



HALF-YEAR FINANCIAL REPORT  
AT 30 JUNE 2017

**Prysmian**  
Group

**Disclaimer**

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

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# DIRECTORS' REPORT

## DIRECTORS AND AUDITORS

<b>Board of Directors</b> (***)	
<b>Chairman</b>	Massimo Tononi (*) (2)
<b>Chief Executive Officer &amp; General Manager</b>	Valerio Battista
<b>Directors</b>	Maria Elena Cappello (*) (**) (1)
	Monica de Virgiliis (*) (**)
	Claudio De Conto (*) (**) (1) (2)
	Alberto Capponi (*) (**)
	Massimo Battaini
	Pier Francesco Facchini
	Maria Letizia Mariani (*) (**) (1)
	Fabio Ignazio Romeo
Giovanni Tamburi (*) (**) (2)	
<b>Board of Statutory Auditors</b> (****)	
<b>Chairman</b>	Pellegrino Libroia
<b>Standing Statutory Auditors</b>	Laura Gualtieri
	Paolo Francesco Lazzati
<b>Alternative Statutory Auditors</b>	Michele Milano
	Claudia Mezzabotta
<b>Independent Auditors</b> (***)	EY S.p.A.

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

(\*\*) Independent directors as per Italy's Corporate Governance Code

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

(\*\*\*\*) Appointed by the Shareholders' Meeting on 13 April 2016

(1) Members of the Control and Risks Committee

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

## Introduction

This Half-Year Financial Report at 30 June 2017 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 2016, except as described in the Explanatory Notes in the paragraph entitled "Accounting standards, amendments and interpretations applied from 1 January 2017".

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

Segment information is structured in the same way as the report periodically prepared for the purpose of reviewing business performance. This report presents operating performance by macro type of business (Energy Projects, Energy Products, OIL & GAS and Telecom) and the results of operating segments primarily on the basis of Adjusted EBITDA, defined as earnings (loss) for the period before income and expense associated with company reorganisation, before non-recurring items and other non-operating income and expense, the fair value change in metal price derivative instruments and in other fair value items, amortisation, depreciation and impairment, finance income and costs and taxes. This report also provides information about the statement of financial position for the Group as a whole but not by operating segment. More details can be found in the section on Alternative Performance Indicators within the present Directors' Report and in the section on Segment Information within the Explanatory Notes.

## SIGNIFICANT EVENTS DURING THE PERIOD

### NEW INDUSTRIAL PROJECTS AND INITIATIVES

On 30 January 2017, the Group announced it had signed a GBP 27 million contract with East Anglia One Limited to supply and install an onshore cable connection for the East Anglia ONE offshore wind farm. Consisting of 102 turbines, the GBP 2.5 billion wind farm will generate sufficient electricity to power 500,000 homes. The contract involves the supply and installation of a 220 kV double circuit line from the Bawdsey shore landing to a substation in Bramford, covering a 37 km route. Prysmian will be responsible for the design, production, installation and testing of the cables and their accessories. The underground high voltage cables will be manufactured by Prysmian and installed by its UK-based installation division. Pre-construction work is due to begin in early 2017, with the cable installation phase planned to take place from October 2017 to September 2018.

On 21 February 2017, Prysmian announced the award of a contract worth more than Euro 300 million by Réseau de Transport D'Electricité (RTE) to provide submarine cable systems to link three offshore wind farms to the mainland power grid in France. These are the first ever grid access connections developed by RTE in France to transmit renewable energy generated by offshore wind farms to thousands of businesses and homes. The three projects, Fécamp, Calvados and Saint Nazaire, will be individually activated over the period of the contract.

Prysmian will be responsible for the design, supply, installation, testing and commissioning of two HV export power cables for each of the three offshore wind farms, covering both the submarine and onshore routes to connect Fécamp, Calvados and St Nazaire to the French electricity grid. The submarine cable links, which consist of High Voltage Alternating Current (HVAC) 220 kV three-core cables with XLPE insulation, will connect the offshore wind farms being developed by Eolien Maritime France (EMF).

The submarine cables will be produced at the Group's centres of excellence in Arco Felice, Italy and Pikkala, Finland. The cables for the onshore sections will be manufactured in Gron, France. The cables are expected to be delivered during the period 2018 to 2020, according to the scheduling of the individual wind farms.

On 27 February 2017, Prysmian announced it had secured a new contract, under a wider consortium agreement with Balfour Beatty, a world leading group in infrastructure construction, for the development of a new High Voltage Direct Current (HVDC) interconnector between France and the UK through the Channel Tunnel. The project is one of the European Commission's Projects of Common Interest and has been awarded by ElecLink, a wholly-owned subsidiary of Groupe Eurotunnel, which will build an interconnector through the Channel Tunnel to provide a power transmission link between the UK and France with a capacity of 1000 MW in either direction of flow. The total contract value for the consortium is approximately Euro 219 million, of which the share of Prysmian, responsible for coordinating the design, supply, installation and commissioning of the interconnector, is approximately Euro 79 million.

The project comprises a  $\pm 320$  kV extruded HVDC underground cable turnkey system that includes the engineering, production and installation of one HVDC symmetrical single-core circuit along a 51 km route through the Channel Tunnel. The HVDC cable will connect the future converter stations located in

Peuplingues (France) and Folkestone (UK). Prysmian will also supply and install the underground cables for the HVAC link to the Sellindge substation (UK). All cables will be manufactured at Prysmian's plant in Gron (France), one of the Group's centres of excellence for EHV AC and DC cables.

On 10 March 2017, the Group announced it had signed two new cable system contracts for offshore wind farms in Germany (Merkur) and Denmark (Horns Rev 3). Both contracts involve inter-array connections, a market segment in which Prysmian aims to grow and has developed new technologies and specific installation capabilities.

In the case of the contract for the Merkur offshore wind farm, awarded by Tideway B.V., Prysmian will be responsible for the design, engineering, manufacturing, testing and supply of approximately 90 km of 33 kV inter-array submarine cables and related accessories. Constructed by Merkur Offshore GmbH, the offshore wind farm - located in the German North Sea - will occupy an area of 47 sq km and generate a nominal active power output of approximately 400 MW.

The Horns Rev 3 project is located in the North Sea, approximately 25 km off the coast of Denmark and consists of 49 wind turbines with a total capacity of 406.7 MW, equivalent to the annual consumption of 425,000 Danish households. The contract awarded to Prysmian by VBMS B.V., a subsidiary of Royal Boskalis Westminster N.V., involves the design and supply of more than 100 km of 33 kV inter-array submarine cables in various cross sections.

On 7 April 2017, Prysmian announced it had signed a contract worth around Euro 350 million with IFA2 SAS, a joint venture between National Grid IFA2 Ltd, part of National Grid UK, and RTE of France. The contract is for the turnkey design, manufacture and installation of a submarine and underground power cable to connect Tourbe in France to Chilling in Hampshire, UK.

The High Voltage Direct Current (HVDC) interconnection will operate at  $\pm 320$  kV DC and will allow up to 1000 MW of power to be transferred between the countries. The HVDC cable system will run along a route of approximately 25 km in France, from the Tourbe converter station in Northern France to the landing point close to Caen. The subsea route is just over 200 km long and will land on Britain's south coast at Solent Airport near Fareham, the planned site of the UK converter station. In addition to the HVDC cable link, the contract includes a High Voltage Alternating Current (HVAC) link that will connect the converter station to a local substation in Chilling, UK. This will involve 2 km onshore sections at each end with a 5 km subsea section between them.

The submarine cables will be manufactured at the Prysmian production facility in Pikkala, Finland, while the underground cables will be manufactured at the Prysmian factory in Gron, France. The Prysmian cable-laying vessels Cable Enterprise and Ulisse will both be used for installation of the submarine cables.

The entire system is due to be completed in 2020.

On 8 May 2017, it was announced that the Group had signed a major supply agreement with the US company Verizon Communications to support expansion of the telecom carrier's optical network that will promote the development of 5G services, while improving the 4G LTE capacity of the broadband network. The three-year contract is worth approximately \$300 million and involves the supply of 17 million fibre kilometres of ribbon and loose tube cables.



On 27 June 2017, the Group was awarded a series of additional works by Terna Rete Italia in relation to the submarine power cable project in the Venetian Lagoon. These works, originally included as an option in the contract awarded to the Group last year, are worth approximately Euro 20 million and include a 6 km 132 kV HVAC cable to be manufactured at the Arco Felice plant.

## OTHER SIGNIFICANT EVENTS

### Finance Activities

#### *Bond issuance*

On 12 January 2017, the Board of Directors approved the placement of an equity-linked bond, known as "Prysmian S.p.A. Euro 500 million Zero Coupon Equity Linked Bonds due 2022" maturing 17 January 2022 and reserved for institutional investors.

At the meeting held on 12 April 2017, the Company's shareholders authorised:

1. the convertibility of the Equity-Linked Bond;
2. the proposal to increase share capital for cash, in single or multiple issues with the exclusion of preemptive rights, by a maximum nominal amount of Euro 1,457,942.70, by issuing, in single or multiple instalments, up to 14,579,427 ordinary shares of the Company, with the same characteristics as its other outstanding ordinary shares, exclusively and irrevocably to serve the Bond's conversion.

The conversion price of the bonds of Euro 34.2949 has been set by applying a 41.25% premium to the weighted average price of the Company's ordinary shares recorded on the Milan Stock Exchange between the start and end of the book-building process during the morning of 12 January 2017.

The Company will have the option to call all (but not just a part) of the outstanding bonds at their principal amount from 1 February 2020, should the value of the shares exceed 130% of the conversion price for a specified period of time.

The placement has allowed the Company to diversify its financial resources more widely by raising funds on the capital market. These funds will be used to pursue the Company's potential external growth opportunities; to finance, in line with the shareholders' authorisation of the share buyback, the buyback of the Company's shares that will be used to fulfil potential conversion rights requirements and/or as consideration to finance the Company's growth strategy and for general corporate purposes.

On 12 April 2017, the shareholders of Prysmian S.p.A. authorised this Bond's convertibility.

On 16 May 2017, the Company sent a physical settlement notice to holders of the bonds, granting them the right, with effect from 29 May 2017, to convert them into the Company's existing or new ordinary shares. On 30 May 2017, the Bond was admitted to trading on the Third Market (a multilateral trading facility or MTF) on the Vienna Stock Exchange.

#### *Share buyback programme*

On 12 January 2017, the Board of Directors approved the adoption of a share buyback programme.

In particular, the purposes of the Programme are:

1. to create a "stock of shares" that the Company can use as consideration in extraordinary corporate actions with third parties, including stock swaps, as part of transactions strategic to the Company's interest;
2. to serve the exercise of any bond conversion rights;

3. any other and additional purposes either (i) under art. 5 of the Market Abuse Regulation, or (ii) under the Consob accepted market practices.

The shares may be purchased for an aggregate amount of up to Euro 125 million, and the number of shares purchased under the Programme shall not, in any case, exceed 3% of the Company's paid-up share capital.

The Programme can be executed in one or more tranches and will terminate by 30 September 2017.

Purchases are made through a specifically appointed authorised intermediary, who acts independently and without any influence from the Company and in a manner consistent with the provisions of art. 3 of Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016.

All transactions carried out are disclosed to the market in accordance with the terms and procedures provided by applicable laws.

The Shareholders' Meeting of Prysmian S.p.A. held on 12 April 2017 authorised a share buyback and disposal programme, revoking at the same time the previous authorisation under the shareholder resolution dated 13 April 2016. This programme provides the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total must not exceed, at any one time, 10% of share capital. Purchases may not exceed the amount of undistributed earnings and available reserves reported in the most recently approved annual financial statements. The authorisation to buy back treasury shares lasts for 18 months commencing from the date of the Shareholders' Meeting, while the authorisation to dispose of treasury shares has no time limit. The authorisation to buy back and dispose of treasury shares is required to give the Company power that can be exercised:

- to provide the Company with a portfolio of treasury shares (a so-called "stock of shares"), including those already held by the Company, that can be used for any extraordinary corporate actions;
- in order to use the treasury shares purchased to service the exercise of rights arising from convertible debt instruments or instruments exchangeable with financial instruments issued by the Company, its subsidiaries or by third parties;
- to use treasury shares to satisfy share-based incentive plans or share purchase plans reserved for directors and/or employees of the Prysmian Group;
- to allow efficient management of the Company's capital, by creating an investment opportunity, also for its available liquidity.

Treasury shares may be bought back and sold in accordance with applicable laws and regulations:

- (i) at a minimum price no more than 10% below the stock's official price reported in the trading session on the day before carrying out each individual transaction;
- (ii) at a maximum price no more than 10% above the stock's official price reported in the trading session on the day before carrying out each individual transaction.

A total of 4,001,189 shares had been purchased under these programmes as at 30 June 2017.

#### ***Cancellation and repayment of Revolving Credit Facility 2014***

Having completed the placement of the new equity-linked bond, the Company has reviewed its funding structure, as a result of which on 31 January 2017 it cancelled the five-year revolving credit facility for Euro 100 million with Mediobanca and repaid at the same time the amount of Euro 50 million drawn down as at 31 December 2016.

**Other significant events*****Transfer of registered office***

On 1 March 2017, the Company transferred its registered office from the previous address in Viale Sarca 222, to the new address in Via Chiese 6, Milan.

***Approval of financial statements at 31 December 2016 and dividend distribution***

On 12 April 2017, the shareholders of Prysmian S.p.A. approved the financial statements for 2016 and the distribution of a gross dividend of Euro 0.43 per share, for a total of some Euro 91 million. The dividend was paid out from 26 April 2017 to shares outstanding on the record date of 25 April 2017, with the shares going ex-dividend on 24 April 2017.

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

During the second quarter of 2017, Prysmian Cabos e Sistemas do Brasil S.A. informed personnel of the start of an investment plan to create a centre of excellence in cable manufacturing at the Sorocaba Eden plant, with the current production activities being transferred to the Santo André plant; it will take about a year and a half to complete this project.

## CONSOLIDATED FINANCIAL HIGHLIGHTS\*

(in millions of Euro)

	1st half 2017	1st half 2016	% change	2016
<b>Sales</b>	3,936	3,785	4.0%	7,567
<b>Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies</b>	343	333	2.9%	680
<b>Adjusted EBITDA <sup>(1)</sup></b>	362	347	4.3%	711
<b>EBITDA <sup>(2)</sup></b>	331	322	2.6%	645
<b>Adjusted operating income <sup>(3)</sup></b>	274	261	5.0%	538
<b>Operating income</b>	207	217	-4.6%	447
<b>Profit/(loss) before taxes</b>	158	180	-12.2%	368
<b>Net profit/(loss) for the year</b>	113	124	-8.9%	262

(in millions of Euro)

	30 June 2017	30 June 2016	Change	31 December 2016
<b>Net capital employed</b>	2,942	2,912	30	2,595
<b>Employee benefit obligations</b>	371	393	(22)	383
<b>Equity</b>	1,571	1,488	83	1,675
<b>of which attributable to non-controlling interests</b>	199	223	(24)	227
<b>Net financial debt</b>	1,000	1,031	(31)	537

(in millions of Euro)

	1st half 2017	1st half 2016	% change	2016
<b>Capital expenditures <sup>(4)</sup></b>	115	103	11.7%	233
<i>of which for acquisition of ShenHuan assets</i>	35	-		11
<b>Employees (at period end)</b>	21,219	19,974	6.2%	20,493
<b>Earnings/(loss) per share</b>				
- basic	0.53	0.54		1,15
- diluted	0.52	0.54		1,09

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

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

(3) Adjusted operating income is defined as operating income before income and expense associated with company reorganisation, before non-recurring items and other non-operating income and expense, and before the fair value change in metal derivatives and in other fair value items.

(4) Capital expenditure refers to additions to Property, plant and equipment and Intangible assets, gross of leased assets.

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

## GROUP PERFORMANCE AND RESULTS

(in millions of Euro)

	1st half 2017	1st half 2016	% change	2016
<b>Sales</b>	3,936	3,785	4.0%	7,567
<b>Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies</b>	<b>343</b>	<b>333</b>	<b>2.9%</b>	<b>680</b>
% of sales	8.7%	8.8%		9.0%
<b>Adjusted EBITDA</b>	<b>362</b>	<b>347</b>	<b>4.3%</b>	<b>711</b>
% of sales	9.2%	9.2%		9.4%
<b>EBITDA</b>	<b>331</b>	<b>322</b>	<b>2.6%</b>	<b>645</b>
% of sales	8.4%	8.5%		8.5%
Fair value change in metal derivatives	(11)	20		54
Fair value stock options	(25)	(24)		(49)
Amortisation, depreciation, impairment and impairment reversal	(88)	(101)		(203)
<b>Operating income</b>	<b>207</b>	<b>217</b>	<b>-4.6%</b>	<b>447</b>
% of sales	5.3%	5.8%		5.9%
Net finance income/(costs)	(49)	(37)		(79)
<b>Profit/(loss) before taxes</b>	<b>158</b>	<b>180</b>	<b>-12.2%</b>	<b>368</b>
% of sales	4.0%	4.8%		4.9%
Taxes	(45)	(56)		(106)
<b>Net profit/(loss) for the year</b>	<b>113</b>	<b>124</b>	<b>-8.9%</b>	<b>262</b>
% of sales	2.9%	3.3%		3.5%
Attributable to:				
Owners of the parent	113	115		246
Non-controlling interests	-	9		16

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

<b>Operating income (A)</b>	<b>207</b>	<b>217</b>	<b>-4.6%</b>	<b>447</b>
<b>EBITDA (B)</b>	<b>331</b>	<b>322</b>	<b>2.6%</b>	<b>645</b>
<b>Adjustments:</b>				
Company reorganisation	9	11		50
Non-recurring expenses/(income):				
Antitrust	15	-		(1)
Other non-operating expenses/(income)	7	14		17
<b>Total adjustments (C)</b>	<b>31</b>	<b>25</b>		<b>66</b>
Fair value change in metal derivatives (D)	11	(20)		(54)
Fair value stock options (E)	25	24		49
Impairment and impairment reversal of assets (F)	-	15		30
<b>Adjusted operating income (A+C+D+E+F)</b>	<b>274</b>	<b>261</b>	<b>5.0%</b>	<b>538</b>
<b>Adjusted EBITDA (B+C)</b>	<b>362</b>	<b>347</b>	<b>4.3%</b>	<b>711</b>

The Group's Adjusted EBITDA in the first six months of 2017 reported an increase on the same period last year.

Although the Energy Projects segment reported a year-on-year decline in sales, the second-quarter figures showed a strong recovery from the previous quarter; the segment's profitability was higher than in the first half of 2016, thanks to a favourable mix of projects and service and installation activities.

The profitability of the Energy Products segment in the first six months of 2017 reflected differences between the various business lines. Within Energy and Infrastructure, profitability and sales volumes remained in decline for the Power Distribution business, while year-on-year performance for the Trade & Installers

business continued to be poor, particularly reflecting the results of the Omani subsidiary. Within Industrial & Network Components, the Automotive business performed well in terms of both sales and profitability, benefiting from the effects of reorganising the manufacturing footprint in the past year. Some of the Industrial businesses, such as OEMs and Renewables, started to pick up from the second quarter. The Elevator business has nonetheless continued to underperform.

The OIL & GAS segment's profitability for the period was penalised by a downturn in the Umbilical cables business in Brazil. In the DHT cables business, the contraction in volumes for international projects in the North Sea, West Africa and Asia was partially offset by North American volumes associated with shale oil production and with synergies arising from the integration of Gulf Coast Downhole Technologies LLC, while the Core Oil&Gas business started to see renewed demand for onshore projects.

The Telecom segment continued to grow, thanks to persistently strong demand for optical fibre cables, particularly in fast-developing regions like China and APAC; optical fibre cable consumption has continued to expand in North America, and in Europe thanks to plans under the Digital Agenda for Europe 2025. Demand for copper cables is experiencing a slowdown in APAC, as expected, while the MMS cable market has reported timid global growth, driven by Asia and, in the case of the optical cables segment, by China.

The Group's sales in the first six months of 2017 came to Euro 3,936 million, compared with Euro 3,785 million in the same period of 2016, posting a positive change of Euro 151 million (+4.0%).

The growth in sales was attributable to the following factors:

- negative effect of Euro 24 million (-0.6%) arising from changes in the scope of consolidation following the disposal of the high voltage cables business of Prysmian Baosheng in China and the acquisition of Corning Optical Communications GmbH & Co. KG. in the Multimedia Solutions business;
- decrease of Euro 55 million (-1.5%) in organic sales growth;
- increase of Euro 6 million (+0.2%) due to favourable exchange rate effects;
- sales price increase of Euro 224 million (+5.9%) following metal price fluctuations (copper, aluminium and lead).

The negative organic growth in sales of -1.5% is analysed between the four operating segments as follows:

Energy Projects	- 5.3%;
Energy Products	-1.5%;
OIL & GAS	-14.8%;
Telecom	+7.5%.

Group Adjusted EBITDA (before Euro 31 million in net expenses for company reorganisation, net non-recurring expenses and other net non-operating expenses) came to Euro 362 million, posting an increase of Euro 15 million on the corresponding figure in 2016 of Euro 347 million (+4.3%). Adjusted EBITDA for the first six months of 2017 reflects the positive impact of Euro 1 million in exchange rate effects compared with 2016, mainly resulting from a stronger US Dollar, Australian Dollar and Brazilian Real, which more than offset the negative impact of a weaker British Pound and Turkish Lira.

EBITDA includes net expenses for company reorganisation, net non-recurring expenses and other net non-operating expenses totalling Euro 31 million (Euro 25 million in the first six months of 2016). Such adjustments in the first six months of 2017 mainly comprise costs for reorganising and improving efficiency and increases in the provisions for risks and charges relating to ongoing antitrust issues.

Group operating income came to Euro 207 million in the first six months of 2017, compared with Euro 217 million in the first six months of 2016, posting a decrease of Euro 10 million.

Net finance costs came to Euro 49 million in the first six months of 2017, compared with Euro 37 million in the previous year. The increase of Euro 12 million is mainly attributable to the non-cash cost of the new convertible bond, to higher non-operating finance costs and to exchange rate differences, which were positive last year.

Taxes came to Euro 45 million, representing an effective tax rate of around 28.5%.

Net profit for the first six months of 2017 was Euro 113 million (all of which attributable to the Group), compared with Euro 124 million in the first six months of 2016 (of which Euro 115 million attributable to the Group and Euro 9 million to non-controlling interests).

## REVIEW OF ENERGY PROJECTS OPERATING SEGMENT

(in millions of Euro)

	1st half 2017	1st half 2016	% change	2016
Sales	685	761	-10.0%	1,634
<b>Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies</b>	<b>116</b>	<b>111</b>	<b>4.4%</b>	<b>260</b>
% of sales	17.0%	14.6%		15.9%
<b>Adjusted EBITDA</b>	<b>116</b>	<b>111</b>	<b>4.6%</b>	<b>260</b>
% of sales	17.0%	14.6%		15.9%
<b>EBITDA</b>	<b>101</b>	<b>110</b>	<b>-8.7%</b>	<b>275</b>
% of sales	14.7%	14.4%		16.8%
Amortisation and depreciation	(20)	(17)		(36)
<b>Adjusted operating income</b>	<b>96</b>	<b>94</b>	<b>1.8%</b>	<b>224</b>
% of sales	14.0%	12.4%		13.7%

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

	101	110	-8.7%	275
<b>EBITDA (A)</b>	<b>101</b>	<b>110</b>	<b>-8.7%</b>	<b>275</b>
<b>Adjustments:</b>				
Company reorganisation	-	-		-
Non-recurring expenses/(income):				
Antitrust	15	-		(1)
Other non-operating expenses/(income)	-	1		(14)
<b>Total adjustments (B)</b>	<b>15</b>	<b>1</b>		<b>(15)</b>
<b>Adjusted EBITDA (A+B)</b>	<b>116</b>	<b>111</b>	<b>4.5%</b>	<b>260</b>

The Energy Projects Operating Segment incorporates the high-tech High Voltage underground and Submarine businesses, focused on projects and their execution, as well as on product customisation.

The Group engineers, produces and installs high and extra high voltage cables for electricity transmission both from power stations and within transmission and primary distribution grids. These highly specialised, tech-driven products include cables insulated with oil or fluid-impregnated paper for voltages up to 1100 kV and extruded polymer insulated cables for voltages up to 600 kV. These are complemented by laying and post-laying services, grid monitoring and preventive maintenance services, power line repair and maintenance services, as well as emergency services, including intervention in the event of damage.

In addition, Prysmian Group engineers, produces and installs "turnkey" submarine cable systems for power transmission and distribution. The products offered include cables with different types of insulation: cables insulated with layers of oil or fluid-impregnated paper for AC and DC transmission up to 700 kV; cables insulated with extruded polymer for AC transmission up to 400 kV and DC transmission up to 600 kV. The Group uses specific technological solutions for power transmission and distribution in underwater environments, which also satisfy the strictest international standards.



## MARKET OVERVIEW

The submarine cables business has seen a substantial growth in market demand in the first half of 2017 compared with the same period of 2016 thanks to the award of major projects both for interconnectors (IFA2) and for connecting offshore wind farms to the mainland (RTE France). This market is expected to grow in the future. This is expected to be driven by rising demand by offshore wind farm projects thanks to the continuous reduction in electricity generation costs (LRoE- Levelized Revenue of Electricity) and the consequent increase in competitiveness.

Demand in the high voltage underground business has been essentially stable in Europe, with a mixed trend in the different countries, while reporting a downturn in North America and the Middle East. By contrast, demand has continued to grow in South East Asia, where the Group has won a number of major interconnection projects.

