

2018 Annual Report



Prysmian
Group

2018 Annual Report

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Disclaimer

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

LETTER TO STAKEHOLDERS

The year 2018 has been an important one for Prysmian Group, with the acquisition of General Cable and the rapid start to its integration. This union has secured the Group's global leadership in the energy and telecom cables and systems industry, with the ultimate strength in its ability to create innovation and develop new solutions that generate value for our customers. The introduction of the new integrated organisation has been completed in record time, giving birth to a new Group present in over 50 countries, with 112 plants, 25 R&D centres and approximately 29,000 employees, a multicultural and diversified human universe which I regard as the Group's most important asset.

Business performance

The 2018 results have confirmed a generally positive performance by all our businesses, expressed in an organic growth in sales of 3.3%, including a good contribution by the former General Cable organisation. Organic sales growth was particularly supported by the solid performance of Telecom and High Voltage Underground, also translating into a positive contribution at the profitability level, thereby offsetting, at least in part, the impact of provisions for the issues concerning the Western Link project. Prysmian Group is showing itself capable of tackling these issues by deploying every necessary resource to support the customer.

The integration with General Cable has generated higher-than-expected synergies in 2018, leading us to revise up the original target by Euro 25 million, to Euro 175 million, and bring forward its achievement by one year, to 2021. Net financial debt has also improved, reporting a level of Euro 2,222 million to 31 December 2018. This scenario has allowed us to provide investors and the market with the following guidance for 2019: additional improvement in profitability, with Adjusted EBITDA in the target range of Euro 950 million - Euro 1,020 million, and free cash flow projected at approximately Euro 300 million, after about Euro 90 million in restructuring costs.

Industrial investments

During 2018, the Group continued to invest in all three areas of its business, Energy, Telecom and Projects, with a particular focus on submarine cables, optical fibre and telecommunication cables, further securing its leading position in high-tech activities generating higher value added. Gross investments amounted to Euro 285 million in 2018, maintaining the growth rate of around 10% every year. Of particular note is the investment in a new cable-laying vessel, which will allow the Group to consolidate and strengthen its leadership of the submarine cables and systems market where installation assets and capabilities are becoming more and more strategic drivers of competitive advantage. Other important investments in 2018 included those to upgrade the production capabilities of Prysmian Technology Jiangsu in China, allowing the Group to offer a complete range of High Voltage cables, and to increase production capacity and improve efficiency at optical fibre and cable plants around the world, particularly in the USA, France and Italy. Also deserving mention is the Industry 4.0 pilot project launched at Calais in France.

Research & Development

The merger of General Cable into Prysmian Group has also strengthened our ability to lead the crucial field of R&D, particularly focused on innovations ever more responsive to customer needs. During 2018 Prysmian Group invested a total of some Euro 105 million in Research, Development and Innovation. This commitment is supported by over 900 professionals in 25 R&D centres worldwide, of which 8 from the former General Cable, and a combined portfolio of over 5,600 patents. Amongst the legacy General Cable R&D centres are two strategic ones: the Indianapolis Technology Centre, a centre of excellence for materials innovation, and the Marshall Technology Centre, a world class electrical testing lab. The heart of the system is located in the Milan centre adjoining our Headquarters. Important projects have been taken forward in 2018, including the Design to Cost program focused on using the best materials, technologies and cable design and over 100 product development projects: in particular, synthetically armoured submarine cables for extra deep subsea installation, completion of qualifications for extra high voltage 600 kV direct current cables with P-Laser and XLPE insulation, for ultra-compact FlexRibbon™ optical cables able to pack up to 6,912 fibres, for advanced conductors for E3X heat-dissipating overhead lines and for the new generation Pry-Cam Grids offering faster, simpler, more accurate and reliable measurements.

In 2018, Prysmian Group launched the Corporate Hangar project with the purpose of accelerating its ability to create innovation, while maintaining its efficiency and ability to meet customer needs. During 2018, R&D activities continued to benefit from the European Investment Bank funding of Euro 110 million covering 50% of Prysmian's industrial research, innovation, experimentation and new product development over the period 2017-20 in six European countries: Italy, France, Great Britain, Netherlands Spain and Germany.

Integration with General Cable

The acquisition of General Cable has confirmed the Group's vocation for acquisition-led growth acting in the role of aggregator in a fragmented global cable industry. The start of the integration in record time has allowed the new organisational structure to be completed in just 6 months. The union with General Cable represents a milestone in Prysmian's history, along with the integration of Draka in 2011, and follows on from a series of other important transactions, including the recent acquisitions of Shen Huan Cable's assets in China and Corning's copper data cables business in Germany and, less recently, the acquisitions of Gulf Coast Downhole Technologies in the USA and Oman Cables Industry. The new organisation is already solidly structured with an enlarged leadership team ready to guide the Group at every level: corporate, regional, business and functional. The integrated Group will also benefit from a much wider geographical footprint: General Cable has always been particularly strong in the Americas and thanks to the merger, it has now doubled its presence in the region.

Human capital development

Prysmian has continued to invest in 2018 in developing its human capital to ensure that everyone has personal and professional development goals that reflect long-term expectations and create the conditions to make our global business grow. More than 7,500 people are completing training, including leadership development courses at the Prysmian Group Academy, with its two centres of excellence, namely the Manufacturing Academy and R&D Academy. "Build The Future", receiving 38,000 applications in 2018, is

Prysmian's graduate program through which 300 candidates have been recruited between 2012 and 2018. With the "Make It" and "Sell It" recruitment programs we are giving professionals with 3-7 years of experience in manufacturing the opportunity to reach levels of excellence. We have also pursued our commitment to promote diversity and inclusion at every level of the organisation with the "Side by Side" initiative, while, together with General Cable, we have launched activities to foster diverse cultures, backgrounds and experiences.

YES, Prysmian's employee share ownership scheme, has reached a landmark of 9,200 participants, equating to 53% of those eligible. There has been no lack of recognition for Prysmian's commitment to human capital development, like the Malaysia Best Employer Brand Award or its selection as one of the three finalists in the "Best Employer Brand" category of the Italian LinkedIn Talent Awards.

Sustainability as a value for growth

The Group has made significant progress in recent years in focusing the objectives and related action plans to improve its sustainability performance. Such objectives and action plans have also been extended to the new organisation resulting from the integration of General Cable. Specific attention has been given to issues of particular relevance to our stakeholders, such as energy efficiency and reduction of environmental impact, development of our people as well as respect for the communities where we are present and, last but not least, policies and codes for an ethical, transparent and fair conduct of our business. In 2018, Prysmian Group placed well in the main international indices, including the Dow Jones Sustainability Index and the Carbon Disclosure Project. R&D projects achieving significant results in terms of sustainability have included the research into deep water submarine cables, for installation up to 3,000 metres below sea level, the development of "leadless" technology, eliminating the use of metal in power cables, and the development of P-Laser technology, now also applied to high voltage cables to make them fully recyclable and sustainable while also increasing their power transmission capacity. In the Telecom business, Prysmian has developed FlexRibbon™, a record-breaking cable that packs up to 6,912 optical fibres, thus helping reduce the impact of civil engineering work when constructing telecom networks. Prysmian Group's commitment to sustainability has also been recognised with the award to its new Milan headquarters of LEED Platinum International Certification, the global benchmark standard for rating environmentally friendly buildings. In addition, the Slatina plant in Romania, the largest optical cable factory in Europe, has received special recognition from the Joint Audit Cooperation for its high standards of sustainability.

