2)
Other net non-recurring (expenses)/income	(7)	(4)
Total non-recurring (expenses)/income	40	(26)

⁽¹⁾ The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit/(loss) of associates and joint ventures. Further details can be found in Section C. Restatement of comparative figures.

⁽¹⁾ This refers to the acquisition in November 2012 of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) from Global Marine Systems Ltd.

15. FINANCE COSTS AND INCOME

Finance costs are detailed as follows:

(in millions of Euro)

	1st half 2014	1st half 2013 (*)
Interest on syndicated loans	3	7
Interest on non-convertible bond	10	10
Interest on convertible bond - non-monetary component	4	2
Interest on convertible bond - monetary component	2	1
Amortisation of bank and financial fees and other expenses	4	5
Employee benefit interest costs	5	5
Other bank interest	9	9
Costs for undrawn credit lines	2	2
Sundry bank fees	7	5
Non-recurring other finance costs	9	5
Other	10	14
Finance costs	65	65
Net losses on forward currency contracts	11	-
Non-recurring net losses on interest rate swaps	4	15
Losses on derivatives	15	15
Foreign currency exchange losses	117	164
Total finance costs	197	244

⁽¹⁾ The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

Non-recurring other finance costs include Euro 2 million for the accelerated amortisation of bank fees relating to the Credit Agreement 2010, after repaying the Term Loan Facility 2010 early and extinguishing the Revolving Credit Facility 2010. This early repayment has also led to the discontinuance of cash flow hedge accounting, resulting in the recognition of net losses of Euro 4 million on interest rate swaps, which have been classified in "Non-recurring net losses on interest rate swaps".

"Other" finance costs include Euro 8 million for differentials accruing on interest rate swaps, of which Euro 6 million in relation to instruments for which hedge accounting was discontinued following the early repayment above. This last figure is largely offset by the fair value measurement of the related derivatives, reported in "Net gains on interest rate swaps".

Non-recurring other finance costs comprise Euro 7 million in interest accruing on a legal dispute and Euro 2 million in accelerated amortisation of bank fees relating to the Credit Agreement 2010, repaid in advance of its maturity date.

Finance income is detailed as follows:

(in millions of Euro)	1st half 2014	1st half 2013 (*)
Interest income from banks and other financial institutions	3	3
Other finance income	1	-
Finance income	4	3
Net gains on interest rate swaps	6	3
Net gains on forward currency contracts	-	5
Gains on derivatives	6	8
Foreign currency exchange gains	113	151
Total finance income	123	162

(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

16. TAXES

Taxes have been estimated on the basis of the expected average tax rate for the full year. Taxes for the first six months of 2014 amount to Euro 22 million and have been calculated using a tax rate of 22%, reflecting the absence of tax on income arising from the price adjustment and from the partial release of the antitrust provision. The average tax rate in the first half of 2013 was 27% (recalculated following adoption of IFRS 10 and IFRS 11).

17. EARNINGS/(LOSS) PER SHARE

Both basic and diluted earnings (loss) per share have been calculated by dividing the net result for the period attributable to owners of the parent by the average number of the Company's outstanding shares.

The options under the Incentive Plan 2011-2013 have been considered for the purposes of determining both basic and diluted earnings/(loss) per share, having been granted according to the level of cumulative EBITDA achieved in the three-year target period.

Diluted earnings/(loss) per share are affected by the options relating to adhesions to the employee share purchase plan.

Instead diluted earnings/(loss) per share are not impacted by the options relating to the convertible bond which would have an anti-dilutive effect since the conversion is currently "out of the money".

(in millions of Euro)

	1st half 2014	1st half 2013 (*)
Net profit/(loss) attributable to owners of the parent	80	42
Weighted average number of ordinary shares (thousands)	215,028	211,525
Basic earnings/(loss) per share (in Euro)	0.37	0.20
Net profit/(loss) attributable to owners of the parent	80	42
Weighted average number of ordinary shares (thousands)	215,028	211,525
Adjustments for:		
Dilution from incremental shares arising from exercise of stock options (thousands)	151	-
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	215,179	211,525
Diluted earnings/(loss) per share (in Euro)	0.37	0.20

(*) Earnings per share for the first half of 2013 have been restated with respect to the previously published figure. Further details can be found in Section C. Restatement of comparative figures.

