



LEADING  
IN ALL KEY  
AND BEST  
STRONGER PLATFORM TO  
**HALF-YEAR**  
**FINANCIAL**  
**REPORT** IN REVENUE  
AT 30 JUNE 2013  
LEADING TECH  
**LINKING** SUPPORT  
**THE FUTURE** OF SM  
**STRONGER**  
**TO ENHANCE**  
**EXTENDING**  
**IN OGC**  
**ADDITIONAL**

**Prysmian**  
Group



**HALF-YEAR  
FINANCIAL REPORT  
AT 30 JUNE 2013  
PRYSMIAN GROUP**

**Disclaimer**

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

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# **INTERIM DIRECTOR'S REPORT**

## DIRECTORS AND AUDITORS

Board of Directors	<b>Chairman</b>	Massimo Tononi <sup>(*) (2)</sup>	
	<b>Chief Executive Officer &amp; General Manager</b>	Valerio Battista	
	<b>Directors</b>	Maria Elena Cappello <sup>(*) (**) (1)</sup>	Pier Francesco Facchini
		Cesare d'Amico <sup>(*) (**)</sup>	Fritz Fröhlich <sup>(*) (**) (1)</sup>
		Claudio De Conto <sup>(*) (**) (1) (2)</sup>	Fabio Ignazio Romeo
		Giulio Del Ninno <sup>(*) (**) (2)</sup>	Giovanni Tamburi <sup>(*) (**)</sup>
		Frank Dorjee	
Board of Statutory Auditors	<b>Chairman</b>	Pellegrino Libroia <sup>(3)</sup>	
	<b>Standing Statutory Auditors</b>	Paolo Francesco Lazzati <sup>(3)</sup>	Maria Luisa Mosconi <sup>(3)</sup>
	<b>Alternate Statutory Auditors</b>	Marcello Garzia <sup>(3)</sup>	Claudia Mezzabotta <sup>(3)</sup>
Independent Auditors	<b>PricewaterhouseCoopers S.p.A.</b>		

<sup>(\*)</sup> Independent directors as per Italy's Unified Financial Act

<sup>(\*\*)</sup> Independent directors as per Italy's Self-Regulatory Code of Corporate Governance

<sup>(1)</sup> Members of Control and Risks Committee

<sup>(2)</sup> Members of the Compensation and Nominations Committee

<sup>(3)</sup> Appointed on 16 April 2013

## Introduction

This Half-Year Financial Report at 30 June 2013 (Interim management statement pursuant to art. 154-ter of Italian Legislative Decree 58/1998) has been drawn up and prepared:

- in compliance with art. 154-ter of Italian Legislative Decree 58/1998 and subsequent amendments and with the Issuer Regulations published by Consob (Italy's securities regulator);
- in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and in accordance with *IAS 34 – Interim Financial Reporting*, applying the same accounting standards and policies adopted to prepare the consolidated financial statements at 31 December 2012, except as described in the Explanatory Notes in the paragraph entitled "Accounting standards, amendments and interpretations applied from 1 January 2013".

The Half-Year Condensed Consolidated Financial Statements, included in the present Half-Year Financial Report, have been the subject of a limited review by the independent auditors.

## SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION\*

(in millions of Euro)

	1st half 2013	1st half 2012 **	% change	FY 2012 **
<b>Sales</b>	3,622	3,916	-7.5%	7,848
<b>EBITDA <sup>(1)</sup></b>	256	266	-4.0%	546
<b>Adjusted EBITDA <sup>(2)</sup></b>	282	308	-8.3%	647
<b>Operating income</b>	134	178	-24.6%	362
<b>Adjusted operating income <sup>(3)</sup></b>	204	229	-10.5%	483
<b>Profit/(loss) before taxes</b>	58	127	-54.2%	242
<b>Net profit/(loss) for the period</b>	41	89	-53.5%	169

(in millions of Euro)

	30 June 2013	30 June 2012	Change	31 December 2012
<b>Net capital employed</b>	2,730	2,829	(99)	2,421
<b>Employee benefit obligations</b>	332	308	24	344
<b>Equity</b>	1,150	1,125	25	1,159
<b>of which attributable to non-controlling interests</b>	44	52	(8)	47
<b>Net financial position</b>	1,248	1,396	(148)	918

(in millions of Euro)

	1st half 2013	1st half 2012 **	% change	FY 2012 **
<b>Investments</b>	51	65	-21.5%	152
<b>Employees (at period end)</b>	19,562	20,470	-4.4%	19,986
<b>Earnings/(loss) per share</b>				
- basic	0.20	0.42		0.79
- diluted	0.20	0.42		0.78

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

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

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

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

(\*\*) The previously published prior year comparative figures have been the subject of a restatement following the introduction of IAS 19 (revised). This restatement has resulted in the recognition of Euro 2 million in additional finance costs in 2012, of which Euro 1 million affecting the first half of 2012.



## SIGNIFICANT EVENTS DURING THE PERIOD

### PRINCIPAL PROJECTS ACQUIRED AND COMMERCIAL INITIATIVES IN THE PERIOD

During the month of February 2013, Prysmian Group was awarded two new contracts, worth a total of approximately Euro 45 million, by Jersey Electricity plc (UK) for the "Normandie 3" interconnector that will transmit electricity to Jersey in the Channel Islands from the French mainland. This is the third such interconnector to be installed as part of a major ten-year investment programme by Jersey Electricity to upgrade its transmission grid infrastructure.

The project involves the supply and installation of a High Voltage Alternating Current (HVAC) 90 kV power line from France to Jersey, comprising a 35 km subsea section and 7 km onshore underground section, as well as related network components and specialist civil engineering works at either end. The submarine cable will be installed in the first half of 2014, with project completion scheduled over the summer. Once completed, the interconnector will form part of the Channel Islands Electricity Grid, co-owned by Jersey Electricity and Guernsey Electricity, and will help significantly increase the Channel Islands' energy importation capability.

In late February 2013, the Group was awarded a new contract worth more than Euro 350 million by Alstom Grid GmbH, on behalf of TenneT, the Dutch-German grid operator, for the DoIWin3 project to connect offshore wind farms in the North Sea to mainland Germany.

The project involves the supply, installation and commissioning of a High Voltage Direct Current (HVDC) 320 kV 900 MW extruded power cable complete with a fibre optic cable system, comprising a 78 km onshore section and 83 km subsea section. The turnkey connection will link the DoIWin Gamma offshore converter platform in the "DoIWin" cluster, located approximately 85 km offshore in the North Sea, to the mainland with the purpose of transmitting energy from renewable sources to the German electricity grid.

Cables will be installed in natural areas of great environmental importance, both onshore and at sea, including along the Ems estuary. This is the first DC grid interconnector to follow this route.

At the start of the month of March 2013, Prysmian Group was awarded a new contract worth more than Euro 50 million by TenneT, the Dutch-German grid operator, for the connection of the Deutsche Bucht OWP (offshore wind park).

The project involves the design, supply and installation of a turnkey High Voltage Alternating Current (HVAC) submarine cable system, comprising two 3-core 155 kV extruded cables with integrated fibre optic cable, that will run along a 31 km route. The system will link the Deutsche Bucht OWP to the mainland via converter platforms in the BorWin cluster, including the BorWin Beta offshore HVDC converter platform.

Under this new contract, Prysmian will supply and install not only the converter platform's cables but also the required shunt reactors on the Deutsche Bucht platform, which form part of the complete and ever more extensive turnkey solutions offered by the Group.

Towards the end of April 2013, the Prysmian Group secured a new contract worth approximately Euro 85 million from REE (Red Eléctrica de España S.A.U.), the operator of the national electricity grid in Spain, for the second circuit of the Mallorca-Ibiza interconnection.

The contract involves the design, supply and installation of a "turnkey" High Voltage Alternating Current

(HVAC) submarine cable system with a transmission capacity of 118 MVA and consisting of 132 kV three-core extruded cable with an integrated fibre optic cable. The cable will run along a total route of more than 123 km (115 km at sea and 8.6 km on land) to interconnect the two islands and allow Ibiza to be integrated into the mainland's electricity grid through the existing "Romulo" link between Mallorca and the Iberian Peninsula.

The submarine cables for the Mallorca-Ibiza link will be manufactured by the Arco Felice plant (in Naples, Italy), the Group's centre of technological excellence; cables for the link's underground portion and the system's optical components will be manufactured in Vilanova i la Geltrú (Spain). The manufacturing activities will take place during 2014. Marine cable-laying at depths of up to 750 metres, a complex operation that falls well within Prysmian's experience which has seen record depths of more than 1600 metres, will be performed using the Group's cable ship, the "Giulio Verne". Cable installation will be completed during 2015.

In the first half of the month of May 2013, Prysmian Group opened a new factory for the production of optical cables in Slatina, Romania, which has become one of Europe's new centres of excellence for optical cables for the telecom industry.

The Slatina plant is celebrating its 40th anniversary this year, having started its manufacturing activity in 1973 with the production of energy cables and having introduced the first module to produce optical fibre cables in 2009. The plant boasts a large number of quality certifications, such as ISO 9001, ISO 14001 and IMQ, and will triple its production, from 500,000 km to 1.5 million km of cables per year, with the potential of reaching 3 million.

The Slatina plant occupies a site of almost 100,000 m<sup>2</sup>, of which around 42,000 m<sup>2</sup> is covered area. It employs more than 400 people and has an annual production capacity for 30,000 tonnes of energy cables (from high voltage cables up to 110kV and building wires, to instrumentation, control and power distribution cables), for nearly 1,500,000 km of optical cables and 500,000 km of copper telecom cables (covering almost all the demand for both optical and copper cables).

In the month of May 2013, Prysmian Group was awarded a new contract worth more than USD 100 million to supply and install submarine cables for a part of ExxonMobil Corporation's offshore operations in the United States.

The project involves replacing approximately 50 km of submarine power cables with new 40 kV EPR cables designed for depths up to 450 metres. The cables will supply electricity from shore-based generating stations to offshore oil platforms.

Prysmian will carry out this turnkey project using submarine power cables manufactured at its Drammen plant in Norway and using the "Cable Enterprise" cable ship for installation. In preparation for the installation part of this project, the "Cable Enterprise" will be extensively modified in 2014 to equip it with a full dynamic positioning (DP) system.

## **FINANCE AND M&A ACTIVITIES**

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

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

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

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

The Shareholders' Meeting held on 16 April authorised:

- the convertibility bond;
- the proposal to increase share capital for cash, in one or more instalments with the exclusion of pre-emptive rights, by a maximum nominal amount of Euro 1,344,411.30, by issuing, in one or more instalments, up to 13,444,113 ordinary shares of the Company, with the same characteristics as ordinary shares in circulation, exclusively and irrevocably to serve the Bond's conversion.

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

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

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

## GROUP PERFORMANCE AND RESULTS

(in millions of Euro)

	1st half 2013	1st half 2012 *	% change	FY 2012 *
Sales	3,622	3,916	-7.5%	7,848
<b>Adjusted EBITDA</b>	<b>282</b>	<b>308</b>	<b>-8.3%</b>	<b>647</b>
% of sales	7.8%	7.9%		8.2%
<b>EBITDA</b>	<b>256</b>	<b>266</b>	<b>-4.0%</b>	<b>546</b>
% of sales	7.1%	6.8%		7.0%
Fair value change in metal derivatives	(37)	1		14
Remeasurement of minority put option liability	-	-		7
Fair value stock options	(7)	(9)		(17)
Amortisation, depreciation and impairment	(78)	(80)	-3.1%	(188)
<b>Operating income</b>	<b>134</b>	<b>178</b>	<b>-24.6%</b>	<b>362</b>
% of sales	3.7%	4.5%		4.6%
Net finance income/(costs)	(82)	(59)		(137)
Share of income from investments in associates and dividends from other companies	6	8		17
<b>Profit/(loss) before taxes</b>	<b>58</b>	<b>127</b>	<b>-54.2%</b>	<b>242</b>
% of sales	1.6%	3.2%		3.1%
Taxes	(17)	(38)		(73)
<b>Net profit/(loss) for the period</b>	<b>41</b>	<b>89</b>	<b>-53.5%</b>	<b>169</b>
% of sales	1.1%	2.3%		2.2%
Attributable to:				
Owners of the parent	42	89		166
Non-controlling interests	(1)	-		3

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

<b>Operating income (A)</b>	<b>134</b>	<b>178</b>	<b>-24.6%</b>	<b>362</b>
<b>EBITDA (B)</b>	<b>256</b>	<b>266</b>	<b>-4.0%</b>	<b>546</b>
<b>Non-recurring expenses/(income):</b>				
Company reorganisation	21	27		74
Antitrust	(1)	3		1
Draka integration costs	-	3		9
Tax inspections	-	3		3
Environmental remediation and other costs	2	1		3
Italian pensions reform	-	1		1
Gains on asset disposals	-	(1)		(3)
Other net non-recurring expenses	4	5		13
<b>Total non-recurring expenses/(income) (C)</b>	<b>26</b>	<b>42</b>		<b>101</b>
Fair value change in metal derivatives (D)	37	(1)		(14)
Fair value stock options (E)	7	9		17
Remeasurement of minority put option liability (F)	-	-		(7)
Impairment of assets (G)	-	1		24
<b>Adjusted operating income (A+C+D+E+F+G)</b>	<b>204</b>	<b>229</b>	<b>-10.5%</b>	<b>483</b>
<b>Adjusted EBITDA (B+C)</b>	<b>282</b>	<b>308</b>	<b>-8.3%</b>	<b>647</b>

(\*) The previously published prior year comparative figures have been the subject of a restatement following the introduction of IAS 19 (revised). This restatement has resulted in the recognition of Euro 2 million in additional finance costs in 2012, of which Euro 1 million affecting the first half of 2012.

The Prysmian Group's sales in the first half of 2013 came to Euro 3,622 million, compared with Euro 3,916 million in the corresponding period ended 30 June 2012.

Excluding changes in metal prices and exchange rates, the organic change in sales was negative (-5.3%), analysed between the two operating segments as follows:

- Energy - 2.7%;
- Telecom - 16.2%.

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

The Energy segment was adversely impacted by the general contraction in volumes in the Trade & Installers and Renewables businesses, partially offset by the positive performance of international projects involving submarine cables and of the Industrial cables business; in the Utilities business area, both the Power Distribution and underground High Voltage business lines reported activity levels broadly in line with the same period last year. The Telecom segment confirmed the downward trend in demand for optical fibre cables in the Americas due, in North America, to the ending of government investment incentives and, in South America, to the waiting period prior to the release of the new stimulus programme scheduled in the second part of the year.

Group Adjusted EBITDA (before Euro 26 million in non-recurring expenses) came to Euro 282 million, posting a decrease of Euro 26 million on the corresponding figure at 30 June 2012 of Euro 308 million (-8.3%).

## INCOME STATEMENT

The Group's sales came to Euro 3,622 million at the end of the first half of 2013, compared with Euro 3,916 million in the same period last year, posting a negative change of Euro 294 million (-7.5%).

This decrease was due to the following factors:

- negative exchange rate effects of Euro 61 million (-1.5%);
- negative change of Euro 51 million (-1.3%) in sales prices due to fluctuations in metal prices (copper, aluminium and lead);
- positive change of Euro 16 million (+0.4%) for the line-by-line consolidation of Telcon Fios e

- Cabos para Telecomunicações S.A. as from the second quarter of 2012;
- positive change of Euro 29 million (+0.7%) for the consolidation of Prysmian Powerlink Services Ltd (formerly Global Marine Systems Energy Ltd) as from November 2012;
- negative change of Euro 20 million (-0.5%) due to non-consolidation of the results of Ravin Cables Limited (India) and Power Plus Cable CO LLC (Middle East – 49% consolidated) since 1 April 2012;
- organic decrease in sales of Euro 207 million (-5.3%).

Despite the organic decrease in sales, reflecting tensions on world markets throughout the period although diminishing in the second quarter, the strategic validity of the Draka Group's acquisition and integration is nonetheless confirmed. The enlargement of the Group's perimeter has made it possible to improve the geographical distribution of sales, in favour of markets in Northern Europe, North America and Asia in general, as well as to enlarge the range of products offered. However, this has not proved sufficient to offset the steep decline in demand in Central-South European markets and in lower value-added businesses, like Trade & Installers, Power Distribution and Renewables, nor the sharp slowdown in demand for optical fibre cables in the Americas. The efforts to improve customer service, combined with technological innovation, quality improvements and increased flexibility of production in its high value-added businesses (Submarine, Industrial Cables) have allowed the Group to take quick advantage of market opportunities, in the face of extremely tough competition.

Adjusted EBITDA amounted to Euro 282 million, down 8.3% from Euro 308 million in the prior year equivalent period. The decrease is attributable to negative performances, particularly by the low value-added businesses in the Energy segment and by the entire Telecom segment, despite the Group's ability to reduce its cost structure, especially thanks to the contribution of synergies from integrating the Draka Group.

EBITDA includes Euro 26 million in non-recurring expenses (Euro 42 million at 30 June 2012), mainly attributable to the following factors:

- Euro 21 million in costs for reorganisation projects and to improve the Group's industrial efficiency;
- Euro 2 million in environmental remediation costs;
- Euro 3 million in other net non-recurring expenses.

Group operating income was a positive Euro 134 million at 30 June 2013, compared with a positive Euro 178 million at 30 June 2012, posting a negative change of Euro 44 million due to the reduction in Group EBITDA and the fair value change in metal derivatives.

Net finance costs, inclusive of the share of income/(loss) from associates and dividends from other companies, were Euro 76 million at 30 June 2013, up from Euro 51 million (+49.0%) at the end of the same period last year. The increase of Euro 25 million is mainly due to Euro 5 million for the non-recurring effective interest adjustment for bank fees following the early repayments of the Term Loan during the period and to Euro 15 million in expenses recognised upon discontinuance of hedge accounting for the interest rate swaps relating to the Term Loan's repaid portion.

Taxes, estimated on the basis of the expected rate for the full year, amounted to Euro 17 million, representing a tax-rate of around 29.0%.

The net result for the first half of 2013 was a profit of Euro 41 million, compared with a profit of Euro 89 million at 30 June 2012, recording a negative change of 53.5%.

Adjusted net profit<sup>1</sup> was Euro 115 million, compared with Euro 129 million in the first half of 2012.

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

## SEGMENT PERFORMANCE

### ENERGY

(in millions of Euro)

	1st half 2013	1st half 2012	% change	FY 2012
Sales to third parties	2,995	3,170	-5.5%	6,382
<b>Adjusted EBITDA</b>	<b>225</b>	<b>229</b>	<b>-1.7%</b>	<b>487</b>
% of sales	7.5%	7.2%		7.6%
<b>EBITDA</b>	<b>212</b>	<b>206</b>	<b>2.9%</b>	<b>417</b>
% of sales	7.1%	6.5%		6.5%
Amortisation and depreciation	(53)	(54)	-1.2%	(108)
<b>Adjusted operating income</b>	<b>172</b>	<b>175</b>	<b>-1.9%</b>	<b>379</b>
% of sales	5.8%	5.5%		5.9%

#### Reconciliation of EBITDA to Adjusted EBITDA

	2013	2012	% change	FY 2012
<b>EBITDA (A)</b>	<b>212</b>	<b>206</b>	<b>2.9%</b>	<b>417</b>
<b>Non-recurring expenses/(income):</b>				
Company reorganisation	17	14		53
Antitrust	(1)	3		1
Draka integration costs	-	1		4
Tax inspections	-	1		1
Environmental remediation and other costs	2	1		3
Italian pensions reform	-	1		1
Gains on asset disposals	-	(1)		(3)
Other net non-recurring expenses	(5)	3		10
<b>Total non-recurring expenses/(income) (B)</b>	<b>13</b>	<b>23</b>		<b>70</b>
<b>Adjusted EBITDA (A+B)</b>	<b>225</b>	<b>229</b>	<b>-1.7%</b>	<b>487</b>



Sales to third parties by the Energy segment amounted to Euro 2,995 million at the end of the first half of 2013, compared with Euro 3,170 million at 30 June 2012, posting a negative change of Euro 175 million (-5.5%).

This negative change is attributable to the following principal factors:

- negative exchange rate effects of Euro 50 million (-1.6%);
- negative change of Euro 48 million (-1.5%) in sales prices due to fluctuations in metal prices;
- negative change of Euro 20 million (-0.6%) due to non-consolidation of the results of Ravin Cables Limited (India) and Power Plus Cable CO LLC (Middle East – 49% consolidated) since 1 April 2012;
- positive change of Euro 29 million (+0.9%) due to consolidation of Prysmian Powerlink Services Ltd (formerly Global Marine Systems Energy Ltd) as from November 2012;
- organic decrease in sales of Euro 86 million (-2.7%).

Adjusted EBITDA came to Euro 225 million at 30 June 2013, posting a decrease of Euro 4 million (-1.7%) on the corresponding figure of Euro 229 million at 30 June 2012.

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

## UTILITIES

(in millions of Euro)

	1st half 2013	1st half 2012	% change	% organic sales change	FY 2012
Sales to third parties	1,071	1,073	-0.2%	0.7%	2,287
<b>Adjusted EBITDA</b>	<b>121</b>	<b>117</b>			<b>270</b>
% of sales	11.3%	10.9%			11.8%
<b>Adjusted operating income</b>	<b>101</b>	<b>100</b>			<b>234</b>
% of sales	9.4%	9.3%			10.2%

The Utilities business area encompasses the Prysmian Group's Energy segment activities involving the engineering, production and installation of cables and accessories for power transmission and distribution, both at power stations and within primary and secondary distribution grids.

The following business lines can be identified within the Utilities business area:

**Underground cable systems for power transmission (High Voltage)**

Prysmian Group engineers, produces and installs high and extra high voltage underground cable systems for electricity transmission both from power stations and within transmission and primary distribution grids. This business line mainly focuses on providing turnkey solutions tailored to meet customer specifications. 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 500 kV. The products are highly customised and high-tech. This business line provides its customers with installation and post-installation services, as well as grid management and maintenance services, including grid performance monitoring, grid cable repair and maintenance, and emergency services, such as reinstatement of service following damage.

**Submarine cable systems for power transmission and distribution (Submarine)**

Prysmian Group engineers, produces and installs turnkey submarine cable systems for power transmission and distribution. The Group has used specific submarine power transmission and distribution technology to develop cables and accessories featuring its exclusive proprietary technology for installation at depths of up to 2000 metres. These cables offer different types of insulation: cables insulated with oil or fluid-impregnated strips of paper for voltages up to 400 kV AC and 600 kV DC; extruded polymer insulated cables for transmission of up to 400 kV AC and up to 300 kV DC. Installation, engineering and other services are of particular importance in this business, with the Group able to offer quality solutions that satisfy the strictest international standards (IEC, IEEE). In particular, as far as installation is concerned, Prysmian Group can offer the services of the "Giulio Verne", a cable-laying vessel boasting some of the most advanced technology and greatest capabilities in the world, and of the "Cable Enterprise", a cable installation vessel mainly serving the offshore wind industry.