Value creation for our shareholders

In light of the results achieved in a testing year like 2018, we are able to propose our shareholders a dividend of Euro 0.43 per share, confirming our commitment to providing them with an appropriate return.

VALERIO BATTISTA

CHIEF EXECUTIVE OFFICER

PRYSMIAN GROUP

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CONSOLIDATED FINANCIAL REPORT

Directors' Report



DIRECTORS AND AUDITORS

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

^(*) Independent director as per Italian Legislative Decree 58/1998

^(**) Independent director as per Italian Legislative Decree 58/1998 and Italy's Corporate Governance Code issued by Borsa Italiana S.p.A.

⁽¹⁾ Members of the Control and Risks Committee

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

⁽³⁾ Appointed by the Shareholders' Meeting on 12 April 2018

⁽⁴⁾ Co-opted by the Board of Directors on 18 September 2018

⁽⁵⁾ Appointed by the Shareholders' Meeting on 13 April 2016

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

INTRODUCTION

In compliance with the provisions of art. 5, par. 3 (b) of Italian Legislative Decree 254/2016, the Group has prepared its Consolidated Non-Financial Statement in a separate document (Sustainability Report 2018). This document, covering environmental, social and personnel-related issues, respect for human rights, and the fight against active and passive corruption, aims to provide its users with an understanding of the Group's business, its performance, results and impact. The Consolidated Non-Financial Statement 2018 has been prepared according to the GRI Sustainability Reporting Standards (published by the GRI - Global Reporting Initiative – in 2016) and was approved by the Board of Directors on 5 March 2019. As required by the above law, the document is subjected to a limited review by the independent auditors, in accordance with the International Standard on Assurance Engagement (ISAE 3000 Revised). The document is available on the Group's website at www.prysmiangroup.com.

FINANCIAL HIGHLIGHTS

MAIN FINANCIAL AND OPERATING DATA (*)

(in millions of Euro)

	2018 (**)			2017 (***)	% change Conso.	% change Prysmian	2016 (***)
	Prysmian	General Cable	Adjustments	Total Prysmian			Prysmian
Sales	8,061	2,155	(58)	10,158	28.5%	2.0%	7,576
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	581	123	-	704	1.4%	-16.3%	689
Adjusted EBITDA ⁽¹⁾	640	123	-	763	3.7%	-13.1%	720
EBITDA ⁽²⁾	532	64	-	596	-9.7%	-19.3%	654
Adjusted operating income ⁽³⁾	460	76	-	536	-4.1%	-17.7%	547
Operating income	309	1	-	310	-26.9%	-27.1%	456
Profit/(loss) before taxes	207	(9)	-	198	-39.1%	-36.4%	377
Net profit/(loss) for the year	143	(13)	-	130	-45.1%	-39.6%	268

(in millions of Euro)

	31 December 2018	31 December 2017 (***)	Change Conso.	31 December 2016 (***)
Net capital employed	5,131	2,430	2,701	2,558
Employee benefit obligations	463	355	108	383
Equity	2,446	1,639	807	1,638
<i>of which attributable to non-controlling interests</i>	188	188	-	227
Net financial debt	2,222	436	1,786	537

(in millions of Euro)

	2018 (**)			2017 (***)	% change Conso.	% change Prysmian	2016 (***)
	Prysmian	General Cable	Total	Prysmian			Prysmian
Capital expenditures ⁽⁴⁾	266	19	285	257	10.9%	3.5%	233
<i>of which for acquisition of Shen Huan assets</i>	-	-	-	35			11
Employees (at year-end)	21,405	7,754	29,159	21,050	38.5%	1.7%	20,493
Earnings/(loss) per share							
- basic			0.53	1.14			1.18
- diluted			0.53	1.11			1.12
Patents ^(****)			5,627	4,871			4,651
Number of plants			112	82			82

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

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

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

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

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

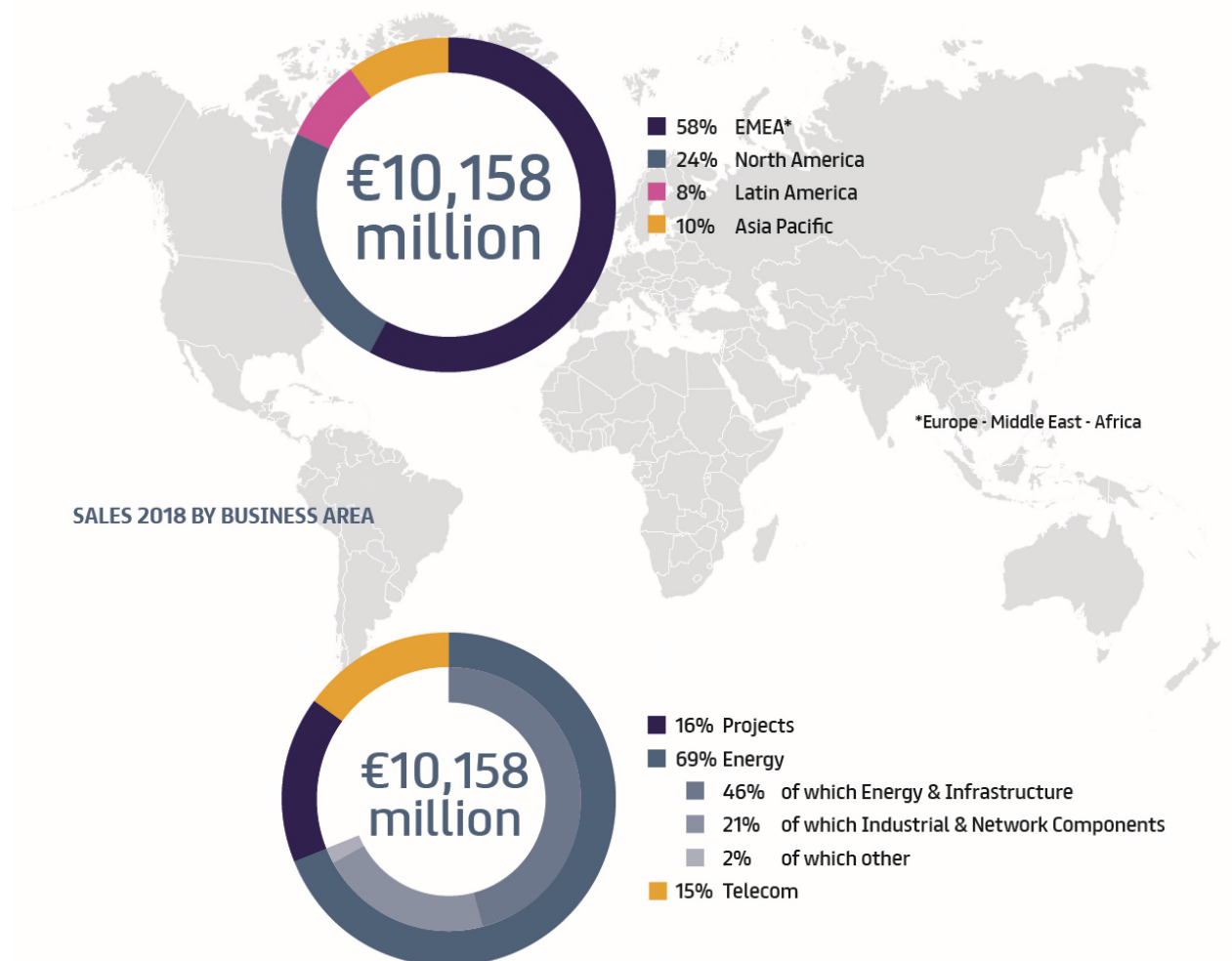
(**) The results of General Cable have been consolidated for the period 1 June - 31 December 2018.