18. CONTINGENT LIABILITIES

As a global operator, the Group is exposed to legal risks primarily, by way of example, in the areas of product liability and environmental, antitrust and tax rules and regulations. The outcome of legal disputes and proceedings currently in progress cannot be predicted with certainty. An adverse outcome in one or more of these proceedings could result in the payment of costs that are not covered, or not fully covered, by insurance, which would therefore have a direct effect on the Group's financial position and results.

It is also reported, with reference to the antitrust investigations in the various jurisdictions involved, that the only jurisdiction for which the Prysmian Group has been unable to estimate the related risk is Brazil.

As at 30 June 2014, the contingent liabilities for which the Group has not recognised any provision for risks and charges, since an outflow of resources is only possible, and which can be reliably estimated, amount to approximately Euro 16 million.

19. RECEIVABLES FACTORING

The Group has made use of without-recourse factoring of trade receivables. The amount of receivables factored but not yet paid by customers was Euro 226 million at 30 June 2014 (Euro 153 million at 30 June 2013 and Euro 290 million at 31 December 2013).

20. SEASONALITY

The Group's business features a certain degree of seasonality in its revenues, which are usually higher in the second and third quarters. This is due to the fact that utilities projects in the northern hemisphere are

mostly concentrated in the warmer months of the year. The Group's level of debt is generally higher in the period May-July, with funds being absorbed by higher working capital.

21. 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.

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

The following tables provide a summary of the related party transactions during the six months ended 30 June 2014:

(in millions of Euro)

	30 June 2014		
	Equity-accounted investments	Trade and other receivables	Trade and other payables
Equity-accounted companies	212	11	7
Other related parties:			
Compensation of directors, statutory auditors and key management personnel	-	-	2
Total	212	11	9

(in millions of Euro)

	31 December 2013 (*)		
	Equity-accounted investments	Trade and other receivables	Trade and other payables
Equity-accounted companies	205	13	5
Other related parties:			
Compensation of directors, statutory auditors and key management personnel	-	-	16
Total	205	13	21

(in millions of Euro)

	1st half 2014			
	Share of net profit/(loss) of equity-accounted companies	Sales of goods and services and other income	Personnel costs	Raw materials, consumables used and goods for resale
Equity-accounted companies	15	20	-	7
Other related parties:				
Compensation of directors, statutory auditors and key management personnel	-	-	4	-
Total	15	20	4	7

(in millions of Euro)

	1st half 2013 (*)			
	Share of net profit/(loss) of equity-accounted companies	Sales of goods and services and other income	Personnel costs	Raw materials, consumables used and goods for resale
Equity-accounted companies	14	26	-	5
Other related parties:				
Compensation of directors, statutory auditors and key management personnel	-	-	9	-
Total	14	26	9	5

(*) The previously published prior year Consolidated Financial Statements have been restated following the adoption of IFRS 10 and IFRS 11. Further details can be found in Section C. Restatement of comparative figures.

Transactions with associates

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

Compensation of Directors, Statutory Auditors and Key Management Personnel

The compensation of the Directors, Statutory Auditors and Key Management Personnel amounts to Euro 4 million at 30 June 2014 (Euro 9 million in the first half of 2013).

22. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions were carried out during the first six months of 2014.

23. COMMITMENTS

Contractual commitments already entered into with third parties as at 30 June 2014 and not yet reflected in the financial statements amount to Euro 44 million for investments in property, plant and equipment and to Euro 4 million for investments in intangible assets.

24. STOCK OPTION PLANS**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.

The plan involved 268 employees of Group companies and 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 was dependent upon achievement of a minimum performance objective of at least Euro 1.75 billion in aggregate Adj. EBITDA for the Group in the period 2011-2013 (the Target), as well as upon continuation of a professional relationship with the Group up until 31 December 2013. The plan also set an upper limit for Adj. EBITDA as the Target plus 20% (i.e. Euro 2.1 billion), that would determine the maximum number of exercisable 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 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, the options granted in respect of both new and treasury shares have been measured at their grant date fair value.

As at 30 June 2014 the options were fully vested, of which:

- 2,131,951 exercisable for consideration (exercise price of Euro 0.10)
- 1,417,287 exercisable for no consideration.

The number of options has been determined according to the actual aggregate Adj. EBITDA achieved, which lay between the Target and the Adj. EBITDA upper limit.

Since the plan vested in full at 31 December 2013, no further costs have been recognised in the first half of 2014.