**Power distribution cables and systems (Power Distribution)**

In the field of power distribution cables and systems, Prysmian Group produces medium voltage cables and systems for the connection of industrial and/or residential buildings to primary distribution grids and low voltage cables and systems for power distribution and the wiring of buildings. All Prysmian Group products in this category comply with international standards regarding insulation, fire resistance, smoke emissions and halogen levels.

**Network accessories and components (Network Components)**

Prysmian Group also produces accessories such as joints and terminations for low, medium, high and extra high voltage cables, as well as accessories to connect cables with each other and with other network equipment, suitable for industrial, construction or infrastructure applications and for power transmission and distribution systems. Network components for high voltage applications, in particular, are designed to customer specifications.

**MARKET OVERVIEW**

During the first half of 2013, the markets in which the Prysmian Group's Utilities business area operates have seen a consolidation of the signs of uncertainty already emerging in the second half of 2012. Both the power distribution and generation markets experienced a decline in demand throughout 2012, further confirming the differences between the various geographical areas and related competitive factors.

Activities in the High Voltage market - traditionally highly international both in terms of demand and supply - have stabilised at levels close to the first half of last year, after reporting an improvement on the first quarter of 2013 thanks to the increase in investment activities in many areas of the world where high political and economic instability is absent.

Faced with a nonetheless generally uncertain macroeconomic scenario regarding future energy consumption and access to funding, the largest Utilities, particularly in Europe and North America, have adopted a selective approach to new investment projects. The focus in Europe, and North and South America has been on rationalisation and/or maintenance projects to improve efficiency and reduce energy generation costs, while the focus in the Middle East and Southeast Asia has been on extending and completing major projects. Utilities in growing economies, like China and India, have become more and more demanding on the price front, not only due to a large number of competitors but also because of the need to limit financial exposure in the face of uncertain investment returns.

With reference to the Submarine cables business line, the first half 2013 has confirmed the upward trend seen since the second half of 2012 thanks to investments by Utilities to build new offshore wind farms and commence major new interconnection projects.

Although this trend has been particularly evident in parts of the world, whose demand for energy has grown over the past two years, such as Northern Europe, North America, the Arab Emirates and emerging countries in Southeast Asia, new initiatives have also emerged in areas hard hit by the financial crisis, like the Mediterranean, thanks to infrastructure upgrade projects.

Demand in the Power Distribution business line has slowed further in the period, confirming the downward trend commencing in the second half of last year.

Energy consumption in the major European countries has declined further in the past six months, adversely affecting demand by the major Utilities. The latter have maintained an extremely cautious approach in view of the difficulties in forecasting future growth, or else they have concentrated on restructuring to improve efficiency and reduce costs of supply. The competitive environment in terms of price and mix has remained challenging almost everywhere.

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

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

As regards High Voltage components, demand has been stimulated by the recent reblossoming of projects by the major Utilities; demand has also been affected by the mix of the High Voltage order book, reflecting a common trend of more fragmented and erratic demand, concentrated on smaller scale but technologically more complex projects than in the past, accompanied by tougher demands regarding quality and after-sales service.

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

Lastly, the market for medium and low voltage accessories recorded diverging trends in different geographical areas: stationary with a tendency towards improvement in Europe, mainly due to the recovery in grid investment in many economies in Central Europe; still positive in the American continent, where routine maintenance of secondary distribution networks is supporting investments by the main energy suppliers; sharply down in China, where the market is being affected by high competition on sales prices.

## FINANCIAL PERFORMANCE

Sales to third parties by the Utilities business area amounted to Euro 1,071 million at the end of the first half of 2013, compared with Euro 1,073 million in the first half of 2012, posting a negative change of Euro 2 million (-0.2%) due to the combined effect of the following main factors:

- negative change of Euro 8 million (-0.8%) in sales prices due to fluctuations in metal prices;
- negative change of Euro 16 million (-1.4%) due to non-consolidation of the results of Ravin Cables Limited (India) and Power Plus Cable CO LLC (Middle East – 49% consolidated) since 1 April 2012;
- positive change of Euro 29 million (+2.7%) due to consolidation of Prysmian Powerlink Services Ltd as from November 2012;
- organic sales growth of Euro 7 million (+0.7%);
- negative exchange rate effects of Euro 14 million (-1.4%).

The organic sales growth in the first half of the current year has come mainly from the Submarine cables business line and to a lesser extent from the Accessories business line, and has enabled the weakness in the other business lines to be completely neutralised, especially in the Power Distribution business in Europe.

Reflecting the decline in demand on European markets, the High Voltage business line's first-half sales posted a slightly negative trend, like in the second half of 2012. This has been the combined result of projects awarded to Prysmian in markets with growing energy infrastructure requirements, such as the Middle East, along with a number of projects for European utilities on domestic markets (in particular Tennet, Terna, EDF), and of the delay in projects planned in Russia due to local political uncertainty. The order book nonetheless provides coverage of sales for the rest of the year.

Sales by the Network Components business line were generally stable compared with the same period last year, with a growth in volumes of high voltage accessories on the major European domestic markets and stable volumes for medium and low voltage products. By contrast, sales on the Chinese market have declined as a result of lower demand accompanied by growing price pressure in the face of stiff local competition.

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

The value of the Group's order book at the end of the first half of 2013 has increased even more on the already record levels in the first quarter, providing sales visibility for a period of more than three years. This increase was due to new contracts for interconnectors in the English Channel (Normandie 3) and in the Balearic Islands (Mallorca-Ibiza), new contracts relating to connections for offshore wind platforms (DoWin3, Deutsche Bucht) and relating to the supply and installation of submarine cables for the offshore operations of ExxonMobil Corporation in the United States.

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

Thanks to the excellent performance of the Submarine cables business and the substantial stability of the High Voltage underground business, and despite the continued weakness in other businesses, adjusted EBITDA of the Utilities business area increased in the first half of 2013, from Euro 117 million in June 2012 to Euro 121 million in June 2013.

## TRADE & INSTALLERS

(in millions of Euro)

	1st half 2013	1st half 2012	% change	% organic sales change	FY 2012
Sales to third parties	974	1,110	-12.3%	-8.5%	2,159
<b>Adjusted EBITDA</b>	<b>37</b>	<b>42</b>			<b>77</b>
% of sales	3.8%	3.8%			3.6%
<b>Adjusted operating income</b>	<b>24</b>	<b>28</b>			<b>49</b>
% of sales	2.5%	2.5%			2.3%

The Prysmian Group produces a comprehensive range of rigid and flexible low voltage cables for distributing power to and within residential and non-residential buildings in compliance with international standards.

Product development and innovation particularly focuses on high performance cables, such as Fire-Resistant cables and Low Smoke zero Halogen (LSOH) cables, which are used in all those applications where safety must be guaranteed. In fact, in the event of fire, Fire-Resistant cables continue to operate and Low Smoke zero Halogen cables have reduced emissions of toxic gas and smoke.

During the past year the range of products and services has been further extended and specialised with the addition of cables for infrastructure such as airports, ports and railway stations.

Prysmian Group's customers for these products cover a wide spectrum, from international distributors and buying syndicates to installers and wholesalers.

## MARKET OVERVIEW

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

Construction industry demand, already under pressure at the end of 2012, has declined even further in Central, Southern and Eastern Europe during the first half of 2013, while remaining more stable in Nordic countries.

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

In Europe, countries like Spain and Italy have particularly suffered because of the negative impact on the real estate market of severe restrictions on bank credit; even Germany and the Netherlands have been affected by a downturn in demand for new build, resulting in downward price pressures.

The first half of 2013 has also seen a downturn in North American markets – already affected by flat demand for products serving infrastructure construction – due to delays in confirming tax incentives for energy-efficient buildings.

Markets in South America have confirmed an upward trend in volumes compared with the same period last year, driven by both the industrial and residential construction sectors.

Lastly, the first half of 2013 has also seen weaker demand in the Australian construction market.

## FINANCIAL PERFORMANCE

Sales to third parties by the Trade & Installers business area amounted to Euro 974 million at 30 June 2013, compared with Euro 1,110 million in the same period of 2012, posting a negative change of Euro 136 million (-12.3%) due to the combined effect of the following main factors:

- negative change of Euro 23 million (-2.1%) in sales prices due to fluctuations in metal prices;
- organic decrease in sales of Euro 94 million (-8.5%), due to the general downturn in Central Mediterranean and East European countries that was only partially offset by the growth in sales volumes in South America;
- negative exchange rate effects of Euro 19 million (-1.7%).

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

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

This strategy has allowed the Group to mitigate the decline in profitability, in the presence of falling metal

prices.

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

Prysmian Group has also increased its market share in South America, where it has managed to defend prices thanks to its wide product range.

As a result of the combined factors described above, adjusted EBITDA in the first half of 2013 decreased by Euro 5 million (-12.0%) on the prior year equivalent period to Euro 37 million, due to the negative effect of volumes and sales prices in the European market.

## INDUSTRIAL

(in millions of Euro)

	1st half 2013	1st half 2012	% change	% organic sales change	FY 2012
Sales to third parties	896	920	-2.7%	0.6%	1,801
<b>Adjusted EBITDA</b>	<b>63</b>	<b>70</b>			<b>139</b>
% of sales	7.0%	7.6%			7.7%
<b>Adjusted operating income</b>	<b>45</b>	<b>49</b>			<b>99</b>
% of sales	5.0%	5.4%			5.5%

The extensive product range, developed specifically for the Industrial market, stands out for the highly customised nature of the solutions offered. These products serve a broad range of industries, including Oil&Gas, Transport, Infrastructure, Mining and Renewable Energy. Prysmian Group offers integrated, high value-added cabling solutions to its customers, who include world-leading industrial groups and OEMs (Original Equipment Manufacturers), such as ABB, AKER, Alstom, SNCF, New York City Transit Authority, Petrobras, Peugeot-Citroen, Renault, Siemens and ZPMC.

The continuous specialisation of products and solutions allows them to be customised for specific fields of application, including use in the renewable energy sector, in the extractive, chemicals, transportation, aviation and aerospace industries, as well as in elevators.

Prysmian Group offers solutions to the Oil&Gas industry for both upstream and downstream activities. Its products therefore range from low and medium voltage power and instrumentation/control cables, to multipurpose umbilical cables for transporting energy, telecommunications, fluids and chemicals when connecting submarine sources and collectors to FPSO (Floating, Production, Storage and Offloading) platforms.

In the transport sector, Prysmian Group cables are used in the construction of trains, ships and motor vehicles; in the infrastructure sector, the principal applications for its cables are found in railways, docks

and airports. The product range also includes cables for the mining industry and for applications in the renewable energy sector. Prysmian Group also supplies cables able to withstand high radiation environments for use in military applications and nuclear power stations.

## MARKET OVERVIEW

Markets for industrial cables were generally stable in the first half of 2013, despite inconsistencies between the various business lines and large differences between the diverse geographical areas.

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

Within the industrial business, some market segments are showing stable or growing demand, like the strategic OEM and Oil&Gas markets, while others are experiencing a contraction in volumes, like the renewable energy market, which has seen a worldwide slump in demand with the ending or postponement of government incentives to develop solar or onshore wind farms.

Demand in the Oil&Gas and port facilities sectors, which had already grown in 2012, continues to show clear signs of growth in South America, the Middle East and the Far East. Even in the Australian continent there has been a marked acceleration in installation activities for gas drilling rigs.

Demand in the industrial infrastructure and mineral resources sectors continued to decline in the first half of 2013 compared with the same period in 2012, primarily due to the downward trend in commodity prices.

As far as applications for the transport sector are concerned, the major European players have adopted a cautious stance as a result of poor visibility as to when to resume investments and of recent deficit-cutting policies in the Eurozone's major economies, while demand in other parts of the world has remained steady. The North American market has been the exception, with demand for rail transport products doubling on the prior year equivalent period as a result of urban and suburban railway reconstruction following the hurricane that hit the east coast in the second half of 2012.

This dual trend in demand, in Europe and outside Europe, has also been witnessed in the automotive sector. While volumes have increased on the equivalent prior year period in areas outside Europe, mainly in the Americas and Asia, the restrictive financial policies in Europe have forced the ending of incentives in support of the automotive industry with a consequent impact on the level of demand in local markets.

Lastly, renewable energy is the sector within the industrial business that has most suffered from a downturn in demand, especially in Europe, where the restrictive financial policies adopted by the major governments have cut special incentives or made access to credit more difficult for onshore wind projects; similarly in North America, the suspension of wind energy incentives had resulted in a sharp drop in demand compared with last year.



## FINANCIAL PERFORMANCE

Sales to third parties by the Industrial business area amounted to Euro 896 million at 30 June 2013, compared with Euro 920 million in the same period of 2012. The reduction of Euro 24 million (-2.7%) is due to the following factors:

- organic sales growth of Euro 5 million (+0.6%), largely due to the growth in demand in high value-added businesses despite the slowdown in the renewable energy sector;
- negative change of Euro 4 million (-0.5%) due to non-consolidation of the results of Ravin Cables Limited (India) and Power Plus Cable CO LLC (Middle East – 49% consolidated) since 1 April 2012;
- negative exchange rate effects of Euro 15 million (-1.7%);
- negative change of Euro 10 million (-1.1%) in sales prices due to fluctuations in metal prices.

In Europe, Prysmian Group has benefited from a solid order book for the top-end OEM sector (cables for Cranes and Mining) and has continued to focus its commercial efforts on the Oil&Gas industry with products for the Norwegian market and for export to the major energy-producing nations.

However, this only managed to partially offset the dramatic decline in volumes in the renewable energy sector, particularly evident in Southern Europe and North America.

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

Sales of umbilical cables and flexible pipes, manufactured for the South American market at the Vila Velha plant, were in line with the first half of 2012 despite the rescheduling of investment projects requiring flexible pipes.

Asia Pacific and Brazil are the regions that have offered the Group the most attractive growth opportunities, thanks to consolidation of its market share in Australia and growth in volumes in Singapore and Brazil after being awarded major international projects in the Offshore Oil&Gas sector.

Adjusted EBITDA came to Euro 63 million at 30 June 2013, reporting a decrease of Euro 7 million (-10.0%) on the first half of 2012, due to lower volumes in the renewable energy sector and the postponement of projects requiring flexible pipes in South America.

**OTHER**

(in millions of Euro)

	1st half 2013	1st half 2012	FY 2012
Sales to third parties	54	67	135
<b>Adjusted EBITDA</b>	<b>4</b>	<b>-</b>	<b>1</b>
<b>Adjusted operating income</b>	<b>2</b>	<b>(2)</b>	<b>(3)</b>

This business area encompasses occasional sales by Prysmian Group operating units of semi-finished products, raw materials or other products forming part of the production process.

These sales are normally linked to local business situations, do not generate high margins and can vary in size from period to period.

**TELECOM**

(in millions of Euro)

	1st half 2013	1st half 2012	% change	FY 2012
Sales to third parties	627	746	-16.0%	1,466
<b>Adjusted EBITDA</b>	<b>57</b>	<b>79</b>	<b>-27.8%</b>	<b>160</b>
% of sales	9.0%	10.6%		10.9%
<b>EBITDA</b>	<b>45</b>	<b>68</b>	<b>-33.8%</b>	<b>138</b>
% of sales	7.2%	9.2%		9.4%
Amortisation and depreciation	(25)	(25)		(56)
<b>Adjusted operating income</b>	<b>32</b>	<b>54</b>	<b>-41.1%</b>	<b>104</b>
% of sales	5.2%	7.3%		7.1%

**Reconciliation of EBITDA to Adjusted EBITDA**

	45	68	-33.8%	138
<b>EBITDA (A)</b>	<b>45</b>	<b>68</b>	<b>-33.8%</b>	<b>138</b>
<b>Non-recurring expenses/(income):</b>				
Company reorganisation	4	7		16
Draka integration costs	-	-		1
Tax inspections	-	2		2
Other net non-recurring expenses	8	2		3
<b>Total non-recurring expenses/(income) (B)</b>	<b>12</b>	<b>11</b>		<b>22</b>
<b>Adjusted EBITDA (A+B)</b>	<b>57</b>	<b>79</b>	<b>-27.8%</b>	<b>160</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 a leading manufacturer of the fundamental 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 (Netherlands) and Douvrin (France), and 5 production sites around the world, Prysmian Group offers a wide range of optical fibres, designed and manufactured to cater to the broadest possible spectrum of customer applications, such as single-mode, multimode and specialty fibres.

**Optical cables**

Optical fibres are employed in the production of standard optical cables or those specially designed for challenging or inaccessible environments. The optical cables, constructed using just a single fibre up to as many as 1728 fibres, can be pulled (or blown) into ducts, buried directly underground or suspended on overhead systems such as telegraph poles or electricity pylons. Cables are also installed in road and rail tunnels, gas and sewage networks and inside various buildings where they must satisfy specific fire-resistant requirements.

Prysmian Group designs cables specially to meet all these needs, including solutions such as Optical Ground Wire (OPGW) protection cables, Rapier (easy break-out), JetNet (mini blown cable), Airbag (dielectric direct buried cable) and many more.

**Connectivity**

Business and residential customers are demanding ever faster connections that can be provided only by high-performance networks with high standards of fibre management. Prysmian Group supplies passive connectivity solutions that ensure efficient management of optical fibre within networks. Prysmian's highly versatile range of OAsys® products covers every section of the network connection, from overhead and underground installations to optical distribution frames, through to residential buildings where the ultimate goal is Fibre To The Home (FTTH).

**FTTx**

Growing customer demand for higher bandwidth has seen the deployment of optical fibre moving closer to the end user. Prysmian Group is extremely active in this rapidly growing sector of the market where its approach is based on combining existing technologies - such as the SiroccoXS blown fibre system – with innovative new solutions such as the QuickdrawXS pre-connectorised cable and the new VertiCasaXS system, which provide efficient solutions for deploying fibres in high-rise buildings and multi-dwelling units.

The Group has developed a portfolio of solutions for this market called xsNet. Products such as VerTVxs, RetractaNetxs, EaseNetxs and JetNetxs have been designed to solve telecom infrastructure's most complex problems. Many of the cables used in FTTx/FTTH systems feature Prysmian's bend-insensitive BendBrightxs optical fibre, which has been specially developed for this application.

**Copper cables**

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

**Multimedia Solutions**

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

## MARKET OVERVIEW

Forecasts for the optical fibre cables market made at the start of the year predict that the size of the global market will grow although with large regional differences. In fact, the first half of the year has seen demand grow in fast-developing markets (China) and in those with high communication infrastructure needs (India), while markets in Europe have been basically stable. Further to the trend in the second half of 2012, the first half of 2013 has seen a sharp reduction in demand in North America, due to the ending of government incentives, and in Brazil, where operators are being slow to take advantage of the investment-friendly tax measures just introduced by the government.

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

The copper cables market is experiencing a slowdown not only because of the economic downturn in the past two years, which has driven some major operators to revise their larger investment projects, but also because of product maturity. The downturn in demand has become increasingly evident during the first half of 2013, with soaring demand for internet access leading the major operators to opt to renew their networks using optical fibre, rather than perform maintenance or upgrade work on existing networks.

## FINANCIAL PERFORMANCE

Sales to third parties by the Telecom segment amounted to Euro 627 million at the end of the first half of 2013, compared with Euro 746 million at 30 June 2012, posting a negative change of Euro 119 million (-16.0%).

This change is attributable to the following factors:

- negative exchange rate effects of Euro 11 million (-1.5%);
- positive change of Euro 16 million (+2.0%) for the line-by-line consolidation of Telcon Fios e Cabos para Telecomunicações S.A. as from the second quarter of 2012;
- organic decrease in sales of Euro 121 million (-16.2%), due to the first-half downturn in demand for optical fibre and copper cables;
- negative change of Euro 3 million (-0.3%) in sales prices due to fluctuations in metal prices.

The first-half organic decrease in sales primarily reflects the downturn in demand for optical fibre cables in North and South America, which more than offset positive trends driven not only by large-scale projects, such as those started for BT (United Kingdom) and NBN (Australia), but also by emerging markets and channels, such as Eastern Europe and India. The sudden slump in demand in North America was due to the ending of government investment incentives, while the slowdown in Brazil was due to anticipations concerning the introduction of government incentives to support communications infrastructure. The downturn on the copper telecom cables market also had a negative impact on organic sales growth. Adjusted EBITDA came to Euro 57 million at 30 June 2013, reporting a decrease of Euro 22 million (-27.8%) from Euro 79 million at 30 June 2012.

# GROUP STATEMENT OF FINANCIAL POSITION

## RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	30 June 2013	30 June 2012	Change	31 December 2012
Net fixed assets	2,252	2,264	(12)	2,311
Net working capital	772	934	(162)	479
Provisions	(294)	(369)	75	(369)
<b>Net capital employed</b>	<b>2,730</b>	<b>2,829</b>	<b>(99)</b>	<b>2,421</b>
Employee benefit obligations	332	308	24	344
Total equity	1,150	1,125	25	1,159
of which attributable to non-controlling interests	44	52	(8)	47
Net financial position	1,248	1,396	(148)	918
<b>Total equity and sources of funds</b>	<b>2,730</b>	<b>2,829</b>	<b>(99)</b>	<b>2,421</b>

Net fixed assets amounted to Euro 2,252 million at 30 June 2013, compared with Euro 2,311 million at 31 December 2012, having decreased by Euro 59 million mainly due to the combined effect of the following factors:

- Euro 51 million in investments in property, plant and equipment and intangible assets;
- Euro 78 million in depreciation and amortisation charges for the period;
- Euro 32 million in negative currency translation differences.

Net working capital of Euro 772 million at 30 June 2013 exceeded the corresponding figure at 31 December 2012 (Euro 479 million) by Euro 293 million (Euro 324 million excluding the impact of the fair value change in derivatives), reflecting the following main factors:

- significant growth in working capital committed in multi-year High Voltage and Submarine projects, linked to their stage of completion relative to the agreed delivery dates;
- increase linked to the greater seasonality of sales in the quarter just ended and those expected in the third quarter, particularly in relation to stock levels held at plants.

The net financial position of Euro 1,248 million at 30 June 2013 has increased by Euro 330 million since 31 December 2012 (Euro 918 million), mainly reflecting the following factors:

- negative impact of Euro 367 million from changes in working capital;
- payment of Euro 28 million in taxes;
- net operating investments of Euro 50 million;
- receipt of Euro 8 million in dividends;
- payment of Euro 72 million in net finance costs;
- payment of Euro 91 million in dividends;
- positive cash flow from operating activities (before changes in net working capital) of Euro 215 million.