(***) The previously published comparative figures for 2017 and 2016 have been restated following the introduction of IFRS 9 and IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the Consolidated Financial Statements.

(****) These are the total number of patents, comprising patents granted plus patent applications pending worldwide.

The following figures include General Cable for the period 1 June - 31 December 2018

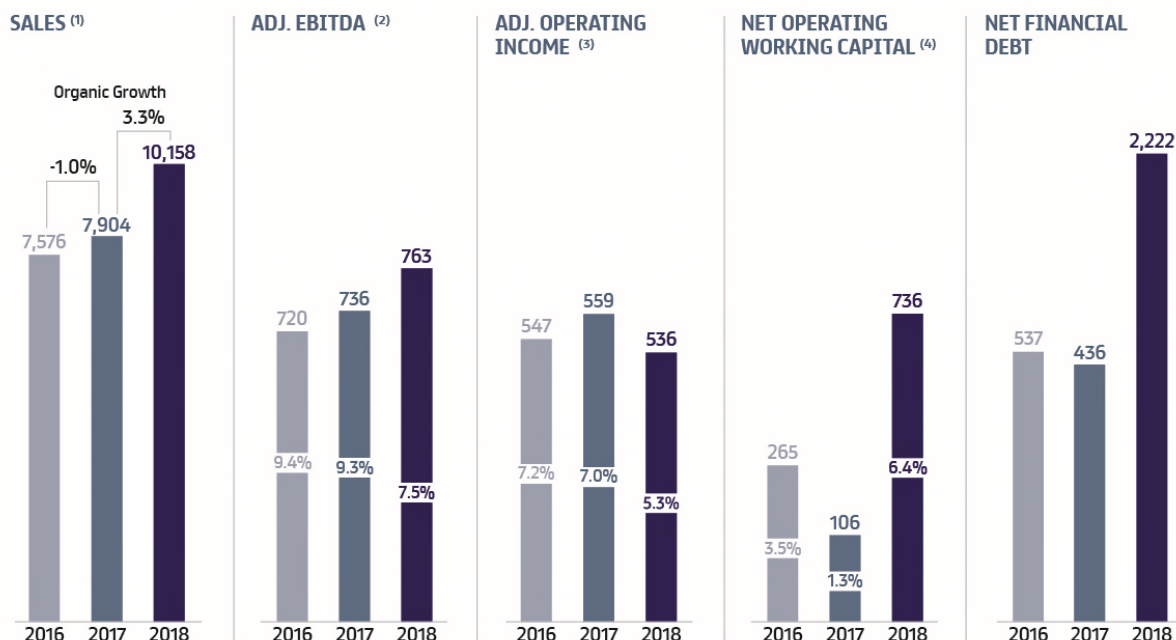
SALES 2018 BY GEOGRAPHICAL AREA



(*) Europe - Middle East - Africa.

KEY FINANCIALS

Amounts in millions of Euro – Percentages on sales



- (1) Organic growth is defined as growth in sales calculated net of changes in the scope of consolidation, changes in commodity prices and exchange rate effects. The previously published comparative figures for 2017 and 2016 have been restated following the introduction of IFRS 9 and IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the Consolidated Financial Statements.
- (2) Adjusted EBITDA is defined as EBITDA before income and expense associated with company reorganisation and before non-recurring items and other non-operating income and expense. The previously published comparative figures for 2017 and 2016 have been restated following the introduction of IFRS 9 and IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the Consolidated Financial Statements.
- (3) Adjusted operating income is defined as operating income before income and expense associated with company reorganisation, before non-recurring items and other non-operating income and expense, and before the fair value change in metal derivatives and in other fair value items. The previously published comparative figures for 2017 and 2016 have been restated following the introduction of IFRS 9 and IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the Consolidated Financial Statements.
- (4) Net Operating Working Capital is defined as Net Working Capital excluding the effect of derivatives. The percentage is calculated as Net Working Capital/Annualised last-quarter sales. The previously published comparative figures for 2017 and 2016 have been restated following the introduction of IFRS 9 and IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the Consolidated Financial Statements.

PRYSMIAN GROUP

VISION, MISSION, VALUES



With the merger of General Cable, Prysmian Group has further strengthened its leadership of the global cables and systems industry, assuming an even greater responsibility for managing energy and information flows that make economies grow and develop communities. In this undertaking, we refer to a clear **MISSION**, a broad **VISION** and a system of **VALUES** redefined by sharing the cultures of two leading groups that have joined forces.



VISION

The Prysmian Group believes in the effective, efficient and sustainable supply of Energy and Information as primary driver in the development of communities.

MISSION

The Prysmian Group provides its customers worldwide with superior cable solutions based on pioneering technology and consistent excellence in execution, ultimately delivering sustainable growth and profit.



VALUES

DRIVE. We aim to lead the industry evolution, combining our ability to develop our people and our business in a clear direction while anticipating customer needs.

TRUST. We want to create an environment of trust that exploits diversity and collaboration, where people are empowered to make decisions with integrity.

SIMPLICITY. We bet to simplify anything we can, focusing on high value generating activities and timely decisions to boost our Company results.

Prysmian Group

World leader in the energy and telecom cable systems industry

With 140 years of experience, Prysmian Group's story traces the history of the entire cable industry. More than a year after first announcing the merger agreement with General Cable, the new and stronger Prysmian Group continues to retain its leadership of the global cable industry, with sales in excess of Euro 10 billion in 2018, approximately 29,000 employees in over 50 countries and 112 plants. The Group offers the widest possible range of products, services, technologies and know-how for every type of industrial application thanks to a diffused commercial presence, 25 R&D centres in EMEA, North and South America and APAC and more than 900 qualified R&D professionals.

The integration of General Cable into Prysmian Group is a milestone in the Group's history and a strategic and unique opportunity to create value for its shareholders. Thanks to this union, the new Group will be even better equipped to face and overcome the challenges of the global economic and political environment, along with those of growing competition in the cable and systems industry.

In addition, Prysmian Group continues to establish close and lasting relationships with its customers in all the markets served, helping it to fully understand their needs, to provide fast, efficient service and satisfy every type of request.

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

The Group's structure is organised around three business areas (*Projects, Energy and Telecom*).