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, given 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 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 have 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 had until the end of December 2013 to communicate their wish to

participate in the Plan, the amount they intended to invest in the first purchase window and the method of payment. The amount collected in the month of April 2014, totalling Euro 6.4 million, was 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 treasury shares allotted to each participant was determined by taking into account the average share purchase price (Euro 16.2629), the individual investment and the applicable discount percentage.

All the plan's participants also received an entry bonus of six free shares, also 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, are generally subject to a retention period during which they cannot be sold and the length of which varies according to local regulations.

On 9 June 2014, an additional purchase window was opened for plan participants in the "Manager" category who had already bought shares in the purchase window in May and who were so entitled under the plan's regulations. Managers opting to participate in this additional window were able to buy an additional quantity of shares at a 25% discount. The total of Euro 0.7 million collected in this additional window was used to make purchases of the Company's ordinary shares on the Milan Stock Exchange over a period of 5 consecutive business days during the month of July 2014. The number of treasury shares allotted to each participant was determined by taking into account the average share purchase price (Euro 16.3585), the individual investment and the applicable discount.

A total of Euro 3 million in costs have been recognised in the first half 2014 income statement under "Personnel costs" in relation to the fair value of the options granted under this plan.

	30 June 2014	31 December 2013
	Number of options	Number of options
Options at start of period	300,682	-
Granted (*)	43,725	300,682
Changed in expected adhesions (**)	(18,348)	-
Cancelled	-	-
Exercised	-	-
Options at end of period	326,059	300,682
of which vested at end of period	147,528	-
of which exercisable	-	-
of which not vested at end of period	178,531	300,682

(*) The number of options refers to the adhesions to the additional purchase windows reserved for Managers (actual numbers for the first year and expected for the next two years).

(**) The number of options has been revised for the actual number of adhesions in the first window.

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.

Long-term incentive plan 2014-2016

The Shareholders' Meeting held on 16 April 2014 approved an incentive plan for the Group's employees, including members of the Board of Directors of Prysmian S.p.A., and granted the Board of Directors the necessary powers to establish and implement this plan.

As a result of the effects of the Western HVDC Link contract, the Compensation and Nominations Committee has proposed to the Board of Directors not to execute the mandate received from the shareholders allowing implementation of this plan.

25. DIVIDEND DISTRIBUTION

On 16 April 2014, the shareholders of Prysmian S.p.A. approved the financial statements for 2013 and the distribution of a gross dividend of Euro 0.42 per share, for a total of some Euro 89 million. The dividend was paid out from 25 April 2014 to shares outstanding on the record date of 24 April 2014, with the shares going ex-dividend on 22 April 2014.

26. GROUP FINANCIAL COVENANTS

The credit agreements in place at 30 June 2014, details of which are presented in Note 10, require the Group to comply with a series of covenants on a consolidated basis. The main covenants, classified by type, are listed below:

a) Financial covenants

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

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

	EBITDA / Net finance costs ⁽¹⁾ not less than	Net financial position / EBITDA ⁽¹⁾ not more than
Credit Agreement 2011	5.50x	2.50x
EB Loan	5.50x	2.50x
Credit Agreement 2014	4.00x	3.00x
Revolving Credit Facility 2014	4.00x	3.00x

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

These covenants are measured at the time of the Half-Year Financial Report at 30 June and of the Annual Report at 31 December.

b) Non-financial covenants

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

Default events

The main default events are as follows:

- default on loan repayment obligations;
- breach of financial covenants;
- breach of some of the non-financial covenants;
- declaration of bankruptcy or subjection of Group companies to other insolvency proceedings;
- issuance of particularly significant judicial rulings;
- occurrence of events that may adversely and significantly affect the business, the assets or the financial conditions of the Group.

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

Actual financial ratios reported at period end are as follows:

	30 June 2014	31 December 2013 ⁽¹⁾
EBITDA/Net finance costs ⁽¹⁾	5.92	6.99
Net financial position /EBITDA ⁽¹⁾	2.17	1.27

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

⁽¹⁾ The financial covenants have been recalculated following restatement of the previously published figures for the adoption of IFRS 10 and IFRS 11, of a new method of classifying the share of net profit/(loss) of associates and joint ventures and of different timing for recognising the cash component of the 2011-2013 incentive plan.

The above financial ratios comply with both the covenants contained in the relevant credit agreements and there are no instances of non-compliance with the financial and non-financial covenants indicated above.