## FINANCIAL PERFORMANCE

Sales to third parties by the Energy Projects segment amounted to Euro 685 million in the first half of 2017, compared with Euro 761 million in the same period of 2016, posting a negative change of Euro 76 million (-10.0%).

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

- negative organic sales growth of Euro 40 million (-5.3%);
- decrease of Euro 5 million (-0.6%) for exchange rate fluctuations;
- sales price increase of Euro 5 million (+0.6%) for metal price fluctuations;
- decrease of Euro 36 million (-4.7%) due to the change in scope of consolidation after disposing of the interest in Prysmian Baosheng Cable Co. Ltd, a Chinese company deconsolidated from December 2016.

The organic decline in sales recorded in the first half of 2017 is attributable to different phasing of Submarine projects and weak High Voltage demand in some European markets (mainly France, Italy and Russia) and in North America; however, second-quarter performance displayed a recovery, with organic growth of +3.0% on the same quarter of 2016.

Segment profitability was higher than in the first half of 2016, thanks to a favourable mix of projects and service and installation activities, which benefited from the deployment of new installation assets, like the third cable-laying vessel *Ulisse* and cable burial equipment.

The availability of these new assets is allowing the Group to bring back in-house more high-margin activities. The Group has confirmed its important presence in Middle and Far East markets, which continue to be characterised by growing demand for energy infrastructure but also by lower profit margins.

The main submarine cable projects on which work was performed in the six-month period were the link between Italy and Montenegro, the links between offshore wind farms in the North and Baltic Seas and the German mainland (Borwin3, 50Hertz), the Western HVDC Link in the United Kingdom, the interconnector

between Norway and Britain (North Sea Link) and the interconnector between the Netherlands and Denmark (CoBRA cable).

Most of the sales in the first six months of the year derived from cable manufacturing activities by the Group's industrial facilities (Pikkala in Finland, Arco Felice in Italy and Drammen in Norway) and from installation services.

The value of the Group's Submarine order book is confirmed at around Euro 2.0 billion, ensuring sales visibility for a period of about two years. The order book mainly consists of the following contracts: the link between Montenegro and Italy (Monita); the interconnector between Norway and Britain (North Sea Link); the CoBRA cable between the Netherlands and Denmark; inter-array and export cables for offshore wind platforms (Deutsche Bucht); links between offshore wind farms in the North and Baltic Seas and the German mainland (BorWin3, 50Hertz); the interconnector between England and Scotland (Western HVDC Link); the Hainan2 project in China; and the new interconnection project between France and the UK (IFA2).

The value of the Group's High Voltage order book is stable at around Euro 400 million.

Adjusted EBITDA recorded in the first six months of 2017 came to Euro 116 million, up from Euro 111 million in the same period of 2016, posting an increase of Euro 5 million (+4.6%).

## REVIEW OF ENERGY PRODUCTS OPERATING SEGMENT

(in millions of Euro)

	1st half 2017	1st half 2016	% change	2016
Sales	2,467	2,298	7.4%	4,469
<b>Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies</b>	<b>132</b>	<b>150</b>	<b>-11.5%</b>	<b>277</b>
% of sales	5.4%	6.5%		6.2%
<b>Adjusted EBITDA</b>	<b>135</b>	<b>151</b>	<b>-10.3%</b>	<b>280</b>
% of sales	5.5%	6.6%		6.3%
<b>EBITDA</b>	<b>128</b>	<b>134</b>	<b>-4.4%</b>	<b>216</b>
% of sales	5.2%	5.8%		4.8%
Amortisation and depreciation	(39)	(41)	-5.4%	(82)
<b>Adjusted operating income</b>	<b>96</b>	<b>110</b>	<b>-12.2%</b>	<b>198</b>
% of sales	3.9%	4.8%		4.4%

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

	128	134	-4.4%	216
<b>EBITDA (A)</b>	<b>128</b>	<b>134</b>	<b>-4.4%</b>	<b>216</b>
<b>Adjustments:</b>				
Company reorganisation	4	10		38
Non-recurring expenses/(income):				
Antitrust	-	-		-
Other non-operating expenses/(income)	3	7		26
<b>Total adjustments (B)</b>	<b>7</b>	<b>17</b>		<b>64</b>
<b>Adjusted EBITDA (A+B)</b>	<b>135</b>	<b>151</b>	<b>-10.3%</b>	<b>280</b>

The Energy Products Operating Segment, encompassing the businesses offering a complete and innovative product portfolio for a variety of industries, is organised into the businesses of Energy & Infrastructure (including Power Distribution and Trade & Installers) and Industrial & Network Components (comprising Specialties & OEM, Elevators, Automotive and Network Components).

Sales to third parties by the Energy Products operating segment amounted to Euro 2,467 million in the first half of 2017, compared with Euro 2,298 million in the first six months of 2016, posting a positive change of Euro 169 million (+7.4%), due to the combined effect of the following main factors:

- negative organic sales growth of Euro 35 million (-1.5%), reflecting a contraction in volumes in Europe, partly offset by positive performance in Northern Europe and growth in some Asian countries;
- decrease of Euro 2 million (-0.1%) linked to unfavourable exchange rate movements;
- sales price increase of Euro 206 million (+9.0%) for metal price fluctuations.

Adjusted EBITDA for the first six months of 2017 came to Euro 135 million, down Euro 16 million (-10.3%) from Euro 151 million in the same period of 2016.

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

## ENERGY & INFRASTRUCTURE

(in millions of Euro)

	1st half 2017	1st half 2016	% change	% organic sales changes	2016
Sales	1,658	1,567	5.8%	-3.3%	3,016
<b>Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies</b>	<b>72</b>	<b>86</b>	<b>-14.5%</b>		<b>152</b>
% of sales	4.4%	5.5%			5.0%
<b>Adjusted EBITDA</b>	<b>74</b>	<b>87</b>	<b>-13.5%</b>		<b>154</b>
% of sales	4.5%	5.5%			5.1%
<b>Adjusted operating income</b>	<b>46</b>	<b>56</b>	<b>-15.7%</b>		<b>92</b>
% of sales	2.8%	3.5%			3.0%

Prysmian produces high and medium voltage cable systems to connect industrial and/or civilian buildings to primary distribution grids and low voltage cables and systems for *power distribution* and the wiring of buildings. All the products offered comply with international standards regarding insulation, fire resistance, smoke emissions and halogen levels. The low voltage product portfolio includes rigid and flexible cables for distributing power to and within *residential and commercial buildings*. The Group concentrates product development and innovation activities on high performance cables, such as Fire-Resistant and Low Smoke zero Halogen cables, capable of guaranteeing specific safety standards. The product range has been recently expanded to satisfy cabling demands for infrastructure such as airports, ports and railway stations, by customers as diverse as international distributors, buying syndicates, installers and wholesalers.

### MARKET OVERVIEW

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

In the first six months of 2017, the European Trade & Installers market has continued to be characterised by strong competitive pressure and by generally stable or declining demand in most countries, with the exception of Northern Europe; demand has remained weak in Turkey as a result of the Turkish Lira's depreciation and the country's economic and political instability.

As for Power Distribution, the trend in the principal European countries in recent years has reflected generally stagnant energy consumption, which in turn has adversely affected demand by the major utilities. The latter, operating in a recessionary economic environment, have either maintained extremely cautious positions given the difficulty of forecasting future growth, or else they have concentrated on business restructuring to improve efficiency and reduce supply-side costs. This situation has exacerbated the competitive environment in terms of price and mix, leaving an extremely challenging context almost everywhere. However, since last year certain areas, like some Nordic and Asian countries, have started to see a resumption in investment activity.

In the first half of 2017, the Power Distribution business has seen stable or declining demand in the markets of Central and Southern Europe, while displaying positive signs in North America, in some Asian markets (Indonesia) and Northern Europe.

## FINANCIAL PERFORMANCE

Sales to third parties by the Energy & Infrastructure business area amounted to Euro 1,658 million in the first six months of 2017, compared with Euro 1,567 million in the corresponding period of 2016, posting a positive change of Euro 91 million (+5.8%) due to the combined effect of the following main factors:

- negative organic sales growth of Euro 52 million (-3.3%);
- decrease of Euro 4 million (-0.3%) for adverse exchange rate fluctuations;
- sales price increase of Euro 147 million (+9.4%) for metal price fluctuations.

Prysmian Group has carried on its strategy for the Energy & Infrastructure business of focusing on relationships with top international customers and of developing tactical actions to avoid losing sales opportunities, by differentiating its offer in the various markets and by increasing its market share in specific geographical areas. This has led to a very complex commercial strategy, not only focused where possible on improving the sales mix, but also aimed at regaining market share while seeking to minimise the impact on sales margins.

In the first half of 2017, the Group witnessed a drop in volumes in some areas, like North America, due to government policies concerning renewable energy investments (wind farms), and Germany, in contrast with a particularly strong first half last year. However, demand remained robust in other European countries (like Finland) thanks to recovery in infrastructure investment.

The rest of Europe has stayed largely stable with a contraction in low margin segments and persistent pressure on prices which the Group is seeking to resist through the industrial reorganisation programs undertaken in recent years. The Omani subsidiary has performed poorly, reflecting conditions on the local market. In addition, business in Argentina has continued to follow a negative trend.

Given the factors described above, Adjusted EBITDA for the first six months of 2017 came to Euro 74 million, down from Euro 87 million in the same period last year.

## INDUSTRIAL & NETWORK COMPONENTS

(in millions of Euro)

	1st half 2017	1st half 2016	% change	% organic sales changes	2016
Sales	739	682	8.5%	2.5%	1,343
<b>Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies</b>	<b>61</b>	<b>64</b>	<b>-5.5%</b>		<b>126</b>
% of sales	8.2%	9.4%			9.4%
<b>Adjusted EBITDA</b>	<b>62</b>	<b>64</b>	<b>-4.3%</b>		<b>127</b>
% of sales	8.3%	9.4%			9.5%
<b>Adjusted operating income</b>	<b>51</b>	<b>54</b>	<b>-6.3%</b>		<b>108</b>
% of sales	6.9%	8.0%			8.0%

The extensive range of cables developed specially for certain *industries* is characterised by the highly specific nature of the solutions offered. In the transport market, Prysmian cables are used in the construction of ships and trains, and in the automotive and aerospace industries; in the infrastructure market, the principal applications for its cables are found in railways, docks and airports. The product range also includes cables for the mining industry, for elevators and for applications in the renewable energy field (solar and wind power), cables for military use and for nuclear power stations, able to withstand the highest radiation environments.

Lastly, the Group produces accessories and *network components*, such as joints and terminations for low, medium, high and extra high voltage cables and submarine systems, to connect cables with one another and/or connect them with other network devices, suitable for industrial, construction and infrastructure applications and for use within power transmission and distribution grids.

### MARKET OVERVIEW

Trends in Industrial cable markets during the first half of 2017 have displayed considerable inconsistencies between the various business lines and large disparities between the different geographical areas. The common tendency is for 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 market, some segments are showing stable or growing demand, like certain OEM sectors (such as Railway), and the Automotive business, while other segments have seen volumes decline in specific countries due to delays in investment projects in areas of national interest such as Defence and Nuclear; the Crane business has displayed a momentary slowdown in demand, while Renewables enjoyed a second-quarter expansion.

The Elevator market continues to grow in EMEA, while remaining largely stable in North America and APAC.

The Automotive market has continued to enjoy growing demand almost everywhere, but even though the market has stabilised it is increasingly seeing a general build-up of competitive pressure especially in low-end segments. Market demand remains sustained in APAC and Central and South America.

## FINANCIAL PERFORMANCE

Sales to third parties by the Industrial & Network Components business area amounted to Euro 739 million in the first half of 2017, compared with Euro 682 million in the corresponding period of 2016, recording a positive change of Euro 57 million (+8.5%) due to the combined effect of the following main factors:

- positive organic growth of Euro 17 million (+2.5%);
- increase of Euro 2 million (+0.4%) for positive exchange rate fluctuations;
- sales price increase of Euro 38 million (+5.6%) for metal price fluctuations.

Overall performance in the first half of 2017 by the industrial applications business was not affected by the instability of investment demand in some sectors, given the Group's wide range of products and the highly customised nature of its solutions allowing the necessary differentiation geographically and by application.

In the OEM market, the Group posted strong growth in Asia-Pacific and North America in contrast with a largely flat performance in Europe. As for the different sectors, the Railway business repeated its good first-quarter performance, accompanied by a growth in orders, as did the Infrastructure business; after a rather weak start to the year, Renewables and Mining both recovered while Crane, Marine and Defence all remained weak.

The Elevator business was affected in the first six months of 2017 by rising price pressure and project delays, partly offset by actions to expand the product portfolio.

The EMEA market continued to grow like in previous quarters, while the APAC and North American markets were affected in the first six months of 2017 by rising pressure on prices of low value-added products and by weaker slowdown.

The Automotive business has reported a year-on-year improvement in margins thanks to the strategy of focusing on top-end and high value-added segments of the business and to improved industrial performance. There is continued competitive pressure at the lower end of the market from countries with lower labour costs and from cable manufacturers who are intercepting the market upstream.

The Network Components business area has recorded positive results for Medium and Low Voltage applications, driven by robust demand in North America and Europe, while the High Voltage and Extra High Voltage market segment was affected by a downturn in demand in European and APAC markets.

Given the factors described above, Adjusted EBITDA for the first six months of 2017 came to Euro 62 million, down from Euro 64 million in the same period last year.

**OTHER**

(in millions of Euro)

	1st half 2017	1st half 2016	2016
Sales	70	49	110
<b>Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies</b>	<b>(1)</b>	-	<b>(1)</b>
<b>Adjusted EBITDA</b>	<b>(1)</b>	-	<b>(1)</b>
<b>Adjusted operating income</b>	<b>(1)</b>	-	<b>(2)</b>

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



## REVIEW OF OIL & GAS OPERATING SEGMENT

(in millions of Euro)

	1st half 2017	1st half 2016	% change	2016
Sales	138	156	-11.7%	300
<b>Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies</b>	<b>2</b>	<b>7</b>	<b>-76.5%</b>	<b>8</b>
% of sales	1.1%	4.2%		2.7%
<b>Adjusted EBITDA</b>	<b>2</b>	<b>7</b>	<b>-76.4%</b>	<b>8</b>
% of sales	1.1%	4.2%		2.7%
<b>EBITDA</b>	<b>1</b>	<b>5</b>	<b>-89.0%</b>	<b>8</b>
% of sales	0.4%	3.4%		2.7%
Amortisation and depreciation	(9)	(8)		(15)
<b>Adjusted operating income</b>	<b>(7)</b>	<b>(1)</b>		<b>(7)</b>
% of sales	-5.1%	-0.8%		-2.4%

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

<b>EBITDA (A)</b>	<b>1</b>	<b>5</b>	<b>-89.0%</b>	<b>8</b>
<b>Adjustments:</b>				
Company reorganisation	1	1		2
Non-recurring expenses/(income):				
Antitrust	-	-		-
Other non-operating expenses/(income)	-	1		(2)
<b>Total adjustments (B)</b>	<b>1</b>	<b>2</b>		<b>-</b>
<b>Adjusted EBITDA (A+B)</b>	<b>2</b>	<b>7</b>	<b>-76.4%</b>	<b>8</b>

The OIL & GAS operating segment encompasses the businesses of SURF (Subsea Umbilical, Riser and Flowline), DHT (Downhole Technology) and Core Cable Oil & Gas (cables for Upstream, Midstream and Downstream applications) and is characterised by its focus on the oil industry.

Prysmian offers a wide range of products able to serve every onshore and offshore need, including the design and supply of: multipurpose umbilical systems (for power and data communications transmission and for hydraulic powering of wellheads by offshore platforms and/or by floating, production, storage and offloading vessels); flexible offshore pipes for transporting hydrocarbons; Downhole Technology (DHT) solutions, which include cables encased in insulated tubing to control and power systems inside extraction and production machinery both offshore and onshore.

The range of products for the OIL & GAS industry also includes low and medium voltage power cables, and instrumentation and control cables for offshore and onshore applications. The onshore product range is able to support applications in the Upstream, Midstream and Downstream segments.

### MARKET OVERVIEW

The SURF business has seen a steep contraction in the umbilicals market in Brazil, following on from reduced tendering activity by Petrobras in 2016.

In the Downhole Technology business, there has been a contraction in the market for products serving international projects in the North Sea, West Africa and Asia, in contrast with the trend in the North American onshore market, which has started to grow again thanks to shale oil production.

The Core Oil & Gas business has begun to show signs of recovery driven by North American, Russian and Middle Eastern markets. Even in this segment, offshore activities remain highly depressed with pressure

impacting not only the major Asian shipyards (in Singapore and Korea) but also EPC contractors. As far as the drilling sector is concerned, the US market appears to be recovering while the MRO segment remains weak.

## FINANCIAL PERFORMANCE

Sales to third parties by the OIL & GAS segment amounted to Euro 138 million in the first six months of 2017, compared with Euro 156 million in the same period of 2016, posting a negative change of Euro 18 million (-11.7%).

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

- negative organic sales growth of Euro 23 million (-14.8%);
- small positive effect of Euro 1 million (+0.4%) for exchange rate fluctuations;
- sales price increase of Euro 4 million (+2.7%) for metal price fluctuations.

The performance of the OIL & GAS segment has been hit by the drop in oil prices, in turn affecting decisions by the industry's major players, in particular:

- the SURF business has experienced a contraction in the umbilicals market in Brazil, Prysmian's main outlet for these products, linked to the limited tendering activity by Petrobras in 2016;
- demand for Downhole Technology products has suffered a 14% reduction on 2016 levels linked to international projects in the North Sea, West Africa and Asia. However, the decline has been partly offset by North American volumes linked to shale oil production and by commercial synergies from the process of integrating Gulf Coast Downhole Technologies LLC;
- the Core Oil & Gas business has witnessed a recovery in onshore project demand. The business's overall profitability is still being affected by the drop in higher-margin MRO and offshore volumes.

Adjusted EBITDA for the first six months of 2017 was Euro 2 million, down from Euro 7 million in the same period of 2016 as a result of lower turnover by the SURF business in Brazil.

## REVIEW OF TELECOM OPERATING SEGMENT

(in millions of Euro)

	1st half 2017	1st half 2016	% change	2016
Sales	646	570	13.4%	1,164
<b>Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies</b>	<b>93</b>	<b>65</b>	<b>40.7%</b>	<b>135</b>
% of sales	14.3%	11.5%		11.6%
<b>Adjusted EBITDA</b>	<b>109</b>	<b>78</b>	<b>38.6%</b>	<b>163</b>
% of sales	16.8%	13.7%		14.0%
<b>EBITDA</b>	<b>106</b>	<b>77</b>	<b>37.8%</b>	<b>158</b>
% of sales	16.4%	13.5%		13.6%
Amortisation and depreciation	(20)	(20)		(40)
<b>Adjusted operating income</b>	<b>89</b>	<b>58</b>	<b>51.4%</b>	<b>123</b>
% of sales	13.7%	10.3%		10.6%

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

<b>EBITDA (A)</b>	<b>106</b>	<b>77</b>	<b>37.8%</b>	<b>158</b>
<b>Adjustments:</b>				
Company reorganisation	2	-		6
Non-recurring expenses/(income):				
Antitrust	-	-		-
Other non-operating expenses/(income)	1	1		(1)
<b>Total adjustments (B)</b>	<b>3</b>	<b>1</b>		<b>5</b>
<b>Adjusted EBITDA (A+B)</b>	<b>109</b>	<b>78</b>	<b>38.6%</b>	<b>163</b>

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

### Optical fibre

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

### **Optical cables**

Optical fibres are employed in the production of standard optical cables or those specially designed for challenging or inaccessible environments. Optical cables, constructed using just a single fibre or up to as many as 1,728 fibres, can be pulled (or blown) into ducts, buried directly underground or suspended on overhead devices such as telegraph poles or electricity pylons. Cables are also installed in road and rail tunnels, gas and sewerage networks and inside various buildings where they must satisfy specific fire-resistant requirements. Prysmian Group operates in the telecommunications market with a wide range of cable solutions and systems that respond to the demand for wider bandwidth by major network operators and service providers. The product portfolio covers every area of the industry, including long-distance and urban systems, and solutions such as optical ground wire (OPGW), Rapier (easy break-out), Siroccoxs (fibres and cables for blown installation), Flextube® (extremely flexible easy-to-handle cables for indoor or outdoor installations), Airbag (dielectric direct buried cable) and many more.

### **Connectivity**

Whether deployed in outdoor or indoor applications, Prysmian Group's OAsys connectivity solutions are designed for versatility, covering all cable management needs whatever the network type. These include aerial and underground installations, as well as cabling in central offices (or exchanges) or customer premises. Prysmian Group has been designing, developing and making cable and fibre management products for more than two decades and is at the forefront of designing next-generation products specifically for Fibre-To-The-Home (FTTH) networks.

### **FTTx**

Increasing bandwidth requirements, by both business and residential customers, are having a profound effect upon the level of performance demanded of optical networks, which in turn demands high standards of fibre management. Optimal fibre management in every section of the network is increasingly a matter of priority in order to minimise power loss and overcome the problems caused by ever greater space limitations. The Group has developed the suite of xsNet products for "last mile" access networks, which is also very suited to optical fibre deployment in sparsely populated rural areas. Most of the cables used in FTTx/FTTH systems feature Prysmian's bend-insensitive BendBrightxs optical fibre, which has been specially developed for this application.

### **FTTA (Fibre-To-The-Antenna)**

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

### **Copper cables**

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

### **Multimedia Solutions**

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

### **MARKET OVERVIEW**

The global optical fibre cables market has expanded in the first six months of 2017 compared with the same period last year. Demand has grown in fast-developing markets (China and APAC) which alone account for more than 50% of the market. Optical fibre cable consumption has continued to expand in North America, and in Europe thanks to plans under the Digital Agenda for Europe 2025. The latter envisages the provision of three levels of minimum service depending on the type of user. In fact, government offices and entities like schools and hospitals will benefit from a bandwidth of at least 1 Gb/s. Likewise, the entire residential population will be connected with 100 Mb/s, while all urban areas and transport corridors should have broadband mobile coverage with 5G technology. In Europe, the network architectures used vary according to decisions made by each country. FTTH networks are the preference in France, Spain, Portugal and the Nordics, while G.Fast is the norm in Germany and Britain; although these systems use the last metres of the existing copper network, massive volumes of optical cables are nonetheless required to upgrade the distribution networks. In other cases like Italy, the two technologies coexist.

In Brazil, despite uncertainty about the country's macroeconomic performance and growth prospects, there has been a slight recovery in investments by the major telecom carriers, both in copper and optical fibre cables.

North America continues to see a big increase in data consumption by all sectors of society. As a result, the major market players - AT&T and Verizon to name just a few - are investing in fibre network infrastructure. By way of example, Verizon has announced that it is upgrading its network architecture around a next-generation fibre platform with the aim of increasing 4G coverage and laying the foundations for the subsequent development of 5G and IoT (Internet of Things) technology.

In conclusion, the growing demand for data on both fixed and mobile networks is leading to a progressive convergence between the two and to a consequent increase in fibre infrastructure investments.

The copper cable market is slowing down due to the maturity of the products concerned. The decline in this market was increasingly evident in the first six months of 2016, with high demand for internet access causing major operators to opt to renew their networks using optical fibre, rather than perform maintenance or

upgrade work on existing networks. It is still worth remaining in this segment since the gradual decommissioning of assets by competitor cable manufacturers nonetheless offers attractive opportunities.

The MMS cable market has reported timid global growth, driven by Asia and, in the case of the optical cables segment, by China. Growth in demand is being fuelled by requests for ever greater bandwidth capacity in professional and office environments and data centres. Interestingly, this trend applies to both new buildings and projects to renovate existing ones. An important contribution to this growth is coming from industrial applications (Industry 4.0) that require new highly specialised products. Another important source of growth is HDTV cables used for the broadcast of digital content such as sports events or other events of media interest.

## FINANCIAL PERFORMANCE

Sales to third parties by the Telecom operating segment amounted to Euro 646 million in the first six months of 2017, compared with Euro 570 million in the first six months of 2016, posting a positive change of Euro 76 million (+13.4%).

This change is attributable to the following factors:

- organic sales growth of Euro 43 million (+7.5%), mainly thanks to volume recovery for optical fibre cables;
- positive change of Euro 12 million (+2.2%) for exchange rate fluctuations;
- increase of Euro 12 million (+2.0%) due to change in the scope of consolidation after acquiring the data cables business from Corning Optical Communications GmbH & Co. KG.;
- sales price increase of Euro 9 million (+1.7%) for metal price fluctuations.

The organic growth in 2017 six-month sales reflects the positive trend already observed last year. This mainly derives from the constant growth in demand for optical fibre and special cables, reflecting developments in major investment projects. Volume trends in Europe have been positive while the general price pressure seen in the first part of the previous year has stabilised.

The Group has won important contracts with leading operators in Europe for the construction of backhaul links and FTTH connections. The network development plan in rural areas is progressing in the Netherlands, while a national plan is being implemented by Swisscom in Switzerland. In France the "Trés Haut Débit" broadband roll-out project is progressing at full speed.

In North America, the development of new ultra-broadband networks is generating a steady increase in domestic demand from which Prysmian is benefiting. As part of a massive multi-year investment program by Verizon, one of the major US incumbents, Prysmian has recently signed a three-year agreement to supply optical fibre cables starting from January 2018. At the same time, the Group has announced it will increase the production capacity of its North American plants to support this growth.

In Brazil, there has been a slight increase in investments by the major telecom carriers in both copper and optical fibre cables.