**NET WORKING CAPITAL**

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

(in millions of Euro)

	30 June 2013	30 June 2012	Change	31 December 2012
Inventories	1,025	1,111	(86)	897
Trade receivables	1,272	1,462	(190)	1,163
Trade payables	(1,493)	(1,577)	84	(1,450)
Other receivables/(payables)	6	(35)	41	(124)
<b>Net operating working capital</b>	<b>810</b>	<b>961</b>	<b>(151)</b>	<b>486</b>
Derivatives	(38)	(27)	(11)	(7)
<b>Net working capital</b>	<b>772</b>	<b>934</b>	<b>(162)</b>	<b>479</b>

Net operating working capital at 30 June 2013 amounted to Euro 810 million (10.6% of sales), compared with Euro 486 million at 31 December 2012 (6.3% of sales).

**NET FINANCIAL POSITION**

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

(in millions of Euro)

	30 June 2013	30 June 2012	Change	31 December 2012
<b>Long-term financial payables</b>				
Term Loan Facility	584	1,012	(428)	946
Bank fees	(5)	(14)	9	(11)
Non-convertible bond	398	397	1	398
Convertible bond	259	-	259	-
Derivatives	25	39	(14)	35
Other financial payables	76	87	(11)	100
<b>Total long-term financial payables</b>	<b>1,337</b>	<b>1,521</b>	<b>(185)</b>	<b>1,468</b>
<b>Short-term financial payables</b>				
Term Loan Facility	-	65	(65)	125
Non-convertible bond	5	5	-	15
Convertible bond	1	-	1	-
Securitization	116	149	(33)	75
Derivatives	6	4	2	7
Other financial payables	275	210	65	146
<b>Total short-term financial payables</b>	<b>403</b>	<b>433</b>	<b>(30)</b>	<b>368</b>
<b>Total financial liabilities</b>	<b>1,740</b>	<b>1,954</b>	<b>(215)</b>	<b>1,836</b>
Long-term financial receivables	9	9	-	9
Long-term derivatives	-	1	(1)	-
Long-term bank fees	2	6	(4)	4
Short-term financial receivables	7	11	(4)	7
Short-term derivatives	4	4	-	3
Short-term bank fees	5	5	-	5
Financial assets held for trading	79	50	29	78
Cash and cash equivalents	386	472	(86)	812
<b>Total financial assets</b>	<b>492</b>	<b>558</b>	<b>(66)</b>	<b>918</b>
<b>Net financial position</b>	<b>1,248</b>	<b>1,396</b>	<b>(149)</b>	<b>918</b>



## STATEMENT OF CASH FLOWS

(in millions of Euro)

	1st half 2013	1st half 2012	Change	FY 2012
<b>EBITDA</b>	<b>256</b>	<b>266</b>	<b>(10)</b>	<b>546</b>
Changes in provisions (including employee benefit obligations)	(40)	(7)	(33)	13
(Gains)/losses on disposal of property, plant and equipment, intangible assets and non-current assets	(1)	(1)	-	(14)
<b>Net cash flow provided by operating activities (before changes in net working capital)</b>	<b>215</b>	<b>258</b>	<b>(43)</b>	<b>545</b>
Changes in net working capital	(367)	(359)	(8)	75
Taxes paid	(28)	(32)	4	(74)
<b>Net cash flow provided/(used) by operating activities</b>	<b>(180)</b>	<b>(133)</b>	<b>(47)</b>	<b>546</b>
Acquisitions	-	(35)	35	(86)
Net cash flow used in operational investing activities	(50)	(63)	13	(141)
Net cash flow provided by financial investing activities <sup>(1)</sup>	8	6	2	8
<b>Free cash flow (unlevered)</b>	<b>(222)</b>	<b>(225)</b>	<b>3</b>	<b>327</b>
Net finance costs	(72)	(76)	4	(129)
<b>Free cash flow (levered)</b>	<b>(294)</b>	<b>(301)</b>	<b>7</b>	<b>198</b>
Increases in share capital and other changes in equity	-	-	-	1
Dividend distribution	(91)	(45)	(46)	(45)
<b>Net cash flow provided/(used) in the period</b>	<b>(385)</b>	<b>(346)</b>	<b>(39)</b>	<b>154</b>
<b>Opening net financial position</b>	<b>(918)</b>	<b>(1,064)</b>	<b>146</b>	<b>(1,064)</b>
Net cash flow provided/(used) in the period	(385)	(346)	(39)	154
Convertible bond equity component	39	-	39	-
Other changes	16	14	2	(8)
<b>Closing net financial position</b>	<b>(1,248)</b>	<b>(1,396)</b>	<b>148</b>	<b>(918)</b>

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

Net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 215 million at the end of the first half of 2013.

This cash flow was negatively impacted by the increase of Euro 367 million in net working capital described earlier. Therefore, after deducting Euro 28 million in tax payments, net cash flow from operating activities in the period was a negative Euro 180 million.

Net operating investments in the first half of 2013 amounted to Euro 50 million and mainly refer to expansion of production capacity for high voltage cables in Russia and China and for submarine cables in Italy and Finland, and to the investment in the Telecom segment in Romania, which has become one of Europe's new centres of excellence for optical cables for the telecom industry.

## ALTERNATIVE PERFORMANCE INDICATORS

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

The alternative indicators used for reviewing the income statement include:

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

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

- **Net fixed assets:** sum of the following items contained in the statement of financial position:
  - Intangible assets
  - Property, plant and equipment
  - Investments in associates
  - Available-for-sale financial assets, net of non-current securities classified as long-term financial receivables in the net financial position
- **Net working capital:** sum of the following items contained in the statement of financial position:
  - Inventories
  - Trade receivables
  - Trade payables
  - Other non-current receivables and payables, net of long-term financial receivables classified in the net financial position
  - Other current receivables and payables, net of short-term financial receivables classified in

the net financial position

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

**Reconciliation between the Reclassified Statement of Financial Position presented in the Directors' Report and the Statement of Financial Position contained in the Consolidated Financial Statements and Explanatory Notes at 30 June 2013**

(in millions of Euro)

		30 June 2013		31 December 2012	
	Note	Partial amounts from financial statements	Total amounts from financial statements	Partial amounts from financial statements	Total amounts from financial statements
<b>Net fixed assets</b>					
Property, plant and equipment			1,490		1,539
Intangible assets			643		655
Investments in associates			98		99
Available-for-sale financial assets			15		14
Assets held for sale			6		4
<b>Total net fixed assets</b>	<b>A</b>		<b>2,252</b>		<b>2,311</b>
<b>Net working capital</b>					
Inventories	B		1,025		897
Trade receivables	C		1,272		1,163
Trade payables	D		(1,493)		(1,450)
Other receivables/payables - net	E		6		(124)
of which:					
<i>Other receivables - non-current</i>	2	23		28	
<i>Tax receivables</i>	2	13		18	
<i>Receivables from employees</i>	2	2		1	
<i>Other</i>	2	8		9	
<i>Other receivables - current</i>	2	643		558	
<i>Tax receivables</i>	2	109		100	
<i>Receivables from employees and pension funds</i>	2	5		5	
<i>Advances to suppliers</i>	2	19		26	
<i>Other</i>	2	110		100	
<i>Construction contracts</i>	2	400		327	
<i>Other payables - non-current</i>	10	(30)		(27)	
<i>Tax and social security payables</i>	10	(13)		(14)	
<i>Accrued expenses</i>	10	(3)		(3)	
<i>Other</i>	10	(14)		(10)	
<i>Other payables - current</i>	10	(586)		(654)	
<i>Tax and social security payables</i>	10	(92)		(96)	
<i>Advances from customers</i>	10	(157)		(219)	
<i>Payables to employees</i>	10	(76)		(68)	
<i>Accrued expenses</i>	10	(119)		(137)	
<i>Other</i>	10	(142)		(134)	
<i>Current tax payables</i>		(44)		(29)	
<b>Total operating working capital</b>	<b>F=B+C+D+E</b>		<b>810</b>		<b>486</b>
Derivatives	G	(38)		(7)	
of which:					
<i>Forward currency contracts on commercial transactions (cash flow hedges) - non-current</i>	4	-		-	
<i>Forward currency contracts on commercial transactions (cash flow hedges) - current</i>	4	(1)		(2)	
<i>Forward currency contracts on commercial transactions - current</i>	4	4		-	
<i>Forward currency contracts on commercial transactions - non-current</i>	4	-		-	
<i>Metal derivatives - non-current</i>	4	(11)		(3)	
<i>Metal derivatives - current</i>	4	(30)		(2)	
<b>Total net working capital</b>	<b>H=F+G</b>		<b>772</b>		<b>479</b>

(in millions of Euro)

			30 June 2013		31 December 2012	
	Note	Partial amounts from financial statements	Total amounts from financial statements	Partial amounts from financial statements	Total amounts from financial statements	
Provisions for risks and charges - non-current			(49)		(76)	
Provisions for risks and charges - current			(308)		(325)	
Deferred tax assets			159		127	
Deferred tax liabilities			(96)		(95)	
<b>Total provisions</b>	<b>I</b>		<b>(294)</b>		<b>(369)</b>	
<b>Net capital employed</b>	<b>L=A+H+I</b>		<b>2,730</b>		<b>2,421</b>	
<b>Employee benefit obligations</b>	<b>M</b>		<b>332</b>		<b>344</b>	
<b>Total equity</b>	<b>N</b>		<b>1,150</b>		<b>1,159</b>	
Equity attributable to non-controlling interests			44		47	
<b>Net financial position</b>						
<b>Total long-term financial payables</b>	<b>O</b>		<b>1,337</b>		<b>1,468</b>	
Term Loan Facility	9	584		946		
Bank fees	9	(5)		(11)		
Non-convertible bond	9	398		398		
Convertible bond	9	259				
Derivatives		25		35		
of which:						
Forward currency contracts on financial transactions	4	-		-		
Interest rate swaps	4	25		35		
Other payables		76		100		
of which:						
Finance lease obligations	9	11		12		
Other financial payables	9	65		88		
<b>Short-term financial payables</b>	<b>P</b>		<b>403</b>		<b>368</b>	
Term Loan Facility	9	-		126		
Bank fees	9	-		(1)		
Non-convertible bond	9	5		15		
Convertible bond	9	1		-		
Securitization	9	116		75		
Derivatives		6		7		
of which:						
Interest rate swaps	4	-		-		
Forward currency contracts on financial transactions	4	6		7		
Other payables		275		146		
of which:						
Finance lease obligations	9	2		2		
Other financial payables	9	273		144		
<b>Total financial liabilities</b>	<b>Q=O+P</b>		<b>1,740</b>		<b>1,836</b>	
Long-term financial receivables	R	2	(9)		(9)	
Long-term derivatives	R		-		-	
of which:						
Interest rate swaps (non-current)	4	-		-		
Forward currency contracts on financial transactions (non-current)	4	-		-		
Long-term bank fees	R	2	(2)		(4)	
Short-term financial receivables	R	2	(7)		(7)	
Short-term derivatives	R		(4)		(3)	
of which:						
Forward currency contracts on financial transactions (current)	4	(4)		(3)		
Short-term bank fees	R	2	(5)		(5)	
<b>Available-for-sale financial assets (current)</b>	<b>S</b>		<b>-</b>		<b>-</b>	
<b>Financial assets held for trading</b>	<b>T</b>		<b>(79)</b>		<b>(78)</b>	
<b>Cash and cash equivalents</b>	<b>U</b>		<b>(386)</b>		<b>(812)</b>	
<b>Total financial assets</b>	<b>V=R+S+T+U</b>		<b>(492)</b>		<b>(918)</b>	
<b>Total net financial position</b>	<b>W=Q+V</b>		<b>1,248</b>		<b>918</b>	
<b>Total equity and sources of funds</b>	<b>Z=M+N+W</b>		<b>2,730</b>		<b>2,421</b>	

### Reconciliation between the principal income statement indicators and the Income Statement contained in the Consolidated Financial Statements and Explanatory Notes at 30 June 2013

(in millions of Euro)

		1st half 2013	1st half 2012 *
	Note	Amounts from income statement	Amounts from income statement
<b>Sales</b>	<b>A</b>	<b>3,622</b>	<b>3,916</b>
Change in inventories of work in progress, semi-finished and finished goods		102	88
Other income		29	20
Raw materials, consumables used and goods for resale		(2,356)	(2,666)
Personnel costs		(489)	(518)
Other expenses		(659)	(583)
<b>Operating costs</b>	<b>B</b>	<b>(3,373)</b>	<b>(3,659)</b>
Remeasurement of minority put option liability	C	-	-
Fair value stock options	C	7	9
<b>EBITDA</b>	<b>D=A+B+C</b>	<b>256</b>	<b>266</b>
Other income			
of which non-recurring other income	E	7	1
Personnel costs			
of which non-recurring personnel costs	F	(12)	(22)
Other expenses			
of which non-recurring other expenses	G	(21)	(21)
Change in inventories of work in progress, semi-finished and finished goods			
of which non-recurring change in inventories of work in progress, semi-finished and finished goods	I	-	-
<b>Adjusted EBITDA</b>	<b>H=D-E-F-G-I</b>	<b>282</b>	<b>308</b>

(in millions of Euro)

		1st half 2013	1st half 2012 *
	Note	Amounts from income statement	Amounts from income statement
<b>Operating income</b>	<b>A</b>	<b>134</b>	<b>178</b>
Non-recurring other income		7	1
Non-recurring personnel costs		(12)	(22)
Non-recurring other expenses		(21)	(21)
Non-recurring change in inventories of work in progress, semi-finished and finished goods		-	-
<b>Total non-recurring expenses</b>	<b>B</b>	<b>(26)</b>	<b>(42)</b>
Remeasurement of minority put option liability		-	-
<b>Total other non-recurring income/(expenses)</b>	<b>C</b>	<b>-</b>	<b>-</b>
Fair value change in metal derivatives	D	(37)	1
Fair value stock options	E	(7)	(9)
Non-recurring amortisation, depreciation and impairment	F	-	(1)
<b>Adjusted operating income</b>	<b>G=A-B-C-D-E-F</b>	<b>204</b>	<b>229</b>

(\*\*) The previously published prior year comparative figures have been the subject of a restatement following the introduction of IAS 19 (revised). This restatement has resulted in the recognition of Euro 1 million in additional finance costs in the first half of 2012.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 22 July 2013, the company Fibre ottiche Sud - F.O.S. S.r.l. signed an agreement with the trade unions involving a plan for the management of redundancies, following cessation of production activities by one of the plant's departments, and for the rationalisation of administrative staff. In order to minimise the social impact, the agreement contains mechanisms allowing employees to relocate to other Group or third-party companies, or to take voluntary redundancy. The agreement also contains provision for an application to use the Italian State's Wage Guarantee Fund for crisis situations involving the partial cessation of activity.

The securitization programme involving trade receivables, extended on 26 July 2012 for another twelve months, was ended on 25 July 2013.

## BUSINESS OUTLOOK

The macroeconomic environment in the first part of 2013 has seriously deteriorated compared with the slowing trend witnessed since the second half of 2011, partly in the wake of the deficit-cutting measures introduced in several Eurozone countries during 2012. This has led to a sharp slowdown in economic activity, initially in the more indebted countries and then spreading to countries in Central and Northern Europe.

In such an economic environment, the Group expects in 2013 that demand will remain weak for low and medium voltage cables for Utilities and for building wires; within the Industrial market, the business of onshore wind and solar power generation cables is seeing a significant contraction, also due to non-renewal of or uncertainties about government incentives. Instead, positive developments in demand are confirmed for the high value-added power transmission businesses and for industrial segments like offshore oil & gas, elevators, railway, rolling stock, cranes and marine, along with a gradual improvement in demand from the second half of the year for fibre optic cables for major telecom operators.

Based on the existing order book, profitability is expected to recover in the second half of the year with the target of achieving an Adjusted EBITDA for FY 2013 in the range of Euro 600 – Euro 650 million (FY 2012: Euro 647million). In addition, given the further deterioration in the market compared with previous years, the Prysmian Group has decided in 2013 to step up its measures to rationalise and optimise its organisational and manufacturing structure with the goal of achieving Euro 175 million in cumulative synergies from the Draka integration by 2015 (compared with Euro 65 million achieved at the end of 2012), representing an upward revision from the previous target of Euro 150 million. Commercial initiatives have also been started, mainly in the Industrial and Telecom businesses, in order to strengthen the Group's presence in high value-added market segments, with the goal of achieving significant additional sales in these businesses by 2015 specifically thanks to such initiatives.



## FORESEEABLE RISKS IN 2013\*

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 arise, could have an impact on the Group's results of operations and statement of financial position. Given operating performance in the first six months of the year and the specific macroeconomic context, the principal risk factors currently foreseeable for the next six months of 2013 are described below according to their nature.

### **Risks associated with market trends and competitive pressure**

Some of the markets for the Group's products, mainly relating to the Trade & Installers business area, the Power Distribution business line and certain applications in the Industrial business area, are subject to cyclical fluctuations in demand and are influenced by overall trends in GDP growth. Demand for products in the energy cables business is also influenced by the spending plans of companies in the Utilities business area and by overall energy consumption, as well as in part by construction industry trends, while demand for products in the telecom cables business is heavily influenced by the spending plans of telecom operators.

The first half of 2013 reported a global reduction in volumes compared with the prior year equivalent period, carrying on the slowing trend in demand witnessed since mid-2012. Despite continued efforts to rationalise the Group's manufacturing structure, plant utilisation has remained well below pre-crisis levels, with a consequent maintenance of competitive pressure on sales prices and therefore on margins.

Although the diversified nature of the Group's markets and products reduces its exposure to cyclical trends in demand on certain markets, it is not possible to exclude a further contraction in demand in coming quarters for the above businesses, which could have a significant impact on the Group's activities, results of operations and statement of financial position.

In the Trade & Installers business area and in the Power Distribution business line, although less so, competitive pressure due to a renewed downturn in demand could translate into greater downward price pressure because many of the products offered by the Group in these sectors are made in compliance with specific industrial standards and are largely interchangeable with those offered by its main competitors, in which case price is a key factor in supplier selection by customers.

Even though the Group believes it will be able to cut costs in the face of contracting sales volumes, it may not be able to reduce them sufficiently to match the possible slide in sales prices, with a consequently negative impact on its activities, results of operations and statement of financial position.

\* 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 activities, financial position, earnings and future prospects. The Group is also exposed to other risk factors that, at the date of the present document, nonetheless appear to be of limited significance.

### **Exchange rate risk**

The Prysmian Group operates internationally and is therefore exposed to exchange rate risk for the various currencies in which it operates (principally the US dollar, British pound, Brazilian real and Qatari riyal).

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 statement of financial position.

### **Interest rate risk**

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

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

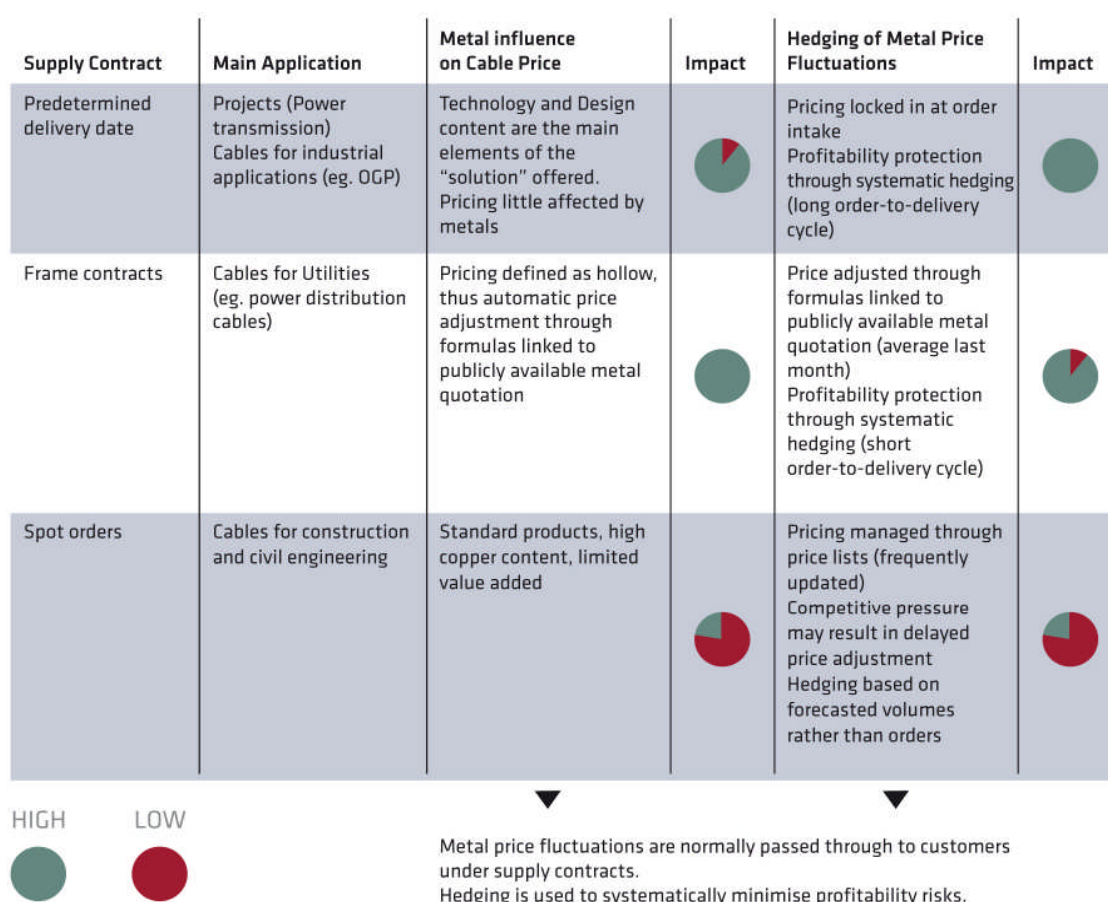
### **Risks associated with fluctuations in raw material prices**

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

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

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

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



**Risks relating to changes in the legal and regulatory framework**

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

**Risks relating to the Draka Group's integration process**

The public offer for all the shares in Draka Holding N.V. was completed on 22 February 2011 with acceptances received from more than 99% of the shares. After the integration process's initial preparatory phase, the new organisational structure was officially launched with effect from July 2011 and will guide the new Group with the goal of promoting both the Prysmian and Draka commercial brands and of realising the expected synergies. Over the course of the integration process Prysmian expects to incur a total of some Euro 250 million in restructuring costs (net of any divestments) and to generate growing cost synergies starting from year one of the integration with the goal of achieving total annual synergies of Euro 175 million by 2015, mainly by reducing fixed costs, by optimising the industrial footprint and procurement, by making organisational savings and improving operating efficiency and optical fibre sourcing, and by exploiting complementarities in the product portfolios.