27. EXCHANGE RATES

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

	Closing rates at		Average rates in	
	30 June 2014	31 December 2013	1st half 2014	1st half 2013
Europe				
British Pound	0.802	0.834	0.821	0.851
Swiss Franc	1.216	1.228	1.221	1.230
Hungarian Forint	309.300	297.040	306.931	296.128
Norwegian Krone	8.404	8.363	8.277	7.524
Swedish Krona	9.176	8.859	8.954	8.531
Czech Koruna	27.453	27.427	27.444	25.702
Danish Krone	7.456	7.459	7.463	7.457
Romanian Leu	4.383	4.471	4.464	4.392
Turkish Lira	2.897	2.942	2.970	2.398
Polish Zloty	4.157	4.154	4.175	4.178
Russian Rouble	46.378	45.325	47.992	40.755
North America				
US Dollar	1.366	1.379	1.370	1.313
Canadian Dollar	1.459	1.467	1.503	1.334
South America				
Brazilian Real	3.008	3.231	3.148	2.669
Argentine Peso	11.108	8.993	10.732	6.733
Chilean Peso	753.785	724.372	757.797	628.439
Mexican Peso	17.722	18.068	17.973	16.486
Oceania				
Australian Dollar	1.454	1.542	1.499	1.296
New Zealand Dollar	1.563	1.676	1.615	1.587
Africa				
CFA Franc	655.957	655.957	655.957	655.957
Tunisian Dinar	2.300	2.260	2.209	2.094
Asia				
Chinese Renminbi (Yuan)	8.472	8.349	8.450	8.124
United Arab Emirates Dirham	5.016	5.065	5.033	4.822
Hong Kong Dollar	10.586	10.693	10.629	10.185
Singapore Dollar	1.705	1.741	1.728	1.632
Indian Rupee	82.057	85.417	83.270	72.257
Indonesian Rupiah	16,248.150	16,764.780	16,058.248	12,782.345
Japanese Yen	138.440	144.720	140.403	125.457
Thai Baht	44.323	45.178	44.617	39.173
Philippine Peso	59.652	61.289	60.970	54.182
Omani Rial	0.526	0.531	0.528	0.505
Malaysian Ringgit	4.386	4.522	4.477	4.038
Saudi Riyal	5.122	5.172	5.139	4.923

28. SUBSEQUENT EVENTS

Mergers & Acquisitions

On 9 July 2014, Prysmian Group finalised the acquisition of the remaining 34% of the subsidiary AS Draka Keila Cables, becoming the sole shareholder of this Estonian company. The purchase price was Euro 6.2 million. The investment in Keila Cables will allow the Group to further accelerate its growth strategy in this high-potential region.

Plant closures

On 6 July 2014, the Management Board of Prysmian Netherlands announced to the trade union representatives the intention to close the plant in Amsterdam - 78 employees - and transfer production to the plants in Delft and Emmen.

On 16 July 2014, Draka Paricable (France) initiated the consultation process with the trade unions for the closure of the Aubevoye plant - 92 employees - and the transfer of production to the plants in Amfreville and Gron.

These consultations are in response to the need to optimise manufacturing footprint at individual country level, with the aim of realigning industrial presence with the potential of the relevant business/market and of improving production capacity utilisation, as well as overall economic performance, through economies of scale.

Consequent impairment testing of the assets of the plants due to be restructured has not resulted in the recognition of any impairment losses. Other restructuring costs, however, will depend on the outcome of negotiations in progress with the trade unions, and so it has not yet been possible to make a sufficiently accurate estimate.

Other subsequent events

On 3 July 2014, the barge AMT Explorer, chartered to transport power cables for the Deutsche Butch and Butendiek offshore wind farms in Germany, capsized while under tow en route from Arco Felice (Naples) to Bremerhaven (Germany). The barge's rotating platform and cargo sank as a result. The cables being transported were worth approximately Euro 28 million, against which the Group has adequate insurance coverage. Prysmian and TenneT, the partner in the wind farm projects, are working to avoid any consequences that could affect the project execution timetable.