The high value-added business of optical connectivity accessories has performed well, thanks to the development of new FTTx networks (for last mile broadband access) in Europe, particularly in France and Britain.

The Multimedia Solutions business has posted increased profitability compared with the same period last year. This positive result has been achieved thanks to the ability to satisfy growing demand with a high level of responsiveness and service.

The return on investments to reduce optical fibre costs and the relocation of some cable manufacturing sources to Eastern Europe have also made a substantial contribution to the segment's overall results.

Adjusted EBITDA for the first six months of 2017 came to Euro 109 million, reporting an increase of Euro 31 million (+38.6%) from Euro 78 million in the corresponding period of 2016.

# GROUP STATEMENT OF FINANCIAL POSITION

## RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	30 June 2017	30 June 2016	Change	31 December 2016
Net fixed assets	2,599	2,565	34	2,630
Net working capital	700	646	54	325
Provisions and net deferred taxes	(357)	(299)	(58)	(360)
<b>Net capital employed</b>	<b>2,942</b>	<b>2,912</b>	<b>30</b>	<b>2,595</b>
Employee benefit obligations	371	393	(22)	383
Total equity	1,571	1,488	83	1,675
of which attributable to non-controlling interests	199	223	(24)	227
Net financial debt	1,000	1,031	(31)	537
<b>Total equity and sources of funds</b>	<b>2,942</b>	<b>2,912</b>	<b>30</b>	<b>2,595</b>

## NET FIXED ASSETS

(in millions of Euro)

	30 June 2017	30 June 2016	Change	31 December 2016
Property, plant & equipment	1,625	1,563	62	1,631
Intangible assets	759	791	(32)	792
Equity-accounted investments	202	181	21	195
Available-for-sale financial assets	13	12	1	12
Asset held for sale (**)	-	18	(18)	-
<b>Net fixed assets</b>	<b>2,599</b>	<b>2,565</b>	<b>34</b>	<b>2,630</b>

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

Net fixed assets amounted to Euro 2,599 million at 30 June 2017, compared with Euro 2,630 million at 31 December 2016, posting a decrease of Euro 31 million mainly due to the combined effect of the following factors:

- Euro 111 million in net capital expenditure on property, plant and equipment and intangible assets;
- Euro 88 million in depreciation and amortisation charges for the period;
- Euro 62 million in adverse currency translation differences affecting property, plant and equipment and intangible assets;
- Euro 7 million for the net increase in equity-accounted investments, comprising Euro 19 million for the share of net profit/(loss) of equity-accounted companies, less Euro 3 million in dividend payments and Euro 9 million in negative currency translation differences.



## NET WORKING CAPITAL

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

(in millions of Euro)

	30 June 2017	30 June 2016	Change	31 December 2016
Inventories	1,042	987	55	906
Trade receivables	1,298	1,171	127	1,088
Trade payables	(1,589)	(1,481)	(108)	(1,498)
Other receivables/(payables)	(60)	(15)	(45)	(178)
<b>Net operating working capital</b>	<b>691</b>	<b>662</b>	<b>29</b>	<b>318</b>
Derivatives	9	(16)	25	7
<b>Net working capital</b>	<b>700</b>	<b>646</b>	<b>54</b>	<b>325</b>

Net working capital of Euro 700 million at 30 June 2017 was Euro 375 million higher than the corresponding figure of Euro 325 million at 31 December 2016. Net operating working capital amounted to Euro 691 million (8.3% of annualised sales) at 30 June 2017, an increase of Euro 373 million from Euro 318 million (4.2% of sales) at 31 December 2016, reflecting the following factors:

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

## NET FINANCIAL DEBT

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

(in millions of Euro)

	30 June 2017	30 June 2016	Change	31 December 2016
<b>Long-term financial payables</b>				
EIB Loan	50	67	(17)	58
Non-convertible bond	742	741	1	741
Convertible bond 2013	-	284	(284)	288
Convertible bond 2017	451	-	451	-
Other financial payables	24	47	(23)	27
<b>Total long-term financial payables</b>	<b>1,267</b>	<b>1,139</b>	<b>128</b>	<b>1,114</b>
<b>Short-term financial payables</b>				
EIB Loan	17	17	-	17
Non-convertible bond	4	4	-	14
Convertible bond 2013	294	1	293	1
Revolving credit facility 2014	-	50	(50)	50
Derivatives	3	4	(1)	1
Other financial payables	127	204	(77)	90
<b>Total short-term financial payables</b>	<b>445</b>	<b>280</b>	<b>165</b>	<b>173</b>
<b>Total financial liabilities</b>	<b>1,712</b>	<b>1,419</b>	<b>293</b>	<b>1,287</b>
Long-term financial receivables	2	2	-	2
Long-term bank fees	1	3	(2)	2
Short-term derivatives	1	3	(2)	1
Short-term financial receivables	7	6	1	38
Short-term bank fees	2	2	-	2
Financial assets held for trading	60	84	(24)	59
Cash and cash equivalents	639	288	351	646
<b>Total financial assets</b>	<b>712</b>	<b>388</b>	<b>324</b>	<b>750</b>
<b>Net financial debt</b>	<b>1,000</b>	<b>1,031</b>	<b>(31)</b>	<b>537</b>

Net financial debt of Euro 1,000 million at 30 June 2017 has increased by Euro 463 million from Euro 537 million at 31 December 2016. As regards the principal factors behind the change in net financial debt, reference should be made to the next section containing the "Statement of cash flows".

## STATEMENT OF CASH FLOWS

(in millions of Euro)

	1st half 2017	1st half 2016	Change	12 months (from 1st July 2016 to 30 June 2017)	2016
<b>EBITDA</b>	<b>331</b>	<b>322</b>	<b>9</b>	<b>654</b>	<b>645</b>
Changes in provisions (including employee benefit obligations)	5	(13)	18	39	21
(Gains)/losses on disposal of property, plant and equipment, intangible assets and non-current assets	(1)	(1)	-	(3)	(3)
Results of operating and financial investment and divestment activities	-	-	-	(18)	(18)
Share of net profit/(loss) of equity-accounted companies	(19)	(14)	(5)	(36)	(31)
<b>Net cash flow provided by operating activities (before changes in net working capital)</b>	<b>316</b>	<b>294</b>	<b>22</b>	<b>636</b>	<b>614</b>
Changes in net working capital	(432)	(291)	(141)	(74)	67
Taxes paid	(36)	(38)	2	(74)	(76)
Dividends from investments in equity-accounted companies	3	2	1	11	10
<b>Net cash flow provided by operating activities</b>	<b>(149)</b>	<b>(33)</b>	<b>(116)</b>	<b>499</b>	<b>615</b>
Cash flow from acquisitions and/or disposals	-	-	-	31	31
Net cash flow from operational investing activities	(111)	(101)	(10)	(237)	(227)
<i>Of which for acquisition of ShenHuan assets</i>	<i>(35)</i>	<i>-</i>	<i>(35)</i>	<i>(46)</i>	<i>(11)</i>
<b>Free cash flow (unlevered)</b>	<b>(260)</b>	<b>(134)</b>	<b>(126)</b>	<b>293</b>	<b>419</b>
Net finance costs	(45)	(42)	(3)	(71)	(68)
<b>Free cash flow (levered)</b>	<b>(305)</b>	<b>(176)</b>	<b>(129)</b>	<b>222</b>	<b>351</b>
Capital contributions and other changes in equity	(99)	-	(99)	(99)	-
Dividend distribution	(101)	(101)	-	(102)	(102)
<b>Net cash flow provided/(used) in the period</b>	<b>(505)</b>	<b>(277)</b>	<b>(228)</b>	<b>21</b>	<b>249</b>
<b>Opening net financial debt</b>	<b>(537)</b>	<b>(750)</b>	<b>213</b>	<b>(1,031)</b>	<b>(750)</b>
Net cash flow provided/(used) in the period	(505)	(277)	(228)	21	249
Equity component of Convertible Bond	48	-	48	48	-
Other changes	(6)	(4)	(2)	(38)	(36)
<b>Closing net financial debt</b>	<b>(1,000)</b>	<b>(1,031)</b>	<b>31</b>	<b>(1,000)</b>	<b>(537)</b>

With reference to the first six months of 2017, net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 316 million.

This cash flow was absorbed by the increase of Euro 432 million in net working capital described earlier. After Euro 36 million in tax payments and Euro 3 million in dividend receipts, net cash flow from operating activities in the first six months of 2017 was therefore a negative Euro 149 million.

Net operating capital expenditure amounted to Euro 111 million in the first six months of 2017, a large part of which relating to projects to increase, rationalise and technologically upgrade production capacity and to develop new products.

In addition, Euro 45 million in net finance costs were paid during the six-month period, as well as Euro 101 million to distribute dividends and Euro 99 million to buy back the Company's shares.

Net financial debt also benefited from Euro 48 million for the equity component of the convertible bond issued in January 2017.

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

- Euro 636 million in net cash flow provided by operating activities before changes in net working capital;
- Euro 74 million in cash flow used by the increase in net working capital, Euro 74 million in tax payments and Euro 11 million in dividend receipts;

Net cash flow from operating activities therefore came to Euro 499 million.

Net operating capital expenditure in the past 12 months amounted to Euro 237 million, while net cash flow for acquisitions and disposals of investments came to Euro 31 million; Euro 71 million was paid out in finance costs, Euro 102 million in dividends and Euro 99 million to buy back the Company's shares.

As noted above, net financial debt also benefited from Euro 48 million for the equity component of the convertible bond issued in January 2017.

## ALTERNATIVE PERFORMANCE INDICATORS

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

In this regard, on 3 December 2015, Consob adopted the ESMA guidelines in Italy with publication of "ESMA Guidelines/2015/1415" which supersedes the "CESR Recommendation 2005 (CESR/05-178b)". The alternative performance measures have therefore been revised in light of these guidelines.

The alternative indicators used for reviewing the income statement include:

- **Adjusted operating income:** operating income before income and expense for company reorganisation<sup>(1)</sup>, before non-recurring items<sup>(2)</sup>, as presented in the consolidated income statement, before other non-operating income and expense<sup>(3)</sup> and before the fair value change in metal derivatives and in other fair value items. The purpose of this indicator is to present the Group's operating profitability without the effects of events considered to be outside its recurring operations;
- **EBITDA:** operating income before the fair value change in metal price derivatives and in other fair value items and before amortisation, depreciation and impairment. The purpose of this indicator is to present the Group's operating profitability before the main non-monetary items;
- **Adjusted EBITDA:** EBITDA as defined above calculated before income and expense for company reorganisation, before non-recurring items, as presented in the consolidated income statement, and before other non-operating income and expense. The purpose of this indicator is to present the Group's operating profitability before the main non-monetary items, without the effects of events considered to be outside the Group's recurring operations;

(1) Income and expense for company reorganisation: these refer to income and expense that arise as a result of the closure of production facilities and/or as a result of projects to enhance the organisational structure's efficiency;

(2) Non-recurring income and expense: these refer to income and expense related to unusual events that have not affected the income statement in past periods and that will probably not affect the results in future periods;

(3) Other non-operating income and expense: these refer to income and expense that management considers should not be taken into account when measuring business performance.

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

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

- **Net fixed assets:** sum of the following items contained in the statement of financial position:
  - Intangible assets
  - Property, plant and equipment
  - Equity-accounted investments
  - Available-for-sale financial assets, net of non-current securities classified as long-term financial receivables in net financial debt
  - Assets held for sale with regard to Land and Buildings
- **Net working capital:** sum of the following items contained in the statement of financial position:
  - Inventories
  - Trade receivables
  - Trade payables
  - Other non-current receivables and payables, net of long-term financial receivables classified in net financial debt
  - Other current receivables and payables, net of short-term financial receivables classified in net financial debt
  - Derivatives net of financial instruments for hedging interest rate and currency risks relating to financial transactions, classified in net financial debt
  - Current tax payables
  - Assets and Liabilities held for sale with regard to current assets and liabilities
- **Net operating working capital:** sum of the following items contained in the statement of financial position:
  - Inventories
  - Trade receivables
  - Trade payables
  - Other non-current receivables and payables, net of long-term financial receivables classified in net financial debt
  - Other current receivables and payables, net of short-term financial receivables classified in net financial debt
  - Current tax payables

- **Provisions and net deferred taxes:** sum of the following items contained in the statement of financial position:
  - Provisions for risks and charges – current portion
  - Provisions for risks and charges – non-current portion
  - Provisions for deferred tax liabilities
  - Deferred tax assets
  
- **Net capital employed:** sum of Net fixed assets, Net working capital and Provisions.
  
- **Employee benefit obligations and Total equity:** these indicators correspond to Employee benefit obligations and Total equity reported in the statement of financial position.
  
- **Net financial debt:** sum of the following items:
  - Borrowings from banks and other lenders – non-current portion
  - Borrowings from banks and other lenders – current portion
  - Derivatives 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 2017**

(in millions of Euro)

		30 June 2017		31 December 2016	
	Note	Partial amounts from financial statements	Total amounts from financial statements	Partial amounts from financial statements	Total amounts from financial statements
<b>Net fixed assets</b>					
Property, plant and equipment		1,625	1,625		1,631
Intangible assets		759	759		792
Equity-accounted investments		202	202		195
Available-for-sale financial assets		13	13		12
Assets held for sale		-	-		-
<b>Total net fixed assets</b>	<b>A</b>	<b>2,599</b>	<b>2,599</b>		<b>2,630</b>
<b>Net working capital</b>					
Inventories	<b>B</b>		1,042		906
Trade receivables	<b>C</b>		1,298		1,088
Trade payables	<b>D</b>		(1,589)		(1,498)
Other receivables/payables - net	<b>E</b>		(60)		(178)
of which:					
Other receivables - non-current	3	12		17	
Tax receivables	3	5		5	
Receivables from employees	3	1		1	
Other	3	6		11	
Other receivables - current	3	786		748	
Tax receivables	3	141		132	
Receivables from employees and pension plans	3	7		4	
Advances to suppliers	3	17		19	
Other (**)	3	108		105	
Construction contracts	3	513		488	
Other payables - non-current	10	(17)		(18)	
Tax and social security payables	10	(5)		(6)	
Payables to employees	10	(2)		(2)	
Other	10	(10)		(10)	
Other payables - current	10	(772)		(875)	
Tax and social security payables	10	(151)		(121)	
Advances from customers	10	(272)		(377)	
Payables to employees	10	(89)		(74)	
Accrued expenses	10	(105)		(130)	
Other (**)	10	(155)		(173)	
Current tax payables		(69)		(50)	
<b>Total net operating working capital</b>	<b>F = B+C+D+E</b>		<b>691</b>		<b>318</b>
Derivatives	<b>G</b>		9		7
of which:					
Forward currency contracts on commercial transactions (cash flow hedges) - non-current	5	3		(8)	
Forward currency contracts on commercial transactions (cash flow hedges) - current	5	1		(7)	
Forward currency contracts on commercial transactions - current	5	(1)		6	
Metal derivatives - non-current	5	-		(1)	
Metal derivatives - current	5	6		17	
<b>Total net working capital</b>	<b>H = F+G</b>		<b>700</b>		<b>325</b>



(in millions of Euro)

	Note	Partial amounts from financial statements	30 June 2017 Total amounts from financial statements	Partial amounts from financial statements	31 December 2016 Total amounts from financial statements
Provisions for risks and charges - non-current	11		(32)		(40)
Provisions for risks and charges - current	11		(357)		(339)
Deferred tax assets			136		130
Deferred tax liabilities			(104)		(111)
<b>Total provisions</b>	<b>I</b>		<b>(357)</b>		<b>(360)</b>
<b>Net capital employed</b>	<b>L = A+H+I</b>		<b>2,942</b>		<b>2,595</b>
<b>Employee benefit obligations</b>	<b>M</b>	12	<b>371</b>		<b>383</b>
<b>Total equity</b>	<b>N</b>	8	<b>1,571</b>		<b>1,675</b>
Equity attributable to non-controlling interests			199		227
<b>Net financial position</b>					
<b>Total long-term financial payables</b>	<b>O</b>		<b>1,267</b>		<b>1,114</b>
EIB loan	9	50		58	
Non-convertible bond	9	742		741	
Convertible bond 2013	9	-		288	
Convertible bond 2017	9	451			
Derivatives		-		-	
Other payables		24		27	
of which:					
Finance lease obligations	9	13		13	
Other financial payables	9	11		14	
<b>Total short-term financial payables</b>	<b>P</b>		<b>445</b>		<b>173</b>
EIB loan	9	17		17	
Non-convertible bond	9	4		14	
Convertible bond 2013	9	294		1	
Revolving facility - Credit Agreement	9	-		-	
Revolving Credit Facility 2014	9	-		50	
Derivatives	5	3		1	
of which:					
Interest rate swaps	5	-		-	
Forward currency contracts on financial transactions	5	3		1	
Other payables		127		90	
of which:					
Finance lease obligations	9	1		1	
Other financial payables	9	126		89	
<b>Total financial liabilities</b>	<b>Q = O+P</b>		<b>1,712</b>		<b>1,287</b>
Long-term financial receivables	R	3	(2)	(2)	
Long-term bank fees	R	3	(1)	(2)	
Short-term financial receivables	R	3	(7)	(38)	
Short-term derivatives	R	5	(1)	(1)	
of which:					
Forward currency contracts on financial transactions (current)	5	(1)		(1)	
Short-term bank fees	R	5	(2)	(2)	
Available-for-sale financial assets (current)	S		-		-
Financial assets held for trading	T		(60)		(59)
Cash and cash equivalents	U		(639)		(646)
<b>Total financial assets</b>	<b>V = R+S+T+U</b>		<b>(712)</b>		<b>(750)</b>
<b>Total net financial debt</b>	<b>W = Q+V</b>		<b>1,000</b>		<b>537</b>
<b>Total equity and sources of funds</b>			<b>2,942</b>		<b>2,595</b>

**Reconciliation between the principal income statement indicators and the Income Statement contained in the Consolidated Financial Statements and Explanatory Notes at 30 June 2017**

(in millions of Euro)

	Note	1st half 2017	1st half 2016
		Amounts from income statement	Amounts from income statement
Sales of goods and services	A	3,936	3,785
Change in inventories of work in progress, semi-finished and finished goods		118	7
Other income		37	25
Raw materials, consumables used and goods for resale		(2,562)	(2,275)
Personnel costs		(544)	(523)
Other expenses		(698)	(735)
<b>Operating costs</b>	<b>B</b>	<b>(3,649)</b>	<b>(3,501)</b>
<i>Share of net profit/(loss) of equity-accounted companies</i>	C	19	14
<i>Fair value stock options</i>	D	25	24
<b>EBITDA</b>	<b>E = A+B+C+D</b>	<b>331</b>	<b>322</b>
<i>Other non-recurring expenses and revenues</i>	F	(15)	-
<i>Personnel costs for company reorganisation</i>	G	(6)	(9)
<i>Other costs and revenues for company reorganisation</i>	H	(3)	(2)
<i>Other non-operating expenses</i>	I	(7)	(14)
Total adjustments	<b>L = F+G+H+I</b>	(31)	(25)
<b>Adjusted EBITDA</b>	<b>M = E-L</b>	<b>362</b>	<b>347</b>
<i>Share of net profit/(loss) of equity-accounted companies</i>	N	19	14
<b>Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies</b>	<b>O = M-N</b>	<b>343</b>	<b>333</b>

(in millions of Euro)

	Note	1st half 2017	1st half 2016
		Amounts from income statement	Amounts from income statement
<b>Operating income</b>	<b>A</b>	<b>207</b>	<b>217</b>
Other non-recurring expenses and revenues		(15)	-
Personnel costs for company reorganisation		(6)	(9)
Other costs and revenues for company reorganisation		(3)	(2)
Other non-operating expenses		(7)	(14)
<b>Adjusted EBITDA</b>	<b>B</b>	<b>(31)</b>	<b>(25)</b>
Fair value change in metal derivatives	C	(11)	20
Fair value stock options	D	(25)	(24)
Impairment	E	-	(15)
<b>Adjusted operating income</b>	<b>F=A-B-C-D-E</b>	<b>274</b>	<b>261</b>

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place since the end of the half-year reporting period.

## BUSINESS OUTLOOK

Global economic growth in the first half of 2017 was higher than expected thanks to performance by emerging countries (Brazil, China and Mexico) and consolidation of the positive trend by more developed economies. After an uncertain start to the year marked by lower-than-expected growth, positive jobs data in the United States indicate a clear recovery since the second quarter. China recorded improved economic growth in the second quarter.

In such a context, the Prysmian Group's expectation for FY 2017 is that cable demand in the cyclical businesses of building wires and medium voltage cables for utilities will be largely stable compared with the previous year, while the various applications in the industrial business will have a mixed but positive performance thanks to an uptick in the Automotive and OEM markets. With the Energy Projects segment enjoying a growing market, the Prysmian Group expects to consolidate its leadership as well as improving profitability in the Submarine cables business, while it expects a slight decline in the High Voltage underground business partly due to the change in the scope of consolidation in China. In the Oil & Gas segment, the stabilisation of the oil price in the region of 40-50 USD/barrel is underpinning a resumption of onshore projects, while offshore activities remain weak, like the SURF business, which is being affected by the low project awards in Brazil. In the Telecom segment, the underlying growth in the Group's turnover is expected to remain strong in 2017, thanks to growing demand for optical cables in North America and Europe, accompanied by a gradual stabilisation in volumes in Australia.

In addition, assuming exchange rates remain at the same level as at the date of the present document, the effect of translating the results of other Group companies into the reporting currency is expected to have a mildly negative impact on the Group's 2017 operating income.

The Group is forecasting Adjusted EBITDA for FY 2017 in the range of Euro 710-750 million, up from the Euro 711 million reported in 2016. This forecast is not only based on the Company's current business perimeter but also takes into account the current order book.

## FORESEEABLE RISKS IN 2017\*

The Prysmian Group is exposed in the normal conduct of its business to a number of financial and non-financial risk factors which, if they should occur, could also have a material impact on its results of operations and financial condition. The Group has always acted to maximise value for its shareholders by putting in place all necessary measures to prevent or mitigate the risks inherent in the Group's business, which is why it adopts specific procedures to manage the risk factors that could influence its business results. Given operating performance in the first six months of the year and the specific macroeconomic context, the principal risk factors currently foreseeable for the second half of 2017 are described below according to their nature.

### STRATEGIC RISKS

#### **Risks associated with the competitive environment**

Many of the products offered by the Prysmian Group, primarily in the Trade & Installers and Power Distribution businesses, are made in conformity with specific industrial standards and so are interchangeable with those offered by major competitors. Price is therefore a key factor in customer choice of supplier. The entry into mature markets (eg. Europe) of non-traditional competitors, meaning small to medium manufacturing companies with low production costs and the need to saturate production capacity, together with the possible occurrence of a contraction in market demand, translate into strong competitive pressure on prices with possible consequences for the Group's expected margins.

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

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

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

**Risks associated with changes in the macroeconomic environment and in demand**

Factors such as changes in GDP and interest rates, the ease of getting credit, the cost of raw materials, and the overall level of energy consumption, significantly affect the energy demand of countries which, in the face of persistent economic difficulties, then reduce investments that would otherwise develop the market. Government incentives for alternative energy sources and for developing telecom networks also face reduction for the same reason. The Prysmian Group's transmission business (high voltage submarine cables) and Power Distribution and Telecom businesses, all highly concentrated in the European market, are being affected by fluctuating contractions of demand in this market caused by the region's prolonged economic downturn.

To counter this risk, the Group is pursuing, on the one hand, a policy of geographical diversification in non-European countries (eg. Vietnam, Philippines, etc.) and, on the other, a strategy to reduce costs by rationalising its production structure globally in order to mitigate possible negative effects on the Group's performance in terms of lower sales and shrinking margins.

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

**Risks associated with dependence on key customers**

In the SURF business, the Prysmian Group has a significant business relationship with Petrobras, a Brazilian oil company, for the supply of umbilical cables, developed and manufactured at the factory in Vila Velha, Brazil. In light of the country's continuing economic difficulties causing the local market for umbilical cables to contract and of growing competitive pressures on product technological innovation, the sustainability, even partial, of the business in Brazil could be impacted.

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

**Risk of instability in the Group's countries of operation**

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

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

## FINANCIAL RISKS

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

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

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

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

### **Risks associated with availability of financial resources and their cost**

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

The Group's main sources of finance are:

- Syndicated Revolving Credit Facility 2014: this is a five-year revolving credit facility for Euro 1,000 million, finalised in June 2014. This agreement was notable not only for the significant sum secured thanks to strong interest by the lenders involved, but also for its more competitive cost than previous facilities. The more lenient financial covenants already applied to the Group's other credit agreements were confirmed for this facility. The annual interest rate is equal to the sum of Euribor and an annual spread determined on the basis of the ratio between consolidated net financial debt and consolidated EBITDA. This facility had not been drawn down as at 30 June 2017.
- EIB Loan: this loan for Euro 100 million, received in February 2014 from the European Investment Bank (EIB), is intended to fund the Group's European R&D plans over the period 2013-2016. The outstanding amount of the loan as at 30 June 2017 was Euro 67 million, having made the first four repayments.
- Convertible bond 2013: a convertible bond for Euro 300 million was placed with institutional investors in March 2013; it carries a 1.25% coupon and matures in March 2018.
- Non-convertible bond 2015: on 10 March 2015, the Board of Directors of Prysmian S.p.A. authorised management to proceed, depending on prevailing market conditions and in any case by 30 June 2016, with the issuance and private or public placement of bonds in one or more tranches. These bonds were intended for sale to institutional investors only. As a result, on 30 March 2015 Prysmian S.p.A. completed the placement with institutional investors of an unrated bond, on the Eurobond market, for a total nominal value of Euro 750 million. The bond, with an issue price of Euro 99.002, has a 7-year maturity and pays a fixed annual coupon of 2.50%. The bond settlement date

was 9 April 2015. The bond has been admitted to the Luxembourg Stock Exchange and is traded on the related regulated market. Prysmian used the bond issue proceeds to redeem the Euro 400 million Eurobond that matured on 9 April 2015 and to repay early the Term Loan Facility 2011 for Euro 400 million.