However, the Group cannot rule out potential difficulties or delays in the integration process and in implementing the new operating processes, with a possible consequent adverse impact both on the timing and amount of expected synergies and restructuring costs.

**Risks associated with activities in developing countries**

The Prysmian Group operates and has production facilities and/or companies in Asia and Latin America. The Group's activities in these countries are exposed to different risks linked to local regulatory and legal systems, the imposition of tariffs or taxes, political and economic instability, and exchange rate risks.

Significant changes in the macroeconomic, political, tax or legislative framework of such countries could have an adverse impact on the Group's activities, results of operations and statement of financial position.

## Risks associated with sources of finance

The effects of the recent major instability in the international banking and financial system could represent a potential risk factor in terms of obtaining financial resources and the associated cost. Prysmian Group believes that it has significantly mitigated such a risk insofar as, in recent years, it has always been able to raise sufficient financial resources, and at a competitive cost. In particular, in March 2013 it completed the placement of a convertible bond with institutional investors for Euro 300 million, with a 1.25% coupon and maturity in March 2018. Previously, in March 2011, the Group took advantage of favourable market conditions to enter into a long-term loan agreement for Euro 800 million (Credit Agreement 2011) with a syndicate of major banks. This five-year agreement comprises a loan for Euro 400 million (Term Loan Facility 2011) and a revolving facility for Euro 400 million (Revolving Credit Facility 2011). In addition, the placement of an unrated bond with institutional investors on the Eurobond market was completed in March 2010 for a nominal total of Euro 400 million with a 5.25% coupon and maturity in April 2015. Lastly, it is recalled that in January 2010 Prysmian entered into a forward start credit agreement for Euro 1,070 million, of which Euro 670 million related to a Term Loan Facility and Euro 400 million to a Revolving Credit Facility, maturing on 31 December 2014. The Term Loan Facility stood at Euro 184 million at 30 June 2013 (for more details, reference should be made to the section on Significant Events During the Period).

The annual interest rate on the cash credit facilities is equal to the sum of:

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

As at 30 June 2013, the Group had financial resources, including cash and cash equivalents and undrawn committed credit lines, in excess of Euro 1 billion.

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

## Financial covenants

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

The financial covenants are measured at the half-year close on 30 June and at the full-year close on 31 December. All covenants, financial and otherwise, were fully observed at 30 June 2013. In particular:

- (i) the ratio between EBITDA and Net finance costs, as defined in the two credit agreements, was 6.74 (against a required covenant of not less than 4.25x);
- (ii) the ratio between Net Financial Position and EBITDA, as defined in the two credit agreements, was 1.88 (against a required covenant of below 3.00x).

Furthermore, during February 2011, concurrently with the Draka acquisition, the Group had obtained from the syndicate of financing banks a significant extension to its financial covenants, as reported above, with respect to the previous ones.

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

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

Prysmian S.p.A. and some Prysmian Group companies are currently involved in tax and legal proceedings in connection with their business, involving civil, criminal and administrative actions. In some of these cases, the company might not be able to accurately quantify the potential losses or penalties and, if the proceedings have an adverse outcome, this could even have a material impact on the Group's activities, results of operations and statement of financial position.

More specifically, the European Commission, the US Department of Justice and the Japanese antitrust authority 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. Subsequently, the Australian Competition and Consumers Commission ("ACCC") and the New Zealand Commerce Commission also started similar investigations. During 2011, the Canadian antitrust authority also started an investigation into a high voltage submarine project dating back to 2006. The investigations in Japan and New Zealand ended in previous years without any sanctions for Prysmian. The other investigations are still in progress. In Australia, the ACCC has filed a case before the Federal Court arguing that Prysmian Cavi e Sistemi S.r.l. and two other companies violated antitrust rules in connection with a high voltage underground cable project awarded in 2003. Prysmian Cavi e Sistemi S.r.l. has filed its objections and presented its preliminary defence.

In Brazil, the local antitrust authority has started an investigation into several cable manufacturers, including Prysmian, in the high voltage underground and submarine cables market (this is the only investigation for which the Group has been unable to estimate the size of the provision). Prysmian has taken steps to present its preliminary defence.

At the start of July 2011, Prysmian received a statement of objection from the European Commission in relation to the investigation started in January 2009 into the high voltage underground and submarine energy cables market. This document contains the Commission's preliminary position on alleged anti-competitive practices and does not prejudice its final decision. Prysmian has submitted its defence which it was also able to present at the hearing before the European Commission held during the month of June 2012. Prysmian has recently provided the Commission, at its request, with information about its 2004 sales in the high voltage underground and submarine cables businesses. A state of play meeting has also been scheduled for this October between the Company and the European Commission.

Already during 2011, in view of the developments in the European Commission investigation, management believed that it was able to estimate the risk relating to the investigations underway in the various jurisdictions, except for Brazil. As at 30 June 2013 the Prysmian Group has recognised around Euro 205 million in provisions for risks and charges in connection with these investigations. This amount has been determined on the basis of partly subjective considerations and is only an estimate since the outcome of the

investigations in progress is still uncertain. It is therefore not possible to exclude that the Group could be required to meet liabilities not covered by the provisions for risks should such litigation have an adverse outcome, with a consequently negative, even material, impact on its activities, results of operations and statement of financial position.

### **Risks associated with delivery dates, product quality and execution of turnkey contracts**

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

Turnkey contracts, particularly those relating to the development of submarine links, can include penalties of this kind. The application of such penalties, the obligation to compensate any damages as well as the impact of any delayed delivery or any problems in production on the supply chain and operating costs, could adversely affect the Group's activities, results of operations and statement of financial position.

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

It is not possible to guarantee that in the future the Group will always manage to fully and promptly meet commitments arising from the occurrence of such risks. However, the Company has not previously received any claims which have resulted in material, and uninsured, adverse effects.

## 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 fall into the normal course of business by Group companies. Such transactions take place under market terms and conditions, according to the type of goods and services provided.

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

Milan, 1 August 2013

ON BEHALF OF THE BOARD OF DIRECTORS

THE CHAIRMAN

Massimo Tononi



**HALF-YEAR  
CONDENSED  
CONSOLIDATED  
FINANCIAL  
STATEMENTS**

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	Note	30 June 2013	of which related parties (Note 20)	31 December 2012 *	of which related parties (Note 20)
<b>Non-current assets</b>					
Property, plant and equipment	1	1,490		1,539	
Intangible assets	1	643		655	
Investments in associates		98	98	99	99
Available-for-sale financial assets		15		14	
Derivatives	4	2		3	
Deferred tax assets		159		127	
Other receivables	2	34		41	
<b>Total non-current assets</b>		<b>2,441</b>		<b>2,478</b>	
<b>Current assets</b>					
Inventories	3	1,025		897	
Trade receivables	2	1,272	19	1,163	16
Other receivables	2	655		570	1
Financial assets held for trading	5	79		78	
Derivatives	4	20		16	
Cash and cash equivalents	6	386		812	
<b>Total current assets</b>		<b>3,437</b>		<b>3,536</b>	
Assets held for sale	7	6		4	
<b>Total assets</b>		<b>5,884</b>		<b>6,018</b>	
<b>Equity attributable to the Group:</b>					
		<b>1,106</b>		<b>1,112</b>	
Share capital	8	21		21	
Reserves	8	1,043		925	
Net profit/(loss) for the period		42		166	
<b>Equity attributable to non-controlling interests:</b>		<b>44</b>		<b>47</b>	
Share capital and reserves		45		44	
Net profit/(loss) for the period		(1)		3	
<b>Total equity</b>		<b>1,150</b>		<b>1,159</b>	
<b>Non-current liabilities</b>					
Borrowings from banks and other lenders	9	1,312		1,433	
Other payables	10	30		27	
Provisions for risks and charges	11	49		76	
Derivatives	4	38		41	
Deferred tax liabilities		96		95	
Employee benefit obligations	12	332	7	344	6
<b>Total non-current liabilities</b>		<b>1,857</b>		<b>2,016</b>	
<b>Current liabilities</b>					
Borrowings from banks and other lenders	9	397		361	
Trade payables	10	1,493	2	1,450	7
Other payables	10	586	9	654	8
Derivatives	4	49		24	
Provisions for risks and charges	11	308		325	
Current tax payables		44		29	
<b>Total current liabilities</b>		<b>2,877</b>		<b>2,843</b>	
<b>Total liabilities</b>		<b>4,734</b>		<b>4,859</b>	
<b>Total equity and liabilities</b>		<b>5,884</b>		<b>6,018</b>	

(\*) The previously published prior year comparative figures have been the subject of a restatement following the adoption of IAS 19 (revised). Further details can be found in section B.2 Accounting Standards.

## CONSOLIDATED INCOME STATEMENT

(in millions of Euro)

	Note	1st half 2013	of which related parties (Note 20)	1st half 2012 *	of which related parties (Note 20)
Sales of goods and services		3,622	38	3,916	29
Change in inventories of work in progress, semi-finished and finished goods		102		88	
Other income		29		20	
<i>of which non-recurring other income</i>		7		1	
Raw materials, consumables used and goods for resale		(2,356)	(27)	(2,666)	(5)
Fair value change in metal derivatives		(37)		1	
Personnel costs		(489)	(9)	(518)	(8)
<i>of which non-recurring personnel costs</i>		(12)	(1)	(22)	
<i>of which personnel costs for stock option fair value</i>		(7)		(9)	
Amortisation, depreciation and impairment		(78)		(80)	
<i>of which non-recurring impairment</i>		-		(1)	
Other expenses		(659)		(583)	
<i>of which non-recurring other expenses</i>		(21)		(21)	
<b>Operating income</b>	13	<b>134</b>		<b>178</b>	
Finance costs	14	(246)		(193)	
<i>of which non-recurring finance costs</i>		(20)		(2)	
Finance income	14	164		134	1
Share of income from investments in associates and dividends from other companies		6	6	8	8
<b>Profit/(loss) before taxes</b>		<b>58</b>		<b>127</b>	
Taxes	15	(17)		(38)	
<b>Net profit/(loss) for the period</b>		<b>41</b>		<b>89</b>	
<b>Attributable to:</b>					
Owners of the parent		42		89	
Non-controlling interests		(1)		-	
<b>Basic earnings/(loss) per share (in Euro)</b>	16	<b>0.20</b>		<b>0.42</b>	
<b>Diluted earnings/(loss) per share (in Euro)</b>	16	<b>0.20</b>		<b>0.42</b>	

(\*) The previously published prior year comparative figures have been the subject of a restatement following the adoption of IAS 19 (revised). Further details can be found in section B.2 Accounting Standards.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Euro)

	1st half 2013	1st half 2012 *
<b>Net profit/(loss) for the period</b>	<b>41</b>	<b>89</b>
<b>Comprehensive income/(loss) for the period:</b>		
<b>- items that may be reclassified subsequently to profit or loss:</b>		
Fair value gains/(losses) on cash flow hedges - gross of tax	6	(5)
Fair value gains/(losses) on cash flow hedges - tax effect	(3)	2
Release of cash flow hedge reserve after discontinuing cash flow hedging - gross of tax	15	-
Release of cash flow hedge reserve after discontinuing cash flow hedging - tax effect	(5)	-
Currency translation differences	(32)	4
<b>Total items that may be reclassified, net of tax</b>	<b>(19)</b>	<b>1</b>
<b>- items that will NOT be reclassified subsequently to profit or loss:</b>		
Actuarial gains/(losses) on employee benefits - gross of tax	16	(28)
Actuarial gains/(losses) on employee benefits - tax effect	(2)	3
<b>Total items that will NOT be reclassified, net of tax</b>	<b>14</b>	<b>(25)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>36</b>	<b>65</b>
Attributable to:		
Owners of the parent	37	65
Non-controlling interests	(1)	-

(\*) The previously published prior year comparative figures have been the subject of a restatement following the adoption of IAS 19 (revised). Further details can be found in section B.2 Accounting Standards.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of Euro)

	Share capital	Fair value gains and losses on available-for-sale financial assets	Cash flow hedge reserve	Currency translation reserve	Other reserves*	Net profit/(loss) for the period*	Equity attributable to the Group	Non-controlling interests	Total
<b>Balance at 31 December 2011</b>	<b>21</b>	<b>-</b>	<b>(17)</b>	<b>(36)</b>	<b>1,210</b>	<b>(136)</b>	<b>1,042</b>	<b>62</b>	<b>1,104</b>
Allocation of prior year net result	-	-	-	-	(136)	136	-	-	-
Fair value - stock options	-	-	-	-	9	-	9	-	9
Dividend distribution	-	-	-	-	(44)	-	(44)	(1)	(45)
Non-controlling interests acquired in subsidiaries	-	-	-	-	(3)	-	(3)	(9)	(12)
Put option release	-	-	-	-	3	-	3	-	3
Total comprehensive income/(loss) for the period	-	-	(3)	4	(24)	89	66	-	66
<b>Balance at 30 June 2012</b>	<b>21</b>	<b>-</b>	<b>(20)</b>	<b>(32)</b>	<b>1,015</b>	<b>89</b>	<b>1,073</b>	<b>52</b>	<b>1,125</b>
<b>Balance at 31 December 2012</b>	<b>21</b>	<b>-</b>	<b>(23)</b>	<b>(62)</b>	<b>1,010</b>	<b>166</b>	<b>1,112</b>	<b>47</b>	<b>1,159</b>
Allocation of prior year net result	-	-	-	-	166	(166)	-	-	-
Dividend distribution	-	-	-	-	(89)	-	(89)	(2)	(91)
Fair value - stock options	-	-	-	-	7	-	7	-	7
Non-monetary component of convertible bond	-	-	-	-	39	-	39	-	39
Total comprehensive income/(loss) for the period	-	-	13	(32)	14	42	37	(1)	36
<b>Balance at 30 June 2013</b>	<b>21</b>	<b>-</b>	<b>(10)</b>	<b>(94)</b>	<b>1,147</b>	<b>42</b>	<b>1,106</b>	<b>44</b>	<b>1,150</b>

(\*) The previously published prior year comparative figures have been the subject of a restatement following the adoption of IAS 19 (revised). Further details can be found in section B.2 Accounting Standards.

# CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Euro)

	1st half 2013	of which related parties (Note 20)	1st half 2012 *	of which related parties (Note 20)
Profit/(loss) before taxes	58		127	
Depreciation and impairment of property, plant and equipment	61		65	
Amortisation and impairment of intangible assets	17		15	
Net gains on disposal of property, plant and equipment, intangible assets and other non-current assets	(1)		(1)	
Share of income from investments in associates	(6)		(8)	
Share-based payments	7		9	
Fair value change in metal derivatives and other fair value items	37		(1)	
Net finance costs	82		59	
Changes in inventories	(145)		(167)	
Changes in trade receivables/payables	(59)	(8)	(104)	(8)
Changes in other receivables/ payables	(163)	2	(89)	(11)
Changes in receivables/payables for derivatives	-		1	
Taxes paid	(28)		(32)	
Utilisation of provisions (including employee benefit obligations)	(69)		(48)	
Increases in provisions (including employee benefit obligations)	29	1	41	3
<b>A. Net cash flow provided by/(used in) operating activities</b>	<b>(180)</b>		<b>(133)</b>	
Acquisitions	-		(35)	(25)
Investments in property, plant and equipment	(42)		(55)	
Disposals of property, plant and equipment and assets held for sale	1		2	
Investments in intangible assets	(9)		(10)	
Investments in financial assets held for trading	(17)		(2)	
Disposals of financial assets held for trading	11		29	
Dividends received	8	8	6	6
<b>B. Net cash flow provided by/(used in) investing activities</b>	<b>(48)</b>		<b>(65)</b>	
Dividend distribution	(91)		(45)	
Proceeds from convertible bond <sup>(1)</sup>	296		-	
Early repayment of credit agreement	(486)		-	
Finance costs paid <sup>(2)</sup>	(216)		(188)	
Finance income received <sup>(3)</sup>	144		112	
Changes in net financial payables	164		54	
<b>C. Net cash flow provided by/(used in) financing activities</b>	<b>(189)</b>		<b>(67)</b>	
D. Currency translation gains/(losses) on cash and cash equivalents	(9)		10	
<b>E. Total cash flow provided/(used) in the period (A+B+C+D)</b>	<b>(426)</b>		<b>(255)</b>	
<b>F. Net cash and cash equivalents at the beginning of the period</b>	<b>812</b>		<b>727</b>	
<b>G. Net cash and cash equivalents at the end of the period (E+F)</b>	<b>386</b>		<b>472</b>	

(\*) The previously published prior year comparative figures have been the subject of a restatement following the adoption of IAS 19 (revised). Further details can be found in section B.2 Accounting Standards.

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

(2) Finance costs paid of Euro 216 million include Euro 44 million in interest payments in the first six months of 2013 (Euro 53 million in the first six months of 2012).

(3) Finance income received of Euro 144 million includes Euro 3 million in interest income (Euro 1 million in the first six months of 2012).

# EXPLANATORY NOTES

## A. GENERAL INFORMATION

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

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

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

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

### Early Repayment of Term Loan Facility 2010

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

### Convertible bond

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

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

The Shareholders' Meeting held on 16 April 2013 authorised:

- the convertibility of the Bond;
- the proposal to increase share capital for cash, in one or more instalments with the exclusion of pre-emptive rights, by a maximum nominal amount of Euro 1,344,411.30, by issuing, in one or more instalments, up to 13,444,113 ordinary shares of the Company, with the same characteristics as ordinary shares in circulation, exclusively and irrevocably to serve the Bond's conversion.

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

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

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

The consolidated financial statements contained herein were approved by the Board of Directors on 1 August 2013 and have been the subject of a limited review by the independent auditors.

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

## **B. FORM AND CONTENT**

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

In particular, the Group's estimates and projections take account of the possible developments in the investigations by the European Commission and other jurisdictions into alleged anti-competitive practices in the High Voltage underground and Submarine cables market, as well as the risk factors described in the Directors' Report, and confirm the Prysmian Group's ability to operate as a going concern and to comply with its financial covenants.

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

The information contained in the half-year financial report must be read in conjunction with the annual IFRS consolidated financial statements at 31 December 2012.

### **B.1 FINANCIAL STATEMENTS AND DISCLOSURES**

The Group has elected to present its income statement according to the nature of expenses, whereas assets and liabilities in the statement of financial position are classified as current or non-current. The statement of cash flows has been prepared using the indirect method. The Group has also applied the provisions of Consob Resolution 15519 dated 27 July 2006 concerning financial statement formats and the disclosure requirements of Consob Communication 6064293 dated 28 July 2006.

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 obtained in the future. Some valuation processes, particularly more complex ones such as the determination of any impairment losses against the value of property, plant and equipment and intangible assets, are carried out fully only at year end, when all the necessary information is available, unless there are indicators of impairment that require the immediate recognition of a loss.



## Restatement of the prior year financial statements in the period

The previously published figures contained in the consolidated financial statements at 31 December 2012, presented in this half-year financial report for comparative purposes, have been the subject of a restatement following the adoption of IAS 19 (revised) - Employee Benefits.

In particular, the items affected by the restatement are "Reserves", "Net profit/(loss) for the period" and "Finance costs". Further details can be found in section B.2 Accounting Standards.

## B.2 ACCOUNTING STANDARDS

### Accounting standards used to prepare the half-year financial report

The consolidation principles, the methods applied for translating 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 2012, to which reference should be made for more details, except for:

1. income taxes, which have been recognised using the best estimate of the weighted average tax rate for the full year;
2. the accounting standards and amendments discussed below, which have been mandatorily applied with effect from 1 January 2013 after receiving endorsement from the competent authorities.

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

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

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

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

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

## Accounting standards, amendments and interpretations applied from 1 January 2013

On 12 May 2011, the IASB issued *IFRS 13 - Fair Value Measurement*, which sets out in a single document the rules defining the fair value concept and its use for measurement purposes in the various circumstances permitted by IFRSs. IFRS 13 also requires specific disclosures about fair value, part of which replace those required by other standards, including *IFRS 7 - Financial Instruments: Disclosures*. Some of these disclosures are specifically required by IAS 34 and so affect the half-year financial statements.

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

The application of this standard is not considered to have a material impact on the Group's financial statements; with reference to the measurement of the value of assets and liabilities, the disclosures required for this half-year financial report are presented in Section C of these notes.

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

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

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

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

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

The Group has applied *IAS 19 (revised)* with effect from 1 January 2013 and so its consolidated financial statements at 31 December 2012, presented in this half-year financial report for comparative purposes, have been restated.

This restatement has involved recognising Euro 2 million more in finance costs at 31 December 2012, with a consequent adjustment of Euro 2 million to "Net profit/(loss) for the period" and "Reserves", both classified in equity; the adjustment at 30 June 2012 amounts to Euro 1 million. Further information can be found in Note 12. Employee benefit obligations.

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

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

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

The amendment is applicable retrospectively to the Group with effect from 1 January 2013 and does not entail significant changes for it.

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

On 12 November 2009, the IASB issued the first part of a new accounting standard *IFRS 9 – Financial Instruments*, which will supersede *IAS 39 - Financial Instruments: Recognition and Measurement*; IFRS 9 was subsequently reissued on 28 October 2010.

The first part of the new standard addresses the classification of financial instruments and forms part of a three-phase project, whose second and third phases will address the impairment methodology for financial assets and the application of hedge accounting respectively. This new standard, whose purpose is to simplify and reduce the complexity of accounting for financial instruments, classifies financial instruments in three categories that the reporting entity defines according to its business model, and to the contractual characteristics and related cash flows of the instruments in question.

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

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

The principal changes are as follows:

#### *IFRS 10 - Consolidated Financial Statements*

This standard supersedes *SIC 12 - Consolidation: Special Purpose Entities* and parts of *IAS 27 - Consolidated and Separate Financial Statements*. The objective of the new standard is to define the concept of control and to combine the guidance on consolidation in a single document.

The new definition of control is more detailed and complex than before, and is associated with the continuing existence of all three of the following precise circumstances: power over the investee, exposure or rights to variable returns from involvement with the investee and ability of the investor to use its power over the investee to affect the amount of its return.

#### *IAS 27 - Separate Financial Statements*

*IAS 27 - Consolidated and Separate Financial Statements* has been revised following publication of *IFRS 10 - Consolidated Financial Statements*. All references to consolidation have been removed from the revised standard. Consequently, IAS 27 addresses only separate financial statements presented by a parent.