In fact, the Group operates in the business of underground and submarine cables and systems for power transmission and distribution, of specialty cables for applications in many different industries and of medium and low voltage cables mostly for the construction and infrastructure sectors.

The Group produces voice, video and data transmission cables and accessories for the telecommunications industry, offering a comprehensive range of optical fibres, optical and copper cables and connectivity systems.

Prysmian Group's work in the renewable energy transmission and distribution sector see it involved in the development and operation of some of the largest solar and wind farms in the world. The new projects awarded to Prysmian in 2018 for the construction of inter-array submarine cable systems have additionally confirmed the competitiveness of the Group's offering in this business. Among the contracts secured in 2018 was the Group's first cable project for a floating offshore wind farm, involving inter-array and export cables for the Kincardine wind farm, located southeast of Aberdeen in Scotland. In addition, the Group won contracts to supply submarine cables for the Hornsea 2 project in the UK, the world's largest offshore wind farm (66kV), and to construct an inter-array submarine cable system between the turbines of the Borssele III and IV wind farms in the North Sea (731.5 MW). Prysmian has also successfully implemented the inter-array cable system for the Wikinger wind farm, located in the West of Adlergrund cluster in the German Baltic Sea. In 2018, the Group won three other turnkey contracts to supply and install inter-array submarine cable systems in France for the offshore wind farms of Fécamp, Courseulles-sur-Mer and Saint Nazaire. NSW, a General Cable company recently acquired by Prysmian Group, has been awarded a contract by Northwester

NV for the construction of an inter-array submarine cable system to connect the Northwester 2 offshore wind farm, located in the North Sea.

In Argentina, Prysmian Group will supply 3,600 km of cables and a PRY-CAM monitoring system for a new solar farm in Cauchari located 4,100 metres above sea level in one of the world's most concentrated areas of solar radiation. The 315 MW photovoltaic plant will provide the Argentine grid with an annual average of 660,887 MWh for 20 years.

Still in the area of power transmission, Prysmian Group executes major interconnection projects, both on land and subsea, for utilities and grid operators, like the contract awarded in 2018 by the Independent Power Transmission Operator, the Greek electricity grid operator, for two interconnections between the Cyclades islands of Evia, Andros and Tinos and the Greek mainland. Prysmian has also been awarded a new project for the first submarine electricity interconnection between Crete and the mainland, involving the design, supply, installation and commissioning of an HVAC cable system. In addition, Prysmian has been commissioned by Terna Rete Italia S.p.A. to supply a cable to connect the isle of Capri and town of Sorrento, along a route running 16 km subsea and 3 km onshore.

In 2018, Prysmian secured an important contract from the utility SP Power Assets Ltd for the design, supply, installation and commissioning of two high voltage power transmission systems to connect the Rangoon and Paya Lebar substations in Singapore. Prysmian Group has also strengthened its solid partnership with Terna, the Italian transmission system operator, through a framework agreement for the supply, installation and emergency repair of 220 kV cables to upgrade the national power grid. Still in 2018, Caldwell Marine International LLC, a US company, engaged Prysmian to develop a power interconnection between Deer Island and the Boston power grid, involving a total of 6 km of submarine cable and 8 km of underground cable.

In Asia, the National Grid Corporation of the Philippines (NGCP) has selected Prysmian Group for the design, supply, installation and commissioning of two submarine power cables between the islands of Cebu and Negros, along a 30 km subsea route.

When constructing subsea power transmission infrastructure for both interconnection purposes and offshore wind farms, Prysmian has the benefit of an unrivalled fleet of cable-laying vessels, consisting of the Giulio Verne, Cable Enterprise and Ulisse and providing it with an installation capability able to meet the toughest challenges. The Group continues to invest in this sector and the current fleet will soon be joined by a fourth vessel, further enhancing its project execution capabilities.

In the area of onshore infrastructure, the Group has been involved in the construction of electricity grids in some of the world's largest metropolises, from New York to Buenos Aires, London to St. Petersburg, and Hong Kong to Sydney.

The Group also supports the petrochemicals industry with solutions for use in both upstream exploration and production activities, and downstream hydrocarbon processing and storage. More specifically, it has recently signed an agreement with JG Summit Petrochemicals Group (JGSPG) in the Philippines for the supply of approximately 820 km of low and medium voltage power cables, instrumentation and control cables and telecom cables for application in the petroleum and petrochemicals industry.

Some of the world's most spectacular, state-of-the-art constructions, like the new Louvre Abu Dhabi, the Wimbledon tennis stadium, the futuristic Marina Bay Sands in Singapore and the Shard skyscraper in London, the tallest in Western Europe, are made safe by Prysmian Group's fire-resistant cables. In Milan, Prysmian Group cable solutions have contributed to enhancing the safety of Isozaki Tower, the skyscraper designed by the renowned eponymous Japanese architect in the futuristic City Life district.

As for the elevator business, the Group's elevator cables are present in some of the world's tallest or most prestigious buildings, like the new World Trade Center in New York City. By cabling the Burj Khalifa in Dubai, the world's tallest building at 828 metres high, Prysmian has guaranteed the safety of every one of its 163 floors with elevator cables and fire-resistant cables the length of which is more than 1,300 times the tower's height.

Prysmian can also boast some exceptional achievements in the world of transport. In fact, the Group has supplied cables for all Airbus aircraft, including the recent A320 and the super-technological A350, for the world's largest cruise ships, like the MSC Seaside and MSC Seaview sister ships built by Fincantieri, for the fastest trains and for the most innovative metro systems, like the one inaugurated in Shanghai.

With a wide range of telecom cables and fibre solutions for voice, video and data, and also thanks to continuous investment in R&D, Prysmian Group contributes to the development of infrastructure that supports information flows and communication essential for the economic and social growth of communities around the world.

Among the more important projects won, the Group has secured a major contract from the US telco Verizon Communications, which it has assisted since 2017 in the "Onefiber" digital transformation process, for the supply of optical fibre products to develop and accelerate 5G services and improve 4G broadband capacity.

Business areas

The *Projects* business area encompasses the high-tech and high value-added businesses focused not only on the entire project and its execution, but also on the customisation of products and systems. The cables and systems produced in the Projects segment for the energy sector are mainly high or extra high voltage ones, for both underground and submarine installation.

- Prysmian designs, manufactures and installs high and extra high voltage cables for underground and submarine power transmission directly from power stations to primary distribution networks. Through Prysmian PowerLink S.r.l., the Group develops pioneering "turnkey" submarine cable systems for installation at depths of up to 2,000 metres, assisted by its cable-laying fleet comprising the Giulio Verne, one of the largest and most high-tech such vessels in the world, the Cable Enterprise and the Ulisse. Prysmian also offers state-of-the-art solutions, ranging from project management to cable installation, for submarine cables between offshore wind farms and the mainland, used for both generation and distribution. The Group's technological solutions for this business cover inter-array and export cables.

The *Energy* business area encompasses the businesses offering a complete and innovative product portfolio designed to meet the many diverse demands of the market: Energy & Infrastructure, Oil&Gas, Electronics, Elevators, Automotive, Network Components, Industrial Specialties, serving in turn the sectors of Crane,

Mining, Railways, Rolling Stock, Nuclear and Renewables (cables for applications in the solar energy industry and for the operation of wind turbines).