- Convertible bond 2017: on 12 January 2017, the Board of Directors approved the placement of an equity-linked bond, known as "Prysmian S.p.A. Euro 500 million Zero Coupon Equity Linked Bonds due 2022" maturing 17 January 2022 and reserved for institutional investors. The initial conversion price of the bonds of Euro 34.2949 was set by applying a 41.25% premium to the weighted average price of the Company's ordinary shares recorded on the Milan Stock Exchange between the start and end of the book-building process during the morning of 12 January 2017. On 16 May 2017, the Company sent a physical settlement notice to holders of the Bonds, granting them the right, with effect from 29 May 2017, to convert them into the Company's existing or new ordinary shares. On 30 May 2017, the Bond was admitted to trading on the Third Market (a multilateral trading facility or MTF) on the Vienna Stock Exchange.

As at 30 June 2017, the Group's total financial resources, comprising cash and cash equivalents and undrawn committed credit lines, exceeded 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 trigger a default event which, unless resolved under the terms of the respective agreements, could lead to their termination and/or an early repayment of any 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, have been fully observed as at 30 June 2017.

In particular:

- (i) the ratio between EBITDA and Net finance costs, as defined in the credit agreements, is 14.89x (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 Debt and EBITDA, as defined in the credit agreements, is 1.34x (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 this is a risk it will not have to face in the near future.

**Exchange rate volatility**

The Prysmian Group operates internationally and is therefore exposed to exchange rate risk for the various currencies in which it operates (principally the US Dollar, British Pound, Brazilian Real, Turkish Lira and Chinese Renminbi). Exchange rate risk occurs when future transactions or assets and liabilities recognised in the statement of financial position are denominated in a currency other than the functional currency of the company which undertakes the transaction.

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

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

**Interest rate volatility**

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

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

**Credit risk**

Credit risk is the Prysmian Group's exposure to potential losses arising from the failure of business or financial partners to discharge their obligations. This risk is monitored centrally by the Group Finance Department, while customer-related credit risk is managed operationally by the individual subsidiaries. The Group does not have any excessive concentrations of credit risk, but given the economic and social difficulties faced by some countries in which it operates, the exposure could suffer a deterioration that would require more assiduous monitoring. Accordingly, the Group has procedures in place to ensure that its business partners are of recognised reliability and that its financial partners have high credit ratings. In addition, in mitigation of credit risk, the Group has a global trade credit insurance policy covering almost all its operating companies.

**Liquidity risk**

Liquidity risk indicates the sufficiency of an entity's financial resources to meet its obligations to business or financial partners on the agreed due dates.



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

Prudent management of liquidity risk involves the maintenance of adequate levels of cash, cash equivalents and short-term securities, the maintenance of an adequate amount of committed credit lines, and timely renegotiation of loans before their maturity. Due to the dynamic nature of the business in which the Prysmian Group operates, the Group Finance Department favours flexible arrangements for sourcing funds in the form of committed credit lines.

As at 30 June 2017, the Group's total financial resources, comprising cash and cash equivalents and undrawn committed credit lines, exceeded Euro 1 billion.

### **Risks associated with commodity price volatility**

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

A dedicated team within the Group Purchasing department monitors and coordinates centrally those sales transactions requiring the purchase of raw materials and the related hedging activities carried out by each subsidiary.

In addition, the continued oil crisis and low level of oil prices are making the extraction market less and less attractive, exposing the SURF and Core Oil & Gas businesses to a slowdown; however the impact on the Group is not material since these businesses account for about 4% of the Group's sales and 1% of Adjusted EBITDA.

## **OPERATIONAL RISKS**

### **Liability for product quality/defects**

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

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

**Risks associated with non-compliance with the contractual terms of turnkey projects**

Projects relating to submarine or underground connections with high/medium voltage cables feature contractual forms that entail "turnkey" project management and so require compliance with deadlines and quality standards, guaranteed by penalties calculated as an agreed percentage of the contract value and even involving the possibility of contract termination.

The application of such penalties, the obligation to compensate any damages as well as indirect effects on the supply chain in the event of late delivery or production problems, could significantly affect project performance and hence the Group's margins. Possible damage to market reputation cannot be ruled out.

Given the complexity of "turnkey" projects, Prysmian has implemented a quality management process involving extensive testing of cables and accessories before delivery and installation, as well as specific ad hoc insurance coverage, often through insurance syndicates, able to mitigate exposure to risks arising from production through to delivery.

Moreover, the ERM findings for this particular risk have led the Risk Management department, with the support of the Commercial area, to implement a systematic process of risk assessment for "turnkey" projects from as early as the bidding stage, with the aim of identifying, assessing and monitoring over time the Group's exposure to specific risks and of taking the necessary mitigation actions. The decision to present a bid proposal to the customer therefore also depends on the results of risk assessment.

**Risk of business interruption through dependence on key assets**

The submarine cables business is heavily dependent on certain key assets, such as the Arco Felice plant in Italy for the production of a particular type of cable and the cable-laying vessels ("Giulio Verne", "Cable Enterprise" and "Ulisse"), some of whose technical capabilities are hard to find on the market. The loss of one of these assets due to unforeseen natural disasters (eg. earthquakes, storms, etc.) or other accidents (eg. fire, terrorist attacks, etc.) and the consequent prolonged business interruption could have a critical economic impact on the Group's performance.

Prysmian addresses this risk through its systematic Loss Prevention program, under which specific inspections of the above assets allow it to identify the level of local risk and define actions that could be necessary to mitigate such risk.

As at 31 December 2016, all of the plants inspected were classified as "Excellent HPR", "Good HPR" or "Good not HPR"; no plant was classified as medium or high risk. In addition, specific disaster recovery plans have been developed that, by predetermining loss scenarios, allow all the appropriate countermeasures to be activated as soon as possible in order to minimise the impact of a catastrophic event.

Lastly, specific insurance cover for damage to assets and loss of associated contribution margin helps minimise the risk's financial impact on cash flow.

**Environmental risks**

The Group's production activities in Italy and abroad are subject to specific environmental regulations, of which particularly important are those concerning soil and subsoil and the presence/use of hazardous materials and substances, including for human health. Such regulations are imposing increasingly strict standards on companies, which are therefore obliged to incur significant compliance costs.

Considering the number of the Group's plants, there is a theoretically high probability of an accident with consequences for the environment, as well as for the continuity of production. The resulting economic and reputational impact would be critical.

The Group's policy of acquisition-led growth could augment its exposure to environmental risks, as a result of acquiring manufacturing facilities that fall short of its standards.

Environmental issues are managed centrally by the HQ Health Safety & Environment (HSE) department which oversees local HSE departments and is responsible for organising specific training activities, for adopting systems to ensure strict adherence to regulations in accordance with best practices, as well as for monitoring risk exposures using specific indicators and internal and external auditing activities.

### **Cyber security risks**

The growing spread of web-based technologies and business models allowing the transfer and sharing of sensitive information through virtual spaces (i.e. social media, cloud computing, etc.) carries computing vulnerability risks which the Prysmian Group cannot ignore in the conduct of its business. Exposure to potential cyberattacks could be due to several factors such as the necessary distribution of IT systems around the world, and the possession of high value-added information such as patents, technological innovation projects, as well as financial projections and strategic plans not yet disclosed to the market, unauthorised access to which could damage a company's results, financial situation and image.

During 2016, the Prysmian Group started to implement a structured and integrated process for managing cyber security related risks which, under the leadership of the Group IT Security department, in partnership with the Risk Management department, aims to strengthen the Group's IT systems and platforms and introduce solid mechanisms to prevent and control any cyberattacks.

## **LEGAL AND COMPLIANCE RISKS**

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

Compliance risk represents the possibility 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 adopts organisational procedures designed to prevent 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 legal sanctions, fines or reputational damage, even on a material scale.

### **Risks relating to legal and tax proceedings**

Within a complex and geographically diversified business, Prysmian S.p.A. and some of the Group companies could become involved in tax and legal proceedings, involving civil and administrative actions, despite the major programmes, organised by Group Compliance in agreement with Human Resources, to raise awareness about ethical and business integrity and legality among employees and staff. In some of these cases, the company might not be able to accurately quantify the potential losses or penalties associated with such proceedings. In 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.

### **Risks of non-compliance with Antitrust law**

Competition rules, covering restrictive agreements and abuse of dominant position, now play a central role in governing business activities in all sectors of economic life. Its strong international presence in more than 50 countries means the Group is subject to antitrust law in Europe and every other country in the world in which it operates, each with more or less strict rules on the civil, administrative and criminal liability of parties that violate the applicable legislation. In the last decade, local Antitrust Authorities have shown increasing attention to commercial activities by market players, also involving a tendency for international collaboration between authorities themselves. Prysmian aims to operate on the market in compliance with the competition rules.

In keeping with the priorities identified by the ERM process, the Board of Directors has adopted an Antitrust Code of Conduct that all Group employees, directors and managers are required to know and observe in the conduct of their duties and in their dealings with third parties. During 2017 Prysmian has also initiated an Antitrust training programme aimed at raising awareness among those who work for and on behalf of the Group so that they comply with the competition rules in the conduct of their duties. The Antitrust Code of Conduct forms an integral part of the training programme and is intended to provide a framework for the issues concerning application of EU and Italian competition law in the field of agreements and abuse of dominant position, within which specific situations can be assessed on a case-by-case basis. These activities represent a further step in establishing an "antitrust culture" within the Group by promoting knowledge and heightening individual accountability for professional duties arising under antitrust legislation.

The status of antitrust proceedings against Group companies is described below:

#### *Antitrust – European Commission Proceedings in the high voltage underground and submarine cables business*

The European Commission started an investigation in late January 2009 into several European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive practices in the high voltage underground and submarine cables markets. On 2 April 2014, the European Commission adopted a decision under which it found that, between 18 February 1999 and 28 January 2009, the world's largest cable producers, including Prysmian Cavi e Sistemi S.r.l., adopted anti-competitive practices in the European market for high voltage submarine and underground power cables. The European Commission held Prysmian Cavi e Sistemi S.r.l. jointly liable with Pirelli & C. S.p.A. for the alleged infringement in the period 18 February 1999 - 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi

e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and The Goldman Sachs Group Inc. for the alleged infringement in the period 29 July 2005 - 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has filed an appeal against this decision with the General Court of the European Union along with an application to intervene in the appeals respectively lodged by Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. against the same decision. Both Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. have in turn submitted applications to intervene in the appeal brought by Prysmian against the European Commission's decision. The applications to intervene presented by Prysmian, Pirelli and The Goldman Sachs Group Inc. have been accepted by the General Court of the European Union. Prysmian has not incurred any financial outlay as a result of this decision having elected, pending the outcome of the appeals, to provide bank guarantees as security against payment of 50% of the fine imposed by the European Commission (amounting to approximately Euro 52 million) for the alleged infringement in both periods. As far as Prysmian is aware, Pirelli & C. S.p.A. has also provided the European Commission with a bank guarantee for 50% of the value of the fine imposed for the alleged infringement in the period 18 February 1999 - 28 July 2005. The hearing of oral arguments in the appeal brought by Prysmian against the European Commission's decision of April 2014 took place on 20 March 2017, while the hearings of oral arguments in the appeals brought by Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. against the same decision of the European Commission in April 2014 took place on 22 and 28 March 2017 respectively. A ruling is awaited as a result of these hearings. Pirelli & C. S.p.A. has also brought a civil action against Prysmian Cavi e Sistemi S.r.l. in the Milan Courts, in which it demands to be held harmless for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. Prysmian Cavi e Sistemi S.r.l. started legal proceedings in February 2015, requesting that the claims brought by Pirelli & C. S.p.A. be rejected in full and that it should be Pirelli & C. S.p.A. which holds harmless Prysmian Cavi e Sistemi S.r.l., with reference to the alleged infringement in the period 18 February 1999 - 28 July 2005, for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. The proceedings have since been stayed by order of the court concerned in April 2015, pending the outcome of the appeals made against the European Commission's decision by both Prysmian and Pirelli in the European Courts. Pirelli has challenged this decision before the Court of Cassation, Italy's highest court of appeal, which has confirmed the stay of execution ordered by the Milan Courts.

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

In Australia, the ACCC has filed a case before the Federal Court arguing that Prysmian Cavi e Sistemi S.r.l. and two other companies violated antitrust rules in connection with a high voltage underground cable project awarded in 2003. Prysmian Cavi e Sistemi S.r.l. has filed its objections and presented its preliminary defence. A ruling issued in July 2016 has held the company liable for violation of Australian antitrust law with regard to this project, without however quantifying the applicable penalty, which will be determined upon completion of the second stage of these proceedings. The company is reviewing the contents of this ruling in detail in order to assess whether there are possible grounds for appeal. The hearing of oral arguments took place on 1 December in connection with the amount of the penalty to impose on Prysmian Cavi e Sistemi S.r.l. at the end of which the judge reserved passing judgement.

In Brazil, the local antitrust authority has started an investigation into several cable manufacturers, including Prysmian, that operate in the high voltage underground and submarine cables market. Prysmian has presented its preliminary defence, which was rejected by the local competition authorities in a statement issued in February 2015. The investigative stage of the proceedings will now ensue, at the end of which the authorities will publish their concluding observations, to which the parties may respond with all their arguments in defence before a final decision is taken.

*Antitrust - Claims for damages as a result of the European Commission's 2014 decision*

During 2015, National Grid and Scottish Power, two British operators, filed claims in the High Court in London against certain cable manufacturers, including Prysmian Group companies, to obtain compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in the decision adopted in April 2014. The Group companies concerned were notified of this initial court filing during the month of May 2015 and presented their defence early in October 2015, along with the summons of other parties censured in the European Commission's decision. Among the parties involved in this action, Pirelli & C. S.p.A. has requested the London High Court to decline its jurisdiction or nonetheless to stay the proceedings in its regard pending the outcome of the civil action previously brought by Pirelli against Prysmian Cavi e Sistemi S.r.l. in the Milan Courts, in which it demands to be held harmless for all claims made by the European Commission in implementation of the latter's decision and for any expenses related to such implementation. The proceedings have since been stayed, as agreed between the parties, pending the outcome of the action brought by Pirelli in the Milan Courts. A similar agreement has also been reached with The Goldman Sachs Group Inc., another company involved in the actions discussed above. The other actions brought by Prysmian Group companies against other cable producers censured in the European Commission decision have in turn been suspended pending the outcome of the main action brought by National Grid and Scottish Power.

During the first few months of 2017, in addition to those mentioned in the preceding paragraphs, other operators belonging to the Vattenfall Group filed claims in the High Court in London against certain cable manufacturers, including companies in the Prysmian Group, to obtain compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in its decision of April 2014. The Prysmian Group defendant companies have duly filed their statement of objections.

In addition, during 2016 other operators had presented claims against Prysmian S.p.A. and some of its subsidiaries, either directly or through lawyers, in order to obtain compensation for an unquantified amount of damages, allegedly suffered as a result of Prysmian's participation in the anti-competitive practices condemned by the European Commission in its decision of April 2014. Since then, however, there have been no developments. Based on the information currently available, the Directors are of the opinion not to make any provision.

*Antitrust – Other investigations*

The Australian and Spanish antitrust authorities have respectively initiated additional proceedings to verify the existence of anti-competitive practices by local low voltage cable manufacturers and distributors,

including some of the Group's foreign subsidiaries based in these countries. As regards the judicial proceedings initiated by the Australian antitrust authorities, these have ended favourably for the Group's local subsidiary; in fact, the ruling by the competent Australian Federal Court dismissed all the allegations brought by the Australian Competition and Consumer Commission (ACCC), which was also ordered to pay the legal costs incurred by the Group's local subsidiary.

As for the Spanish administrative proceedings, these were initiated at the end of February 2016 by the local competition authority, which sent a statement of objections to some of the Group's local subsidiaries in January of the current year. The objections raised in the statement of objections were reiterated in the so-called Proposal for Resolution of 24 April 2017, another act heralding the pronouncement of a final decision by the local competition authority.

As at 30 June 2017, the provision for the above antitrust issues amounts to approximately Euro 160 million. Despite the uncertainty of the outcome of the investigations in progress and potential legal action by customers as a result of the European Commission's decision, 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 23 of the Explanatory Notes.

## RELATED PARTY TRANSACTIONS

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

Information about related party transactions, including that required by the Consob Communication dated 28 July 2006, is presented in Note 20 of the Explanatory Notes.

Milan, 27 July 2017

ON BEHALF OF BOARD OF DIRECTORS

THE CHAIRMAN

Massimo Tononi

CONSOLIDATED FINANCIAL STATEMENTS  
AND EXPLANATORY NOTES



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	Note	30 June 2017	of which related parties (Note 20)	31 December 2016	of which related parties (Note 20)
<b>Non-current assets</b>					
Property, plant and equipment	1	1,625		1,631	
Intangible assets	1	759		792	
Equity-accounted investments	2	202	202	195	195
Available-for-sale financial assets		13		12	
Derivatives	5	5		3	
Deferred tax assets		136		130	
Other receivables	3	15		21	
<b>Total non-current assets</b>		<b>2,755</b>		<b>2,784</b>	
<b>Current assets</b>					
Inventories	4	1,042		906	
Trade receivables	3	1,298	6	1,088	14
Other receivables	3	795	6	788	5
Financial assets held for trading	6	60		59	
Derivatives	5	24		40	
Cash and cash equivalents	7	639		646	
<b>Total current assets</b>		<b>3,858</b>		<b>3,527</b>	
<b>Total assets</b>		<b>6,613</b>		<b>6,311</b>	
<b>Equity attributable to the Group:</b>					
Share capital	8	22		22	
Reserves	8	1,237		1,180	
Net profit/(loss) for the period		113		246	
<b>Equity attributable to non-controlling interests:</b>		<b>199</b>		<b>227</b>	
Share capital and reserves		199		211	
Net profit/(loss) for the period		-		16	
<b>Total equity</b>		<b>1,571</b>		<b>1,675</b>	
<b>Non-current liabilities</b>					
Borrowings from banks and other lenders	9	1,267		1,114	
Other payables	10	17		18	
Provisions for risks and charges	11	32		40	
Derivatives	5	2		12	
Deferred tax liabilities		104		111	
Employee benefit obligations	12	371		383	
<b>Total non-current liabilities</b>		<b>1,793</b>		<b>1,678</b>	
<b>Current liabilities</b>					
Borrowings from banks and other lenders	9	442		172	
Trade payables	10	1,589	3	1,498	4
Other payables	10	772	1	875	3
Derivatives	5	20		24	
Provisions for risks and charges	11	357	4	339	2
Current tax payables		69		50	
<b>Total current liabilities</b>		<b>3,249</b>		<b>2,958</b>	
<b>Total liabilities</b>		<b>5,042</b>		<b>4,636</b>	
<b>Total equity and liabilities</b>		<b>6,613</b>		<b>6,311</b>	

## CONSOLIDATED INCOME STATEMENT

(in millions of Euro)

	Note	1° half 2017	of which related parties (Note 20)	1° half 2016	of which related parties (Note 20)
Sales of goods and services		3,936	19	3,785	23
Change in inventories of work in progress, semi-finished and finished goods		118		7	
Other income		37	2	25	3
Raw materials, consumables used and goods for resale		(2,562)	(6)	(2,275)	(7)
Fair value change in metal derivatives		(11)		20	
Personnel costs		(544)	(12)	(523)	(15)
<i>of which personnel costs for company reorganisation</i>		(6)		(9)	
<i>of which personnel costs for stock option fair value</i>		(25)		(24)	
Amortisation, depreciation, impairment and impairment reversals		(88)		(101)	
<i>of which (impairment) and impairment reversals related to company reorganisation</i>		-		(1)	
<i>of which other (impairment) and impairment reversals</i>		-		(14)	
Other expenses		(698)		(735)	
<i>of which non-recurring (other expenses) and releases</i>		(15)		-	
<i>of which (other expenses) for company reorganisation</i>		(3)		(2)	
Share of net profit/(loss) of equity-accounted companies		19	19	14	14
<b>Operating income</b>	13	<b>207</b>		<b>217</b>	
Finance costs	14	(206)		(249)	
<i>of which non-recurring finance costs</i>		(1)		(1)	
Finance income	14	157		212	
<i>of which non-recurring finance income</i>		-		-	
<b>Profit/(loss) before taxes</b>		<b>158</b>		<b>180</b>	
Taxes	15	(45)		(56)	
<b>Net profit/(loss) for the period</b>		<b>113</b>		<b>124</b>	
<b>Attributable to:</b>					
Owners of the parent		113		115	
Non-controlling interests		-		9	
<b>Basic earnings/(loss) per share (in Euro)</b>	16	<b>0.53</b>		<b>0.54</b>	
<b>Diluted earnings/(loss) per share (in Euro)</b>	16	<b>0.52</b>		<b>0.54</b>	

## CONSOLIDATED INCOME STATEMENT – 2ND QUARTER\*

(in millions of Euro)

	2nd quarter 2017	2nd quarter 2016
Sales of goods and services	2,087	1,975
Change in inventories of work in progress, semi-finished and finished goods	18	-
Other income	21	12
Raw materials, consumables used and goods for resale	(1,318)	(1,178)
Fair value change in metal derivatives	(14)	18
Personnel costs	(277)	(266)
<i>of which personnel costs for company reorganisation</i>	(4)	(5)
<i>of which personnel costs for stock option fair value</i>	(14)	(12)
Amortisation, depreciation, impairment and impairment reversals	(44)	(43)
<i>of which (impairment) and impairment reversals related to company reorganisatio.</i>	-	-
<i>of which other (impairment) and impairment reversals</i>	-	-
Other expenses	(353)	(380)
<i>of which non-recurring (other expenses) and releases</i>	-	-
<i>of which (other expenses) for company reorganisation</i>	-	-
Share of net profit/(loss) of equity-accounted companies	9	7
<b>Operating income</b>	<b>129</b>	<b>145</b>
Finance costs	(99)	(95)
<i>of which non-recurring finance costs</i>	-	(1)
Finance income	76	76
<i>of which non-recurring finance income</i>	-	-
<b>Profit/(loss) before taxes</b>	<b>106</b>	<b>126</b>
Taxes	(30)	(39)
<b>Net profit/(loss) for the period</b>	<b>76</b>	<b>87</b>
<b>Attributable to:</b>		
Owners of the parent	77	84
Non-controlling interests	(1)	3

\* The figures for 2nd quarter 2017 and 2016 have not been subjected to limited review by the independent auditors.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Euro)

	1st half 2017	1st half 2016
<b>Net profit/(loss) for the period</b>	<b>113</b>	<b>124</b>
<b>Comprehensive income/(loss) for the period:</b>		
<i>- items that may be reclassified subsequently to profit or loss:</i>		
Fair value gains/(losses) on cash flow hedges - gross of tax	18	5
Fair value gains/(losses) on cash flow hedges - tax effect	(4)	(1)
Release of cash flow hedge reserve after discontinuing cash flow hedging - gross of tax	-	-
Release of cash flow hedge reserve after discontinuing cash flow hedging - tax effect	-	-
Currency translation differences	(108)	(21)
<b>Total items that may be reclassified, net of tax</b>	<b>(94)</b>	<b>(17)</b>
<i>- items that will NOT be reclassified subsequently to profit or loss:</i>		
Actuarial gains/(losses) on employee benefits - gross of tax	5	(63)
Recognition of pension plan asset ceiling	-	-
Actuarial gains/(losses) on employee benefits - tax effect	(1)	14
<b>Total items that will NOT be reclassified, net of tax</b>	<b>4</b>	<b>(49)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>23</b>	<b>58</b>
<b>Attributable to:</b>		
Owners of the parent	41	53
Non-controlling interests	(18)	5

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - 2ND QUARTER\*

(in millions of Euro)	2nd quarter 2017	2nd quarter 2016
<b>Net profit/(loss) for the period</b>	<b>76</b>	<b>84</b>
<b>Comprehensive income/(loss) for the period:</b>		
<i>- items that may be reclassified subsequently to profit or loss:</i>		
Fair value gains/(losses) on cash flow hedges - gross of tax	21	(6)
Fair value gains/(losses) on cash flow hedges - tax effect	(4)	1
Release of cash flow hedge reserve after discontinuing cash flow hedging - gross of tax	-	-
Release of cash flow hedge reserve after discontinuing cash flow hedging - tax effect	-	-
Currency translation differences	(104)	19
<b>Total items that may be reclassified, net of tax</b>	<b>(87)</b>	<b>14</b>
<i>- items that will NOT be reclassified subsequently to profit or loss:</i>		
Actuarial gains/(losses) on employee benefits - gross of tax	5	(63)
Recognition of pension plan asset ceiling	-	-
Actuarial gains/(losses) on employee benefits - tax effect	(1)	14
<b>Total items that will NOT be reclassified, net of tax</b>	<b>4</b>	<b>(49)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>(7)</b>	<b>49</b>
<b>Attributable to:</b>		
Owners of the parent	5	49
Non-controlling interests	(12)	-

\* The figures for 2nd quarter 2017 and 2016 have not been subjected to limited review by the independent auditors.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of Euro)