*IFRS 11 - Joint Arrangements*

This document supersedes *IAS 31 - Interests in Joint Ventures* and *SIC 13 - Jointly Controlled Entities: Non-Monetary Contributions by Venturers* and establishes principles for identifying a joint arrangement on the basis of the rights and obligations arising from the arrangement, rather than its legal form. The accounting treatment differs according to whether the arrangement is classified as a joint operation or a joint venture. In addition, the existing policy choice of proportionate consolidation for joint ventures has been eliminated.

*IFRS 12 - Disclosure of Interests in Other Entities*

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

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

IFRSs 10, 11 and 12 and IAS 27 were published in the Official Journal of the European Union on 29 December 2012 and apply at the latest from the commencement date of the first financial year starting on or after 1 January 2014. The Group is conducting an analysis to evaluate the effects of introducing these new standards.

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

The amendments clarify that:

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

The document was published in the Official Journal of the European Union on 29 December 2012. The amendments are effective for financial years beginning on or after 1 January 2014 and are required to be applied retrospectively.

On 29 May 2013, the IASB issued an amendment to *IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets* to clarify that disclosures about the recoverable amount of impaired assets, apply only to those assets whose recoverable amount is based on fair value less costs of disposal. This amendment is due to come into effect for financial years beginning on or after 1 January 2014.

On 27 June 2013, the IASB published an amendment to *IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting*, which clarifies that it is permitted to continue hedge accounting for a derivative designated as a hedging instrument, where novation is required by legislation/regulation, provided specific conditions are met. This amendment is due to come into effect for financial years beginning on or after 1 January 2014. This amendment will also appear in *IFRS 9 - Financial Instruments*.

### **B.3 CHANGES IN THE SCOPE OF CONSOLIDATION**

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

The following changes took place during the first six months of 2013:

#### **New company formations**

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

Prysmian Netherlands B.V. was formed on 6 June 2013. It is wholly owned by Draka Holding N.V.

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

#### **Name changes**

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

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

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

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

#### **Mergers**

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

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

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

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

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

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

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

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

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

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

## Liquidations

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

Appendix A to these notes contains a list of the companies included in the scope of consolidation at 30 June 2013.

## 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 2012, which should be consulted for more detailed analysis.

With reference to the risks described in the annual financial report at 31 December 2012, 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

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

*Level 1:* fair value is determined with reference to quoted (unadjusted) prices 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)

	<b>30 June 2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
Derivatives	4	13	-	17
Financial assets held for trading	73	6	-	79
Hedging derivatives	-	5	-	5
Available-for-sale financial assets	-	-	15	15
<b>Total assets</b>	<b>77</b>	<b>24</b>	<b>15</b>	<b>116</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss:				
Derivatives	41	25	-	66
Hedging derivatives	-	21	-	21
<b>Total liabilities</b>	<b>41</b>	<b>46</b>	<b>-</b>	<b>87</b>

There have been no transfers during the first half of 2013 between financial assets classified in the different fair value levels.

Financial assets classified in fair value level 3 have reported no significant movements in the first six months of 2013.

### **(b) Valuation techniques**

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

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

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

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

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

## D. SEGMENT INFORMATION

The criteria used for identifying reportable segments are consistent with the way in which management runs the Group.

In particular, segment information is structured in the same way as the report periodically reviewed by the Chief Executive Officer for the purposes of managing the business. In fact, the Chief Executive Officer reviews operating performance by macro type of business (Energy and Telecom), assesses the results of operating segments primarily on the basis of Adjusted EBITDA, defined as earnings (loss) for the period before non-recurring items (eg. restructuring costs), amortisation, depreciation and impairment, finance costs and income, and taxes, and reviews the statement of financial position for the Group as a whole, and not by operating segment.

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

A) Energy operating segment:

1. Utilities: organised in four lines of business, comprising High Voltage, Power Distribution, Accessories and Submarine;
2. Trade & Installers: cables and systems for the trade and installers market for the wiring of buildings and distribution of electricity to or in commercial and residential buildings, including fire-resistant and low smoke halogen-free cables as part of one of the widest and most comprehensive product ranges in the world;
3. Industrial: cables and accessories for special industrial applications based on specific requirements (Specialties&OEM; Oil&Gas; Automotive; Renewables; Surf; Elevator);
4. Other: occasional sales of residual products.

B) Telecom operating segment: produces cable systems and connectivity products used in telecommunication networks. The segment is organised in the following lines of business: optical fibre, optical cables, connectivity components and accessories, OPGW (Optical Ground Wire) and copper cables. All Corporate fixed costs are allocated to the Energy and Telecom segments. Revenues and costs are allocated to each operating segment by identifying all revenues and costs directly attributable to that segment and by allocating indirect costs on the basis of Corporate resources (personnel, space used, etc.) absorbed by the operating segments.

Group operating activities are organised and managed separately based on the nature of the products and services provided: each segment offers different products and services to different markets. Sales of goods and services are analysed geographically on the basis of the location of the registered office of the company that issues the invoices, regardless of the geographic destination of the products sold. This type of reporting does not significantly differ from the breakdown of sales of goods and services by destination of the products being sold. Transfer pricing between segments is determined using the same conditions as applied between Group companies and is generally determined by applying a mark-up to production costs.



## D.1 OPERATING SEGMENTS

The following tables present information by operating segment.

	(in millions of Euro)					1st half 2013		
	Energy					Telecom	Corporate	Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
<b>Sales of goods and services to third parties <sup>(1)</sup></b>	1,071	974	896	54	2,995	627	-	3,622
<b>Adjusted EBITDA (A)</b>	<b>121</b>	<b>37</b>	<b>63</b>	<b>4</b>	<b>225</b>	<b>57</b>	<b>-</b>	<b>282</b>
% of sales	11.3%	3.8%	7.0%		7.5%	9.0%		7.8%
<b>EBITDA (B)</b>	<b>126</b>	<b>27</b>	<b>60</b>	<b>(1)</b>	<b>212</b>	<b>45</b>	<b>(1)</b>	<b>256</b>
% of sales	11.8%	2.8%	6.7%		7.1%	7.2%		7.1%
Amortisation and depreciation (C)	(20)	(13)	(18)	(2)	(53)	(25)		(78)
<b>Adjusted operating income (A+C)</b>	<b>101</b>	<b>24</b>	<b>45</b>	<b>2</b>	<b>172</b>	<b>32</b>		<b>204</b>
% of sales	9.4%	2.5%	5.0%		5.8%	5.2%		5.6%
Fair value change in metal derivatives (D)								(37)
Fair value - stock options (E)								(7)
Impairment of assets (F)								-
Remeasurement of minority put option liability (G)								-
<b>Operating income (B+C+D+E+F+G)</b>								<b>134</b>
% of sales								3.7%
Share of income from investments in associates and dividends from other companies					7	(1)		6
Finance costs								(246)
Finance income								164
Taxes								(17)
<b>Net profit/(loss) for the period</b>								<b>41</b>
Attributable to:								
Owners of the parent								42
Non-controlling interests								(1)

### Reconciliation of EBITDA to Adjusted EBITDA

(in millions of Euro)								
<b>EBITDA (A)</b>	<b>126</b>	<b>27</b>	<b>60</b>	<b>(1)</b>	<b>212</b>	<b>45</b>	<b>(1)</b>	<b>256</b>
<b>Non-recurring expenses/(income):</b>								
Company reorganisation	1	8	3	5	17	4	-	21
Antitrust	(1)	-	-	-	(1)	-	-	(1)
Environmental remediation and other costs	-	2	-	-	2	-	-	2
Other non-recurring expenses	(5)	-	-	-	(5)	8	1	4
<b>Total non-recurring expenses/(income) (B)</b>	<b>(5)</b>	<b>10</b>	<b>3</b>	<b>5</b>	<b>13</b>	<b>12</b>	<b>1</b>	<b>26</b>
<b>Adjusted EBITDA (A+B)</b>	<b>121</b>	<b>37</b>	<b>63</b>	<b>4</b>	<b>225</b>	<b>57</b>	<b>-</b>	<b>282</b>

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

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(in millions of Euro)	Energy					Telecom	Corporate	1st half 2012 (*) Group total
	Utilities	Trade & Installers	Industrial	Other	Total			
	<b>Sales of goods and services to third parties <sup>(1)</sup></b>	1,073	1,110	920	67	3,170	746	-
<b>Adjusted EBITDA (A)</b>	<b>117</b>	<b>42</b>	<b>70</b>	<b>-</b>	<b>229</b>	<b>79</b>	<b>-</b>	<b>308</b>
% of sales	10.9%	3.8%	7.6%	-	7.2%	10.6%	-	7.9%
<b>EBITDA (B)</b>	<b>111</b>	<b>33</b>	<b>64</b>	<b>(2)</b>	<b>206</b>	<b>68</b>	<b>(8)</b>	<b>266</b>
% of sales	10.3%	3.0%	7.0%	-	6.5%	9.2%	-	6.8%
Amortisation and depreciation (C)	(17)	(14)	(21)	(2)	(54)	(25)	-	(79)
<b>Adjusted operating income (A+C)</b>	<b>100</b>	<b>28</b>	<b>49</b>	<b>(2)</b>	<b>175</b>	<b>54</b>	<b>-</b>	<b>229</b>
% of sales	9.3%	2.5%	5.4%	-	5.5%	7.3%	-	5.9%
Fair value change in metal derivatives (D)								1
Fair value - stock options (E)								(9)
Remeasurement of minority put option liability (F)		-	-	-	-	-	-	-
Impairment of assets (G)	-	-	-	(1)	(1)	-	-	(1)
<b>Operating income (B+C+D+E+F+G)</b>								<b>178</b>
% of sales								4.5%
Share of income from investments in associates and dividends from other companies					7	1		8
Finance costs								(193)
Finance income								134
Taxes								(38)
<b>Net profit/(loss) for the period</b>								<b>89</b>
Attributable to:								
Owners of the parent								89
Non-controlling interests								-

**Reconciliation of EBITDA to Adjusted EBITDA**

(in millions of Euro)								
<b>EBITDA (A)</b>	<b>111</b>	<b>33</b>	<b>64</b>	<b>(2)</b>	<b>206</b>	<b>68</b>	<b>(8)</b>	<b>266</b>
<b>Non-recurring expenses/(income):</b>								
Company reorganisation	1	6	6	1	14	7	6	27
Antitrust	3	-	-	-	3	-	-	3
Draka integration costs	-	-	-	1	1	-	2	3
Tax inspections	-	-	-	1	1	2	-	3
Environmental remediation and other costs	-	1	-	-	1	-	-	1
Italian pensions reform	1	-	-	-	1	-	-	1
Gains on asset disposals	-	-	-	(1)	(1)	-	-	(1)
Other non-recurring expenses	1	2	-	-	3	2	-	5
<b>Total non-recurring expenses/(income) (B)</b>	<b>6</b>	<b>9</b>	<b>6</b>	<b>2</b>	<b>23</b>	<b>11</b>	<b>8</b>	<b>42</b>
<b>Adjusted EBITDA (A+B)</b>	<b>117</b>	<b>42</b>	<b>70</b>	<b>-</b>	<b>229</b>	<b>79</b>	<b>-</b>	<b>308</b>

(\*) The previously published prior year comparative figures have been the subject of a restatement following the adoption of IAS 19 (revised). Further details can be found in section B.2 Accounting Standards.

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

**D.2 GEOGRAPHICAL AREAS**

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

(in millions of Euro)

	<b>1st half 2013</b>	<b>1st half 2012</b>
<b>Sales of goods and services</b>	<b>3,622</b>	<b>3,916</b>
<b>EMEA*</b>	2,283	2,452
(of which Italy)	459	458
<b>North America</b>	508	559
<b>Latin America</b>	323	354
<b>Asia Pacific</b>	508	551

\* EMEA = Europe, Middle East and Africa

## E. BUSINESS COMBINATIONS

On 5 April 2012, the Prysmian Group acquired, through its subsidiary Draka Cableteq Brasil, the majority 50% controlling interest in the Brazilian company Telcon Fios e Cabos para Telecomunicações S.A., thereby becoming its sole shareholder since the Group already owned 50% of this company. For greater practicality and in the absence of material impacts, the acquisition date of the remaining 50% interest has been taken as 31 March 2012 for accounting purposes, with revenues and expenses consolidated as from 1 April 2012.

In compliance with IFRS 3, the final fair values of the assets, liabilities and contingent liabilities are as follows:

(in millions of Euro)

Total acquisition cost (A)	21
Dividend distribution (B)	11
Fair value of net assets acquired (C)	26
<b>Goodwill (A)+(B)-(C)</b>	<b>6</b>
Financial outlay for acquisition	32
Cash and cash equivalents held by acquired company	(9)
<b>Acquisition cash flow</b>	<b>23</b>

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

(in millions of Euro)

	<b>Fair value</b>
Property, plant and equipment	11
Intangible assets	2
Financial receivables - non-current	3
Inventories	3
Trade and other receivables	16
Trade and other payables	(13)
Provisions for risks	(1)
Borrowings from banks and other lenders	(4)
Cash and cash equivalents	9
<b>Net assets acquired (C)</b>	<b>26</b>

### Property, plant and equipment

The fair value measurement has increased the book value of "Plant and machinery" by Euro 5 million.

### Intangible assets

The fair value measurement has identified an additional value of Euro 2 million for customer relationships.

The acquisition has given rise to Euro 6 million in goodwill, which has been recorded in "Intangible assets".

If the company had been consolidated from 1 January 2012, its incremental contribution to sales of goods and services would have been Euro 16 million, while its contribution to the result for 2012 would have been Euro 1 million.

On 15 November 2012, the Prysmian Group acquired, through its subsidiary Prysmian UK Group Limited, control of Global Marine Systems Energy Ltd. (now renamed Prysmian PowerLink Services Ltd) from Global Marine Systems Ltd.

The total consideration paid for the acquisition was approximately Euro 52 million, of which Euro 17 million paid to the seller by Prysmian UK Group Limited and Euro 35 million settled by repaying the debt that the company owed to its former shareholder.

Acquisition-related costs, incurred in the previous year, amounted to around Euro 565 thousand and are classified in "Other expenses", before tax effects of Euro 131 thousand.

In compliance with IFRS 3, the fair values of the assets, liabilities and contingent liabilities have been determined on a provisional basis in view of the fact that some estimation processes had been not completed at the reporting date. These measurements may be adjusted over the course of the twelve-month period from the acquisition date.

Details of the cost of acquisition of Prysmian PowerLink Services Ltd (formerly Global Marine Systems Energy Ltd) and the related cash outlay are as follows:

(in millions of Euro)

Total acquisition cost (A)	52
Price adjustment (B)	3
Fair value of net assets acquired * (C)	-
<b>Goodwill (A)-(B)-(C)</b>	<b>49</b>
Financial outlay for acquisition	52
Cash and cash equivalents held by acquired company	(1)
<b>Acquisition cash flow</b>	<b>51</b>

\*The fair values are reported on a provisional basis.

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	43
Inventories	1
Trade and other receivables	8
Trade and other payables	(16)
Borrowings from banks and other lenders	(11)
Provisions for risks and charges	(26)
Cash and cash equivalents	1
<b>Net assets acquired (C)*</b>	<b>-</b>

\* The fair values are reported on a provisional basis.

The acquisition has given rise to a provisional amount of Euro 49 million in goodwill; this amount depends on the purchase price, which has also been defined on a provisional basis. The above goodwill is essentially justified by expected synergies relating to submarine system installation projects.

If the company had been consolidated from 1 January 2012, its contribution to sales revenue would have been difficult to determine because its main contracts were transferred and started only just before the acquisition.

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

Details of these balances and related movements are as follows:

(in millions of Euro)

	Property, plant and equipment	Intangible assets	of which Goodwill
<b>Balance at 31 December 2012</b>	<b>1,539</b>	<b>655</b>	<b>405</b>
<b>Movements in period:</b>			
- Business combinations	-	2	2
- Investments	42	9	-
- Depreciation, amortisation and impairment	(61)	(17)	-
- Currency translation differences	(28)	(6)	(3)
- Reclassifications to Assets held for sale	(2)	-	-
<b>Total movements</b>	<b>(49)</b>	<b>(12)</b>	<b>(1)</b>
<b>Balance at 30 June 2013</b>	<b>1,490</b>	<b>643</b>	<b>404</b>
<b>Of which:</b>			
- Historical cost	2,205	831	424
- Accumulated depreciation/amortisation and impairment	(715)	(188)	(20)
<b>Net book value</b>	<b>1,490</b>	<b>643</b>	<b>404</b>

(in millions of Euro)

	Property, plant and equipment	Intangible assets	of which Goodwill
<b>Balance at 31 December 2011</b>	<b>1,539</b>	<b>618</b>	<b>352</b>
<b>Movements in period:</b>			
- Business combinations	12	9	7
- Investments	55	10	-
- Disposals	(2)	-	-
- Depreciation, amortisation and impairment	(65)	(15)	-
- Currency translation differences	8	(3)	-
<b>Total movements</b>	<b>8</b>	<b>1</b>	<b>7</b>
<b>Balance at 30 June 2012</b>	<b>1,547</b>	<b>619</b>	<b>359</b>
<b>Of which:</b>			
- Historical cost	2,113	770	379
- Accumulated depreciation/amortisation and impairment	(566)	(151)	(20)
<b>Net book value</b>	<b>1,547</b>	<b>619</b>	<b>359</b>

A total of Euro 42 million in investments have been made in property, plant and equipment in the first six months of 2013.

These investments comprise:

- Euro 28 million for projects to increase production capacity and develop new products;
- Euro 5 million for structural work, primarily involving buildings or entire production lines to comply with the latest regulations;
- Euro 8 million for projects to improve industrial efficiency;
- Euro 1 million for projects in the Information Technology area.

Machinery is subject to Euro 15 million in liens in connection with long-term loans (mainly in relation to the Brazilian subsidiaries).

Investments in intangible assets amount to Euro 9 million, most of which for the "SAP Consolidation" project, aimed at harmonising the information system across the Group.

Indicators of the possible impairment of a specific CGU have been identified at 30 June 2013. The impairment test has not, however, resulted in the need to recognise an impairment loss. This does not mean that impairment losses, even significant ones, will not emerge when preparing the annual financial statements.

The increase of Euro 2 million in Goodwill is related to the determination of the final values for the acquisition of the majority interest in Telcon Fios and para Telecomunicações Cabos SA. Further details can be found in Section E. Business combinations.

## 2. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in millions of Euro)	30 June 2013		
	Non-current	Current	Total
Trade receivables	-	1,338	1,338
Allowance for doubtful accounts	-	(66)	(66)
<b>Total trade receivables</b>	<b>-</b>	<b>1,272</b>	<b>1,272</b>
<b>Other receivables:</b>			
Tax receivables	13	109	122
Financial receivables	9	7	16
Prepaid finance costs	2	5	7
Receivables from employees	2	4	6
Pension fund receivables	-	1	1
Construction contracts	-	400	400
Advances to suppliers	-	19	19
Other	8	110	118
<b>Total other receivables</b>	<b>34</b>	<b>655</b>	<b>689</b>
<b>Total</b>	<b>34</b>	<b>1,927</b>	<b>1,961</b>



(in millions of Euro)	31 December 2012		
	Non-current	Current	Total
Trade receivables	-	1,226	1,226
Allowance for doubtful accounts	-	(63)	(63)
<b>Total trade receivables</b>	-	<b>1,163</b>	<b>1,163</b>
<b>Other receivables:</b>			
Tax receivables	18	100	118
Financial receivables	9	7	16
Prepaid finance costs	4	5	9
Receivables from employees	1	3	4
Pension fund receivables	-	2	2
Construction contracts	-	327	327
Advances to suppliers	-	26	26
Other	9	100	109
<b>Total other receivables</b>	<b>41</b>	<b>570</b>	<b>611</b>
<b>Total</b>	<b>41</b>	<b>1,733</b>	<b>1,774</b>

### 3. INVENTORIES

These are detailed as follows:

(in millions of Euro)	30 June 2013	31 December 2012
Raw materials	278	256
<i>of which allowance for obsolete and slow-moving raw materials</i>	<i>(33)</i>	<i>(29)</i>
Work in progress and semi-finished goods	287	231
<i>of which allowance for obsolete and slow-moving work in progress and semi-finished goods</i>	<i>(7)</i>	<i>(5)</i>
Finished goods	460	410
<i>of which allowance for obsolete and slow-moving finished goods</i>	<i>(51)</i>	<i>(44)</i>
<b>Total</b>	<b>1,025</b>	<b>897</b>

## 4. DERIVATIVES

These are detailed as follows:

(in millions of Euro)	30 June 2013	
	Asset	Liability
<b>Non-current</b>		
Interest rate swaps (cash flow hedges)	-	12
Forward currency contracts on commercial transactions (cash flow hedges)	2	2
<b>Total hedging derivatives</b>	<b>2</b>	<b>14</b>
Interest rate swaps	-	13
Metal derivatives	-	11
<b>Total other derivatives</b>	<b>-</b>	<b>24</b>
<b>Total non-current</b>	<b>2</b>	<b>38</b>
<b>Current</b>		
Forward currency contracts on financial transactions (cash flow hedges)	-	3
Forward currency contracts on commercial transactions (cash flow hedges)	3	4
<b>Total hedging derivatives</b>	<b>3</b>	<b>7</b>
Forward currency contracts on commercial transactions	8	4
Forward currency contracts on financial transactions	4	3
Metal derivatives	5	35
<b>Total other derivatives</b>	<b>17</b>	<b>42</b>
<b>Total current</b>	<b>20</b>	<b>49</b>
<b>Total</b>	<b>22</b>	<b>87</b>

(in millions of Euro)	31 December 2012	
	Asset	Liability
<b>Non-current</b>		
Interest rate swaps (cash flow hedges)	-	35
Forward currency contracts on commercial transactions (cash flow hedges)	3	3
<b>Total hedging derivatives</b>	<b>3</b>	<b>38</b>
Forward currency contracts on commercial transactions	-	-
Forward currency contracts on financial transactions	-	-
Metal derivatives	-	3
<b>Total other derivatives</b>	<b>-</b>	<b>3</b>
<b>Total non-current</b>	<b>3</b>	<b>41</b>
<b>Current</b>		
Forward currency contracts on financial transactions (cash flow hedges)	-	3
Forward currency contracts on commercial transactions (cash flow hedges)	6	8
<b>Total hedging derivatives</b>	<b>6</b>	<b>11</b>
Forward currency contracts on commercial transactions	3	3
Forward currency contracts on financial transactions	3	4
Metal derivatives	4	6
<b>Total other derivatives</b>	<b>10</b>	<b>13</b>
<b>Total current</b>	<b>16</b>	<b>24</b>
<b>Total</b>	<b>19</b>	<b>65</b>

## 5. FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading basically refer to units in funds that mainly invest in short and medium-term government securities. These assets are mostly held by subsidiaries in Brazil and Argentina as a result of investing temporarily available liquidity in such funds.