- In the field of power transmission and distribution, the Group manufactures medium voltage cable systems to connect industrial and residential buildings to primary distribution grids and low voltage ones for power distribution and the wiring of buildings. Prysmian solutions are designed to support utilities and grid operators, industrial concerns, installers and wholesalers in the electric power industry. In particular, its products for the Trade & Installers market include cable systems for distributors and installers used to wire buildings and distribute power to or within commercial and residential structures. Fire-resistant and low smoke halogen-free cables complete one of the widest and most comprehensive product ranges in the world.
- The Group's offer of integrated solutions for the Industrial market constitutes the most comprehensive and technologically advanced response to the needs of a wide variety of industries. Prysmian's Industrial Specialties business offers cable systems for many specific industrial applications such as trains, aircraft, ships, port cranes, tunnel and mining excavation systems, nuclear power stations, military vehicles and renewable energy. The Group also offers specific, technologically advanced solutions for the elevator and automotive industries. The product range is completed with accessories and components for connecting cables and other elements contained in networks.

Completing the offer of the *Energy* business is the Electronics product range for diagnostics and monitoring of electrical systems for voltages from 3 kV to 600 kV, using the Group's innovative and revolutionary proprietary PRY-CAM technology.

The Telecom business area encompasses the businesses devoted to making cable systems and connectivity products used in telecommunication networks. The product portfolio includes optical fibre, optical cables, connectivity components and accessories, OPGW (Optical Ground Wire) and copper cables.

With centres of excellence in Battipaglia (Italy), Claremont (USA), Douvrin (France), Eindhoven (the Netherlands) and Sorocaba (Brazil), Prysmian Group is one of the leading manufacturers of the core component of every type of optical cable: optical fibre. A wide range of optical fibres is designed and made to cater to the broadest possible spectrum of customer applications, including single-mode, multimode and specialty fibres. The Group has proprietary technology for the manufacture of optical fibre, allowing it to achieve optimal solutions for the different applications.

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

Prysmian Group also supplies passive connectivity solutions that ensure efficient management of optical fibre within networks.

Growing demand for higher bandwidth has seen the deployment of optical fibre moving closer to the end user. The Group is extremely active in this rapidly growing sector of the market, known as FTTx, where its

approach is based on combining existing technologies with innovative, new solutions allowing fibres to be deployed in high-rise buildings and multi-dwelling units. Many of the cables used in FTTx systems feature Prysmian's bend-insensitive BendBrightx optical fibre, which has been specially developed for this application.

Prysmian Group also produces a wide range of copper cables for underground and overhead cabling solutions and for residential as well as 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. Prysmian has also designed FlexRibbon™, a new line of telecom products capable of packing up to 6912 optical fibres to offer superior performance to the data centres of major corporations around the world.

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

GLOBAL PRESENCE ¹

GLOBAL PRESENCE

MEA

ANGOLA
Luanda
UAE
Fujairah
IVORY COAST
Abidjan
OMAN
Muscat
Sohar
TUNISIA
Gromballa

EUROPE

CZECH REPUBLIC
Velke Mezirici
ESTONIA
Keila
FINLAND
Pikkala
Oulu
FRANCE
Amfreville
Paron
Charvieu
Cornimont
Gron
Chavanoz
Douvain
Calais
Sainte Genevieve
Montereau
GERMANY
Neustadt
Schwerin
Wuppertal
Berlin
Nurnberg
Nordhenam
HUNGARY
Kistelek
Balassagyarmat
ITALY
Giovinazzo
Livorno
Merlino
Pignataro
Quattordio
Arco Felice
Battipaglia
NORWAY
Drammen
PORTUGAL
Morelena
ROMANIA
Slatina – Milcov
Slatina
RUSSIA
Rybinsk
SLOVAKIA
Presov
SPAIN
Santa Perpetua
Vilanova
Santander
Abrera
Montcada
Manlleu
SWEDEN
Nassjo
THE NETHERLANDS
Eindhoven
Delft
Nieuw Bergen
Emmen
TURKEY
Mudanya
U.K.
Wrexham
Bishopstoke
Aberdare
Washington

LATAM

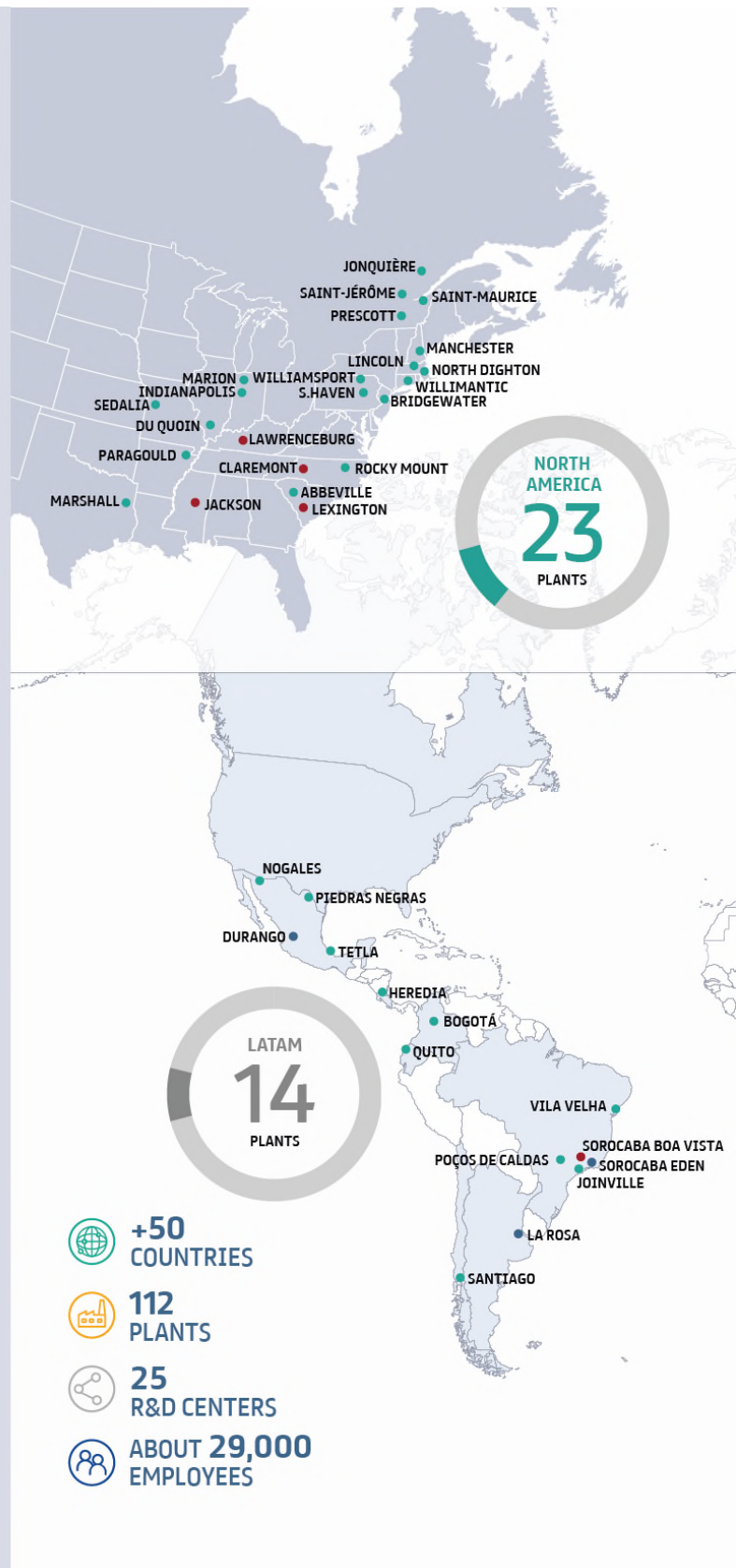
ARGENTINA
La Rosa
BRAZIL
Sorocaba Boa Vista
Sorocaba Eden
Vila Velha
Joinville
Pocos De Caldas
CHILE
Santiago
COLOMBIA
Bogotá
COSTA RICA
Heredia
ECUADOR
Quito
MEXICO
Durango
Tetla
Piedras Negras
Nogales