Milan, 31 July 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 B.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 B.V.
Estonia					
AS Draka Keila Cables	Keila	Euro	1,664,000	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 B.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 S.A.S.	Paron	Euro	246,554,316	100.00%	Draka France S.A.S.
Draka Fileca S.A.S.	Sainte Geneviève	Euro	5,439,700	100.00%	Draka France S.A.S.
Draka Paricable S.A.S.	Sainte Geneviève	Euro	5,177,985	100.00%	Draka France S.A.S.
Draka France S.A.S.	Marne La Vallée	Euro	261,551,700	100.00%	Draka Holding B.V.
Quoroon S.A.S.	Paron	Euro	10,000	100.00%	Prysmian Cables et Systèmes 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%	Prysmian Netherlands B.V.
		Euro	1	49.90%	Draka Deutschland GmbH
Draka Comteq Germany Verwaltungs GmbH	Koln	Euro	25,000	100.00%	Draka Comteq B.V.
Draka Comteq Germany GmbH & Co. KG	Koln	Euro	26,000	100.00%	Draka Comteq B.V.
Draka Deutschland Erste Beteiligungs GmbH	Wuppertal	Euro	25,000	100.00%	Draka Holding B.V.
Draka Deutschland GmbH	Wuppertal	Euro	25,000	90.00%	Draka Deutschland Erste Beteiligungs GmbH
				10.00%	Draka Deutschland Zweite Beteiligungs GmbH

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Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Draka Deutschland Verwaltungs GmbH	Wuppertal	Deutsche Mark	50,000	100.00%	Draka Cable Wuppertal GmbH
Draka Deutschland Zweite Beteiligungs GmbH	Wuppertal	Euro	25,000	100.00%	Prysmian Netherlands B.V.
Draka Kabeltechnik GmbH	Wuppertal	Euro	25,000	100.00%	Draka Cable Wuppertal GmbH
Draka Service GmbH	Nuremberg	Euro	25,000	100.00%	Draka Cable Wuppertal GmbH
Höhn GmbH	Wuppertal	Deutsche Mark	1,000,000	100.00%	Draka Deutschland GmbH
Kaiser Kabel GmbH	Wuppertal	Deutsche Mark	9,000,000	100.00%	Draka Deutschland GmbH
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%	Prysmian Netherlands B.V.
usb-elektro Kabelkonfektions- GmbH i.L.	Bendorf	Deutsche Mark	2,750,000	100.00%	Draka Holding B.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 Ltd.	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 Ltd.	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 Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian S.p.A.
Prysmian UK Group Ltd.	Eastleigh	British Pound	40,011,000	100.00%	Draka Holding B.V.
Draka Distribution Aberdeen Ltd.	Eastleigh	British Pound	1	100.00%	Draka UK Group Ltd.
Draka Comteq UK Ltd.	Eastleigh	British Pound	9,000,002	100.00%	Prysmian UK Group Ltd.
Draka UK Ltd.	Eastleigh	British Pound	202,000	100.00%	Draka UK Group Ltd.
Draka UK Group Ltd.	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 Ltd.
Prysmian PowerLink Services Ltd.	Eastleigh	British Pound	16,000,100	100.00%	Prysmian UK Group Ltd.
Ireland					
Prysmian Financial Services Ireland Ltd.	Dublin	Euro	1,000	100.00%	Third parties
Prysmian Re Company Limited	Dublin	Euro	5,000,000	100.00%	Draka Holding B.V.
Italy					
Prysmian Cavi e Sistemi S.r.l.	Milan	Euro	100,000,000	100.00%	Prysmian S.p.A.
Prysmian Cavi e Sistemi Italia S.r.l.	Milan	Euro	77,143,249	100.00%	Prysmian S.p.A.
Prysmian Treasury S.r.l.	Milan	Euro	30,000,000	100.00%	Prysmian S.p.A.
Prysmian PowerLink S.r.l.	Milan	Euro	100,000,000	100.00%	Prysmian S.p.A.
Fibre Ottiche Sud - F.O.S. S.r.l.	Battipaglia	Euro	47,700,000	100.00%	Prysmian S.p.A.
Prysmian Electronics S.r.l.	Milan	Euro	10,000	80.00%	Prysmian Cavi e Sistemi S.r.l.
				20.00%	Third parties