	Share capital	Cash flow hedge reserve	Currency translation reserve	Other reserves	Net profit/(loss) for the period	Equity attributable to the Group	Non-controlling interests	Total
Balance at 31 December 2015	22	(9)	(169)	1,220	214	1,278	229	1,507
Allocation of prior year net result	-	-	-	214	(214)	-	-	-
Dividend distribution	-	-	-	(90)	-	(90)	(11)	(101)
Fair value - stock options	-	-	-	24	-	24	-	24
Capital increase	-	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	3	(16)	(49)	115	53	5	58
Balance at 30 June 2016	22	(6)	(185)	1,319	115	1,265	223	1,488

(in millions of Euro)

	Share capital	Cash flow hedge reserve	Currency translation reserve	Other reserves	Net profit/(loss) for the period	Equity attributable to the Group	Non-controlling interests	Total
Balance at 31 December 2016	22	(13)	(156)	1,349	246	1,448	227	1,675
Allocation of prior year net result	-	-	-	246	(246)	-	-	-
Dividend distribution	-	-	-	(91)	-	(91)	(10)	(101)
Fair value - stock options	-	-	-	25	-	25	-	25
Equity component of convertible bond 2017	-	-	-	48	-	48	-	48
Share buyback	-	-	-	(99)	-	(99)	-	(99)
Total comprehensive income/(loss) for the period	-	14	(90)	4	113	41	(18)	23
Balance at 30 June 2017	22	1	(246)	1,482	113	1,372	199	1,571

## CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Euro)

	6 months 2017	of which related parties (Note 20)	6 months 2016	of which related parties (Note 20)
Profit/(loss) before taxes	158		180	
Depreciation, impairment and impairment reversals of property, plant and equipment	65		77	
Amortisation and impairment of intangible assets	23		24	
Net gains on disposal of property, plant and equipment, intangible assets and acquisition purchase price adjustment	(1)		(1)	
Share of net profit/(loss) of equity-accounted companies	(19)	(19)	(14)	(14)
Share-based payments	25		24	
Fair value change in metal derivatives and other fair value items	11		(20)	
Net finance costs	49		37	
Changes in inventories	(168)		(18)	
Changes in trade receivables/payables	(127)	7	28	(9)
Changes in other receivables/payables	(137)	(3)	(300)	(4)
Changes in receivables/payables for derivatives	-		(1)	
Taxes paid	(36)		(38)	
Dividends received from equity-accounted companies	3	3	2	2
Utilisation of provisions (including employee benefit obligations)	(39)		(44)	
Increases in provisions (including employee benefit obligations)	44	2	31	
<b>A. Net cash flow provided by/(used in) operating activities</b>	<b>(149)</b>		<b>(33)</b>	
Investments in property, plant and equipment	(104)		(99)	
Disposals of property, plant and equipment and assets held for sale	4		1	
Investments in intangible assets	(11)		(4)	
Investments in financial assets held for trading	(13)		-	
Disposals of financial assets held for trading	6		14	
<b>B. Net cash flow provided by/(used in) investing activities</b>	<b>(118)</b>		<b>(88)</b>	
Shares buyback	(99)		-	
Dividend distribution	(101)		(101)	
Early repayment of credit facility	(50)		-	
EIB loan	(8)		(8)	
Issuance of non-convertible bond - 2017	500		-	
Finance costs paid <sup>(1)</sup>	(201)		(254)	
Finance income received <sup>(2)</sup>	156		212	
Changes in net financial payables	73		18	
<b>C. Net cash flow provided by/(used in) financing activities</b>	<b>270</b>		<b>(133)</b>	
<b>D. Currency translation gains/(losses) on cash and cash equivalents</b>	<b>(10)</b>		<b>(1)</b>	
<b>E. Total cash flow provided/(used) in the period (A+B+C+D)</b>	<b>(7)</b>		<b>(255)</b>	
<b>F. Net cash and cash equivalents at the beginning of the period</b>	<b>646</b>		<b>547</b>	
<b>G. Net cash and cash equivalents at the end of the period (E+F)</b>	<b>639</b>		<b>292</b>	
Cash and cash equivalents reported in consolidated statement of financial position	639		288	
Cash and cash equivalents included in assets held for sale	-		4	

<sup>(1)</sup> Finance costs paid of Euro 201 million include interest payments of Euro 27 million in the first six months of 2017 (Euro 30 million in the first six months of 2016).

<sup>(2)</sup> Finance income received of Euro 156 million includes interest income of Euro 4 million in the first six months of 2017 (Euro 4 million in the first six months of 2016).

## EXPLANATORY NOTES

### A. GENERAL INFORMATION

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

The Company has its registered office in Via Chiese 6, Milan (Italy).

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

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

#### A.1 SIGNIFICANT EVENTS IN 2017

##### Finance Activities

###### *Bond issuance*

On 12 January 2017, the Board of Directors approved the placement of an equity-linked bond, known as "Prysmian S.p.A. Euro 500 million Zero Coupon Equity Linked Bonds due 2022" maturing 17 January 2022 and reserved for institutional investors.

At the meeting held on 12 April 2017, the Company's shareholders authorised:

1. the convertibility of the Equity-Linked Bond;
2. the proposal to increase share capital for cash, in single or multiple issues with the exclusion of preemptive rights, by a maximum nominal amount of Euro 1,457,942.70, by issuing, in single or multiple instalments, up to 14,579,427 ordinary shares of the Company, with the same characteristics as its other outstanding ordinary shares, exclusively and irrevocably to serve the Bond's conversion.

The conversion price of the bonds of Euro 34.2949 has been set by applying a 41.25% premium to the weighted average price of the Company's ordinary shares recorded on the Milan Stock Exchange between the start and end of the book-building process during the morning of 12 January 2017.

The Company will have the option to call all (but not just a part) of the outstanding bonds at their principal amount from 1 February 2020, should the value of the shares exceed 130% of the conversion price for a specified period of time.

The placement has allowed the Company to diversify its financial resources more widely by raising funds on the capital market. These funds will be used to pursue the Company's potential external growth opportunities; to finance, in line with the shareholders' authorisation of the share buyback, the buyback of the Company's shares that will be used to fulfil potential conversion rights requirements and/or as consideration to finance the Company's growth strategy and for general corporate purposes.



On 12 April 2017, the shareholders of Prysmian S.p.A. authorised the Bond's convertibility.

On 16 May 2017, the Company sent a physical settlement notice to holders of the bonds, granting them the right, with effect from 29 May 2017, to convert them into the Company's existing or new ordinary shares.

On 30 May 2017, the Bond was admitted to trading on the Third Market (a multilateral trading facility or MTF) on the Vienna Stock Exchange.

### ***Share buyback programme***

On 12 January 2017, the Board of Directors approved the adoption of a share buyback programme.

In particular, the purposes of the Programme are:

1. to create a "stock of shares" that the Company can use as consideration in extraordinary corporate actions with third parties, including stock swaps, as part of transactions strategic to the Company's interest;
2. to serve the exercise of any bond conversion rights;
3. any other and additional purposes either (i) under art. 5 of the Market Abuse Regulation, or (ii) under the Consob accepted market practices.

The shares may be purchased for an aggregate amount of up to Euro 125 million, and the number of shares purchased under the Programme shall not, in any case, exceed 3% of the Company's paid-up share capital.

The Programme can be executed in one or more tranches and will terminate by 30 September 2017.

Purchases are made through a specifically appointed authorised intermediary, who acts independently and without any influence from the Company and in a manner consistent with the provisions of art. 3 of Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016.

All transactions carried out are disclosed to the market in accordance with the terms and procedures provided by applicable laws.

The Shareholders' Meeting of Prysmian S.p.A. held on 12 April 2017 authorised a share buyback and disposal programme, revoking at the same time the previous authorisation under the shareholder resolution dated 13 April 2016. This programme provides the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total must not exceed, at any one time, 10% of share capital. Purchases may not exceed the amount of undistributed earnings and available reserves reported in the most recently approved annual financial statements. The authorisation to buy back treasury shares lasts for 18 months commencing from the date of the Shareholders' Meeting, while the authorisation to dispose of treasury shares has no time limit. The authorisation to buy back and dispose of treasury shares is required to give the Company power that can be exercised:

- to provide the Company with a portfolio of treasury shares (a so-called "stock of shares"), including those already held by the Company, that can be used for any extraordinary corporate actions;
- in order to use the treasury shares purchased to service the exercise of rights arising from convertible debt instruments or instruments exchangeable with financial instruments issued by the Company, its subsidiaries or by third parties;
- to use treasury shares to satisfy share-based incentive plans or share purchase plans reserved for directors and/or employees of the Prysmian Group;
- to allow efficient management of the Company's capital, by creating an investment opportunity, also for its available liquidity.

Treasury shares may be bought back and sold in accordance with applicable laws and regulations:

- (i) at a minimum price no more than 10% below the stock's official price reported in the trading session on the day before carrying out each individual transaction;
- (ii) at a maximum price no more than 10% above the stock's official price reported in the trading session on the day before carrying out each individual transaction.

A total of 4,001,189 shares had been purchased under this programme as at 30 June 2017.

#### ***Cancellation and repayment of Revolving Credit Facility 2014***

Having completed the placement of the new equity-linked bond, the Company has reviewed its funding structure, as a result of which on 31 January 2017 it cancelled the five-year revolving credit facility for Euro 100 million with Mediobanca and repaid at the same time the amount of Euro 50 million drawn down as at 31 December 2016.

#### **New industrial projects and initiatives**

##### ***New onshore cable contract for the East Anglia ONE wind farm***

On 30 January 2017, the Group announced it had signed a GBP 27 million contract with East Anglia One Limited to supply and install an onshore cable connection for the East Anglia ONE offshore wind farm. Consisting of 102 turbines, the GBP 2.5 billion wind farm will generate sufficient electricity to power 500,000 homes. The contract involves the supply and installation of a 220 kV double circuit line from the Bawdsey shore landing to a substation in Bramford, covering a 37 km route. Prysmian will be responsible for the design, production, installation and testing of the cables and their accessories. The underground high voltage cables will be manufactured by Prysmian and installed by its UK-based installation division. Pre-construction work is due to begin in 2017, with the cable installation phase planned to take place from October 2017 to September 2018.

##### ***New submarine cable contract for three offshore wind farms in France***

On 21 February 2017, Prysmian announced the award of a contract worth more than Euro 300 million by Réseau de Transport D'Electricité (RTE) to provide submarine cable systems to link three offshore wind farms to the mainland power grid in France. These are the first ever grid access connections developed by RTE in France to transmit renewable energy generated by offshore wind farms to thousands of businesses and homes. The three projects, Fécamp, Calvados and Saint Nazaire, will be individually activated over the period of the contract.

Prysmian will be responsible for the design, supply, installation, testing and commissioning of two HV export power cables for each of the three offshore wind farms, covering both the submarine and onshore routes to connect Fécamp, Calvados and St Nazaire to the French electricity grid. The submarine cable links, which consist of High Voltage Alternating Current (HVAC) 220 kV three-core cables with XLPE insulation, will connect the offshore wind farms being developed by Eolien Maritime France (EMF).

The submarine cables will be produced at the Group's centres of excellence in Arco Felice, Italy and Pikkala, Finland. The cables for the onshore sections will be manufactured in Gron, France. The cables are expected to be delivered during the period 2018 to 2020, according to the schedule of the individual wind farms.

### ***New contract for an interconnector between France and the United Kingdom through the Channel Tunnel***

On 27 February 2017, Prysmian announced it had secured a new contract, under a wider consortium agreement with Balfour Beatty, a world leading group in infrastructure construction, for the development of a new High Voltage Direct Current (HVDC) interconnector between France and the UK through the Channel Tunnel. The project is one of the European Commission's Projects of Common Interest and has been awarded by ElecLink, a wholly-owned subsidiary of Groupe Eurotunnel, which will build an interconnector through the Channel Tunnel to provide a power transmission link between the UK and France with a capacity of 1000 MW in either direction of flow. The total contract value for the consortium is approximately Euro 219 million, of which the share of Prysmian, responsible for coordinating the design, supply, installation and commissioning of the interconnector, is approximately Euro 79 million.

The project comprises a  $\pm 320$  kV extruded HVDC underground cable turnkey system that includes the engineering, production and installation of one HVDC symmetrical single-core circuit along a 51 km route through the Channel Tunnel. The HVDC cable will connect the future converter stations located in Peuplingues (France) and Folkestone (UK). Prysmian will also supply and install the underground cables for the HVAC link to the Sellindge substation (UK). All cables will be manufactured at Prysmian's plant in Gron (France), one of the Group's centres of excellence for EHV AC and DC cables.

### ***New cable system contracts for offshore wind farms in Germany and Denmark***

On 10 March 2017, the Group announced it had signed two new cable system contracts for offshore wind farms in Germany (Merkur) and Denmark (Horns Rev 3). Both contracts involve inter-array connections, a market segment in which Prysmian aims to grow and has developed new technologies and specific installation capabilities.

In the case of the contract for the Merkur offshore wind farm, awarded by Tideway B.V., Prysmian will be responsible for the design, engineering, manufacturing, testing and supply of approximately 90 km of 33 kV inter-array submarine cables and related accessories. Constructed by Merkur Offshore GmbH, the offshore wind farm - located in the German North Sea - will occupy an area of 47 sq km and generate a nominal active power output of approximately 400 MW.

The Horns Rev 3 project is located in the North Sea, approximately 25 km off the coast of Denmark and consists of 49 wind turbines with a total capacity of 406.7 MW, equivalent to the annual consumption of 425,000 Danish households. The contract awarded to Prysmian by VBMS B.V., a subsidiary of Royal Boskalis Westminster N.V., involves the design and supply of more than 100 km of 33 kV inter-array submarine cables in various cross sections.

### ***New electrical interconnector between France and Britain - IFA2***

On 7 April 2017, Prysmian announced it had signed a contract worth around Euro 350 million with IFA2 SAS, a joint venture between National Grid IFA2 Ltd, part of National Grid UK, and RTE of France. The contract is for the turnkey design, manufacture and installation of a submarine and underground power cable to connect Tourbe in France to Chilling in Hampshire, UK.

The High Voltage Direct Current (HVDC) interconnection will operate at  $\pm 320$  kV DC and will allow up to 1000 MW of power to be transferred between the countries. The HVDC cable system will run along a route

of approximately 25 km in France, from the Tourbe converter station in Northern France to the landing point close to Caen. The subsea route is just over 200 km long and will land on Britain's south coast at Solent Airport near Fareham, the planned site of the UK converter station. In addition to the HVDC cable link, the contract includes a High Voltage Alternating Current (HVAC) link that will connect the converter station to a local substation in Chilling, UK. This will involve 2 km onshore sections at each end with a 5 km subsea section between them.

The submarine cables will be manufactured at the Prysmian production facility in Pikkala, Finland, while the underground cables will be manufactured at the Prysmian factory in Gron, France. The Prysmian cable-laying vessels Cable Enterprise and Ulisse will both be used for installation of the submarine cables.

The entire system is due to be completed in 2020.

#### ***Prysmian partner to Verizon Communications for the "One Fiber" project, a new broadband network to support 5G and IoT***

On 8 May 2017, it was announced that the Group had signed a major supply agreement with the US company Verizon Communications to support expansion of the telecom carrier's optical network that will promote the development of 5G services, while improving the 4G LTE capacity of the broadband network. The three-year contract is worth approximately \$300 million and involves the supply of 17 million fibre kilometres of ribbon and loose tube cables.

#### ***Submarine power lines project in Venetian Lagoon***

On 27 June 2017, the Group was awarded a series of additional works by Terna Rete Italia in relation to the submarine power cable project in the Venetian Lagoon. These works, originally included as an option in the contract awarded to the Group last year, are worth approximately Euro 20 million and include a 6 km 132 kV HVAC cable to be manufactured at the Arco Felice plant.

#### **Other significant events**

##### ***Transfer of registered office***

On 1 March 2017, the Company transferred its registered office from the previous address in Viale Sarca 222, to the new address in Via Chiese 6, Milan.

##### ***Approval of financial statements at 31 December 2016 and dividend distribution***

On 12 April 2017, the shareholders of Prysmian S.p.A. approved the financial statements for 2016 and the distribution of a gross dividend of Euro 0.43 per share, for a total of some Euro 91 million. The dividend was paid out from 26 April 2017 to shares outstanding on the record date of 25 April 2017, with the shares going ex-dividend on 24 April 2017.

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

During the second quarter of 2017, Prysmian Cabos e Sistemas do Brasil S.A. informed personnel of the start of an investment plan to create a centre of excellence in cable manufacturing at the Sorocaba Eden plant, with the current production activities being transferred to the Santo André plant; it will take about a year and a half to complete this project.

## B. FORM AND CONTENT

The present Half Year Condensed Consolidated Financial Statements 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 these Explanatory Notes must be read in conjunction with the Directors' Report, an integral part of the Half-Year Financial Report, and the annual IFRS Consolidated Financial Statements at 31 December 2016.

The consolidated financial statements contained herein were approved by the Board of Directors of Prysmian S.p.A. on 27 July 2017 and have undergone a limited review by the independent auditors.

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

### B.1 FINANCIAL STATEMENTS AND DISCLOSURES

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

The Prysmian Group has prepared the present Half-Year Financial Report at 30 June 2017 in accordance with art. 154-ter of Legislative Decree 58/1998.

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

On 3 December 2015, Consob implemented the ESMA guidelines in Italy with publication of "ESMA Guidelines/2015/1415" which supersede the "CESR Recommendation 2005 (CESR/05-178b)". The Prysmian Group has complied with these guidelines.

## **B.2 ACCOUNTING STANDARDS**

### **Accounting standards used to prepare the Half-Year Financial Report**

The basis of consolidation, the methods used to translate financial statements into the presentation currency, the accounting standards and the accounting estimates and policies adopted are the same as those used for the consolidated financial statements at 31 December 2016, 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 2017 after receiving endorsement from the competent authorities.

### **Accounting standards, amendments and interpretations applied from 1 January 2017**

There are no new standards and/or amendments to report that became applicable in the first six months of 2017.

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

On 19 January 2016, the IASB published amendments to *IAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*. The amendments clarify that a reporting entity must consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary differences. The amendments also provide guidance on how an entity should estimate future taxable profit and explains the circumstances in which taxable profit could include the recovery of some of an entity's assets for more than their carrying amount. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of these amendments.

On 29 January 2016, the IASB published amendments to *IAS 7 – Statement of Cash Flows*. The amendments intend to improve the disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. On first-time adoption, the reporting entity does not have to present prior period comparative information. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of these amendments.

On 29 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 provide a framework for determining when to recognise revenue and how much revenue to recognise. 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 2018.

During the period the Group has continued to evaluate the impact of adopting this new standard, in particular with regard to construction contracts. For all other customer contracts, no material impacts are expected.

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

- classification and measurement of derivative instruments;
- impairment methodology for financial instruments;
- rules for the application of hedge accounting.

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

The Group is evaluating the implementation and effect of adopting this new standard, currently not expected to have a material impact.

On 11 September 2014, the IASB published amendments to *IFRS 10 - Consolidated Financial Statements* and to *IAS 28 - Investments in Associates and Joint Ventures*. The purpose is to clarify how to account for the results of a sale or contribution of assets between group companies and their associates and joint ventures. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of these amendments which is deferred until completion of the IASB project on the equity method.

On 13 January 2016, the IASB published the new standard *IFRS 16 - Leases* which will replace IAS 17. The new accounting standard requires lessees to adopt a uniform accounting treatment for both operating and finance leases. In fact, IFRS 16 requires the lessee to recognise assets and liabilities for both operating and finance leases unless the lease term is 12 months or less or the underlying asset has a low value.

This document will apply to financial years beginning on or after 1 January 2019.

The Group is evaluating the implementation and impact of adopting this new standard. It is not planned to adopt this standard early.

On 14 December 2016, the IASB published a number of amendments to *IFRS 2 - Classification and Measurement of Share-based Payment Transactions*. The document intends to clarify:

- the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- the classification of a share-based payment transaction with net settlement features for withholding tax obligations;
- the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On first-time adoption of this amendment, the reporting entity must apply the changes without restating prior periods, although retrospective application is permitted only if this election is made for all three of the above amendments.

The revised 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.

#### **Liquidations**

On 3 January 2017, the process of liquidating Prysmian Metals Ltd. was completed with the company's removal from the local company registry.

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

#### **Name changes**

On 24 February 2017, the Swiss company Prysmian Cables and Systems S.A. changed its name to Prysmian Cables and Systems S.A. in liquidation.

On 31 May 2017, the German company NKF Holding (Deutschland) GmbH changed its name to NKF Holding (Deutschland) GmbH i. L.

Appendix A to these notes contains a list of the companies included in the scope of consolidation at 30 June 2017.



## C. FINANCIAL RISK MANAGEMENT

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

This Half-Year Financial Report does not contain all the information about financial risks presented in the Annual Financial Report at 31 December 2016, which should be consulted for more details.

With reference to the risks described in the Annual Financial Report at 31 December 2016, there have been no changes in the types of risks to which the Group is exposed or in its policies for managing such risks.

### (a) Fair value estimation

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

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

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

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

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

(in millions of Euro)

	30 June 2017			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value				
through profit or loss:				
Derivatives	2	18	-	20
Financial assets held for trading	51	9	-	60
Hedging derivatives	-	9	-	9
Available-for-sale financial assets	-	-	13	13
<b>Total assets</b>	<b>53</b>	<b>36</b>	<b>13</b>	<b>102</b>
<b>Liabilities</b>				
Financial liabilities at fair value				
through profit or loss:				
Derivatives	-	17	-	17
Hedging derivatives	-	5	-	5
<b>Total liabilities</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>22</b>

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

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

During the first six months of 2017 there were no transfers of financial assets and liabilities between the different levels of the fair value hierarchy.

### (b) Valuation techniques

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

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

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

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

## D. BUSINESS COMBINATIONS

### ***Acquisition of data cables business from Corning Optical Communications GmbH & Co. KG.***

On 13 May 2016, Prysmian Group completed an agreement to acquire a copper data cables business located in Neustadt (Germany) from Corning Optical Communications GmbH & Co. KG. The agreement, completed on 31 August 2016, involved transferring the assets and liabilities of the company's Multimedia Solutions business to the Group. The transaction resulted in the recognition of a receivable from the selling party of Euro 1.2 million.

The fair values of the assets acquired and liabilities assumed have been determined in accordance with the provisions of IFRS 3.

The following table summarises the acquisition-related cash flows:

<i>(in millions of Euro)</i>	
Acquisition price (A)	(1)
Liability for price adjustment and earn-out (B)	-
Fair value of net assets acquired (C)	3
<b>Badwill (A)+(B)-(C)</b>	<b>(4)</b>
Purchase consideration	-
Receivable for acquisition	(1)
Cash and cash equivalents held by acquiree	-
<b>Acquisition cash flow</b>	<b>(1)</b>

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

(in millions of Euro)	
	<b>Fair value</b>
Property, plant and equipment	9
Intangible assets	-
Inventories	2
Trade and other receivables	-
Trade and other payables	(2)
Provisions	(5)
Borrowings from banks and other lenders	-
Deferred taxes	(1)
Cash and cash equivalents	-
<b>Net assets acquired (C)</b>	<b>3</b>

The acquisition gave rise to Euro 4 million in badwill, recognised in the prior year's income statement and classified in Other non-operating income.

Acquisition-related costs, recorded in 2016 and classified in "Other expenses", amounted to Euro 0.4 million, before tax effects of Euro 0.1 million.

## E. SEGMENT INFORMATION

The Group's operating segments are:

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

Segment information is structured in the same way as the report periodically prepared for the purpose of reviewing business performance. This report presents operating performance by macro type of business (Energy Projects, Energy Products, OIL & GAS and Telecom) and the results of operating segments primarily on the basis of Adjusted EBITDA, defined as earnings (loss) for the period before non-recurring items, the fair value change in metal price derivatives and in other fair value items, amortisation, depreciation and impairment, finance costs and income and taxes. This report also provides information about the statement of financial position for the Group as a whole but not by operating segment.

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

A) Energy Projects operating segment: encompassing the following high-tech and high value-added businesses whose focus is on projects and their execution, as well as on product customisation: High Voltage underground and Submarine.

B) Energy Products operating segment: encompassing the businesses offering a complete and innovative product portfolio designed to meet the various and many needs of the market, namely:

1. Energy & Infrastructure (E&I): this includes Trade and Installers and Power Distribution;
2. Industrial & Network Components: this comprises Specialties and OEM, Elevators, Automotive and Network Components;
3. Other: occasional sales of residual products.

C) OIL & GAS operating segment: encompassing the Core Oil & Gas business, the SURF business (involving umbilical cables and flexible pipes) and the DHT (Downhole Technology) business serving the oil industry.