NORTH AMERICA

CANADA
Prescott
St. Maurice
St. Jerome
Jonquiere
U.S.A.
Abbeville
Lexington
S. Haven
Claremont
North Dighton
Bridgewater
Rocky Mount
Lincoln
DuQuoin
Manchester
Sedalia
Indianapolis
Willimantic
Marshall
Williamsport
Marion
Paragould
Jackson
Lawrenceburg

APAC

AUSTRALIA
Liverpool
Dee Why
CHINA
Tianjin
Wuxi
Suzhou
Haixun
Zhongyao
Wuhan
Shanghai
Yixing
INDIA
Pune
Chiplun
MALAYSIA
Kuala Lumpur
Melaka
INDONESIA
Cikampek
NEW ZEALAND
Auckland
PHILIPPINES
Cebu
THAILAND
Rayong



¹ The above geographical representation includes plants belonging to companies not consolidated line-by-line.



DEVELOPMENT OBJECTIVES AND STRATEGIES

A GROWTH STRATEGY FOUNDED ON RESPONSIBILITY

Prysmian has further strengthened its global leadership in energy and telecom cables with the integration of General Cable, thereby assuming even more responsibility as a "technology enabler" of the economic and social development of the communities in which it operates.

The Group's medium-term growth strategy is based on the concept of responsibility towards all stakeholders and in general towards the communities in which it operates throughout the world. Such responsibility is based on the shared principles of the corporate Mission and Vision and on a system of Values redefined for the meeting of cultures of two leaders that have decided to join forces: Prysmian Group and General Cable. Our commitment to develop and apply state-of-the-art technological solutions is even stronger, with the goal of offering customers worldwide ever more effective, efficient and sustainable solutions for transmitting and distributing energy and communications the world over. This means acting, in partnership with our customers, as a "technology enabler" of the economic and social development of the countries in which we operate. The ability to produce constant innovations and to steer the entire global cable industry towards increasingly ambitious goals for technological progress is an integral part of Prysmian's approach to the market. The Group identifies itself in a strategy based on the concept of responsibility, geared towards constantly creating sustainable value for all stakeholders, and whose guidelines are mainly inspired by:

- **Customer Centricity**, and ability to satisfy always, and possibly anticipate, customer needs with innovative products and solutions inspired by a solution-driven approach. Based on this approach, Prysmian Group has long adopted information sharing tools and business KPIs - using Customer Relationship Management and Customer Portal software - which improve processes internally and consequently the know-how and services offered to our customers;
- **Creating Value for Shareholders**, meaning responsibility for offering a return on investment and sustainable earnings especially in the medium and long term.

Prysmian Group's success story is built on the relationship with the market and how it governs its business:

Ability to always satisfy the customer is one of the cornerstones of Prysmian's success. Thanks to the innovative technologies and solutions developed by the R&D centres, with a global leadership further strengthened by the integration of General Cable, Prysmian is able to develop products and systems capable of anticipating and satisfying its customers' needs. Customer Centricity, continuous development of human capital and attention to environmental sustainability also underpin the responsible growth strategy that Prysmian adopts in its business and for the benefit of its customers.

Balanced and sustainable growth consists of the ability to combine short-term and medium to long-term objectives, measurable not only in terms of financial performance in response to shareholder expectations regarding capital return, but also in terms of responsible growth that creates sustainable value over time. An

objective that Prysmian achieves thanks to a system of governance and a business model that allow long-term sustainability of financial results, for lasting creation of value over time.

"Sound" management and financial discipline allow the Group to deploy criteria for achieving high levels of operating profitability and cash generation, combining special attention to working capital management with the ability to reduce fixed costs and capital employed in order to maximise cash flow generation and return on investment. The Group also imposes on itself the necessary discipline to maintain adequate financial leverage for a strategy of organic and acquisition-led growth.

Transparency, corporate governance and market and investor confidence are the advantages the Group offers its investor base, also thanks to its public company status. The Group pays particular attention to its relations with financial markets, shareholders and investors, to ensure timely, reliable maintenance and delivery of its commitments in terms of target results. Transparency and credibility are expressed in a system of corporate governance based on strict interpretation and application of rules and the adoption of principles and choices drawn from international best practices.

Expansion and growth. The Group's development strategy follows the dual track of growth in size and continuous improvement in profitability. The Group's record of growth reflects not only constant organic growth of the business, based on a selective investment policy and development of commercial and production synergies, but also acquisition-led growth, in which the recent acquisition and integration of General Cable represents a milestone. Growth opportunities are primarily sought among higher value-added tech-driven businesses, while in terms of geographical expansion the Group's main focus of investment is in countries and markets able to ensure high rates of growth and profitability, like, in the case of General Cable, the great North American market.

More efficient and innovative industrial and commercial processes have always been Prysmian's recipe for consolidating and optimising its industrial processes. Since 2017 the Group has taken an important step in this direction with Factory 4.0 and the implementation of the "Fast Track" pilot project, launched in the Calais optical cable plant (France) and being implemented in other sites (Romania and then Finland) in 2019-2020, with the goal of making factories smarter, using state-of-the-art technologies and leveraging the interaction between digital skills and human expertise. The "Fast Track" approach ensures full traceability of manufacturing activities and materials, while managing events that could jeopardise production processes and providing in real-time all the information needed to identify problems at source and possible solutions. The objective is to create a digital ecosystem to make production processes more efficient and improve the quality of work for employees.

APPROACH TO THE MARKET

Prysmian Group has perfected an approach to the market over the years based on the ability to analyse, satisfy and possibly anticipate customer expectations in a "dynamic" fashion, i.e., by following the evolution in their needs over time. The key to this approach and the heart of this ability are encapsulated in the concept of "Customer Centricity". An approach that requires constant attention to every stage of the value chain, from design to delivery, and the ability to measure performance accurately at every such stage. Above all, the Group is perfectly capable of serving and satisfying very different segments of demand and market thanks to a matrix organisational structure: from very specific local markets, through business and organisational structures at a country level, to markets comprising global products and businesses, which require both local presence and cooperation between different countries.