## 6. CASH AND CASH EQUIVALENTS

These are detailed as follows:

(in millions of Euro)

	<b>30 June 2013</b>	<b>31 December 2012</b>
Cash and cheques	15	7
Bank and postal deposits	371	805
<b>Total</b>	<b>386</b>	<b>812</b>

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

Cash and cash equivalents managed through the Group's treasury companies amount to Euro 144 million at 30 June 2013 compared with Euro 354 million at 31 December 2012.

## 7. ASSETS HELD FOR SALE

These are detailed as follows:

(in millions of Euro)

	<b>30 June 2013</b>	<b>31 December 2012</b>
Land	5	4
Buildings	1	-
<b>Total</b>	<b>6</b>	<b>4</b>

During the first half of 2013 the land and the buildings of the St. Jean plant in Canada were reclassified to this line item in view of their foreseeable sale.

## 8. SHARE CAPITAL AND RESERVES

Consolidated equity has recorded a decrease of Euro 9 million since 31 December 2012, mainly reflecting the net effect of:

- the increase associated with the recognition of Euro 39 million for the equity component of the convertible Bond;
- negative currency translation differences of Euro 32 million;
- the release of Euro 10 million, net of tax, in gains from the cash flow hedge reserve as a result of discontinuing cash flow hedging, following early repayment of the Term Loan Facility 2010;
- the positive change of Euro 7 million in the share-based compensation reserve linked to the stock option plan;
- the positive change of Euro 14 million in the reserve for actuarial gains on employee benefits;
- the positive post-tax change of Euro 3 million in the fair value of derivatives designated as cash flow hedges;
- the net profit for the period of Euro 41 million;
- the dividend distribution of Euro 91 million.

At 30 June 2013 the share capital of Prysmian S.p.A. comprises 214,591,710 shares with a total value of Euro 21,459,171.

Movements in the ordinary shares of Prysmian S.p.A. are as follows:

	Ordinary shares	Treasury shares	Total
<b>Balance at 31 December 2011</b>	<b>214,393,481</b>	<b>(3,039,169)</b>	<b>211,354,312</b>
Capital increase <sup>(1)</sup>	115,300	-	115,300
Treasury shares	-	-	-
<b>Balance at 31 December 2012</b>	<b>214,508,781</b>	<b>(3,039,169)</b>	<b>211,469,612</b>
	Ordinary shares	Treasury shares	Total
<b>Balance at 31 December 2012</b>	<b>214,508,781</b>	<b>(3,039,169)</b>	<b>211,469,612</b>
Capital increase <sup>(1)</sup>	82,929	-	82,929
Treasury shares	-	-	-
<b>Balance at 30 June 2013</b>	<b>214,591,710</b>	<b>(3,039,169)</b>	<b>211,552,541</b>

<sup>(1)</sup> Capital increase following exercise of part of the options under the Stock Option Plan 2007-2012

## Treasury shares

The treasury shares held at the beginning of the year were acquired under the shareholders' resolution dated 15 April 2008, which gave the Board of Directors the authority for an 18-month maximum period to buy up to 18 million shares. This period was subsequently extended to October 2010 under a resolution adopted on 9 April 2009. The number of treasury shares increased in 2011 following the acquisition of Draka Holding N.V., which holds 10,669 Prysmian S.p.A. shares.

	Number of shares	Total nominal value (in Euro)	% of total share capital	Average unit value (in Euro)	Total carrying value (in Euro)
<b>At 31 December 2011</b>	<b>3,039,169</b>	<b>303,917</b>	<b>1.42%</b>	<b>9.963</b>	<b>30,279,078</b>
- Purchases	-	-	-	-	-
- Sales	-	-	-	-	-
<b>At 31 December 2012</b>	<b>3,039,169</b>	<b>303,917</b>	<b>1.42%</b>	<b>9.963</b>	<b>30,279,078</b>
- Purchases	-	-	-	-	-
- Sales	-	-	-	-	-
<b>At 30 June 2013</b>	<b>3,039,169</b>	<b>303,917</b>	<b>1.42%</b>	<b>9.963</b>	<b>30,279,078</b>

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

## 9. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

(in millions of Euro)			30 June 2013
	Non-current	Current	Total
Borrowings from banks and other financial institutions	644	389	1,033
Non-convertible bond	398	5	403
Convertible bond	259	1	260
Finance lease obligations	11	2	13
<b>Total</b>	<b>1,312</b>	<b>397</b>	<b>1,709</b>

(in millions of Euro)			31 December 2012
	Non-current	Current	Total
Borrowings from banks and other financial institutions	1,023	344	1,367
Non-convertible bond	398	15	413
Finance lease obligations	12	2	14
<b>Total</b>	<b>1,433</b>	<b>361</b>	<b>1,794</b>

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

(in millions of Euro)

	30 June 2013	31 December 2012
Credit Agreements <sup>(1)</sup>	579	1,060
Other borrowings	454	307
<b>Total borrowings from banks and other financial institutions</b>	<b>1,033</b>	<b>1,367</b>
Non-convertible bond	403	413
Convertible bond	260	-
<b>Total</b>	<b>1,696</b>	<b>1,780</b>

<sup>(1)</sup> Credit Agreements refer to the following lines: Term Loan Facility 2010 and Term Loan Facility 2011.

### Credit Agreement 2010 and Credit Agreement 2011

The Forward Start Credit Agreement (now termed Credit Agreement 2010) was activated on 3 May 2012 after being entered into by the Group on 21 January 2010 with a syndicate of major national and international banks. This credit agreement has replaced the previous "Credit Agreement" entered into on 18 April 2007.

The Credit Agreement 2010 is a long-term agreement (maturing on 31 December 2014), negotiated in advance of its period of use, under which the lenders have provided Prysmian S.p.A. and some of its subsidiaries (the same as in the previous Credit Agreement) loans and credit facilities for a total of Euro 1,070 million. The agreement provided for Euro 670 million in loans (Term Loan Facility 2010) and Euro 400 million in credit lines (Revolving Credit Facility 2010).

On 22 February 2013 and 15 March 2013, the Prysmian Group made early repayments of Euro 186 million and Euro 300 million respectively against the Term Loan Facility 2010 disbursed on 3 May 2012. The first repayment was in respect of repayments due in 2013 and in the first half 2014, while the second referred to the repayment due in December 2014. More details about the related effects recognised through the income statement can be found in Note 14. Finance income and costs.

The repayment of the Term Loan Credit Agreement 2010 ends on 31 December 2014 with a final payment of Euro 184 million.

The "Credit Agreements" line also includes the Credit Agreement 2011, entered into by Prysmian on 7 March 2011 with a syndicate of major banks, for Euro 800 million with a five-year maturity. This agreement comprises a loan for Euro 400 million (Term Loan Facility 2011) and a revolving facility for Euro 400 million (Revolving Credit Facility 2011). The entire amount of the Term Loan Facility 2011 is scheduled for repayment on 7 March 2016.

At 30 June 2013, the fair values of the Credit Agreements 2010 and 2011 approximate the related carrying amounts.

The following table summarises the committed lines available to the Group at 30 June 2013 and 31 December 2012:

(in millions of Euro)	30 June 2013		
	Total lines	Used	Unused
Term Loan Facility 2010	184	(184)	-
Term Loan Facility 2011	400	(400)	-
Revolving Credit Facility 2010	400	(3)	397
Revolving Credit Facility 2011	400	-	400
<b>Total Credit Agreements</b>	<b>1,384</b>	<b>(587)</b>	<b>797</b>
Securitization	150	(116)	34
<b>Total</b>	<b>1,534</b>	<b>(703)</b>	<b>831</b>

(in millions of Euro)	31 December 2012		
	Total lines	Used	Unused
Term Loan Facility	670	(670)	-
Term Loan Facility 2011	400	(400)	-
Revolving Credit Facility	400	(4)	396
Revolving Credit Facility 2011	400	-	400
<b>Total Credit Agreements</b>	<b>1,870</b>	<b>(1,074)</b>	<b>796</b>
Securitization	150	(75)	75
<b>Total</b>	<b>2,020</b>	<b>(1,149)</b>	<b>871</b>

The Revolving Credit Facility 2010 and the Revolving Credit Facility 2011 are both intended to finance ordinary working capital requirements, while only the Revolving Credit Facility 2010 can also be used for the issue of guarantees.

On 26 July 2012, the securitization programme, due to end on 31 July 2012, was extended for another 12 months and the amount of the related credit facility reduced to Euro 150 million, consistent with the amount of trade receivables eligible for securitization under the agreed contractual terms (amounting to approximately Euro 125 million at 30 June 2013 and approximately Euro 117 million at 31 December 2012). It was decided to end the programme on 25 July 2013.

## Bonds

As at 30 June 2013, the Prysmian Group had issued the following bonds:

### Non-convertible bond issued in 2010

On 31 March 2010, Prysmian S.p.A. completed the placement of an unrated bond with institutional investors on the Eurobond market for a total nominal amount of Euro 400 million. The bond, with an issue price of Euro 99.674, has a 5-year term and pays a fixed annual coupon of 5.25%. The bond settlement date was 9 April 2010. The bond has been admitted to the Luxembourg Stock Exchange's official list and is traded on the related regulated market.

The non-convertible bond has a fair value of Euro 420 million at 30 June 2013, unchanged since 31 December 2012.

### **Convertible bond**

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

On 16 April 2013, the Shareholders' Meeting authorised the convertibility of the Bond at a value of Euro 22.3146 per share. As a result, the shareholders approved the proposal to increase share capital for cash, in one or more instalments, 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 one or more instalments, up to 13,444,113 ordinary shares of the Company with the same characteristics as its other outstanding ordinary shares.

The Company will be entitled to redeem the bonds early and in full in the cases detailed in the Bond Regulations, in line with market practice, including:

- (i) at nominal value (plus accrued interest), starting from 23 March 2016, if the price of the Company's ordinary shares rises 130% above the conversion price in a given period of time;
- (ii) at nominal value (plus accrued interest), if at least 85% of the original nominal amount of the Bond is converted, redeemed and/or repurchased;
- (iii) at nominal value (plus accrued interest), if specific changes take place in the tax regime applying to the Bonds.

In the event of a change of control, every bondholder will be entitled to request early redemption at nominal value plus accrued interest.

The convertible Bond has a 5-year maturity ending on 8 March 2018 and pays a fixed annual coupon of 1.25%. The placement of the Bonds was completed on 8 March 2013, while their settlement took place on 15 March 2013.

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

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

The accounting treatment for the convertible Bond has resulted in the recognition of an equity component of Euro 39 million and a debt component of Euro 261 million, determined at the bond issue date.



(in millions of Euro)

Issue value of convertible bond	300
Equity reserve for convertible bond	(39)
<b>Issue date net balance</b>	<b>261</b>
Related costs	(4)
Interest - non-monetary	2
Interest - monetary	1
<b>Balance at 30 June 2013</b>	<b>260</b>

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

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

(in millions of Euro)

	Credit Agreements	Non-convertible bond	Convertible bond <sup>(2)</sup>	Other borrowings/ Finance lease obligations	Total
<b>Balance at 31 December 2012</b>	<b>1,060</b>	<b>413</b>	-	<b>321</b>	<b>1,794</b>
Currency translation differences	-	-	-	(6)	(6)
Drawdowns/new funds	-	-	257	170	427
Repayments	(486)	-	-	(18)	(504)
Amortisation of bank and financial fees and other expenses <sup>(1)</sup>	7	-	-	-	7
Interest and other movements	(2)	(10)	3	-	(9)
<b>Total movements</b>	<b>(481)</b>	<b>(10)</b>	<b>260</b>	<b>146</b>	<b>(85)</b>
<b>Balance at 30 June 2013</b>	<b>579</b>	<b>403</b>	<b>260</b>	<b>467</b>	<b>1,709</b>

(in millions of Euro)

	Credit Agreements	Non-convertible bond	Convertible bond <sup>(2)</sup>	Other borrowings/ Finance lease obligations	Total
<b>Balance at 31 December 2011</b>	<b>1,070</b>	<b>412</b>	-	<b>380</b>	<b>1,862</b>
Business combinations	-	-	-	5	5
Currency translation differences	1	-	-	(2)	(1)
Drawdowns	660	-	-	83	743
Repayments	(670)	-	-	(16)	(686)
Amortisation of bank and financial fees and other expenses	1	-	-	-	1
Interest and other movements	1	(10)	-	(4)	(13)
<b>Total movements</b>	<b>(7)</b>	<b>(10)</b>	-	<b>66</b>	<b>49</b>
<b>Balance at 30 June 2012</b>	<b>1,063</b>	<b>402</b>	-	<b>446</b>	<b>1,911</b>

<sup>(1)</sup> Includes the accelerated amortisation of Euro 5 million in bank fees following the early repayments of the Credit Agreement 2010.

<sup>(2)</sup> "New funds" pertaining to the convertible bond are stated net of the equity component of Euro 39 million and of Euro 4 million in related expenses.

## NET FINANCIAL POSITION

(in millions of Euro)

	Note	30 June 2013	31 December 2012
<b>Long-term financial payables</b>			
Term Loan Facilities		584	946
Bank fees		(5)	(11)
<b>Credit Agreements</b>	9	<b>579</b>	<b>935</b>
Non-convertible bond	9	398	398
Convertible bond	9	259	-
Finance leases	9	11	12
Forward currency contracts on financial transactions	4	-	-
Interest rate swaps	4	25	35
Other financial payables	9	65	88
<b>Total long-term financial payables</b>		<b>1,337</b>	<b>1,468</b>
<b>Short-term financial payables</b>			
Term Loan Facilities	9	-	126
Bank fees	9	-	(1)
Non-convertible bond	9	5	15
Convertible bond	9	1	-
Finance leases	9	2	2
Securitization	9	116	75
Interest rate swaps	4	-	-
Forward currency contracts on financial transactions	4	6	7
Other financial payables	9	273	144
<b>Total short-term financial payables</b>		<b>403</b>	<b>368</b>
<b>Total financial liabilities</b>		<b>1,740</b>	<b>1,836</b>
Long-term financial receivables	2	9	9
Long-term bank fees	2	2	4
Forward currency contracts on financial transactions (non-current)	4	-	-
Forward currency contracts on financial transactions (current)	4	4	3
Short-term financial receivables	2	7	7
Short-term bank fees	2	5	5
Financial assets held for trading	5	79	78
Cash and cash equivalents	6	386	812
<b>Net financial position</b>		<b>1,248</b>	<b>918</b>

The following table presents a reconciliation of the Group's net financial position to the amount that must be reported under Consob Communication DEM/6064293 issued on 28 July 2006 and under the CESR

recommendation dated 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses":

(in millions of Euro)

	Note	30 June 2013	31 December 2012
<b>Net financial position - as reported above</b>		<b>1,248</b>	<b>918</b>
Long-term financial receivables	2	9	9
Long-term bank fees	2	2	4
Net forward currency contracts on commercial transactions	4	(3)	2
Net metal derivatives	4	41	5
<b>Recalculated net financial position</b>		<b>1,297</b>	<b>938</b>

## 10. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in millions of Euro)

	30 June 2013		
	Non-current	Current	Total
Trade payables	-	1,493	1,493
<b>Total trade payables</b>	<b>-</b>	<b>1,493</b>	<b>1,493</b>
<b>Other payables:</b>			
Tax and social security payables	13	92	105
Advances from customers	-	157	157
Payables to employees	-	76	76
Accrued expenses	3	119	122
Other	14	142	156
<b>Total other payables</b>	<b>30</b>	<b>586</b>	<b>616</b>
<b>Total</b>	<b>30</b>	<b>2,079</b>	<b>2,109</b>

(in millions of Euro)	31 December 2012		
	Non-current	Current	Total
Trade payables	-	1,450	1,450
<b>Total trade payables</b>	<b>-</b>	<b>1,450</b>	<b>1,450</b>
<b>Other payables:</b>			
Tax and social security payables	14	96	110
Advances from customers	-	219	219
Payables to employees	-	68	68
Accrued expenses	3	137	140
Other	10	134	144
<b>Total other payables</b>	<b>27</b>	<b>654</b>	<b>681</b>
<b>Total</b>	<b>27</b>	<b>2,104</b>	<b>2,131</b>

Trade payables include around Euro 172 million (Euro 204 million at 31 December 2012) for the supply of strategic metals (copper, aluminium and lead), whose payment terms, in some cases, are longer than normal for this type of transaction.

Advances from customers report the liability for construction contracts, amounting to Euro 79 million at 30 June 2013 compared with Euro 129 million at 31 December 2012. This liability represents the 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 2013		
	Non-current	Current	Total
Restructuring costs	1	14	15
Contractual and legal risks	21	249	270
Environmental risks	3	8	11
Tax inspections	7	5	12
Contingent liabilities	10	-	10
Other risks and charges	7	32	39
<b>Total</b>	<b>49</b>	<b>308</b>	<b>357</b>

(in millions of Euro)	<b>31 December 2012</b>		
	<b>Non-current</b>	<b>Current</b>	<b>Total</b>
Restructuring costs	2	38	40
Contractual and legal risks	38	234	272
Environmental risks	4	7	11
Tax inspections	7	5	12
Contingent liabilities	10	-	10
Other risks and charges	15	41	56
<b>Total</b>	<b>76</b>	<b>325</b>	<b>401</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
<b>Balance at 31 December 2012</b>	<b>40</b>	<b>272</b>	<b>11</b>	<b>12</b>	<b>10</b>	<b>56</b>	<b>401</b>
Business combinations	-	-	-	-	-	(1)	(1)
Increases	7	9	-	-	-	1	17
Utilisations	(29)	(8)	-	-	-	(10)	(47)
Releases	(2)	(2)	-	-	-	(8)	(12)
Currency translation differences	-	(3)	-	-	-	(1)	(4)
Other	(1)	2	-	-	-	2	3
<b>Total movements</b>	<b>(25)</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17)</b>	<b>(44)</b>
<b>Balance at 30 June 2013</b>	<b>15</b>	<b>270</b>	<b>11</b>	<b>12</b>	<b>10</b>	<b>39</b>	<b>357</b>

The provision for restructuring costs reports a net decrease of Euro 25 million.

In particular, Euro 7 million has been recognised in the period, mainly for projects to restructure certain plants in the Netherlands, Germany and France; Euro 29 million of this provision has been utilised, mostly in connection with restructuring projects carried out in Germany, the Netherlands, Spain, Italy, France and Finland.

At 30 June 2013 the value of the provision for contractual and legal risks reports a net decrease of Euro 2 million:

- increases and releases, totalling Euro 7 million, relate to:

a) the risk regarding antitrust investigations underway in various jurisdictions, which has decreased by Euro 1 million, mainly due to exchange adjustments to the portion of the provision in foreign currency; this decrease has taken the total provision to some Euro 205 million at 30 June 2013. More specifically, the European Commission, the US Department of Justice and the Japanese antitrust authority 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. Subsequently, the Australian Competition and Consumers Commission ("ACCC") and the New Zealand Commerce Commission also started similar investigations. During 2011, the Canadian antitrust authority also started an investigation into a high voltage submarine project dating back to 2006. The investigations in Japan and New Zealand have ended without any sanctions for Prysmian. The other investigations are still in progress.

In Australia, the ACCC has filed a case before the Federal Court arguing that Prysmian Cavi e Sistemi S.r.l. and two other companies violated antitrust rules in connection with a high voltage underground

cable project awarded in 2003. Prysmian Cavi e Sistemi S.r.l. has filed its objections and presented its preliminary defence.

In Brazil, the local antitrust authority has started an investigation into several cable manufacturers, including Prysmian, in the high voltage underground and submarine cables market. Prysmian has taken steps to present its preliminary defence.

At the start of July 2011, Prysmian received a statement of objection from the European Commission in relation to the investigation started in January 2009 into the high voltage underground and submarine energy cables market. This document contains the Commission's preliminary position on alleged anti-competitive practices and does not prejudice its final decision. Prysmian has submitted its defence which it was also able to present at the hearing before the European Commission held during the month of June 2012. Prysmian has recently provided the Commission, at its request, with information about its 2004 sales in the high voltage underground and submarine cables businesses. A state of play meeting has also been scheduled for this October between the Company and the European Commission.

Already during 2011, in view of the developments in the European Commission investigation, Prysmian decided to estimate the risk relating to the antitrust investigations underway in the various jurisdictions, except for Brazil.

As at 30 June 2013 the amount of the provision recognised in connection with these investigations is approximately Euro 205 million. This provision is the best estimate of the liability based on the information now available even though the outcome of the investigations underway in the various jurisdictions is still uncertain;

- b) an increase of approximately Euro 7 million for contractual risks;
- c) an increase of approximately Euro 1 million for employment disputes.

- utilisations of Euro 8 million mostly refer to employment disputes, legal costs relating to antitrust investigations (Euro 0.5 million) and risks relating to contractual penalties and guarantees for the remainder.

The provisions for other risks and charges report a net decrease of Euro 17 million, of which Euro 7 million in relation to the onerous contracts acquired with Prysmian PowerLink Services Ltd (involving a release for Euro 2 million) and Euro 6 million in relation to the ending of a dispute with an agent of a Brazilian subsidiary (involving a release for Euro 2 million).

The provisions relating to tax inspections and environmental risks have not recorded any changes during the first half of 2013.

## 12. EMPLOYEE BENEFIT OBLIGATIONS

These are detailed as follows:

(in millions of Euro)	30 June 2013	31 December 2012
Pension funds	227	241
Employee indemnity liability (Italian TFR)	24	25
Medical benefit plans	26	28
Termination and other benefits	26	29
Incentive plans	29	21
<b>Total</b>	<b>332</b>	<b>344</b>

Movements in employee benefit obligations, excluding the incentive plans, have had an overall impact of Euro 9 million on the period's income statement, of which Euro 4 million classified in personnel costs and Euro 5 million in finance costs.

The adoption of IAS 19 (revised) has had the following effects:

(in millions of Euro)	31 December 2012	30 June 2012	1 January 2012
Reserves	2	1	-
Net profit/(loss) for the period	(2)	(1)	-
<b>Impact on equity attributable to the Group</b>	<b>-</b>	<b>-</b>	<b>-</b>

	31 December 2012	6 months 2012
Finance costs	(2)	(1)
Deferred taxes	-	-
<b>Net profit/(loss) for the period</b>	<b>(2)</b>	<b>(1)</b>

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

	1st half 2013	1st half 2012 (*)
Average number	19,533	20,618

	30 June 2013	31 December 2012
Closing number	19,562	19,896

(\*) 2012 restatement.