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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 B.V.
The Netherlands					
Draka Comteq B.V.	Amsterdam	Euro	1,000,000	100.00%	Draka Holding B.V.
Draka Comteq Fibre B.V.	Eindhoven	Euro	18,000	100.00%	Prysmian Netherlands Holding B.V.
Draka Holding B.V.	Amsterdam	Euro	52,229,321	52.165%	Prysmian S.p.A.
				47.835%	Prysmian Cavi e Sistemi S.r.l.
Draka Kabel B.V.	Amsterdam	Euro	2,277,977	100.00%	Prysmian Netherlands B.V.
Donne Draad B.V.	Nieuw Bergen	Euro	28,134	100.00%	Prysmian Netherlands B.V.
Prysmian Treasury (The Netherlands) B.V.	Delft	Euro	2,268,901	100.00%	Draka Holding B.V.
NK China Investments B.V.	Delft	Euro	19,000	100.00%	Prysmian Netherlands B.V.
NKF Vastgoed I B.V.	Delft	Euro	18,151	99.00%	Draka Holding B.V.
				1.00%	Prysmian Netherlands B.V.
NKF Vastgoed III B.V.	Amsterdam	Euro	18,151	99.00%	Draka Deutschland GmbH
				1.00%	Prysmian Netherlands B.V.
Draka Sarphati B.V.	Amsterdam	Euro	18,151	100.00%	Draka Holding B.V.
Prysmian Netherlands B.V.	Delft	Euro	1	100.00%	Prysmian Netherlands Holding B.V.
Prysmian Netherlands Holding B.V.	Amsterdam	Euro	1	100.00%	Draka Holding B.V.
Czech Republic					
Draka Kabely, s.r.o.	Velke Mezirici	Czech Koruna	255,000,000	100.00%	Draka Holding B.V.
Romania					
Prysmian Cabluri Si Sisteme S.A.	Slatina	Romanian Leu	103,850,920	99.9995%	Draka Holding B.V.
				0.0005%	Prysmian Cavi e Sistemi S.r.l.
Russia					
Limited Liability Company Prysmian RUS	Rybinsk city	Russian Rouble	230,000,000	99.00%	Draka Holding B.V.
				1.00%	Prysmian Cavi e Sistemi S.r.l.
Limited Liability Company "Rybinskelektrokabel"	Rybinsk city	Russian Rouble	90,312,000	100.00%	Limited Liability Company Prysmian RUS
Draka Industrial Cable Russia LLC	St. Petersburg	Russian Rouble	100,000	100.00%	Draka Holding B.V.
Neva Cables Ltd	St. Petersburg	Russian Rouble	194,000	100.00%	Prysmian Finland OY

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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.
Marmavi.S.L.U.	Santa Perpetua de Mogoda	Euro	3,006	100.00%	Draka Holding B.V.
Draka Holding N.V. Y CIA Soc. Col.	Santa Perpetua de Mogoda	Euro	24,000,000	99.99999%	Draka Holding B.V.
				0.00001%	Marmavi.S.L.U.
Draka Comteq Iberica, S.L.U.	Maliaño	Euro	4,000,040	100.00%	Draka Holding N.V. 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 B.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%	Draka Holding B.V.
Turkey					
Turk Prysmian Kablo Ve Sistemleri A.S.	Mudanya	Turkish new Lira	112,233,652	83.746%	Draka Holding B.V.
				16.254%	Third parties
Draka Istanbul Asansor İthalat İhracat Üretim Ticaret Ltd. Şti.	Istanbul	Turkish new Lira	180,000	100.00%	Draka Holding B.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%	Draka Holding B.V.
Draka Elevator Products Incorporated	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 B.V.
Prysmian Cables and Systems USA, LLC	Wilmington	US Dollar	10	100.00%	Prysmian Cables and Systems (US) Inc.
Prysmian Construction Services Inc.	Wilmington	US Dollar	1,000	100.00%	Prysmian Cables and Systems USA, LLC
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 | CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Central/South America					
Argentina					
Prysmian Energia Cables y Sistemas de Argentina S.A.	Buenos Aires	Argentine Peso	67,148,158	94.425068%	Prysmian Consultora Conductores e Instalaciones SAIC
				4.986374%	Draka Holding B.V.
				0.270284%	Prysmian Draka Brasil S.A.
				0.318274%	Third parties
Prysmian Consultora Conductores e Instalaciones SAIC	Buenos Aires	Argentine Peso	48,571,242	95.00%	Draka Holding B.V.
				5.00%	Prysmian Cavi e Sistemi S.r.l.
Brazil					
Prysmian 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 Opticas S.A. ⁽¹⁾	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	218,299,840	99.00000004%	Prysmian Cavi e Sistemi S.r.l.
				0.99999996%	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 B.V.
				0.057040%	Prysmian Cavi e Sistemi S.r.l.
				0.000630%	Prysmian Netherlands B.V.
				0.000120%	Draka Kabel B.V.
Doiter Indústria e Comércio Ltda	Espirito Santo, Vitoria	Brazilian Real	118,000	99.9992%	Draka Comteq Cabos Brasil S.A.
				0.0008%	Third parties
Prysmian Fibras Otcas Brasil Ltda	Sorocaba	Brazilian Real	42,628,104	99.99%	Prysmian Draka Brasil S.A.
				0.01%	Prysmian Energia Cabos e Sistemas do Brasil S.A.
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 B.V.
Draka Mexico Holdings S.A. de C.V.	Durango	Mexican Peso	57,036,501	99.999998%	Draka Holding B.V.
				0.000002%	Draka Comteq B.V.
NK Mexico Holdings S.A. de C.V.	Mexico City	Mexican Peso	n/a	100.00%	Prysmian Finland OY
Prysmian Cables y Sistemas de Mexico S. de R. L. de C. V.	Durango	Mexican Peso	3,000	0.033%	Draka Holding B.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	1,110,000	99.946%	Prysmian Cables et Systèmes France S.A.S.
				0.009%	Prysmian (French) Holdings S.A.S.
				0.009%	Prysmian Cavi e Sistemi S.r.l.
				0.036%	Third parties