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

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

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

## E.1 OPERATING SEGMENTS

The following tables present information by operating segment:

(in millions of Euro)									1st half 2017
	Energy Projects	Energy Products				Oil & Gas	Telecom	Corporate	Group total
		E&I	Industrial & NWC	Other	Total Products				
Sales <sup>(1)</sup>	685	1,658	739	70	2,467	138	646	-	3,936
<b>Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies</b>	<b>116</b>	<b>72</b>	<b>61</b>	<b>(1)</b>	<b>132</b>	<b>2</b>	<b>93</b>	<b>-</b>	<b>343</b>
% of sales	17.0%	4.4%	8.2%		5.4%	1.1%	14.3%		8.7%
<b>Adjusted EBITDA (A)</b>	<b>116</b>	<b>74</b>	<b>62</b>	<b>(1)</b>	<b>135</b>	<b>2</b>	<b>109</b>	<b>-</b>	<b>362</b>
% of sales	17.0%	4.5%	8.3%		5.5%	1.1%	16.8%		9.2%
<b>EBITDA (B)</b>	<b>101</b>	<b>70</b>	<b>59</b>	<b>(1)</b>	<b>128</b>	<b>1</b>	<b>106</b>	<b>(5)</b>	<b>331</b>
% of sales	14.7%	4.2%	8.0%		5.2%	0.4%	16.4%		8.4%
Amortisation and depreciation (C)	(20)	(28)	(11)	-	(39)	(9)	(20)		(88)
<b>Adjusted operating income (A+C)</b>	<b>96</b>	<b>46</b>	<b>51</b>	<b>(1)</b>	<b>96</b>	<b>(7)</b>	<b>89</b>	<b>-</b>	<b>274</b>
% of sales	14.0%	2.8%	6.9%		3.9%	-5.1%	13.7%		7.0%
Fair value change in metal derivatives (D)									(11)
Fair value stock options (E)									(25)
Asset (impairment) and impairment reversal (F)	-				-	-	-	-	-
<b>Operating income (B+C+D+E+F)</b>									<b>207</b>
% of sales									5.3%
Finance income									157
Finance costs									(206)
Taxes									(45)
<b>Net profit/(loss) for the period</b>									<b>113</b>
% of sales									2.9%
Attributable to:									
Owners of the parent									113
Non-controlling interests									-
<b>RECONCILIATION BETWEEN EBITDA AND ADJUSTED EBITDA</b>									
<b>EBITDA (A)</b>	<b>101</b>	<b>70</b>	<b>59</b>	<b>(1)</b>	<b>128</b>	<b>1</b>	<b>106</b>	<b>(5)</b>	<b>331</b>
<b>Adjustments:</b>									
Company reorganisation	-	2	2	-	4	1	2	2	9
Non-recurring expenses/(income):									
Antitrust investigations	15	-	-	-	-	-	-	-	15
Other non-operating expenses/(income)	-	2	1	-	3	-	1	3	7
<b>Total adjustments (B)</b>	<b>15</b>	<b>4</b>	<b>3</b>	<b>-</b>	<b>7</b>	<b>1</b>	<b>3</b>	<b>5</b>	<b>31</b>
<b>Adjusted EBITDA (A+B)</b>	<b>116</b>	<b>74</b>	<b>62</b>	<b>(1)</b>	<b>135</b>	<b>2</b>	<b>109</b>	<b>-</b>	<b>362</b>

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

(in millions of Euro)

1st half 2016

	Energy Projects	Energy Products				Oil & Gas	Telecom	Corporate	Group total
		E&I	Industrial & NWC	Other	Total Products				
Sales <sup>(1)</sup>	761	1,567	682	49	2,298	156	570	-	3,785
<b>Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies</b>	<b>111</b>	<b>86</b>	<b>64</b>	<b>-</b>	<b>150</b>	<b>7</b>	<b>65</b>	<b>-</b>	<b>333</b>
% of sales	14.6%	5.5%	9.4%	-	6.5%	4.2%	11.5%	-	8.8%
<b>Adjusted EBITDA (A)</b>	<b>111</b>	<b>87</b>	<b>64</b>	<b>-</b>	<b>151</b>	<b>7</b>	<b>78</b>	<b>-</b>	<b>347</b>
% of sales	14.6%	5.5%	9.4%	-	6.6%	4.2%	13.7%	-	9.2%
<b>EBITDA (B)</b>	<b>110</b>	<b>77</b>	<b>61</b>	<b>(4)</b>	<b>134</b>	<b>5</b>	<b>77</b>	<b>(4)</b>	<b>322</b>
% of sales	14.4%	4.9%	8.9%	-	5.8%	3.4%	13.5%	-	8.5%
Amortisation and depreciation (C)	(17)	(31)	(10)	-	(41)	(8)	(20)	-	(86)
<b>Adjusted operating income (A+C)</b>	<b>94</b>	<b>56</b>	<b>54</b>	<b>-</b>	<b>110</b>	<b>(1)</b>	<b>58</b>	<b>-</b>	<b>261</b>
% of sales	12.4%	3.5%	8.0%	-	4.8%	-0.8%	10.3%	-	6.9%
Fair value change in metal derivatives (D)									20
Fair value stock options (E)									(24)
Asset (impairment) and impairment reversal (F)	-				(1)	(14)	-	-	(15)
<b>Operating income (B+C+D+E+F)</b>									<b>217</b>
% of sales									5.8%
Finance income									212
Finance costs									(249)
Taxes									(56)
<b>Net profit/(loss) for the period</b>									<b>124</b>
% of sales									3.3%
Attributable to:									
Owners of the parent									115
Non-controlling interests									9
<b>RECONCILIATION BETWEEN EBITDA AND ADJUSTED EBITDA</b>									
<b>EBITDA (A)</b>	<b>110</b>	<b>77</b>	<b>61</b>	<b>(4)</b>	<b>134</b>	<b>5</b>	<b>77</b>	<b>(4)</b>	<b>322</b>
<b>Adjustments:</b>									
Company reorganisation	-	4	3	3	10	1	-	-	11
Non-recurring expenses/(income):									
Antitrust investigations	-	-	-	-	-	-	-	-	-
Other non-operating expenses/(income)	1	6	-	1	7	1	1	4	14
<b>Total adjustments (B)</b>	<b>1</b>	<b>10</b>	<b>3</b>	<b>4</b>	<b>17</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>25</b>
<b>Adjusted EBITDA (A+B)</b>	<b>111</b>	<b>87</b>	<b>64</b>	<b>-</b>	<b>151</b>	<b>7</b>	<b>78</b>	<b>-</b>	<b>347</b>

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

## E.2 GEOGRAPHICAL AREAS

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

(in millions of Euro)		
	1st half 2017	1st half 2016
<b>Sales of goods and services</b>	<b>3,936</b>	<b>3,785</b>
<b>EMEA*</b>	<b>2,654</b>	<b>2,579</b>
(of which Italy)	622	632
<b>North America</b>	<b>590</b>	<b>528</b>
<b>Latin America</b>	<b>214</b>	<b>222</b>
<b>Asia Pacific</b>	<b>478</b>	<b>456</b>

\* EMEA = Europe, Middle East and Africa

## 1. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

(in millions of Euro)

	Property, plant and equipment	Intangible assets	of which Goodwill
<b>Balance at 31 December 2016</b>	<b>1,631</b>	<b>792</b>	<b>448</b>
<b>Movements in 2017:</b>			
- Business combinations	-	-	-
- Investments	104	11	-
- Disposals	(4)	-	-
- Depreciation and amortisation	(65)	(23)	-
- Impairment	-	-	-
- Currency translation differences	(41)	(21)	(7)
- Reclassifications (to)/from Assets held for sale	-	-	-
<b>Total movements</b>	<b>(6)</b>	<b>(33)</b>	<b>(7)</b>
<b>Balance at 30 June 2017</b>	<b>1,625</b>	<b>759</b>	<b>441</b>
<b>Of which:</b>			
- Historical cost	2,855	1,113	461
- Accumulated depreciation/amortisation and impairment	(1,230)	(354)	(20)
<b>Net book value</b>	<b>1,625</b>	<b>759</b>	<b>441</b>

(in millions of Euro)

	Property, plant and equipment	Intangible assets	of which Goodwill
<b>Balance at 31 December 2015</b>	<b>1,551</b>	<b>823</b>	<b>452</b>
<b>Movements in 2016:</b>			
- Business combinations	-	(3)	(3)
- Investments	99	4	-
- Disposals	-	-	-
- Depreciation and amortisation	(62)	(24)	-
- Impairment	(15)	-	-
- Currency translation differences	(8)	(9)	(5)
- Other	(2)	-	-
<b>Total movements</b>	<b>12</b>	<b>(32)</b>	<b>(8)</b>
<b>Balance at 30 June 2016</b>	<b>1,563</b>	<b>791</b>	<b>444</b>
<b>Of which:</b>			
- Historical cost	2,683	1,100	464
- Accumulated depreciation/amortisation and impairment	(1,120)	(309)	(20)
<b>Net book value</b>	<b>1,563</b>	<b>791</b>	<b>444</b>

A total of Euro 104 million has been invested in property, plant and equipment in the first six months of 2017.

This expenditure is analysed as follows:

- 56%, or Euro 58 million, for projects to increase and rationalise production capacity and develop new products;
- 29%, or Euro 30 million, for projects to improve industrial efficiency;
- 15%, or Euro 16 million, for structural work within the Group's industrial sites.



A total of Euro 11 million has been invested in intangible assets in the first six months of 2017, most of which to purchase the Chinese factory's land rights. Work has also continued on the "SAP Consolidation" project, aimed at standardising the information system across the Group.

Machinery is subject to Euro 4 million in liens in connection with long-term loans (mainly in relation to the Brazilian subsidiaries).

## 2. EQUITY-ACCOUNTED INVESTMENTS

These are detailed as follows:

(in millions of Euro)	30 June 2017	31 December 2016
Investments in associates	198	191
Investments in joint ventures	4	4
<b>Total equity-accounted investments</b>	<b>202</b>	<b>195</b>

### Investments in associates

Information about the nature of the main investments in associates:

Company name	Registered office	% owned
Yangtze Optical Fibre and Cable Joint Stock Limited Company	China	26.37%
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd	China	44.78%
Kabeltrommel Gmbh & Co.K.G.	Germany	43.18%
Elkat Ltd.	Russia	40.00%

Yangtze Optical Fibre and Cable Joint Stock Limited Company, a Chinese company formed in 1988, is a company whose main shareholders are: China Huaxin Post and Telecommunication Economy Development Center, Wuhan Yangtze Communications Industry Group Company Ltd. and Prysmian Group. The company is one of the industry's most important manufacturers of optical fibre and cables. Its products and solutions are sold in more than 50 countries, including the United States, Japan, the Middle East and Africa.

The company was listed on the Main Board of the Hong Kong Stock Exchange in December 2014.

At 30 June 2017, the fair value of the investment in Yangtze Optical Fibre and Cable Joint Stock Limited Company was Euro 335 million (Euro 322 million at 31 December 2016), compared with a carrying amount of Euro 156 million (Euro 149 million at 31 December 2016).

Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd, formed in 2002 and based in Shanghai (China), is an associated company, 25% of whose share capital is held by the Prysmian Group and 75% by Yangtze Optical Fibre and Cable Joint Stock Limited Company. The company specialises in the manufacture and sale of optical fibre and cables, offering a wide range of optical fibre cables and accessories, services and FTTx solutions.

Kabeltrommel Gmbh & Co. K.G. is a German company that heads a consortium for the production, procurement, management and sale of disposable and reusable cable carrying devices (drums).

The services offered by the company include both the sale of cable drums, and the complete management of logistics services such as drum shipping, handling and subsequent retrieval. The company operates primarily in the German market.

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

The change in Investments in associates during the period reflects Euro 19 million for the Group's share of profit or loss of associates, as offset by Euro 3 million in dividend receipts and Euro 9 million in exchange translation differences.

### Investments in joint ventures

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

Company name	Registered office	% owned
Power Cables Malaysia Sdn Bhd	Malaysia	40.00%
Precision Fiber Optics Ltd	Japan	50.00%

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

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

### 3. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in millions of Euro)

			30 June 2017
	Non-current	Current	Total
Trade receivables	-	1,361	1,361
Allowance for doubtful accounts	-	(63)	(63)
<b>Total trade receivables</b>	<b>-</b>	<b>1,298</b>	<b>1,298</b>
<b>Other receivables:</b>			
Tax receivables	5	141	146
Financial receivables	2	7	9
Prepaid finance costs	1	2	3
Receivables from employees	1	5	6
Pension plan receivables	-	2	2
Construction contracts	-	513	513
Advances to suppliers	-	17	17
Other	6	108	114
<b>Total other receivables</b>	<b>15</b>	<b>795</b>	<b>810</b>
<b>Total</b>	<b>15</b>	<b>2,093</b>	<b>2,108</b>

(in millions of Euro)

			31 December 2016
	Non-current	Current	Total
Trade receivables	-	1,153	1,153
Allowance for doubtful accounts	-	(65)	(65)
<b>Total trade receivables</b>	<b>-</b>	<b>1,088</b>	<b>1,088</b>
<b>Other receivables:</b>			
Tax receivables	5	132	137
Financial receivables	2	38	40
Prepaid finance costs	2	2	4
Receivables from employees	1	3	4
Pension plan receivables	-	1	1
Construction contracts	-	488	488
Advances to suppliers	-	19	19
Other	11	105	116
<b>Total other receivables</b>	<b>21</b>	<b>788</b>	<b>809</b>
<b>Total</b>	<b>21</b>	<b>1,876</b>	<b>1,897</b>

## 4. INVENTORIES

These are detailed as follows:

(in millions of Euro)		
	30 June 2017	31 December 2016
Raw materials	299	273
<i>of which allowance for obsolete and slow-moving raw materials</i>	<i>(38)</i>	<i>(33)</i>
Work in progress and semi-finished goods	276	216
<i>of which allowance for obsolete and slow-moving work in progress and semi-finished goods</i>	<i>(11)</i>	<i>(11)</i>
Finished goods (*)	467	417
<i>of which allowance for obsolete and slow-moving finished goods</i>	<i>(53)</i>	<i>(56)</i>
<b>Total</b>	<b>1,042</b>	<b>906</b>

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

## 5. DERIVATIVES

These are detailed as follows:

(in millions of Euro)		
	30 June 2017	
	Asset	Liability
<b>Non-current</b>		
Interest rate sw aps (cash flow hedges)	-	-
Forw ard currency contracts on commercial transactions (cash flow hedges)	3	-
<b>Total hedging derivatives</b>	<b>3</b>	<b>-</b>
Forw ard currency contracts on commercial transactions	-	-
Metal derivatives	2	2
<b>Total other derivatives</b>	<b>2</b>	<b>2</b>
<b>Total non-current</b>	<b>5</b>	<b>2</b>
<b>Current</b>		
Forw ard currency contracts on financial transactions (cash flow hedges)	-	-
Forw ard currency contracts on commercial transactions (cash flow hedges)	6	5
<b>Total hedging derivatives</b>	<b>6</b>	<b>5</b>
Forw ard currency contracts on commercial transactions	2	3
Forw ard currency contracts on financial transactions	1	3
Metal derivatives	15	9
<b>Total other derivatives</b>	<b>18</b>	<b>15</b>
<b>Total current</b>	<b>24</b>	<b>20</b>
<b>Total</b>	<b>29</b>	<b>22</b>

(in millions of Euro)

	31 December 2016	
	Asset	Liability
<b>Non-current</b>		
Interest rate swaps (cash flow hedges)	-	-
Forward currency contracts on commercial transactions (cash flow hedges)	-	8
<b>Total hedging derivatives</b>	<b>-</b>	<b>8</b>
Forward currency contracts on commercial transactions	-	-
Metal derivatives	3	4
<b>Total other derivatives</b>	<b>3</b>	<b>4</b>
<b>Total non-current</b>	<b>3</b>	<b>12</b>
<b>Current</b>		
Forward currency contracts on financial transactions (cash flow hedges)	-	-
Forward currency contracts on commercial transactions (cash flow hedges)	6	13
<b>Total hedging derivatives</b>	<b>6</b>	<b>13</b>
Forward currency contracts on commercial transactions	10	4
Forward currency contracts on financial transactions	1	1
Interest rate swaps	-	-
Metal derivatives	23	6
<b>Total other derivatives</b>	<b>34</b>	<b>11</b>
<b>Total current</b>	<b>40</b>	<b>24</b>
<b>Total</b>	<b>43</b>	<b>36</b>

## 6. FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading, amounting to Euro 60 million (Euro 59 million at 31 December 2016), 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 temporarily available liquidity in such funds.

## 7. CASH AND CASH EQUIVALENTS

These are detailed as follows:

(in millions of Euro)

	30 June 2017	31 December 2016
Cash and cheques	4	2
Bank and postal deposits	635	644
<b>Total</b>	<b>639</b>	<b>646</b>

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

Cash and cash equivalents managed by the Group's treasury company amount to Euro 426 million at 30 June 2017, compared with Euro 359 million at 31 December 2016.

## 8. SHARE CAPITAL AND RESERVES

Consolidated equity has recorded a decrease of Euro 104 million since 31 December 2016, mainly reflecting the net effect of:

- negative currency translation differences of Euro 108 million;
- the positive post-tax change of Euro 14 million in the fair value of derivatives designated as cash flow hedges;
- the positive change of Euro 25 million in the share-based compensation reserve linked to stock option plans;
- the purchase of Euro 99 million in treasury shares;
- the distribution of Euro 101 million in dividends;
- an increase of Euro 48 million to record the equity component of the 2017 Equity-Linked Bond;
- the positive post-tax change of Euro 4 million in the reserve for actuarial gains on employee benefits;
- the net profit for the period of Euro 113 million.

At 30 June 2017, the share capital of Prysmian S.p.A. comprises 216,720,922 shares with a total value of Euro 21,672,092.20.

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

	Ordinary shares	Treasury shares	Total
<b>Balance at 31 December 2015</b>	<b>216,720,922</b>	<b>(2,707,176)</b>	<b>214,013,746</b>
Capital increase	-	-	-
Allotments and sales <sup>(1)</sup>	-	88,859	88,859
<b>Balance at 31 December 2016</b>	<b>216,720,922</b>	<b>(2,618,317)</b>	<b>214,102,605</b>
	Ordinary shares	Treasury shares	Total
<b>Balance at 31 December 2016</b>	<b>216,720,922</b>	<b>(2,618,317)</b>	<b>214,102,605</b>
Share buyback	-	(4,001,189)	(4,001,189)
Allotments and sales <sup>(2)</sup>	-	55,599	55,599
<b>Balance at 30 June 2017</b>	<b>216,720,922</b>	<b>(6,563,907)</b>	<b>210,157,015</b>

<sup>(1)</sup> Allotment of 88,859 treasury shares under the Group employee share purchase plan (YES Plan).

<sup>(2)</sup> Sale of 55,599 treasury shares under the Group employee share purchase plan (YES Plan).

## Treasury shares

Movements in treasury shares during the first six months of 2017 mostly refer to purchases under the buyback programme approved by the shareholders.

The following table reports movements in treasury shares during the period:

	Number of shares	Total nominal value (in Euro)	% of share capital	Average unit value (in Euro)	Total carrying value (in Euro)
<b>At 31 December 2015</b>	<b>2,707,176</b>	<b>270,718</b>	<b>1.25%</b>	<b>12.02</b>	<b>32,541,843</b>
- Purchases	-	-	-	-	-
- Allotments under stock option plans	(88,859)	(8,886)	-	12.03	1,069,063
<b>At 31 December 2016</b>	<b>2,618,317</b>	<b>261,832</b>	<b>1.25%</b>	<b>12.02</b>	<b>33,610,906</b>
- Sales	(55,599)	(5,560)		18.65	(1,036,967)
- Share buyback	4,001,189	400,119		24.71	98,903,945
<b>At 30 June 2017</b>	<b>6,563,907</b>	<b>656,391</b>	<b>3.03%</b>	<b>20.03</b>	<b>131,477,883</b>

## Share buyback and disposal programme

The Shareholders' Meeting held on 13 April 2016 authorised a share buy-back and disposal programme, and revoked the previous programme at the same time.

The programme provided the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total could not exceed, at any one time, 10% of share capital, equating to 18,964,916 ordinary shares as at the date of the Shareholders' Meeting, after deducting the treasury shares already held by the Company. Purchases could not exceed the amount of undistributed earnings and available reserves reported in the most recently approved annual financial statements of the Parent Company. The authorisation to buy back treasury shares was for 18 months commencing from the date of the Shareholders' Meeting; the authorisation to dispose of treasury shares had no time limit.

On 12 April 2017, the shareholders of Prysmian S.p.A. authorised a new share buyback and disposal programme, revoking at the same time the previous authorisation under the shareholder resolution dated 13 April 2016. The new programme provides the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total must not exceed, at any one time, 10% of share capital. Purchases may not exceed the amount of undistributed earnings and available reserves reported in the most recently approved annual financial statements. The authorisation to buy back treasury shares lasts for 18 months commencing from the date of the Shareholders' Meeting, while the authorisation to dispose of treasury shares has no time limit.

A total of 4,001,189 shares had been purchased under this programme as at 30 June 2017.

## 9. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

(in millions of Euro)

			30 June 2017
	Non-current	Current	Total
Borrowings from banks and other financial institutions	61	143	204
Non-convertible bond	742	4	746
Convertible bond 2013	-	294	294
Convertible bond 2017	451	-	451
Finance lease obligations	13	1	14
<b>Total</b>	<b>1,267</b>	<b>442</b>	<b>1,709</b>

(in millions of Euro)

			31 December 2016
	Non-current	Current	Total
Borrowings from banks and other financial institutions	72	156	228
Non-convertible bond	741	14	755
Convertible bond 2013	288	1	289
Convertible bond 2017			-
Finance lease obligations	13	1	14
<b>Total</b>	<b>1,114</b>	<b>172</b>	<b>1,286</b>

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

(in millions of Euro)

	30 June 2017	31 December 2016
EIB Loan	67	75
Revolving Credit Facility 2014	-	50
Other borrowings	137	103
<b>Borrowings from banks and other financial institutions</b>	<b>204</b>	<b>228</b>
Non-convertible bond	746	755
Convertible bond 2013	294	289
Convertible bond 2017	451	-
<b>Total</b>	<b>1,695</b>	<b>1,272</b>

The Group's principal credit agreements in place as at 30 June 2017 are as follows:

### Syndicated Revolving Credit Facility 2014

On 27 June 2014, Prysmian S.p.A. signed an agreement (the "Credit Agreement 2014") under which a syndicate of premier banks made available a long-term credit facility for Euro 1,000 million (the "Syndicated Revolving Credit Facility 2014"). The facility, which expires on 27 June 2019, can also be used for the issue of guarantees. This revolving facility was intended to refinance the existing facilities and the Group's other operating activities. As at 30 June 2017, this facility had not been drawn down.



### Revolving Credit Facility 2014

Having completed the placement of the new equity-linked bond, the Company has reviewed its funding structure, as a result of which on 31 January 2017 it cancelled the five-year revolving credit facility for Euro 100 million with Mediobanca and repaid at the same time the amount of Euro 50 million drawn down as at 31 December 2016.

### 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 is repayable in 12 equal half-yearly instalments starting on 5 August 2015 and ending on 5 February 2021. Having repaid the various instalments, the outstanding amount of the loan was Euro 67 million at 30 June 2017.

The fair value of the EIB Loan at 30 June 2017 approximates the related carrying amount. Fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

The following table summarises the committed lines available to the Group at 30 June 2017 and 31 December 2016:

(in millions of Euro)

	30 June 2017		
	Total lines	Drawn	Undrawn
<b>Credit Agreements:</b>			
Syndicated Revolving Credit Facility 2014	1,000	-	1,000
<b>Total Credit Agreements</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>
EIB Loan	67	(67)	-
Revolving Credit Facility 2014	-	-	-
<b>Total</b>	<b>1,067</b>	<b>(67)</b>	<b>1,000</b>

(in millions of Euro)

	31 December 2016		
	Total lines	Drawn	Undrawn
<b>Credit Agreements:</b>			
Syndicated Revolving Credit Facility 2014	1,000	-	1,000
<b>Total Credit Agreements</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>
EIB Loan	75	(75)	-
Revolving Credit Facility 2014	100	(50)	50
<b>Total</b>	<b>1,175</b>	<b>(125)</b>	<b>1,050</b>

The existing Revolving Credit Facility is intended to finance ordinary working capital requirements.

## **Bonds**

The Prysmian Group had the following bonds outstanding as at 30 June 2017:

### Non-convertible bond issued in 2015

On 10 March 2015, the Board of Directors of Prysmian S.p.A. authorised management to proceed, depending on prevailing market conditions and in any case by 30 June 2016, with the issuance and private or public placement of bonds in one or more tranches. These bonds were intended for sale to institutional investors only.

As a result, on 30 March 2015 Prysmian S.p.A. completed the placement with institutional investors of an unrated bond, on the Eurobond market, for a total nominal value of Euro 750 million. The bond, with an issue price of Euro 99.002, has a 7-year maturity and pays a fixed annual coupon of 2.50%. The individual bonds, maturing on 11 April 2022, have minimum denominations of Euro 100,000, plus integral multiples of Euro 1,000.

The bond settlement date was 9 April 2015. The bond has been admitted to the Luxembourg Stock Exchange and is traded on the related regulated market.

The fair value of the non-convertible bond is Euro 792 million at 30 June 2017. Fair value has been determined with reference to the quoted price in the relevant market (Level 1 of the fair value hierarchy).

### Convertible Bond 2013

On 4 March 2013, the Board of Directors 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 circumstances detailed in the Bond's terms and conditions, in line with market practice, including:

- (i) at nominal value (plus accrued interest), starting from 23 March 2016, if the trading price of the Company's ordinary shares rises to more than 130% of 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 Bond was admitted to trading on the Third Market (a multilateral trading facility or MTF) on the Vienna Stock Exchange.

The accounting treatment for the Convertible Bond 2013 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)
<b>Issue date net balance</b>	<b>261</b>
Interest - non-monetary	31
Interest - monetary accrued	19
Interest - monetary paid	(15)
Related costs	(2)
<b>Balance at 30 June 2017</b>	<b>294</b>

The fair value of the Convertible Bond 2013 (equity component and debt component) is Euro 357 million at 30 June 2017 (Euro 352 million at 31 December 2016), of which the fair value of the debt component is Euro 302 million (Euro 278 million at 31 December 2016). 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).