The calculation of the average for 2012 (restatement) includes 100% of the workforce of companies in which the Prysmian Group has a majority interest as well as those managed by the Group but in which it does not have a majority interest.

On this basis, the headcount numbers exclude Yangtze Optical Fibre and Cable Company Ltd (China).

### 13. OPERATING INCOME

Operating income is a profit of Euro 134 million in the first six months of 2013 (compared with a profit of Euro 178 million in the first six months of 2012) and includes the following non-recurring items and impairment of assets:

(in millions of Euro)

	<b>1st Half 2013</b>	<b>1st Half 2012</b>
Company reorganization	(21)	(27)
Antitrust	1	(3)
Draka integration costs	-	(3)
Tax inspections	-	(3)
Environmental remediation and other costs	(2)	(1)
Italian pensions reform	-	(1)
Impairment of property, plant and equipment	-	(1)
Gain on disposal of assets held for sale	-	1
Other non-recurring expenses	(4)	(5)
<b>Total non-recurring (expenses)/income and impairment</b>	<b>(26)</b>	<b>(43)</b>



## 14. FINANCE INCOME AND COSTS

Finance costs are detailed as follows:

(in millions of Euro)

	1st half 2013	1st half 2012
Interest on syndicated loans	7	16
Interest on non-convertible bond	10	10
Interest on convertible bond - non-monetary component	2	-
Interest on convertible bond - monetary component	1	-
Amortisation of bank and financial fees and other expenses	5	5
Interest costs on employee benefits	5	6
Other bank interest	11	17
Costs for undrawn credit lines	2	1
Sundry bank fees	6	5
Non-recurring other finance costs	5	2
Other	13	9
<b>Finance costs</b>	<b>67</b>	<b>71</b>
Non-recurring net losses on interest rate swaps	15	-
<b>Losses on derivatives</b>	<b>15</b>	<b>-</b>
Foreign currency exchange losses	164	122
<b>Total finance costs</b>	<b>246</b>	<b>193</b>

Non-recurring other finance costs report Euro 5 million for the accelerated amortisation of bank fees relating to the Credit Agreement 2010, after making a total of Euro 486 million in early repayments against this loan in the months of February and March 2013. The early repayment has led to the discontinuance of cash flow hedges, resulting in the recognition of net losses of Euro 15 million on interest rate swaps.

Other includes Euro 8 million for differentials accruing on interest rate swaps; this includes Euro 3 million in relation to instruments that were discontinued following the early repayment described above. This last figure is largely offset by the fair value measurement of the related derivatives, reported in "Net gains on interest rate swaps".

Finance income is detailed as follows:

(in millions of Euro)

	1st half 2013	1st half 2012
Interest income from banks and other financial institutions	3	10
Other finance income	-	1
<b>Finance income</b>	<b>3</b>	<b>11</b>
Net gains on interest rate swaps	3	-
Net gains on forward currency contracts	4	22
<b>Gains on derivatives</b>	<b>7</b>	<b>22</b>
Foreign currency exchange gains	154	101
<b>Total finance income</b>	<b>164</b>	<b>134</b>

## 15. TAXES

Taxes have been estimated on the basis of the expected tax rate for the full year. Taxes for the first six months of 2013 amount to Euro 17 million and have been calculated using a tax rate of 29% (30% in the first six months of 2012).

## 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.

The denominator is not affected by potential dilutive effects because:

- the options under the Stock Option Plan 2007-2012 were fully vested and exercised as at the date of 30 June 2013;
- as at 30 June 2013, based on the amount of cumulative EBITDA earned up to 30 June 2013, the options under the Incentive Plan 2011-2013 have not yet vested;
- the exercise of the conversion option for the Bonds would have an anti-dilutive impact since the latter is currently "out of the money".

(in millions of Euro)

	1st half 2013	1st half 2012 (*)
Net profit/(loss) attributable to owners of the parent	42	89
Weighted average number of ordinary shares (thousands)	211,525	211,379
<b>Basic earnings/(loss) per share (in Euro)</b>	<b>0.20</b>	<b>0.42</b>
Net profit/(loss) attributable to owners of the parent	42	89
Weighted average number of ordinary shares (thousands)	211,525	211,379
<b>Adjustments for:</b>		
Dilution from incremental shares arising from exercise of stock options (thousands)	-	106
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	211,525	211,485
<b>Diluted earnings/(loss) per share (in Euro)</b>	<b>0.20</b>	<b>0.42</b>

(\*) The previously published figure for earnings per share in 1st half 2012 has been restated following the adoption of IAS 19 (revised). Further details can be found in section B.2 Accounting Standards.

## 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, environmental rules and regulations, antitrust investigations and tax matters. Outlays relating to current or future proceedings cannot be predicted with certainty. It is possible that the outcomes of these proceedings may give rise to costs that are not covered or not fully covered by insurance, which would therefore have a direct effect on the Group's 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.

## 18. RECEIVABLES FACTORING

The Group has factored trade receivables without recourse. The amount of receivables factored but not yet paid by customers was Euro 160 million at 30 June 2013 (Euro 152 million at 30 June 2012 and Euro 231 million at 31 December 2012).

## 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-July, with funds being absorbed by higher 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 to subsidiaries worldwide;
- financial relations maintained by Group treasury companies on behalf of, and with, Group companies.

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

The following tables provide a summary of the related party transactions during the six months ended 30 June 2013:

(in millions of Euro)	30 June 2013				
	Investments in associates	Trade and other receivables	Trade and other payables	Employee benefit obligations	Financial payables and derivatives classified as liabilities
Associates	98	19	5	-	-
<b>Other related parties:</b>					
Compensation of directors, statutory auditors and key management personnel	-	-	6	7	-
<b>Total</b>	<b>98</b>	<b>19</b>	<b>11</b>	<b>7</b>	<b>-</b>

(in millions of Euro)	31 December 2012				
	Investments in associates	Trade and other receivables	Trade and other payables	Employee benefit obligations	Financial payables and derivatives classified as liabilities
Associates	99	17	10	-	-
<b>Other related parties:</b>					
Compensation of directors, statutory auditors and key management personnel	-	-	5	6	-
<b>Total</b>	<b>99</b>	<b>17</b>	<b>15</b>	<b>6</b>	<b>-</b>

(in millions of Euro)	1st half 2013				
	Share of income from investments in associates and dividends from other companies	Sales of goods and services and other income	Personnel costs	Cost of goods and services	Finance income/ (costs)
Associates	6	38	-	27	-
<b>Other related parties:</b>					
Compensation of directors, statutory auditors and key management personnel	-	-	9	-	-
<b>Total</b>	<b>6</b>	<b>38</b>	<b>9</b>	<b>27</b>	<b>-</b>

(in millions of Euro)	1st half 2012				
	Share of income from investments in associates and dividends from other companies	Sales of goods and services and other income	Personnel costs	Cost of goods and services	Finance income/ (costs)
Associates	8	29	-	5	1
<b>Other related parties:</b>					
Compensation of directors, statutory auditors and key management personnel	-	-	8	-	-
<b>Total</b>	<b>8</b>	<b>29</b>	<b>8</b>	<b>5</b>	<b>1</b>

## 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.

## Transactions with non-controlling interests

These refer to balances and transactions with minority shareholders in companies not wholly owned by the Group.

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

The compensation of the Directors, Statutory Auditors and Key Management Personnel amounts to Euro 9 million at 30 June 2013 (Euro 8 million at 30 June 2012).

## 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 2013.

## 22. COMMITMENTS

Contractual commitments to purchase property, plant and equipment, already given to third parties at 30 June 2013 and not yet reflected in the financial statements, amount to Euro 25 million.

## 23. STOCK OPTION PLANS

### Stock option plan 2007-2012

On 30 November 2006, the Company's shareholders approved a stock option plan which was dependent on the flotation of the Company's shares on Italy's Electronic Equities Market (MTA) organised and managed by Borsa Italiana S.p.A.. The plan was reserved for employees of companies in the Prysmian Group. Each option entitled the holder to subscribe to one share at a price of Euro 4.65.

The following table provides additional details about the stock option plan:

(in Euro)	30 June 2013		31 December 2012	
	Number of options	Exercise price	Number of options	Exercise price
Options at start of period	82,937	4.65	198,237	4.65
Granted	-	-	-	-
Cancelled because not exercised	(8)	-	-	-
Exercised	(82,929)	4.65	(115,300)	4.65
Options at end of period	-	-	82,937	4.65
of which vested at end of period	-	-	82,937	4.65
of which exercisable <sup>(1)</sup>	-	-	-	-
of which not vested at end of period	-	-	-	-

<sup>(1)</sup> Options could be exercised in specified periods only.

As at 30 June 2013 the options are all fully vested and exercised.

### Long-term incentive plan 2011-2013

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

The plan involves the participation of some 290 (\*) employees of group companies in Italy and abroad viewed as key resources, and divides them into three categories, to whom shares will be granted in the following proportions:

- *CEO*: to whom 7.70% of the rights to receive Prysmian S.p.A. shares have been allotted.
- *Senior Management*: this category has 44 participants who hold key positions within the Group (including the Directors of Prysmian S.p.A. who hold the positions of Chief Financial Officer, Executive Vice President of the Energy Business and Chief Strategic Officer), to whom 41.64% of the total rights to receive Prysmian shares have been allotted.

- *Executives*: this category has 245 participants who belong to the various operating units and businesses around the world, to whom 50.66% of the total rights to receive Prysmian shares have been allotted.

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

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

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

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

In accordance with IFRS 2, for both new issue and treasury shares, the options granted have been measured at fair value on their grant date.

At 30 June 2013, the overall cost recognised in the income statement under "Personnel costs" in relation to the fair value of the options granted is Euro 7 million.

(\*) Following movements since the plan's issue, the number of plan participants amounted to 269 at 30 June 2013.

The following table provides additional details about the long-term incentive plan described above:

(in Euro)

	For consideration		For no consideration	
	Number of options (*)	Exercise price	Number of options (*)	Exercise price
Options at start of period	2,131,500	0.10	1,890,875	-
Granted	-	-	-	-
Target remeasurement			(114,510)	
Cancelled	-	-	(205,396)	-
Exercised	-	-	-	-
Options at end of period	2,131,500	0.10	1,570,969	-
of which vested at end of period	-	-	-	-
of which exercisable	-	-	-	-
of which not vested at end of period	2,131,500	0.10	1,570,969	-

(\*) The number of options shown has been determined based on the best estimate of the target achieved, between the Target and the Adj. EBITDA upper limit.

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

### Employee share ownership plan

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

The reasons behind the introduction of the Plan are:

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

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

The Plan's beneficiaries will also include the Chief Executive Officer, the Chief Financial Officer, the Chief Strategic Officer, the Executive Vice President of the Energy Business and key management personnel, for whom the stock discount will be equal to 1%.

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

The number of discounted shares serving the Plan has been capped at 500,000 shares.

At 30 June 2013, the plan has not resulted in the recognition of any costs, since the conditions laid down by IFRS 2 do not apply. In detail, as at 30 June 2013, the stock options have been not yet granted.

## 24. DIVIDEND DISTRIBUTION

On 16 April 2013, the shareholders of Prysmian S.p.A. approved the financial statements for 2012 and the distribution of a gross dividend of Euro 0.42 per share, for a total of some Euro 89 million. The dividend was paid out from 25 April 2013 to shares outstanding on the record date of 24 April 2013, with the shares going ex-dividend on 22 April 2013.

## 25. FINANCIAL COVENANTS

The Credit Agreement 2010 and Credit Agreement 2011, details of which are presented in Note 9, require the Group to comply with a series of covenants on a consolidated basis. The main covenants, classified by type, are listed below:

### a) Financial covenants

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

The evolution of the covenants for the above agreements is shown in the following table:

	30 June 2011	31 December 2011	30 June 2012	31 December 2012	30 June 2013	31 December 2013	30 June 2014
							<b>and thereafter</b>
Net financial position /EBITDA <sup>(1)</sup>	3.50x	3.50x	3.50x	3.00x	3.00x	2.75x	2.50x
EBITDA/Net finance costs <sup>(1)</sup>	4.00x	4.00x	4.00x	4.25x	4.25x	5.50x	5.50x

### b) Non-financial covenants

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

### Default events

The main default events are as follows:

- default on loan repayment obligations;
- breach of financial covenants;
- breach of some of the non-financial covenants;
- declaration of bankruptcy or subjection of Group companies to other insolvency proceedings;
- issuance of particularly significant judicial rulings;



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

Should any default event occur, the lenders are entitled to demand full or partial repayment of the outstanding amounts lent under the Credit Agreements, together with interest and any other amount due under the terms and conditions of these Agreements. No collateral security is required.

Actual financial ratios reported at period end are as follows:

	<b>30 June 2013</b>	<b>31 December 2012</b>
EBITDA/Net finance costs <sup>(*)</sup>	6,74	6,78
Net financial position /EBITDA <sup>(*)</sup>	1,88	1,32

<sup>(\*)</sup>The ratios have been calculated on the basis of the definitions contained in the Credit Agreements.

The above financial ratios comply with both the covenants contained in the Credit Agreement 2010 and the Credit Agreement 2011.

## 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	
	30 June 2013	31 December 2012	1st half 2013	1st half 2012
<b>Europe</b>				
British Pound	0.857	0.816	0.851	0.822
Swiss Franc	1.234	1.207	1.230	1.205
Hungarian Forint	294.850	292.300	296.128	295.382
Norwegian Krone	7.885	7.348	7.524	7.573
Swedish Krona	8.777	8.582	8.531	8.883
Czech Koruna	25.949	25.151	25.702	25.172
Danish Krone	7.459	7.461	7.457	7.435
Romanian Leu	4.460	4.445	4.392	4.391
Turkish Lira	2.518	2.363	2.398	2.338
Polish Zloty	4.338	4.074	4.178	4.245
Russian Rouble	42.845	40.330	40.755	39.703
<b>North America</b>				
US Dollar	1.308	1.319	1.313	1.297
Canadian Dollar	1.371	1.314	1.334	1.304
<b>South America</b>				
Brazilian Real	2.898	2.696	2.669	2.420
Argentine Peso	7.048	6.489	6.733	5.699
Chilean Peso	661.586	631.016	628.439	638.715
Mexican Peso	17.055	16.973	16.486	17.196
<b>Oceania</b>				
Australian Dollar	1.417	1.271	1.296	1.256
New Zealand Dollar	1.679	1.605	1.587	1.613
<b>Africa</b>				
CFA Franc	655.957	655.957	655.957	655.957
Tunisian Dinar	2.151	2.044	2.094	1.991
<b>Asia</b>				
Chinese Renminbi (Yuan)	8.028	8.221	8.124	8.191
United Arab Emirates Dirham	4.804	4.846	4.822	4.762
Hong Kong Dollar	10.148	10.226	10.185	10.063
Singapore Dollar	1.655	1.611	1.632	1.639
Indian Rupee	77.721	72.554	72.257	67.609
Indonesian Rupiah	12,980.410	12,713.970	12,782.345	11,918.632
Japanese Yen	129.390	113.610	125.457	103.330
Thai Baht	40.613	40.347	39.173	40.374
Philippine Peso	56.445	54.107	54.182	55.635
Omani Rial	0.504	0.508	0.505	0.499
Malaysian Ringgit	4.134	4.035	4.038	4.002
Saudi Riyal	4.905	4.948	4.923	4.863

## 27. SUBSEQUENT EVENTS

On 22 July 2013, the company Fibre ottiche Sud - F.O.S. S.r.l. signed an agreement with the trade unions involving a plan for the management of redundancies, following cessation of production activities by one of the plant's departments, and for the rationalisation of administrative staff. In order to minimise the social impact, the agreement contains mechanisms allowing employees to relocate to other Group or third-party companies, or to take voluntary redundancy. The agreement also contains provision for an application to use the Italian State's Wage Guarantee Fund for crisis situations involving the partial cessation of activity.

The securitization programme, that on 26 July 2012 was extended for another 12 months, was decided to end on 25 July 2013.

Milan, 1 August 2013

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 N.V.
				1.48%	Draka Kabel B.V.
<b>Denmark</b>					
Prysmian Denmark A/S	Brøndby	Danish Krone	40,000,000	100.00%	Draka Denmark Holding A/S
Draka Denmark Holding A/S	Brøndby	Danish Krone	88,734,000	100.00%	Draka Holding N.V.
<b>Estonia</b>					
AS Draka Keila Cables	Keila	Euro	1,661,703	66.00%	Prysmian Finland OY
				34.00%	Third parties
<b>Finland</b>					
Prysmian Finland OY	Kirkkonummi	Euro	100,000	77.80%	Prysmian Cavi e Sistemi S.r.l.
				19.93%	Draka Holding N.V.
				2.27%	Draka Comteq B.V.
<b>France</b>					
Prysmian (French) Holdings S.A.S.	Paron de Sens	Euro	173,487,250	100.00%	Prysmian Cavi e Sistemi S.r.l.
GSCP Athena (French) Holdings II S.A.S.	Paron de Sens	Euro	37,000	100.00%	Prysmian (French) Holdings S.A.S.
Prysmian Cables et Systèmes France S.A.S.	Paron de Sens	Euro	136,800,000	100.00%	Prysmian (French) Holdings S.A.S.
Draka Comteq France	Paron de Sens	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	120,041,700	100.00%	Draka Holding N.V.
Quoroon S.A.S.	Paron de Sens	Euro	10,000	100.00%	Prysmian Cables et Systemes France S.A.S.
<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.
Bergmann Kabel und Leitungen GmbH	Schwerin	Euro	1,022,600	100.00%	Prysmian Kabel und Systeme GmbH
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%	Draka Communication B.V.
				49.90%	Draka Deutschland Vierte Beteiligungs- GmbH
Draka Comteq Germany Verwaltungs GmbH	Koln	Euro	25,000	100.00%	Draka Comteq BV
Draka Comteq Germany GmbH & Co.KG	Koln	Euro	26,000	100.00%	Draka Comteq B.V.
Draka Comteq Germany Holding GmbH	Koln	Euro	25,100	100.00%	Draka Cable Wuppertal GmbH
Draka Deutschland Erste Beteiligungs- GmbH	Wuppertal	Euro	25,000	100.00%	Draka Holding N.V.
Draka Deutschland GmbH	Wuppertal	Euro	25,000	90.00%	Draka Deutschland Erste Beteiligungs- GmbH
				10.00%	Draka Deutschland Zweite Beteiligungs- GmbH

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Draka Deutschland Verwaltungs- GmbH	Wuppertal	Deutsche Mark	50,000	100.00%	Draka Cable Wuppertal GmbH
Draka Deutschland Vierte Beteiligungs- GmbH	Wuppertal	Euro	25,000	100.00%	Draka Deutschland GmbH
Draka Deutschland Zweite Beteiligungs- GmbH	Wuppertal	Euro	25,000	100.00%	Kabelbedrijven Draka Nederland B.V.
Draka Kabeltechnik GmbH	Wuppertal	Euro	25,000	100.00%	Draka Cable Wuppertal GmbH
Draka Service GmbH	Nummberg	Euro	25,000	100.00%	Draka Cable Wuppertal GmbH
Höhn GmbH	Wuppertal	Deutsche Mark	1,000,000	100.00%	Draka Deutschland GmbH
Kaiser Kabel GmbH	Wuppertal	Deutsche Mark	9,000,000	100.00%	Draka Deutschland GmbH
Kaiser Kabel Vertriebs GmbH i.L.	Wuppertal	Euro	25,100	100.00%	Kaiser Kabel GmbH
NKF Holding (Deutschland) GmbH	Wuppertal	Euro	25,000	100.00%	Draka Communications B.V.
usb-elektro Kabelkonfektions- GmbH i.L.	Bendorf	Deutsche Mark	2,750,000	100.00%	Draka Holding N.V
Wagner Management- und Projektgesellschaft mit beschränkter Haftung	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	45,292,120	100.00%	Prysmian UK Group Ltd.
Prysmian Construction Company Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (2000) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (Industrial) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (Supertension) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables and Systems International Ltd.	Eastleigh	Euro	100,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Cable Makers Properties & Services Limited	Kingston upon Thames	British Pound	33	63.53%	Prysmian Cables & Systems Ltd.
				12.52%	Draka UK Limited
				23.95%	Third parties
Prysmian Telecom Cables and Systems Uk Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Metals Limited	Eastleigh	British Pound	15,000,000	100.00%	Prysmian Cables & Systems Ltd.
Comergy Ltd.	Eastleigh	British Pound	1,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Pension Scheme Trustee Limited	Eastleigh	British Pound	1	100.00%	Prysmian S.p.A.
Prysmian UK Group Ltd.	Eastleigh	British Pound	40,011,000	100.00%	Draka Holding N.V.
Draka Distribution Aberdeen Limited	Eastleigh	British Pound	1	100.00%	Draka UK Group Limited
Draka Comteq UK Limited	Eastleigh	British Pound	9,000,002	100.00%	Prysmian UK Group Ltd
Draka UK Limited	Eastleigh	British Pound	202,000	100.00%	Draka UK Group Limited
Draka UK Group Limited	Eastleigh	British Pound	10,000,103	99.99999%	Prysmian UK Group Ltd
				0.00001%	Third parties
Draka UK Pension Plan Trust Company Ltd.	Eastleigh	British Pound	1	100.00%	Draka UK Limited
Prysmian Powerlink Services Ltd	Eastleigh	British Pound	16,000,100	100.00%	Prysmian UK Group Ltd.
<b>Ireland</b>					
Prysmian Financial Services Ireland Limited	Dublin	Euro	1,000	100.00%	Third parties
Prysmian Re Company Limited	Dublin	Euro	3,000,000	100.00%	Prysmian (Dutch) 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	4,242,476	100.00%	Prysmian S.p.A.
Prysmian PowerLink S.r.l.	Milan	Euro	50,000,000	100.00%	Prysmian S.p.A.
Fibre Ottiche Sud - F.O.S. S.r.l.	Battipaglia	Euro	47,700,000	100.00%	Prysmian S.p.A.
Prysmian Electronics S.r.l.	Milan	Euro	10,000	80.00%	Prysmian Cavi e Sistemi S.r.l.
				20.00%	Third parties