⁽¹⁾ Entity considered as *joint operation* as described in section C. Restatement of comparative figures

PRYSMIAN GROUP | CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Oceania					
Australia					
Prysmian Power Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	15,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Telecom Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	38,500,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
New Zealand					
Prysmian Power Cables & Systems New Zealand Ltd.	Auckland	New Zealand Dollar	10,000	100.00%	Prysmian Power Cables & Systems Australia Pty Ltd.
Asia					
Saudi Arabia					
Prysmian Powerlink Saudi LLC	Al Khoabar	Saudi Arabian Riyal	500,000	95.00%	Prysmian PowerLink S.r.l.
				5.00%	Third parties
China					
Prysmian Tianjin Cables Co. Ltd.	Tianjin	US Dollar	28,400,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Cable (Shanghai) Co.Ltd.	Shanghai	US Dollar	5,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Baosheng Cable Co.Ltd.	Jiangsu	US Dollar	35,000,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Wuxi Cable Co. Ltd.	Wuxi	US Dollar	29,941,250	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Angel Tianjin Cable Co. Ltd.	Tianjin	US Dollar	14,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Hong Kong Holding Ltd.	Hong Kong	Euro	55,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian (China) Investment Company Ltd.	Beijing	Euro	55,000,000	100.00%	Prysmian Hong Kong Holding Ltd.
Nantong Haixun Draka Elevator Products Co. LTD	Nantong	US Dollar	2,400,000	75.00%	Draka Elevator Products, Inc.
				25.00%	Third parties
Nantong Zhongyao Draka Elevator Products Co. LTD	Nantong	US Dollar	2,000,000	75.00%	Draka Elevator Products, 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.
NK Wuhan Cable Co. Ltd.	Wuhan	US Dollar	12,000,000	60.00%	NK China Investments B.V.
				20.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				20.00%	Third parties
Philippines					
Draka Philippines Inc.	Cebu	Philippine Peso	253,652,000	99.9999975%	Draka Holding B.V.
				0.0000025%	Third parties
India					
Associated Cables Pvt. Ltd.	Mumbai	Indian Rupee	61,261,900	32.00%	Draka UK Group Ltd.
				28.00%	Prysmian 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%	Prysmian Cavi e Sistemi S.r.l.
				0.00003%	Prysmian S.p.A.
Indonesia					
P.T.Prysmian Cables Indonesia	Cikampek	US Dollar	67,300,000	99.48%	Draka Holding B.V.
				0.52%	Prysmian Cavi e Sistemi S.r.l.