#### Convertible Bond 2017

On 12 January 2017, the Board of Directors approved the placement of an equity-linked bond, known as "Prysmian S.p.A. Euro 500 million Zero Coupon Equity Linked Bonds due 2022" maturing 17 January 2022 and reserved for institutional investors.

At the meeting held on 12 April 2017, the Company's shareholders authorised:

- the convertibility of the Equity-Linked Bond;
- the proposal to increase share capital for cash, in single or multiple issues with the exclusion of preemptive rights, by a maximum nominal amount of Euro 1,457,942.70, by issuing, in single or multiple instalments, up to 14,579,427 ordinary shares of the Company, with the same characteristics as its other outstanding ordinary shares, exclusively and irrevocably to serve the Bond's conversion.

The initial conversion price of the bonds of Euro 34.2949 was set by applying a 41.25% premium to the weighted average price of the Company's ordinary shares recorded on the Milan Stock Exchange between the start and end of the book-building process during the morning of 12 January 2017.

The Company will have the option to call all (but not just a part) of the outstanding bonds at their principal amount from 1 February 2020, should the value of the shares exceed 130% of the conversion price for a specified period of time.

The placement has allowed the Company to diversify its financial resources more widely by raising funds on the capital market. These funds will be used to pursue the Company's potential external growth opportunities; to finance, in line with the shareholders' authorisation of the share buyback, the buyback of the Company's shares that will be used to fulfil potential conversion rights requirements and/or as consideration to finance the Company's growth strategy and for general corporate purposes.

On 16 May 2017, the Company sent a physical settlement notice to holders of the bonds, granting them the right, with effect from 29 May 2017, to convert them into the Company's existing or new ordinary shares. On 30 May 2017, the Bond was admitted to trading on the Third Market (a multilateral trading facility or MTF) on the Vienna Stock Exchange.

The accounting treatment for the Convertible Bond 2017 has resulted in the recognition of an equity component of Euro 48 million and a debt component of Euro 452 million, determined at the bond issue date.

(in millions of Euro)

Issue value of convertible bond	500
Equity reserve for convertible bond	(48)
<b>Issue date net balance</b>	<b>452</b>
Interest - non-monetary	4
Related costs	(5)
<b>Balance at 30 June 2017</b>	<b>451</b>

As at 30 June 2017, the fair value of the Convertible Bond 2017 (equity component and debt component) is Euro 517 million, of which the fair value of the debt component is Euro 451 million. In the absence of trading on the relevant market, fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

## Other borrowings from banks and financial institutions and Finance lease obligations

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

(in millions of Euro)

	EBB Loan	Non-convertible bond	Convertible bond 2013	Convertible bond 2017	Other borrowings / Finance lease obligations <sup>(1)</sup>	Total
<b>Balance at 31 December 2016</b>	<b>75</b>	<b>755</b>	<b>289</b>	<b>-</b>	<b>167</b>	<b>1,286</b>
Business combinations	-	-	-	-	-	-
Reclassification to Liabilities held for sale	-	-	-	-	-	-
Currency translation differences	-	-	-	-	(8)	(8)
New funds	-	-	-	446	59	505
Repayments	(8)	-	-	-	(67)	(75)
Draw down of revolving facilities	-	-	-	-	-	-
Amortisation of bank and financial fees and other expenses	-	1	1	-	-	2
Interest and other movements	-	(10)	4	5	-	(1)
<b>Total movements</b>	<b>(8)</b>	<b>(9)</b>	<b>5</b>	<b>451</b>	<b>(16)</b>	<b>423</b>
<b>Balance at 30 June 2017</b>	<b>67</b>	<b>746</b>	<b>294</b>	<b>451</b>	<b>151</b>	<b>1,709</b>

(in millions of Euro)

	EBB Loan	Non-convertible bond	Convertible bond 2013	Convertible bond 2017	Other borrowings / Finance lease obligations <sup>(1)</sup>	Total
<b>Balance at 31 December 2015</b>	<b>92</b>	<b>754</b>	<b>280</b>	<b>-</b>	<b>277</b>	<b>1,403</b>
Business combinations	-	-	-	-	-	-
Reclassification to Liabilities held for sale	-	-	-	-	-	-
Currency translation differences	-	-	-	-	6	6
New funds	-	-	-	-	65	65
Repayments	(8)	-	-	-	(47)	(55)
Draw down of revolving facilities	-	-	-	-	-	-
Amortisation of bank and financial fees and other expenses	-	1	1	-	-	2
Interest and other movements	-	(10)	4	-	-	(6)
<b>Total movements</b>	<b>(8)</b>	<b>(9)</b>	<b>5</b>	<b>-</b>	<b>24</b>	<b>12</b>
<b>Balance at 30 June 2016</b>	<b>84</b>	<b>745</b>	<b>285</b>	<b>-</b>	<b>301</b>	<b>1,415</b>

<sup>(1)</sup> Includes the Revolving Credit Facility 2014.

**NET FINANCIAL DEBT**

(in millions of Euro)

	Note	30 June 2017	31 December 2016
<b>Long-term financial payables</b>			
EIB Loan	9	50	58
Non-convertible bond	9	742	741
Convertible bond 2013	9	-	288
Finance leases	9	13	13
Convertible bond 2017	9	451	-
Interest rate sw aps	5	-	-
Other financial payables	9	11	14
<b>Total long-term financial payables</b>		<b>1,267</b>	<b>1,114</b>
<b>Short-term financial payables</b>			
Syndicated Revolving Credit Facility 2014	9	-	-
EIB Loan	9	17	17
Non-convertible bond	9	4	14
Convertible bond 2013	9	294	1
Finance leases	9	1	1
Interest rate sw aps	5	-	-
Forward currency contracts on financial transactions	5	3	1
Revolving Credit Facility 2014	9	-	50
Other financial payables	9	126	89
<b>Total short-term financial payables</b>		<b>445</b>	<b>173</b>
<b>Total financial liabilities</b>		<b>1,712</b>	<b>1,287</b>
Long-term financial receivables	3	2	2
Long-term bank fees	3	1	2
Forward currency contracts on financial transactions (current)	5	1	1
Short-term financial receivables	3	7	38
Short-term bank fees	3	2	2
Financial assets held for trading	6	60	59
Cash and cash equivalents	7	639	646
<b>Net financial debt</b>		<b>1,000</b>	<b>537</b>

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

(in millions of Euro)

	Note	30 June 2017	31 December 2016
<b>Net financial debt - as reported above</b>		<b>1,000</b>	<b>537</b>
Long-term financial receivables	3	2	2
Long-term bank fees	3	1	2
Net forward currency contracts on commercial transactions	5	(3)	9
Net metal derivatives	5	(6)	(16)
<b>Recalculated net financial debt</b>		<b>994</b>	<b>534</b>

## 10. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in millions of Euro)

			30 June 2017
	Non-current	Current	Total
Trade payables	-	1,589	1,589
<b>Total trade payables</b>	<b>-</b>	<b>1,589</b>	<b>1,589</b>
<b>Other payables:</b>			
Tax and social security payables	5	151	156
Advances from customers	-	272	272
Payables to employees	2	89	91
Accrued expenses	-	105	105
Other	10	155	165
<b>Total other payables</b>	<b>17</b>	<b>772</b>	<b>789</b>
<b>Total</b>	<b>17</b>	<b>2,361</b>	<b>2,378</b>

(in millions of Euro)

			31 December 2016
	Non-current	Current	Total
Trade payables	-	1,498	1,498
<b>Total trade payables</b>	<b>-</b>	<b>1,498</b>	<b>1,498</b>
<b>Other payables:</b>			
Tax and social security payables	6	121	127
Advances from customers	-	377	377
Payables to employees	2	74	76
Accrued expenses	-	130	130
Other	10	173	183
<b>Total other payables</b>	<b>18</b>	<b>875</b>	<b>893</b>
<b>Total</b>	<b>18</b>	<b>2,373</b>	<b>2,391</b>

At 30 June 2017, trade payables include around Euro 172 million 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. At 31 December 2016, payables for the supply of strategic metals amounted to Euro 159 million.

Advances from customers report the liability for construction contracts, amounting to Euro 239 million at 30 June 2017 compared with Euro 334 million at 31 December 2016. This liability represents the gross amount by which work invoiced exceeds costs incurred plus accumulated profits (or losses) recognised using the percentage of completion method.

## 11. PROVISIONS FOR RISKS AND CHARGES

These are detailed as follows:

(in millions of Euro)

			30 June 2017
	Non-current	Current	Total
Restructuring costs	1	25	26
Contractual and legal risks	15	268	283
Environmental risks	-	7	7
Tax inspections	4	19	23
Contingent liabilities	3	3	6
Other risks and charges	9	35	44
<b>Total</b>	<b>32</b>	<b>357</b>	<b>389</b>

(in millions of Euro)

			31 December 2016
	Non-current	Current	Total
Restructuring costs	3	33	36
Contractual and legal risks	17	236	253
Environmental risks	-	7	7
Tax inspections	6	19	25
Contingent liabilities	3	3	6
Other risks and charges	11	41	52
<b>Total</b>	<b>40</b>	<b>339</b>	<b>379</b>

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 2016	36	253	7	25	6	52	379
Increases	5	37	-	-	-	8	50
Utilisations	(16)	(9)	-	-	-	(2)	(27)
Releases	-	(6)	-	(1)	-	(2)	(9)
Currency translation differences	1	(2)	-	(1)	-	(3)	(5)
Other	-	10	-	-	-	(9)	1
<b>Total movements</b>	<b>(10)</b>	<b>30</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>(8)</b>	<b>10</b>
Balance at 30 June 2017	26	283	7	23	6	44	389

The provision for restructuring costs reports an overall net decrease of Euro 10 million.

In particular, Euro 16 million has been utilised in the period, mostly in connection with projects underway in the Netherlands and France.

The provision for contractual and legal risks, amounting to Euro 283 million at 30 June 2017, reports a net increase of Euro 30 million since 31 December 2016.

This provision also includes the provision for the antitrust investigations discussed in the following paragraphs.



*Antitrust – European Commission Proceedings in the high voltage underground and submarine cables business*

The European Commission started an investigation in late January 2009 into several European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive practices in the high voltage underground and submarine cables markets. On 2 April 2014, the European Commission adopted a decision under which it found that, between 18 February 1999 and 28 January 2009, the world's largest cable producers, including Prysmian Cavi e Sistemi S.r.l., adopted anti-competitive practices in the European market for high voltage submarine and underground power cables. The European Commission held Prysmian Cavi e Sistemi S.r.l. jointly liable with Pirelli & C. S.p.A. for the alleged infringement in the period 18 February 1999 - 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and The Goldman Sachs Group Inc. for the alleged infringement in the period 29 July 2005 - 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has filed an appeal against this decision with the General Court of the European Union along with an application to intervene in the appeals respectively lodged by Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. against the same decision. Both Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. have in turn submitted applications to intervene in the appeal brought by Prysmian against the European Commission's decision. The applications to intervene presented by Prysmian, Pirelli and The Goldman Sachs Group Inc. have been accepted by the General Court of the European Union. Prysmian has not incurred any financial outlay as a result of this decision having elected, pending the outcome of the appeals, to provide bank guarantees as security against payment of 50% of the fine imposed by the European Commission (amounting to approximately Euro 52 million) for the alleged infringement in both periods. As far as Prysmian is aware, Pirelli & C. S.p.A. has also provided the European Commission with a bank guarantee for 50% of the value of the fine imposed for the alleged infringement in the period 18 February 1999 - 28 July 2005. The hearing of oral arguments in the appeal brought by Prysmian against the European Commission's decision of April 2014 took place on 20 March 2017, while the hearings of oral arguments in the appeals brought by Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. against the same decision of the European Commission in April 2014 took place on 22 and 28 March 2017 respectively. A ruling is awaited as a result of these hearings. Pirelli & C. S.p.A. has also brought a civil action against Prysmian Cavi e Sistemi S.r.l. in the Milan Courts, in which it demands to be held harmless for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. Prysmian Cavi e Sistemi S.r.l. started legal proceedings in February 2015, requesting that the claims brought by Pirelli & C. S.p.A. be rejected in full and that it should be Pirelli & C. S.p.A. which holds harmless Prysmian Cavi e Sistemi S.r.l., with reference to the alleged infringement in the period 18 February 1999 - 28 July 2005, for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. The proceedings have since been stayed by order of the court concerned in April 2015, pending the outcome of the appeals made against the European Commission's decision by both Prysmian and Pirelli in the European Courts. Pirelli has challenged this decision before the Court of Cassation, Italy's highest court of appeal, which has confirmed the stay of execution ordered by the Milan Courts.

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

In Australia, the ACCC has filed a case before the Federal Court arguing that Prysmian Cavi e Sistemi S.r.l. and two other companies violated antitrust rules in connection with a high voltage underground cable project awarded in 2003. Prysmian Cavi e Sistemi S.r.l. has filed its objections and presented its preliminary defence. A ruling issued in July 2016 has held the company liable for violation of Australian antitrust law with regard to this project, without however quantifying the applicable penalty, which will be determined upon completion of the second stage of these proceedings. The company is reviewing the contents of this ruling in detail in order to assess whether there are possible grounds for appeal. The hearing of oral arguments took place on 1 December in connection with the amount of the penalty to impose on Prysmian Cavi e Sistemi S.r.l. at the end of which the judge reserved passing judgement.

In Brazil, the local antitrust authority has started an investigation into several cable manufacturers, including Prysmian, that operate in the high voltage underground and submarine cables market. Prysmian has presented its preliminary defence, which was rejected by the local competition authorities in a statement issued in February 2015. The investigative stage of the proceedings will now ensue, at the end of which the authorities will publish their concluding observations, to which the parties may respond with all their arguments in defence before a final decision is taken.

*Antitrust - Claims for damages as a result of the European Commission's 2014 decision*

During 2015, National Grid and Scottish Power, two British operators, filed claims in the High Court in London against certain cable manufacturers, including Prysmian Group companies, to obtain compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in the decision adopted in April 2014. The Group companies concerned were notified of this initial court filing during the month of May 2015 and presented their defence early in October 2015, along with the summons of other parties censured in the European Commission's decision. Among the parties involved in this action, Pirelli & C. S.p.A. has requested the London High Court to decline its jurisdiction or nonetheless to stay the proceedings in its regard pending the outcome of the civil action previously brought by Pirelli against Prysmian Cavi e Sistemi S.r.l. in the Milan Courts, in which it demands to be held harmless for all claims made by the European Commission in implementation of the latter's decision and for any expenses related to such implementation. The proceedings have since been stayed, as agreed between the parties, pending the outcome of the action brought by Pirelli in the Milan Courts. A similar agreement has also been reached with The Goldman Sachs Group Inc., another company involved in the actions discussed above. The other actions brought by Prysmian Group companies against other cable producers censured in the European Commission decision have in turn been suspended pending the outcome of the main action brought by National Grid and Scottish Power.

During the first few months of 2017, in addition to those mentioned in the preceding paragraphs, other operators belonging to the Vattenfall Group filed claims in the High Court in London against certain cable manufacturers, including companies in the Prysmian Group, to obtain compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in its decision of April 2014. The Prysmian Group defendant companies have duly filed their statement of objections.

In addition, during 2016 other operators had presented claims against Prysmian S.p.A. and some of its subsidiaries, either directly or through lawyers, in order to obtain compensation for an unquantified amount of damages, allegedly suffered as a result of Prysmian's participation in the anti-competitive practices condemned by the European Commission in its decision of April 2014. Since then, however, there have been no developments. Based on the information currently available, the Directors are of the opinion not to make any provision.

#### *Antitrust – Other investigations*

The Australian and Spanish antitrust authorities have respectively initiated additional proceedings to verify the existence of anti-competitive practices by local low voltage cable manufacturers and distributors, including some of the Group's foreign subsidiaries based in these countries. As regards the judicial proceedings initiated by the Australian antitrust authorities, these have ended favourably for the Group's local subsidiary; in fact, the ruling by the competent Australian Federal Court dismissed all the allegations brought by the Australian Competition and Consumer Commission (ACCC), which was also ordered to pay the legal costs incurred by the Group's local subsidiary.

As for the Spanish administrative proceedings, these were initiated at the end of February 2016 by the local competition authority, which sent a statement of objections to some of the Group's local subsidiaries in January of the current year. The objections raised in the statement of objections were reiterated in the so-called Proposal for Resolution of 24 April 2017, another act heralding the pronouncement of a final decision by the local competition authority.

As at 30 June 2017, the provision for the above antitrust issues amounts to approximately Euro 160 million. Despite the uncertainty of the outcome of the investigations in progress and potential legal action by customers as a result of the European Commission's decision, the amount of this provision is considered to represent the best estimate of the liability based on the information now available.

## **12. EMPLOYEE BENEFIT OBLIGATIONS**

These are detailed as follows:

<small>(in millions of Euro)</small>	<b>30 June 2017</b>	<b>31 December 2016</b>
Pension plans	285	298
Employee indemnity liability (Italian TFR)	18	19
Medical benefit plans	28	29
Termination and other benefits	40	37
Incentive plans	-	-
<b>Total</b>	<b>371</b>	<b>383</b>

Movements in employee benefit obligations have had an overall impact of Euro 7 million on the period's income statement, of which Euro 3 million classified in personnel costs and Euro 4 million in finance costs.

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

	1st half 2017	1st half 2016
Average number	20,818	19,742
	30 June 2017	31 December 2016
Closing number	21,219	20,493

### 13. OPERATING INCOME

Operating income is a profit of Euro 207 million in the first six months of 2017 (compared with a profit of Euro 217 million in the first six months of 2016) and includes the following adjustments:

(in millions of Euro)

	1st half 2017	1st half 2016
Company reorganisation <sup>(1)</sup>	(9)	(11)
Non-recurring (expenses)/income <sup>(2)</sup> :	(15)	-
<i>Antitrust</i>	(15)	-
Other non-operating (expenses)/income <sup>(3)</sup>	(7)	(14)
<b>Total adjustments</b>	<b>(31)</b>	<b>(25)</b>

<sup>(1)</sup> Income and expense for company reorganisation: these refer to income and expense that arise as a result of the closure of production facilities and/or as a result of projects to enhance the organisational structure's efficiency;

<sup>(2)</sup> Non-recurring income and expense: these refer to income and expense related to unusual events that have not affected the income statement in past periods and that will probably not affect the results in future periods;

<sup>(3)</sup> Other non-operating income and expense: these refer to income and expense that management considers should not be taken into account when measuring business performance.

## 14. FINANCE COSTS AND INCOME

Finance costs are detailed as follows:

(in millions of Euro)

	1st half 2017	1st half 2016
Interest on non-convertible bond	9	9
Interest on convertible bond 2013 - non-monetary component	4	4
Interest on convertible bond 2013 - monetary component	2	2
Interest on convertible bond 2017- non-monetary component	4	-
Amortisation of bank and financial fees and other expenses	2	2
Employee benefit interest costs	4	4
Other bank interest	6	7
Costs for undrawn credit lines	2	2
Sundry bank fees	7	7
Non-recurring other finance costs	1	1
Other	1	1
<b>Finance costs</b>	<b>42</b>	<b>39</b>
Net losses on forward currency contracts	12	12
<b>Losses on derivatives</b>	<b>12</b>	<b>12</b>
Foreign currency exchange losses	150	197
Other non-operating financial costs	2	-
<b>Total finance costs</b>	<b>206</b>	<b>248</b>

Finance income is detailed as follows:

(in millions of Euro)

	1st half 2017	1st half 2016
Interest income from banks and other financial institutions	3	4
Other finance income	2	3
<b>Finance income</b>	<b>5</b>	<b>7</b>
Net gains on interest rate swaps	-	1
<b>Gains on derivatives</b>	<b>-</b>	<b>1</b>
Foreign currency exchange gains	152	204
<b>Total finance income</b>	<b>157</b>	<b>212</b>

## 15. TAXES

Taxes have been estimated on the basis of the expected average tax rate for the full year. The tax charge for the first six months of 2017 is Euro 45 million. The tax rate for the first six months of 2017 is 28.5%.

## 16. EARNINGS/(LOSS) PER SHARE

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

Diluted earnings/(loss) per share have been affected by the options under the Convertible Bond 2013, whose conversion was in the money as at 30 June 2017 and by the options under the employee share purchase plan (YES Plan). Diluted earnings/(loss) per share have not been affected by either the Convertible Bond 2017, whose conversion is currently out of the money, or by the options under the long-term incentive plan 2015-2017 since aggregate EBITDA at 30 June 2017 had not yet triggered their allotment.

(in millions of Euro)	1st half 2017	1st half 2016
Net profit/(loss) attributable to owners of the parent	113	115
Weighted average number of ordinary shares (thousands)	211,137	214,016
<b>Basic earnings per share (in Euro)</b>	<b>0.53</b>	<b>0.54</b>
Net profit/(loss) attributable to owners of the parent <sup>(1)</sup>	118	115
Weighted average number of ordinary shares (thousands)	211,137	214,016
<b>Adjustments for:</b>		
New shares from conversion of bonds into shares (thousands)	13,444	-
Dilution from incremental shares arising from exercise of stock options (thousands)	56	43
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	224,637	214,059
<b>Diluted earnings per share (in Euro)</b>	<b>0.52</b>	<b>0.54</b>

<sup>(1)</sup>This figure has been adjusted for interest accruing on the Convertible Bond 2013, net of the related tax effect.

## 17. CONTINGENT LIABILITIES

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

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

As at 30 June 2017, the contingent liabilities for which the Group has not recognised any provision for risks and charges, on the grounds that an outflow of resources is only possible, but which can nonetheless be estimated reliably, amount to approximately Euro 81 million.

## 18. 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 259 million at 30 June 2017 (Euro 246 million at 30 June 2016 and Euro 337 million at 31 December 2016).

## 19. SEASONALITY

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

## 20. RELATED PARTY TRANSACTIONS

Transactions between Prysmian S.p.A. and 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 for the benefit of Group companies;
- recharge of royalties for the use of trademarks, patents and technological know-how by Group companies;
- 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 2017:

(in millions of Euro)

					30 June 2017
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total
Equity-accounted investments	202	-	202	202	100.0%
Trade receivables	6	-	6	1,298	0.5%
Other receivables	6	-	6	818	0.7%
Trade payables	3	-	3	1,589	0.2%
Other payables	-	1	1	797	0.1%
Provisions	-	4	4	389	1.0%

(in millions of Euro)

					31 December 2016
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total
Equity-accounted investments	195	-	195	195	100.0%
Trade receivables	14	-	14	1,088	1.2%
Other receivables	5	-	5	809	0.6%
Trade payables	4	-	4	1,498	0.3%
Other payables	2	1	3	893	0.3%
Provisions	-	2	2	379	0.5%

(in millions of Euro)					
					1st half 2017
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total
Sales of goods and services	19	-	19	3,936	0.5%
Other income	2	-	2	37	5.4%
Raw materials, consumables used and goods for resale	(6)	-	(6)	(2,562)	0.2%
Personnel costs	-	(12)	(12)	(544)	2.2%
Other expenses	-	-	-	(698)	0.0%
Share of net profit/(loss) of equity-accounted companies	19	-	19	19	100.0%

(in millions of Euro)					
					1st half 2016
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total
Sales of goods and services	23	-	23	3,785	0.6%
Other income	3	-	3	25	12.0%
Raw materials, consumables used and goods for resale	(7)	-	(7)	(2,275)	0.3%
Personnel costs	-	(15)	(15)	(523)	2.9%
Other expenses	-	-	-	(735)	0.0%
Share of net profit/(loss) of equity-accounted companies	14	-	14	14	100.0%

### Transactions with associates

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

### Compensation of Directors, Statutory Auditors and Key Management Personnel

The compensation of the Directors, Statutory Auditors and Key Management Personnel totals Euro 10 million at 30 June 2017 (Euro 15 million in the first six months of 2016).

## 21. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions were carried out during the first six months of 2017.

## 22. COMMITMENTS

Contractual commitments, already given to third parties at 30 June 2017 and not yet reflected in the financial statements, amount to Euro 65 million for property, plant and equipment and Euro 3 million for intangible assets.



## 23. STOCK OPTION PLANS

### **New employee share purchase plan (2016-2018) – YES 2.0**

The Shareholders' Meeting held on 13 April 2016 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 main objectives 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 (meaning its employees and shareholders), by identifying a common goal of creating long-term value;
- to help consolidate the process of integrating the Group's acquisitions.

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 certain managers, for whom the discount is 15%, and the executive Directors and key management personnel, for whom the discount is 1% on the stock price.

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

The shares purchased are subject to a retention period, during which they cannot be sold. The Plan contains purchase windows over the next three years.

The process of presenting and explaining the plan to Group employees started in October 2016.

The first purchase window opened on 18 April 2017: employees had until 18 May to communicate how much they wished to invest in the Plan's first purchase window. The sum collected in this period were 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 May 2017. The number of treasury shares allotted to each participant was determined by taking into account the average share purchase price (Euro 24.8305), the individual investment and the applicable discount.

All those who signed up for the plan also received an entry bonus of six free shares, taken from the Company's portfolio of treasury shares, only available at the time of first purchase. If an employee had already participated in the 2013 plan, they received eight shares as an entry bonus to the new plan.