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<b>Luxembourg</b>					
Prysmian Treasury (Lux) S.à r.l.	Luxembourg	Euro	3,050,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
<b>Norway</b>					
Prysmian Kabler og Systemer A.S.	Ski	Norwegian Krone	100,000	100.00%	Prysmian Finland OY
Draka Norsk Kabel A.S.	Drammen	Norwegian Krone	22,500,000	100.00%	Draka Norway A.S.
Draka Norway A.S.	Drammen	Norwegian Krone	112,000	100.00%	Draka Holding N.V.
<b>The Netherlands</b>					
Prysmian Cable Holding B.V.	Delft	Euro	54,503,013	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Cables and Systems B.V.	Delft	Euro	5,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian (Dutch) Holdings B.V.	Delft	Euro	18,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Draka Communications B.V.	Amsterdam	Euro	2,053,355	100.00%	Kabelbedrijven Draka Nederland B.V.
Draka Comteq B.V.	Amsterdam	Euro	1,000,000	100.00%	Draka Holding N.V.
Draka Comteq Cable Solutions B.V.	Amsterdam	Euro	18,000	100.00%	Draka Holding N.V.
Draka Comteq Data B.V.	Amsterdam	Euro	18,200	100.00%	Draka Holding N.V.
Draka Comteq Fibre B.V.	Eindhoven	Euro	18,000	100.00%	Draka Holding N.V.
Draka Comteq Telecom B.V.	Amsterdam	Euro	18,002	100.00%	Draka Holding N.V.
Draka Holding N.V.	Amsterdam	Euro	39,094,979	69.691%	Prysmian S.p.A.
				30.309%	Prysmian Cavi e Sistemi S.r.l.
Draka Kabel B.V.	Amsterdam	Euro	2,277,977	100.00%	Kabelbedrijven Draka Nederland B.V.
Donne Draad B.V.	Nieuw Bergen	Euro	28,134	100.00%	Kabelbedrijven Draka Nederland B.V.
Prysmian Treasury (The Netherlands) B.V.	Delft	Euro	2,268,901	100.00%	Draka Holding N.V.
Kabelbedrijven Draka Nederland B.V.	Amsterdam	Euro	18,151	100.00%	Draka Holding N.V.
NK China Investments B.V.	Delft	Euro	19,000	100.00%	Draka Communications B.V.
NKF Vastgoed I B.V.	Delft	Euro	18,151	99.00%	Draka Holding N.V.
				1.00%	Draka Communications B.V.
NKF Vastgoed III B.V.	Amsterdam	Euro	18,151	99.00%	Draka Deutschland GmbH
				1.00%	Draka Communications B.V.
Plasma Optical Fibre B.V.	Eindhoven	Euro	90,756	100.00%	Draka Comteq Fibre B.V.
Draka Sarphati B.V.	Amsterdam	Euro	18,151	100.00%	Draka Holding N.V.
Prysmian Netherlands B.V.	Delft	Euro	1	100.00%	Draka Holding N.V.
Prysmian Netherlands Holding B.V.	Amsterdam	Euro	1	100.00%	Draka Holding N.V.
<b>Czech Republic</b>					
Draka Kabely, s.r.o.	Velke Mezirici	Czech Koruna	255,000,000	100.00%	Draka Holding N.V.
<b>Romania</b>					
Prysmian Cabluri Si Sisteme S.A.	Slatina	Romanian Leu	103,850,920	99.9995%	Prysmian (Dutch) Holdings B.V.
				0.0005%	Prysmian Cavi e Sistemi S.r.l.
<b>Russia</b>					
Limited Liability Company "Investitsionno - Promyshlennaya Kompaniya Rybinskelektrokabel"	Rybinsk city	Russian Rouble	230,000,000	99.00%	Prysmian (Dutch) Holdings B.V.
				1.00%	Prysmian Cavi e Sistemi S.r.l.
Limited Liability Company "Rybinskelektrokabel"	Rybinsk city	Russian Rouble	90,312,000	100.00%	Limited Liability Company "Investitsionno - Promyshlennaya Kompaniya Rybinskelektrokabel"
Draka Industrial Cable Russia LLC	St. Petersburg	Russian Rouble	100,000	100.00%	Draka Holding N.V.
Neva Cables Ltd	St. Petersburg	Russian Rouble	194,000	100.00%	Prysmian Finland OY

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<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.	Presov	Euro	1,506,639	100.00%	Draka Comteq B.V.
<b>Spain</b>					
Prysmian Spain S.A.U.	Vilanova I la Geltrú	Euro	58,178,234	100.00%	Draka Holding N.V. y CIA Soc. Col.
Prysmian Servicios de Tesoreria Espana S.L.	Madrid	Euro	3,100	100.00%	Prysmian Financial Services Ireland Limited
Marmavil.S.L.U.	Santa Perpetua de Mogoda	Euro	3,006	100.00%	Draka Holding N.V.
Draka Holding NV Y CIA Soc. Col.	Santa Perpetua de Mogoda	Euro	20,000,000	99.999%	Draka Holding N.V.
				0.001%	Marmavil.S.L.U.
Draka Comteq Iberica S.L.U.	Maliaño	Euro	4,000,040	100.00%	Draka Holding NV Y CIA Soc. Col.
<b>Sweden</b>					
Prysmian Kablar och System AB	Hoganas	Swedish Krona	100,000	100.00%	Prysmian Finland OY
Draka Comteq Sweden AB	Nässjö	Swedish Krona	100,000	100.00%	Draka Comteq B.V.
NK Cables Sverige AB	Orebro	Swedish Krona	100,000	100.00%	Prysmian Finland OY
Draka Sweden AB	Nässjö	Swedish Krona	100,100	100.00%	Draka Holding N.V.
Draka Kabel Sverige AB	Nässjö	Swedish Krona	100,000	100.00%	Draka Sweden AB
Fastighets Spännbucklan AB	Nässjö	Swedish Krona	25,000,000	100.00%	Draka Sweden AB
Fastighets Hygget AB	Nässjö	Swedish Krona	100,000	100.00%	Fastighets Spännbucklan AB
<b>Switzerland</b>					
Prysmian Cables and Systems SA	Manno	Swiss Franc	500,000	100.00%	Prysmian (Dutch) Holdings B.V.
<b>Turkey</b>					
Turk Prysmian Kablo Ve Sistemleri A.S.	Mudanya	Turkish new Lira	112,233,652	83.746%	Prysmian (Dutch) Holdings B.V.
				16.254%	Third parties
Draka Istanbul Asansor İthalat İhracat Üretim Ticaret Ltd. Şti.	Istanbul	Turkish new Lira	180,000	100.00%	Draka Holding N.V.
Draka Comteq Kablo Limited Sirketi	Istanbul	Turkish new Lira	45,818,775	99.50%	Draka Comteq B.V.
				0.50%	Draka Comteq Telecom 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.
Kabel Keszletertesito BT	Budapest	Hungarian Forint	1,239,841,361	99.999%	Prysmian MKM Magyar Kabel Muvek KFT
				0.001%	Third parties
<b>North America</b>					
<b>Canada</b>					
Prysmian Power Cables and Systems Canada Ltd.	Saint John	Canadian Dollar	1,000,000	100.00%	Prysmian (Dutch) Holdings B.V.
Draka Elevator Products, Inc.	Brantford	Canadian Dollar	n/a	100.00%	Draka Cableteq USA, Inc.
<b>U.S.A.</b>					
Prysmian Cables and Systems (US) INC.	Carson City	US Dollar	330,517,608	100.00%	Draka Holding N.V.
Prysmian Cables and Systems USA LLC	Wilmington	US Dollar	10	100.00%	Prysmian Cables and Systems (US) INC.
Prysmian Construction Services Inc	Wilmington	US Dollar	1,000	100.00%	Prysmian Cables and Systems USA LLC
Prysmian Power Financial Services US LLC	Wilmington	US Dollar	100	100.00%	Prysmian Cables and Systems USA LLC
Prysmian Communications Financial Services US LLC	Wilmington	US Dollar	100	100.00%	Prysmian Cables and Systems USA LLC
Draka Cableteq USA, Inc.	Boston	US Dollar	10	100.00%	Prysmian Cables and Systems (US) Inc.
Draka Elevator Products, Inc.	Boston	US Dollar	1	100.00%	Draka Cableteq USA Inc.
Draka Transport USA LLC	Boston	US Dollar	n/a	100.00%	Draka Cableteq USA, Inc.

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<b>Central/South America</b>					
<b>Argentina</b>					
Prysmian Energia Cables y Sistemas de Argentina S.A.	Buenos Aires	Argentine Peso	66,966,667	94.68%	Prysmian Consultora Conductores e Instalaciones SAIC
				5.00%	Prysmian (Dutch) Holdings B.V
				0.32%	Third parties
Prysmian Consultora Conductores e Instalaciones SAIC	Buenos Aires	Argentine Peso	48,571,242	95.00%	Prysmian (Dutch) Holdings B.V.
				5.00%	Prysmian Cavi e Sistemi S.r.l.
Cables Ópticos y Metálicos para Telecomunicaciones Telcon S.R.L.	Buenos Aires	Argentine Peso	500,000	100.00%	Prysmian Draka Brasil S.A
<b>Brazil</b>					
Prysmian Energia Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real	153,794,214	99.857%	Prysmian Cavi e Sistemi S.r.l.
				0.143%	Prysmian S.p.A.
Sociedade Produtora de Fibras Ópticas S.A.	Sorocaba	Brazilian Real	1,500,100	51.00%	Prysmian Draka Brasil S.A
				49.00%	Third parties
Prysmian Surfex Umbilicais e Tubos Flexíveis do Brasil LTDA	Vila Velha	Brazilian Real	158,385,677	99.999999%	Prysmian Cavi e Sistemi S.r.l.
				0.000001%	Prysmian S.p.A.
Prysmian Draka Brasil S.A	Sorocaba	Brazilian Real	207,784,953	55.885510%	Prysmian Energia Cabos e Sistemas do Brasil S.A.
				34.849896%	Draka Comteq B.V.
				9.206811%	Draka Holding N.V
				0.057036%	Prysmian Cavi e Sistemi S.r.l.
				0.000627%	Draka Communications B.V.
				0.000120%	Draka Kabel B.V.
Doiter Industria e Comercio Ltda	Espirito Santo, Vitoria	Brazilian Real	118,000	99.9992%	Draka Comteq Cabos Brasil S.A
				0.0008%	Third parties
Prysmian Fibras Óticas Brasil Ltda	Sorocaba	Brazilian Real	42,628,104	99.999995%	Prysmian Draka Brasil S.A.
				0.000005%	Prysmian Energia Cabos e Sistemas do Brasil SA
Draka Comteq Cabos Brasil S.A	Santa Catarina	Brazilian Real	56,437,224	77.836%	Draka Comteq B.V.
				22.164%	Prysmian Energia Cabos e Sistemas do Brasil S.A.
<b>Chile</b>					
Prysmian Instalaciones Chile S.A.	Santiago	Chilean Peso	1,147,127,679	99.80%	Prysmian Consultora Conductores e Instalaciones SAIC
				0.20%	Third parties
<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 N.V.
Draka Mexico Holdings S.A. de C.V.	Durango	Mexican Peso	57,036,501	99.999998%	Draka Holding N.V.
				0.000002%	Draka Comteq B.V.
NK Mexico Holdings S.A. de C.V.	Mexico City	Mexican Peso	n/a	100.00%	Prysmian Finland OY
Prysmian Cables y Sistemas de Mexico S. de R. L. de C. V.	Durango	Mexican Peso	3,000	0.033%	Draka Holding N.V.
				99.967%	Draka Mexico Holdings S.A. de C.V.
<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.	Soliman	Tunisian Dinar	510,000	99.8824%	Prysmian Cables et Systemes France S.A.S.
				0.0196%	Prysmian (French) Holdings S.A.S.
				0.0196%	Prysmian Cavi e Sistemi S.r.l.
				0.0784%	Third parties



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<b>Oceania</b>					
<b>Australia</b>					
Prysmian Power Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	15,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Telecom Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	38,500,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
<b>New Zealand</b>					
Prysmian Power Cables & Systems New Zealand Ltd.	Auckland	New Zealand Dollar	10,000	100.00%	Prysmian Power Cables & Systems 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	20,400,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Cable (Shanghai) Co.Ltd.	Shanghai	US Dollar	5,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Baosheng Cable Co.Ltd.	Jiangsu	US Dollar	35,000,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Wuxi Cable Co. Ltd .	Wuxi	US Dollar	29,941,250	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Angel Tianjin Cable Co. Ltd.	Tianjin	US Dollar	14,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Hong Kong Holding Ltd.	Hong Kong	Euro	55,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian (China) Investment Company Ltd.	Beijing	Euro	55,000,000	100.00%	Prysmian Hong Kong Holding Ltd.
Nantong Haixun Draka Elevator Products Co. LTD	Nantong	US Dollar	2,400,000	75.00%	Draka Elevator Product INC.
				25.00%	Third parties
Nantong Zhongyao Draka Elevator Products Co. LTD	Nantong	US Dollar	2,000,000	75.00%	Draka Elevator Product INC.
				25.00%	Third parties
Draka Cables (Hong Kong) Limited	Hong Kong	Hong Kong Dollar	6,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Shanghai Optical Fibre Cable Co Ltd.	Shanghai	US Dollar	15,580,000	55.00%	Draka Comteq Germany GmbH & Co.KG
				45.00%	Third parties
Suzhou Draka Cable Co. Ltd	Suzhou	Chinese Renminbi (Yuan)	174,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd.	Shanghai	US Dollar	12,000,000	28.125%	Yangtze Optical Fibre and Cable Company Ltd.
				25.00%	Draka Comteq B.V.
				46.875%	Third parties
NK Wuhan Cable Co. Ltd.	Wuhan	US Dollar	12,000,000	7.50%	Yangtze Optical Fibre and Cable Company Ltd.
				60.00%	NK China Investments B.V.
				32.50%	Third parties
<b>Philippines</b>					
Draka Philippines Inc.	Cebu	Philippine Peso	253,652,000	99.999975%	Draka Holding N.V.
				0.000025%	Third parties
<b>India</b>					
Associated Cables Pvt. Ltd.	Mumbai	Indian Rupee	61,261,900	32.00%	Draka UK Group Limited
				28.00%	Prysmian Treasury (The Netherlands) B.V.
				40.00%	Oman Cables Industry SAOG
Jaguar Communication Consultancy Services Private Ltd.	Mumbai	Indian Rupee	34,432,100	99.99997%	Prysmian Cavi e Sistemi S.r.l.
				0.00003%	Prysmian S.p.A.
<b>Indonesia</b>					
P.T.Prysmian Cables Indonesia	Cikampek	US Dollar	67,300,000	99.48%	Prysmian (Dutch) Holdings 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	Malacca	Malaysian Ringgit	500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Marketing and Services Sdn Bhd	Malacca	Malaysian Ringgit	500,000	100.00%	Cable Supply and Consulting Company Pte Ltd
Draka (Malaysia) Sdn Bhd	Malacca	Malaysian Ringgit	8,000,002	100.00%	Cable Supply and Consulting Company Pte Ltd
<b>Singapore</b>					
Prysmian Cables Asia-Pacific Pte Ltd.	Singapore	Singapore Dollar	180,324,290	100.00%	Prysmian (Dutch) Holdings B.V.
Prysmian Cable Systems Pte Ltd.	Singapore	Singapore Dollar	25,000	50.00%	Prysmian (Dutch) Holdings B.V.
				50.00%	Prysmian Cables & Systems Ltd.
Draka Offshore Asia Pacific Pte Ltd	Singapore	Singapore Dollar	51,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Cableteq Asia Pacific Holding Pte Ltd	Singapore	Singapore Dollar	28,630,542	100.00%	Draka Holding N.V.
Singapore Cables Manufacturers Pte Ltd	Singapore	Singapore Dollar	990,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Cable Supply and Consulting Company Pte Ltd	Singapore	Singapore Dollar	50,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Comteq Singapore Pte Ltd	Singapore	Singapore Dollar	500,000	100.00%	Draka Comteq B.V.
Draka NK Cables (Asia) pte ltd	Singapore	Singapore Dollar	200,000	100.00%	Prysmian Finland OY
<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 consolidated on a proportionate basis:

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
<b>Asia</b>					
<b>China</b>					
Yangtze Optical Fibre and Cable Company Ltd.	Wuhan	Euro	63,328,220	37.50%	Draka Comteq B.V.
				62.50%	Third parties
<b>Japan</b>					
Precision Fiber Optics Ltd.	Chiba	Japanese Yen	360,000,000	50.00%	Plasma Optical 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%	Prysmian (Dutch) Holdings B.V.
				60.00%	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	1.00%	Bergmann Kabel und Leitungen GmbH
				28.68%	Prysmian Kabel und Systeme GmbH
				13.50%	Draka Cable Wuppertal GmbH
				56.82%	Third parties
Kabeltrommel GmbH	Troisdorf	Deutsche Mark	51,000	11.77%	Prysmian Kabel und Systeme GmbH
				5.88%	Bergmann Kabel und Leitungen GmbH
				23.53%	Draka Cable Wuppertal GmbH
				58.82%	Third parties
KTG Europe GmbH	Troisdorf	Euro	100,000	100.00%	Kabeltrommel GmbH & CO.KG
<b>U.K.</b>					
Rodco Ltd.	Weybridge	British Pound	5,000,000	40.00%	Prysmian Cables & Systems Ltd.
				60.00%	Third parties
<b>Poland</b>					
Eksa Sp. Zo.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>					
Jiangsu Yangtze Zhongli Optical Fibre & Cable Co., Ltd.	Changshu	Chinese Renminbi (Yuan)	92,880,000	51.00%	Yangtze Optical Fibre and Cable Company Ltd.
				49.00%	Third parties
Yangtze Optical Fibre & Cable Sichuan Co. Ltd.	Emeishan City	Chinese Renminbi (Yuan)	53,800,000	51.00%	Yangtze Optical Fibre and Cable Company Ltd.
				49.00%	Third parties
Tianjin YOFC XMKJ Optical Communications Co., Ltd.	Tianjin	Chinese Renminbi (Yuan)	220,000,000	49.00%	Yangtze Optical Fibre and Cable Company Ltd.
				51.00%	Third parties
Shenzhen SDGI Optical Fibre Co., Ltd.	Shenzhen	Chinese Renminbi (Yuan)	149,014,800	49.00%	Yangtze Optical Fibre and Cable Company Ltd.
				51.00%	Third parties
Shantou Hi-Tech Zone Aoxing Optical Communication Equipments Co., Ltd. Shantou		Chinese Renminbi (Yuan)	170,558,817	42.42%	Yangtze Optical Fibre and Cable Company Ltd.
				57.58%	Third parties
Yangtze (Wuhan) Optical System Corp., Ltd.	Wuhan	Chinese Renminbi (Yuan)	50,000,000	44.00%	Yangtze Optical Fibre and Cable Company Ltd.
				56.00%	Third parties
Tianjin YOFC XMKJ Optical Cable Co., Ltd.	Tianjin	Chinese Renminbi (Yuan)	100,000,000	20.00%	Yangtze Optical Fibre and Cable Company Ltd.
				80.00%	Third parties
WuhanGuanyuan Electronic Technology Co. Ltd.	Wuhan	Chinese Renminbi (Yuan)	5,000,000	20.00%	Yangtze Optical Fibre and Cable Company Ltd.
				80.00%	Third parties
<b>Oman</b>					
Oman Cables Industry SAOG	Al Rusayl Industrial Zone	Omani Rial	8,970,000	34.78%	Draka Holding N.V.
				65.22%	Third parties

The following investments in other companies have been classified as available-for-sale financial assets:

<b>Legal name</b>	<b>% ownership</b>	<b>Direct parent company</b>
<b>Europe</b>		
<b>Switzerland</b>		
Voltimum S.A.	13.71%	Prysmian Cavi e Sistemi S.r.l.
	86.29%	Third parties
<b>Asia</b>		
<b>Saudi Arabia</b>		
Sicew-Saudi Italian Company for Electrical Works Ltd.	34.00%	Prysmain Cable Holding B.V.
	66.00%	Third parties
<b>China</b>		
Wuhan Yunjingfei Optical Fiber Material Co., Ltd.	20.00%	Yangtze Optical Fibre and Cable Company Ltd.
	80.00%	Third parties
<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 2013 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 2013 has been evaluated on the basis of a procedure established by Prysmian in compliance with the internal control framework published by the Committee of Sponsoring Organizations of the Treadway Commission, which represents the generally accepted standard model internationally.

It is reported that during the first half of 2013, 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 2013:

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

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

*Milan, 1 August 2013*

*Chief Executive Officer*

**Valerio Battista**

*Managers responsible for preparing corporate accounting documents*

**Carlo Soprano**

**Andreas Bott**

CONSOLIDATED FINANCIAL STATEMENTS

# **AUDIT REPORT**





**AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED  
30 JUNE 2013**

To the Shareholders of  
Prysmian SpA

- 1 We have reviewed the condensed consolidated interim financial statements of Prysmian SpA and its subsidiaries ("Prysmian Group") as of 30 June 2013 and for the six-month period then ended, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The Directors of Prysmian SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34), as adopted by the European Union. Our responsibility is to issue this report based on our review.
  
- 2 Our work was conducted in accordance with the criteria for a review recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles applied therein as well as the application of analytical review procedures on the information contained in the condensed consolidated interim financial statements. The review excluded certain auditing procedures such as compliance testing and verification or validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike for an audit of the annual consolidated financial statements, we do not express an audit opinion on the condensed consolidated interim financial statements.  
  
Regarding the comparative financial information of the prior year consolidated financial statements and consolidated condensed interim financial statements, reference should be made to our reports dated 15 March 2013 and 7 August 2012, respectively.
  
- 3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Prysmian Group as of 30 June 2013 and for the six-month period then ended have not been prepared, in all material respects, in accordance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34), as adopted by the European Union.

***PricewaterhouseCoopers SpA***

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- 4 As described in the explanatory notes to the condensed consolidated interim financial statements in note 11 “Provisions for risks and charges”, in 2009 the European Commission and other regulatory authorities initiated an investigation on the Prysmian Group and other European and Asian electrical cable manufacturers to verify the existence of anti-competitive practices in the high voltage underground and submarine cables markets. In 2011, considering also the developments of the European Commission investigation, the Directors were able to estimate a provision related to the jurisdictions involved, with the exception of Brazil. Although the outcome of the investigations in the different jurisdictions is still uncertain, this provision still represents the best estimate based on the information currently available.

Milan, 2 August 2013

PricewaterhouseCoopers SpA

*Signed by*

Stefano Bravo  
(Partner)

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

IN ALL THE  
AND BEST  
STRONGER PLATFORM  
TO ENHANCE CUSTOMER  
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WORLDWIDE LEA  
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WORLD  
**LINKING** SUPPORT  
**THE FUTURE** OF SM  
STRONGER  
TO ENHA  
EXTE  
IN OGG  
ADDI