With the goal of customer satisfaction a constant, Prysmian presents itself and acts as a reference partner, also by using tools such as specific surveys and one-to-one interviews to fully understand customer needs.

One of the ways that allow Prysmian to implement its customer centricity strategy successfully is the process known as **"Factory Reliability"**, which makes it possible not only to improve the reliability of planning and the execution of manufacturing output, in terms of both mix and volumes in ever faster response times, but also to have stricter control over inventory levels for every type of stock, from raw materials to intermediate and finished goods.

All this successfully enables the Group to deal effectively and efficiently even with upswings and downswings in sales volumes and the consequent variation in manufacturing output.

APPROACH TO SUSTAINABILITY

Once again in 2018 Prysmian Group devoted every energy to making its strategic proposition of sustainable and responsible growth a reality, by multiplying its efforts to develop the most advanced technologies in a continuous drive for process and product innovation. Prysmian Group's attention is constantly focused on solutions that improve efficiency, protect people's health and safety, and create constructive relationships with local communities in which it operates, all while limiting its impact on the environment. Prysmian's strategy of sustainable development is aligned with the Sustainable Development Goals (SDGs) established by the United Nations and with measurable sustainability targets. The Group's commitment to sustainability and responsible, eco-friendly growth was acknowledged once again in 2018 with its receipt of awards from prestigious international organisations.

CORPORATE GOVERNANCE

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

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

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

In addition, the Group has adopted principles, rules and procedures that govern and guide the conduct of activities by all its organisational and operating units, as well as ensuring that all business transactions are carried out in an effective and transparent manner.

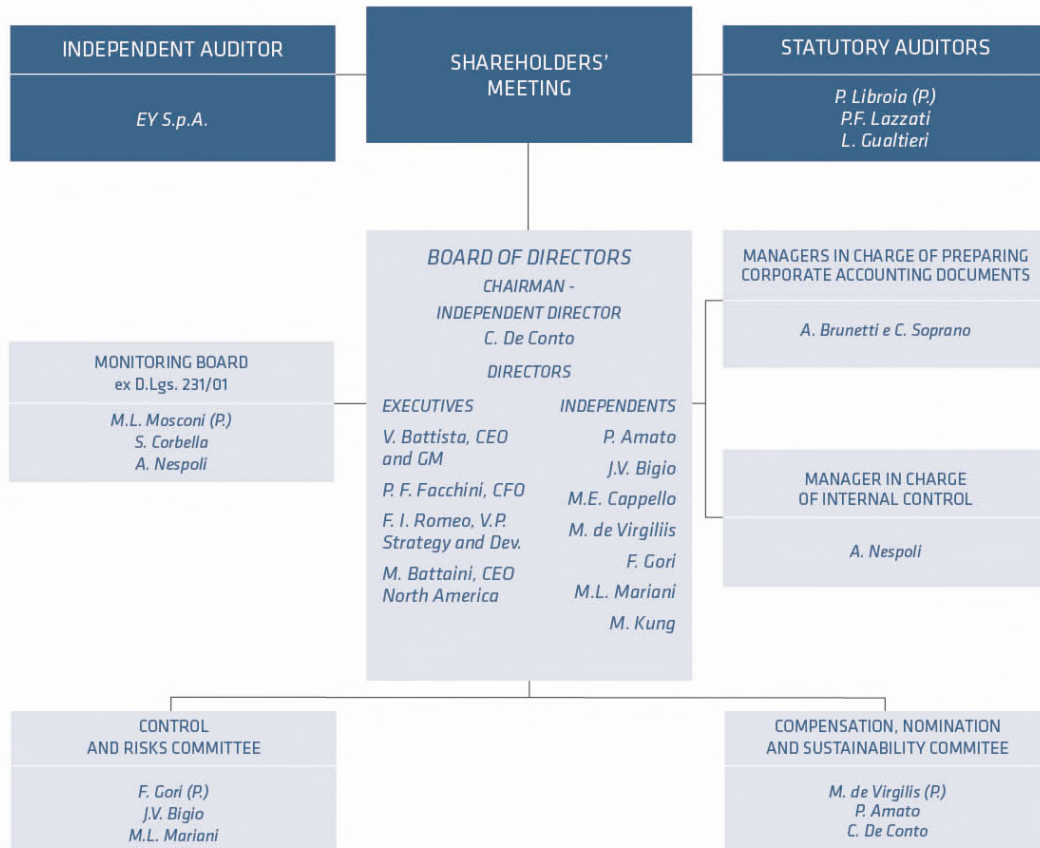
Once again in 2018, Prysmian undertook several initiatives to implement the recommendations of the Corporate Governance Code¹, to which it has adhered.

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

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

¹ "Corporate Governance Code for Listed Companies - Ed. July 2018" - approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

GOVERNANCE STRUCTURE



In compliance with the provisions of art. 14 of the By-laws, the Company is currently managed by a Board of Directors consisting of twelve members - who will remain in office until the date of the annual general meeting that approves the financial statements for the year ended 31 December 2020 - of whom eight are non-executive.

Seven of the directors are men and five women, while one director is in the 31-50 age group and eleven in the over-50 category.

The Board of Directors is vested with the broadest possible powers of ordinary and extraordinary management of the business, except those which by law are the exclusive prerogative of the shareholders in general meeting. In line with the recommendations of the Corporate Governance Code, the non-executive directors are sufficiently numerous and have enough authority to ensure that their judgement carries significant weight in Board decision-making. Seven of the non-executive directors are independent within the meaning of art. 148, par. 3 of Legislative Decree 58 dated 24 February 1998 (known as the Unified Finance Act) and of art. 3.C.1. and art. 3.C.2. of the Corporate Governance Code, while one non-executive director is independent within the meaning of art. 148, par. 3 of the Unified Finance Act. The Board of Directors has appointed a Chief Executive Officer and General Manager from among its members and granted him all the authority and powers of ordinary management of the company necessary or useful for conducting its business.