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

The fair value of the options has been determined using the Montecarlo binomial pricing model, based on the following assumptions:

	<b>Window</b>
Grant date	14 November 2016
Share purchase date	from 16 February 2017 to 16 September 2019
End of retention period	from 16 February 2020 to 16 September 2022
Residual life at grant date (in years)	2.71
Share price at grant date (Euro)	23.40
Expected volatility	from 31.74% to 36.05%
Risk-free interest rate	from 0.70% to 0.75%
Expected dividend %	2.07%
Option fair value at grant date (Euro)	from €21.57 to €23.15

The total cost recognised as "Personnel costs" in the income statement at 30 June 2017 in relation to the fair value of options granted under this plan is Euro 1 million.

The following table provides additional details about movements in the plan:

	<b>30 June 2017</b>
	<b>Number of options</b>
Options at start of year	349,849
Granted	-
Change in expected participations	-
Cancelled	-
Exercised	(31,212)
Options at end of period	318,637

The information memorandum, prepared under art. 114-bis of Legislative Decree 58/98 and describing the characteristics of the above 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 2015-2017**

The Shareholders' Meeting held on 16 April 2015 approved an incentive plan for employees of the Prysmian Group, including members of the Board of Directors of Prysmian S.p.A., and granted the Board of Directors the necessary powers to establish and implement this plan.

The reasons behind the introduction of the Plan are:

- to generate strong commitment by the Group's management to achieving the targets for additional growth in profits and return on capital employed over the next three years;
- to align the interests of management with those of shareholders by using share-based incentives, and promoting stable share ownership of the Company;
- to ensure the long-term sustainability of the Group's annual performance through the mechanism of co-investing part of the annual bonus and consequent retention effect.

The Plan covers around 335 employees of Group companies and involves the grant of options, the number of which depends on the achievement of common business and financial performance objectives for all participants.

The Plan consists of two parts:

- Co-investment;

- Performance Shares.

The Co-investment part requires each participant to defer and co-invest a variable portion of their annual bonuses for the years 2015 and 2016, if achieved; if the Target is achieved, this portion is returned to the participant in the form of company shares with a higher value than that co-invested.

The Performance Shares part involves the prior establishment of a minimum and maximum number of shares for each participant, according to their company position and salary level. The number of shares actually awarded will depend on the extent to which the Performance Conditions are achieved. Both parts of the plan are contingent upon achieving two financial performance targets in the period 2015-2017, namely the Group's aggregate Adjusted EBITDA for the three years (min. Euro 1,850 million - max. Euro 2,150 million) and average ROCE (Return On Capital Employed) in the same three-year period (min. 16.0% - max. 19.6%).

The following table provides additional details about movements in the plan:

	Number options (*)	Exercise price
Options at start of year	6,614,124	-
Granted	-	-
Variation for target remeasurement	(11,142)	-
Cancelled	-	-
Exercised	-	-
Options at end of period	6,602,982	-
of which vested at end of period	-	-
of which exercisable	-	-
of which not vested at end of period	6,602,982	-

The total cost recognised as "Personnel costs" in the income statement at 30 June 2017 in relation to the fair value of options granted under this plan is Euro 24 million.

In accordance with IFRS 2, the options allotted have been measured at their grant date fair value. The fair value of the options has been determined using the following assumptions:

Grant date	16 April 2015
Residual life at grant date (in years)	2.75
Exercise price (Euro)	-
Risk-free interest rate	0.49%
Expected dividend %	2.25%
Option fair value at grant date (Euro)	17.99

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

As at 30 June 2017, there are no outstanding loans or guarantees by the Parent Company or its subsidiaries to any of the directors, senior managers or statutory auditors.

## 24. DIVIDEND DISTRIBUTION

On 12 April 2017, the shareholders of Prysmian S.p.A. approved the financial statements for 2016 and the distribution of a gross dividend of Euro 0.43 per share, for a total of some Euro 91 million. The dividend was paid out on 26 April 2017 to shares outstanding on the record date of 25 April 2017, with the shares going ex-dividend on 24 April 2017.

## 25. FINANCIAL COVENANTS

The credit agreements in place at 30 June 2017, 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 Debt and EBITDA (as defined in the relevant agreements).

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

	<b>EBITDA / Oneri finanziari netti <sup>(1)</sup> non inferiore a:</b>	<b>Indebitamento finanziario netto / EBITDA <sup>(1)</sup> non superiore a:</b>
Finanziamento BEI	5.50x	2.50x
Revolving Credit facility 2014 in pool	4.00x	3.00x

<sup>1)</sup> The ratios are calculated on the basis of the definitions contained in the relevant credit agreements.

### (b) Non-financial covenants

A number of non-financial covenants have been established in line with market practice applying to transactions of a similar nature and size. These covenants involve a series of restrictions on the grant of secured guarantees to third parties, 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:

	<b>30 giugno 2017</b>	<b>31 dicembre 2016</b>
EBITDA / Oneri finanziari netti <sup>(1)</sup>	14.89x	15.63x
Indebitamento finanziario netto / EBITDA <sup>(1)</sup>	1.34x	0.74x

<sup>1)</sup> The ratios are calculated on the basis of the definitions contained in the relevant credit agreements.

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

## 26. EXCHANGE RATES

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

	Closing rates at		Average rates in	
	30 June 2017	31 December 2016	6 months 2017	6 months 2016
<b>Europe</b>				
British Pound	0.879	0.856	0.861	0.779
Swiss Franc	1.093	1.074	1.077	1.096
Hungarian Forint	308.97	309.83	309.421	312.714
Norwegian Krone	9.571	9.086	9.179	9.420
Swedish Krona	9.64	9.553	9.597	9.301
Czech Koruna	26.197	27.021	26.784	27.04
Danish Krone	7.437	7.434	7.437	7.45
Romanian Leu	4.552	4.539	4.537	4.496
Turkish Lira	4.01	3.717	3.939	3.262
Polish Zloty	4.226	4.410	4.269	4.369
Russian Rouble	67.545	64.300	62.806	78.297
<b>North America</b>				
US Dollar	1.141	1.054	1.083	1.116
Canadian Dollar	1.479	1.419	1.445	1.484
<b>South America</b>				
Brazilian Real	3.775	3.435	3.445	4.131
Argentine Peso	18.978	16.750	17.019	16.022
Chilean Peso	758.214	704.945	714.89	769.129
Mexican Peso	20.584	21.772	21.044	20.173
<b>Oceania</b>				
Australian Dollar	1.485	1.460	1.436	1.522
New Zealand Dollar	1.555	1.516	1.53	1.648
<b>Africa</b>				
CFA Franc	655.957	655.957	655.957	655.957
Tunisian Dinar	2.776	2.450	2.557	2.291
<b>Asia</b>				
Chinese Renminbi (Yuan)	7.739	7.320	7.445	7.296
United Arab Emirates Dirham	4.189	3.870	3.976	4.097
Hong Kong Dollar	8.907	8.175	8.42	8.668
Singapore Dollar	1.571	1.523	1.521	1,540
Indian Rupee	73.745	71.594	71.176	75.002
Indonesian Rupiah	15,209	14,173.43	14,434	14,963
Japanese Yen	127.75	123.400	121.78	124.414
Thai Baht	38.744	37.726	37.59	39.559
Philippine Peso	57.575	52.268	54.077	52.328
Omani Rial	0.439	0.405	0.416	0.429
Malaysian Ringgit	4.899	4.729	4.751	4.574
Qatari Riyal	4.154	3.837	3.942	4.062
Saudi Riyal	4.28	3.954	4.062	4.185

## 27. SUBSEQUENT EVENTS

No significant events have taken place since the end of the half-year reporting period.

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Milan, 27 July 2017

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
<b>Europe</b>					
<b>Austria</b>					
Prysmian OEKW GmbH	Wien	Euro	2,053,008	100.00%	Prysmian Cavi e Sistemi S.r.l.
<b>Belgium</b>					
Draka Belgium N.V.	Antwerpen	Euro	61,973	98.52%	Draka Holding B.V.
				1.48%	Draka Kabel B.V.
<b>Denmark</b>					
Prysmian Denmark A/S	Albertslund	Danish Krone	40,001,000	100.00%	Draka Holding B.V.
<b>Estonia</b>					
AS Draka Keila Cables	Keila	Euro	1,664,000	100.00%	Prysmian Finland OY
<b>Finland</b>					
Prysmian Finland OY	Kirkkonummi	Euro	100,000	77.7972%	Prysmian Cavi e Sistemi S.r.l.
				19.9301%	Draka Holding B.V.
				2.2727%	Draka Comteq B.V.
<b>France</b>					
Prysmian (French) Holdings S.A.S.	Paron	Euro	129,026,210	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Cables et Systèmes France S.A.S.	Sens	Euro	136,800,000	100.00%	Prysmian (French) Holdings S.A.S.
Draka Comteq France S.A.S.	Paron	Euro	246,554,316	100.00%	Draka France S.A.S.
Draka Fileca S.A.S.	Sainte Geneviève	Euro	5,439,700	100.00%	Draka France S.A.S.
Draka Paricable S.A.S.	Sainte Geneviève	Euro	5,177,985	100.00%	Draka France S.A.S.
Draka France S.A.S.	Marne La Vallée	Euro	261,551,700	100.00%	Draka Holding B.V.
<b>Germany</b>					
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 BV
Draka Comteq Germany GmbH & Co.KG	Koln	Euro	5,000,000	100.00%	Draka Comteq B.V.
Draka Deutschland Erste Beteiligungs- GmbH	Wuppertal	Euro	25,000	100.00%	Draka Holding B.V.
Draka Deutschland GmbH	Wuppertal	Euro	25,000	90.00%	Draka Deutschland Erste Beteiligungs GmbH
				10.00%	Draka Deutschland Zweite Beteiligungs GmbH



## PRYSMIAN GROUP | CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Draka Deutschland Verwaltungs GmbH	Wuppertal	Deutsche Mark	50,000	100.00%	Draka Cable Wuppertal GmbH
Draka Deutschland Zweite Beteiligungs GmbH	Wuppertal	Euro	25,000	100.00%	Prysmian Netherlands B.V.
Draka Kabeltechnik GmbH	Wuppertal	Euro	25,000	100.00%	Draka Cable Wuppertal GmbH
Draka Service GmbH	Nuremberg	Euro	25,000	100.00%	Draka Cable Wuppertal GmbH
Höhn GmbH	Wuppertal	Deutsche Mark	1,000,000	100.00%	Draka Deutschland GmbH
Kaiser Kabel GmbH	Wuppertal	Deutsche Mark	9,000,000	100.00%	Draka Deutschland GmbH
NKF Holding (Deutschland) GmbH i.L.	Wuppertal	Euro	25,000	100.00%	Prysmian Netherlands B.V.
usb-elektro Kabelkonfektions- GmbH i.L.	Wuppertal	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
<b>U.K.</b>					
Prysmian Cables & Systems Ltd.	Eastleigh	British Pound	113,901,120	100.00%	Prysmian UK Group Ltd.
Prysmian Construction Company Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (2000) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables and Systems International Ltd.	Eastleigh	Euro	1	100.00%	Prysmian Cavi e Sistemi S.r.l.
Cable Makers Properties & Services Limited	Hampton	British Pound	33	74.99%	Prysmian Cables & Systems Ltd.
				25.01%	Third parties
Comergy Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Pension Scheme Trustee Limited	Eastleigh	British Pound	1	100.00%	Prysmian S.p.A.
Prysmian UK Group Ltd.	Eastleigh	British Pound	70,011,000	100.00%	Draka Holding B.V.
Draka Distribution Aberdeen Limited	Eastleigh	British Pound	1	100.00%	Prysmian UK Group Ltd
Draka Comteq UK Ltd.	Eastleigh	British Pound	9,000,002	100.00%	Prysmian UK Group Ltd
Draka UK Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian UK Group Ltd.
Draka UK Group Ltd.	Eastleigh	British Pound	822,000	100.00%	Prysmian UK Group Ltd.
Prysmian Powerlink Services Ltd.	Eastleigh	British Pound	46,000,100	100.00%	Prysmian UK Group Ltd.
<b>Ireland</b>					
Prysmian Re Company Designated Activity Company	Dublin	Euro	5,000,000	100.00%	Draka Holding B.V.
<b>Italy</b>					
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
<b>Norway</b>					
Draka Norsk Kabel A.S.	Drammen	Norwegian Krone	22,500,000	100.00%	Draka Holding B.V.
<b>The Netherlands</b>					
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.
NK China Investments B.V.	Delft	Euro	19,000	100.00%	Prysmian Netherlands B.V.
NKF Vastgoed I B.V.	Delft	Euro	18,151	99.00%	Draka Holding B.V.
				1.00%	Prysmian Netherlands B.V.
NKF Vastgoed III B.V.	Delft	Euro	18,151	99.00%	Draka Deutschland GmbH
				1.00%	Prysmian Netherlands B.V.
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.
<b>Czech Republic</b>					
Draka Kabely, s.r.o.	Velke Mezirici	Czech Koruna	255,000,000	100.00%	Draka Holding B.V.
<b>Romania</b>					
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.
<b>Russia</b>					
Limited Liability Company Prysmian RUS	Rybinsk city	Russian Rouble	230,000,000	99.00%	Draka Holding B.V.
				1.00%	Prysmian Cavi e Sistemi S.r.l.
Limited Liability Company "Rybinskelektrokabel"	Rybinsk city	Russian Rouble	90,312,000	100.00%	Limited Liability Company Prysmian RUS
Neva Cables Ltd	St. Petersburg	Russian Rouble	194,000	100.00%	Prysmian Finland OY

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Legal name	Office	Currency	Share capital	% ownership	Direct parent company
<b>Slovakia</b>					
Prysmian Kablo s.r.o.	Bratislava	Euro	21,246,001	99.995%	Prysmian Cavi e Sistemi S.r.l.
				0.005%	Prysmian S.p.A.
Draka Comteq Slovakia s.r.o.	Záborské	Euro	1,506,639	100.00%	Draka Comteq B.V.
<b>Spain</b>					
Prysmian Cables Spain, S.A. (Sociedad Unipersonal)	Vilanova I la Geltrú	Euro	58,178,234	100.00%	Draka Holding, S.L.
MarmaviL.S.L. (Sociedad Unipersonal)	Santa Perpetua de Mogoda	Euro	3,006	100.00%	Draka Holding B.V.
Draka Holding, S.L.	Santa Perpetua de Mogoda	Euro	24,000,000	99.99999%	Draka Holding B.V.
				0.00001%	MarmaviL.S.L. (Sociedad Unipersonal)
<b>Sweden</b>					
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
<b>Switzerland</b>					
Prysmian Cables and Systems S.A. in liquidazione	Lugano	Swiss Franc	500,000	100.00%	Draka Holding B.V.
<b>Turkey</b>					
Turk Prysmian Kablo Ve Sistemleri A.S.	Mudanya	Turkish new Lira	112,233,652	83.746%	Draka Holding B.V.
				0.891%	Turk Prysmian Kablo Ve Sistemleri A.S.
				15.363%	Third parties
Tasfiye Halinde Draka Istanbul Asansor İthalat İhracat Üretim Ticaret Ltd. Şti.	Osmangazi-Bursa	Turkish new Lira	180,000	100.00%	Draka Holding B.V.
Tasfiye Halinde Draka Comteq Kablo Limited Sirketi	Osmangazi-Bursa	Turkish new Lira	45,818,775	99.99995%	Draka Comteq B.V.
				0.00005%	Prysmian Netherlands B.V.
<b>Hungary</b>					
Prysmian MKM Magyar Kabel Muvek Kft.	Budapest	Hungarian Forint	5,000,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
<b>North America</b>					
<b>Canada</b>					
Prysmian Cables and Systems Canada Ltd.	Saint John	Canadian Dollar	1,000,000	100.00%	Draka Holding B.V.
Draka Elevator Products, Incorporated	Saint John	Canadian Dollar	n/a	100.00%	Draka Cableteq USA, Inc.
<b>U.S.A.</b>					
Prysmian Cables and Systems (US) Inc.	Las Vegas	US Dollar	330,517,608	100.00%	Draka Holding B.V.
Prysmian Cables and Systems USA LLC	Wilmington	US Dollar	10	100.00%	Prysmian Cables and Systems (US) Inc.
Prysmian Construction Services Inc	Wilmington	US Dollar	1,000	100.00%	Prysmian Cables and Systems USA LLC
Draka Cableteq USA Inc.	Boston	US Dollar	10	100.00%	Prysmian Cables and Systems (US) Inc.
Draka Elevator Products, Inc.	Boston	US Dollar	1	100.00%	Draka Cableteq USA Inc.
Draka Transport USA LLC	Boston	US Dollar	0	100.00%	Draka Cableteq USA Inc.
Gulf Coast Downhole Technologies, LLC	Huston	US Dollar	0	100.00%	Draka Cableteq USA Inc.

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Legal name	Office	Currency	Share capital	% ownership	Direct parent company
<b>Central/South America</b>					
<b>Argentina</b>					
Prysmian Energia Cables y Sistemas de Argentina S.A.	Buenos Aires	Argentine Peso	69,024,900	91.858%	Prysmian Consultora Conductores e Instalaciones SAIC
				7.570%	Draka Holding B.V.
				0.263%	Prysmian Cabos e Sistemas do Brasil S.A.
				0.309%	Third parties
Prysmian Consultora Conductores Instalaciones SAIC	Buenos Aires	Argentine Peso	48,571,242	95.00%	Draka Holding B.V.
				5.00%	Prysmian Cavi e Sistemi S.r.l.
<b>Brazil</b>					
Prysmian Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real	547,630,605	91.844%	Prysmian Cavi e Sistemi S.r.l.
				0.040%	Prysmian S.p.A.
				1.687%	Draka Holding B.V.
				6.428%	Draka Comteq B.V.
Draka Comteq Cabos Brasil S.A	Santa Catarina	Brazilian Real	27,467,522	49.352%	Draka Comteq B.V.
				50.648%	Prysmian Cabos e Sistemas do Brasil S.A.
<b>Chile</b>					
Prysmian Cables Chile SpA	Santiago	Chile Peso	1,315,380,000	100.00%	Prysmian Cabos e Sistemas do Brasil S.A.
<b>Mexico</b>					
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	173,265,600	99.9983%	Draka Holding B.V.
				0.0017%	Draka Mexico Holdings S.A. de C.V.
<b>Africa</b>					
<b>Ivory Coast</b>					
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
<b>Tunisia</b>					
Auto Cables Tunisie S.A.	Grombalia	Tunisian Dinar	4,050,000	50.998%	Prysmian Cables et Systèmes France S.A.S.
				49.002%	Third parties
Eurelectric Tunisie S.A.	Menzel Bouzelfa	Tunisian Dinar	50,000	98.80%	Prysmian Cables et Systèmes France S.A.S.
				0.20%	Prysmian (French) Holdings S.A.S.
				0.20%	Prysmian Cavi e Sistemi S.r.l.
				0.80%	Third parties

## PRYSMIAN GROUP | CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
<b>Oceania</b>					
<b>Australia</b>					
Prysmian Australia Pty Ltd.	Liverpool	Australian Dollar	56,485,736	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Telecom Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	0	100.00%	Prysmian Cavi e Sistemi S.r.l.
<b>New Zealand</b>					
Prysmian New Zealand Ltd.	Auckland	New Zealand Dollar	10,000	100.00%	Prysmian Australia Pty Ltd.
<b>Asia</b>					
<b>Saudi Arabia</b>					
Prysmian Powerlink Saudi LLC	Al Khoabar	Saudi Arabian Riyal	500,000	95.00%	Prysmian PowerLink S.r.l.
				5.00%	Third parties
<b>China</b>					
Prysmian Tianjin Cables Co. Ltd.	Tianjin	US Dollar	36,790,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Cable (Shanghai) Co.Ltd.	Shanghai	US Dollar	5,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Wuxi Cable Co. Ltd .	Wuxi	US Dollar	29,941,250	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Hong Kong Holding Ltd.	Hong Kong	Euro	59,500,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian (China) Investment Company Ltd.	Beijing	Euro	59,500,000	100.00%	Prysmian Hong Kong Holding Ltd.
Nantong Haixun Draka Elevator Products Co. LTD	Nantong	US Dollar	2,400,000	75.00%	Draka Elevator Product Inc.
				25.00%	Third parties
Nantong Zhongyao Draka Elevator Products Co. LTD	Nantong	US Dollar	2,000,000	75.00%	Draka Elevator Product Inc.
				25.00%	Third parties
Draka Cables (Hong Kong) Limited	Hong Kong	Hong Kong Dollar	6,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Shanghai Optical Fibre Cable Co Ltd.	Shanghai	US Dollar	15,580,000	55.00%	Draka Comteq Germany GmbH & Co.KG
				45.00%	Third parties
Suzhou Draka Cable Co. Ltd	Suzhou	Chinese Renminbi (Yuan)	174,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Prysmian PowerLink Asia Co. Ltd	Suzhou	Euro	0	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Technology Jiangsu Co. Ltd.	Yixing	Euro	49,243,000	100.00%	Prysmian (China) Investment Company Ltd.
<b>Philippines</b>					
Draka Philippines Inc.	Cebu	Philippine Peso	253,652,000	99.9999975%	Draka Holding B.V.
				0.0000025%	Third parties
<b>India</b>					
Associated Cables Pvt. Ltd.	Mumbai	Indian Rupee	61,261,900	32.00%	Draka UK Group Ltd.
				28.00%	Draka Holding 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.
<b>Indonesia</b>					
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
<b>Malaysia</b>					
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	Melaka	Malaysian Ringgit	500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Marketing and Services Sdn Bhd	Melaka	Malaysian Ringgit	500,000	100.00%	Cable Supply and Consulting Company Pte Ltd
Draka (Malaysia) Sdn Bhd	Melaka	Malaysian Ringgit	8,000,002	100.00%	Cable Supply and Consulting Company Pte Ltd
<b>Oman</b>					
Oman Cables Industry (SAOG)	Al Rusayl	Omani Riyal	8,970,000	51.17%	Draka Holding B.V.
				48.83%	Third parties
Oman Aluminium Processing Industries LLC	Sohar	Omani Riyal	4,366,000	51.00%	Oman Cables Industry (SAOG)
				49.00%	Third parties
<b>Singapore</b>					
Prysmian Cables Asia-Pacific Pte Ltd.	Singapore	Singapore Dollar	213,324,290	100.00%	Draka Holding B.V.
Prysmian Cable Systems Pte Ltd.	Singapore	Singapore Dollar	25,000	50.00%	Draka Holding B.V.
				50.00%	Prysmian Cables & Systems Ltd.
Draka Offshore Asia Pacific Pte Ltd	Singapore	Singapore Dollar	51,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Cableteq Asia Pacific Holding Pte Ltd	Singapore	Singapore Dollar	28,630,504	100.00%	Draka Holding B.V.
Singapore Cables Manufacturers Pte Ltd	Singapore	Singapore Dollar	1,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Cable Supply and Consulting Company 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
<b>Thailand</b>					
MCI-Draka Cable Co. Ltd	Bangkok	Thai Baht	435,900,000	70.250172%	Draka Cableteq Asia Pacific Holding Pte Ltd
				0.000023%	Draka (Malaysia) Sdn Bhd
				0.000023%	Sindutch Cable Manufacturer Sdn Bhd
				0.000023%	Singapore Cables Manufacturers Pte Ltd
				29.749759%	Third parties

The following companies have been accounted for using the equity method:

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
<b>Europe</b>					
<b>Germany</b>					
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
<b>U.K.</b>					
Rodco Ltd.	Woking	British Pound	5,000,000	40.00%	Prysmian Cables & Systems Ltd.
				60.00%	Third parties
<b>Poland</b>					
Eksa Sp.z.o.o	Sokolów	Polish Zloty	394,000	29.949%	Prysmian Cavi e Sistemi S.r.l.
				70.051%	Third parties
<b>Russia</b>					
Elkat Ltd.	Moscow	Russian Rouble	10,000	40.00%	Prysmian Finland OY
				60.00%	Third parties
<b>Asia</b>					
<b>China</b>					
Yangtze Optical Fibre and Cable Joint Stock Limited Co.	Wuhan	Chinese Renminbi (Yuan)	682,114,598	26.37%	Draka Comteq B.V.
				73.63%	Third parties
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd.	Shanghai	Chinese Renminbi (Yuan)	100,300,000	75.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				25.00%	Draka Comteq B.V.
<b>Japan</b>					
Precision Fiber Opticos Ltd.	Chiba	Japanese Yen	138,000,000	50.00%	Draka Comteq Fibre B.V.
				50.00%	Third parties
<b>Malaysia</b>					
Power Cables Malaysia Sdn Bhd	Selangor Darul Eshan	Malaysian Ringgit	8,000,000	40.00%	Draka Holding B.V.
				60.00%	Third parties

List of unconsolidated other investments:

<b>Legal name</b>	<b>% ownership</b>	<b>Direct parent company</b>
<b>Asia</b>		
<b>India</b>		
Ravin Cables Limited	51.00%	Prysmian Cavi e Sistemi S.r.l.
	49.00%	Third parties
<b>United Arab Emirates</b>		
Power Plus Cable CO. LLC	49.00%	Ravin Cables Limited
	51.00%	Third parties
<b>Africa</b>		
<b>South Africa</b>		
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 2017 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 2017 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 2017, 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 2017:

- 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, 27 July 2017*

*Chief Executive Officer*

*Managers responsible for preparing corporate accounting documents*

**Valerio Battista**

**Carlo Soprano**

**Andreas Bott**

# AUDIT REPORT

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

To the Shareholders of  
Prysmian S.p.A.

### **Introduction**

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position as of June 30, 2017, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended and the related explanatory notes of Prysmian S.p.A. and its subsidiaries (the "Prysmian Group"). The Directors of Prysmian S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### **Scope of Review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Prysmian Group as of June 30, 2017 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 3, 2017

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

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