PRYSMIAN GROUP | CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Malaysia					
Submarine Cable Installation Sdn Bhd	Kuala Lumpur	Malaysian Ringgit	10,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Sindutch Cable Manufacturer Sdn Bhd	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%	Draka Holding B.V.
Prysmian Cable Systems Pte Ltd.	Singapore	Singapore Dollar	25,000	50.00%	Draka Holding B.V.
				50.00%	Prysmian Cables & Systems Ltd.
Draka Offshore Asia Pacific Pte Ltd.	Singapore	Singapore Dollar	51,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd.
Draka Cableteq Asia Pacific Holding Pte Ltd.	Singapore	Singapore Dollar	28,630,542	100.00%	Draka Holding B.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 | CONSOLIDATED FINANCIAL STATEMENTS AND 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 Cavi e Sistemi S.r.l.
				70.051%	Third parties
Russia					
Elkat Ltd.	Moscow	Russian Rouble	10,000	40.00%	Prysmian Finland OY
				60.00%	Third parties
Asia					
China					
Yangtze Optical Fibre and Cable Joint Stock Limited Co.	Wuhan	Chinese Renminbi (Yuan)	479,592,598	37.50%	Draka Comteq B.V.
				62.50%	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.
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd.	Shanghai	US Dollar	12,000,000	75.000%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				25.00%	Draka Comteq B.V.
EverPro Technologies Company Limited	Wuhan	Chinese Renminbi (Yuan)	325,000,000	69.23%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				30.77%	Third parties
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
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
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
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
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
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%	Draka Holding B.V.
				60.00%	Third parties
Oman					
Oman Cables Industry (SAOG)	Al Rusayl Industrial Zone	Omani Rial	8,970,000	34.78%	Draka Holding B.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 HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION 11971 DATED 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Valerio Battista, as Chief Executive Officer, and Carlo Soprano and 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 the first half of 2014 the accounting and administrative processes for preparing the half-year condensed consolidated financial statements:

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

- have been effectively applied.

2. The adequacy of the accounting and administrative processes for preparing the half-year condensed consolidated financial statements at 30 June 2014 has been evaluated on the basis of a procedure established by Prysmian in compliance with the internal control framework published by the Committee of Sponsoring Organizations of the Treadway Commission, which represents the generally accepted standard model internationally.

It is reported that during the first half of 2014, some of the Prysmian Group's companies have been involved in the project to change information system. The process of fine-tuning the new system's operating and accounting functions is still in progress for some of them; in any case, the system of controls in place ensures consistency with the Group's system of procedures and controls.

3. They also certify that:

3.1 The half-year condensed consolidated financial statements at 30 June 2014:

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

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

Milan, 31 July 2014

Chief Executive Officer

Valerio Battista

Managers responsible for preparing corporate accounting documents

Carlo Soprano

Andreas Bott

AUDIT REPORT



**AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2014**

To the Shareholders of
Prysmian SpA

- 1 We have reviewed the condensed consolidated interim financial statements of Prysmian SpA and its subsidiaries ("Prysmian Group") as of 30 June 2014 and for the six-month period then ended, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The Directors of Prysmian SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34), as adopted by the European Union. Our responsibility is to issue this report based on our review.
- 2 Our work was conducted in accordance with the criteria for a review recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange with Resolution n° 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles applied therein as well as the application of analytical review procedures on the information contained in the condensed consolidated interim financial statements. The review excluded certain auditing procedures such as compliance testing and verification or validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike for an audit of the annual consolidated financial statements, we do not express an audit opinion on the condensed consolidated interim financial statements.

The condensed consolidated interim financial statements present comparative financial data of the prior year consolidated financial statements, statement of financial position as of 1 January 2013 and prior year condensed consolidated interim financial statements, originally audited and reviewed by us. As described in the explanatory notes, the Directors restated certain comparative figures reported in the prior year consolidated financial statement, the statement of financial position as of 1 January 2013, determined based on the consolidated financial statements as of 31 December 2012, and prior year condensed consolidated interim financial statements, on which we issued our reports on 20 March 2014, 15 March 2013 and 2 August 2013, respectively. The restatements and the related disclosures presented in the explanatory notes to the condensed consolidated interim financial statements have been examined by us for the purpose of issuing this report.

- 3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Prysmian Group as of 30 June 2014 and for the six-month period then ended have not been prepared, in all material respects, in accordance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34), as adopted by the European Union.

PricewaterhouseCoopers SpA

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- 4 As described in the explanatory notes to the condensed consolidated interim financial statements in note 12 “Provisions for risks and charges”, in 2009 some regulatory anti-trust authorities initiated an investigation on the Prysmian Group and other European and Asian electrical cable manufacturers to verify the existence of anti-competitive practices in the high voltage underground and submarine cables markets. Although the outcome of the investigations excluding the European jurisdiction is still uncertain, the Directors believe that the provision booked represents the best estimate of the liability based on the information currently available.

Milan, 4 August 2014

PricewaterhouseCoopers SpA

Signed by

Stefano Bravo
(Partner)

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

AND BEST IN CLASS R&D
TO ENHANCE CUSTOMER LINKING THE FUTURE SERVICE
LEADING TECHNOLOGY LEADING
WORLDWIDE LEADER IN RENEWABLES
EXTENDED PRODUCT OFFERING

Prysmian
Group