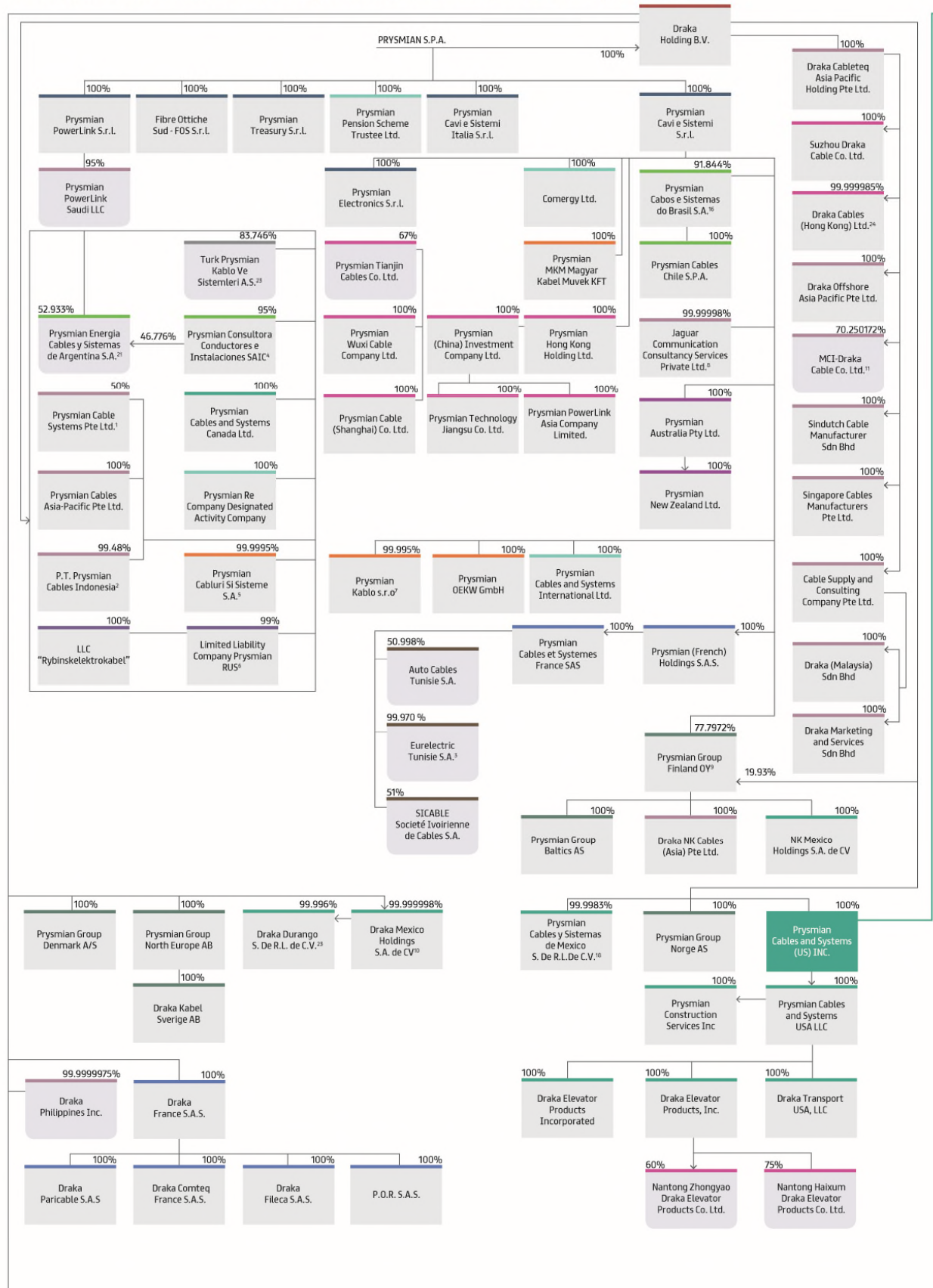
Management of the business is the responsibility of the directors, who take the actions necessary to implement the corporate purpose. The Board of Directors is also responsible for the Group's internal control and risk management system and is therefore required to verify its adequacy and to adopt specific guidelines for this system, with the support of the other parties involved in the internal control and risk management system, namely the Control and Risks Committee, the Director in charge of the internal control and risk management system, the Chief Audit & Compliance Officer, the Board of Statutory Auditors and the Managers responsible for preparing corporate accounting documents.

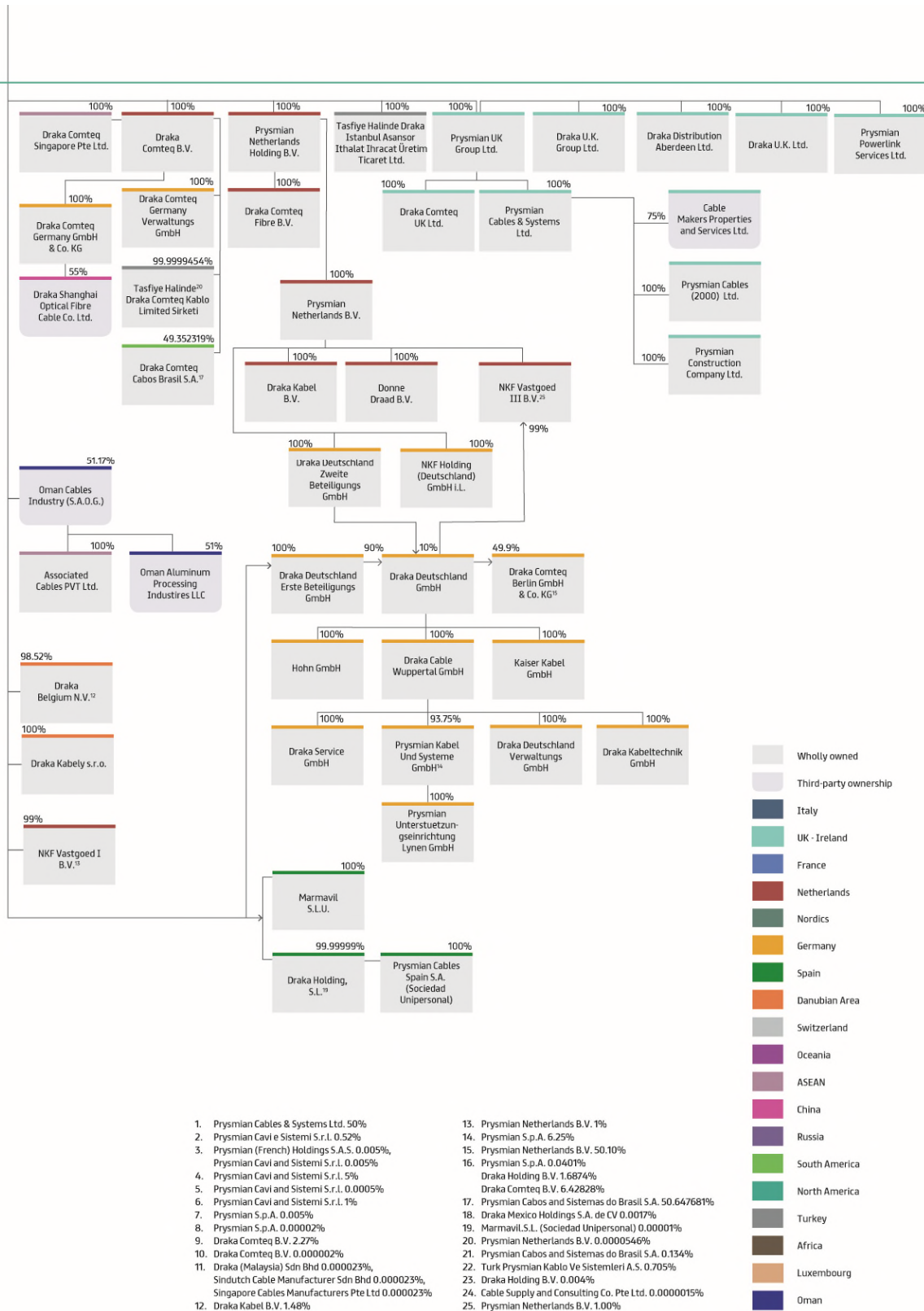
Completing the Prysmian corporate governance structure is a Compensation, Nominations and Sustainability Committee and a Monitoring Board instituted under Legislative Decree 231/2001.

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

CORPORATE STRUCTURE

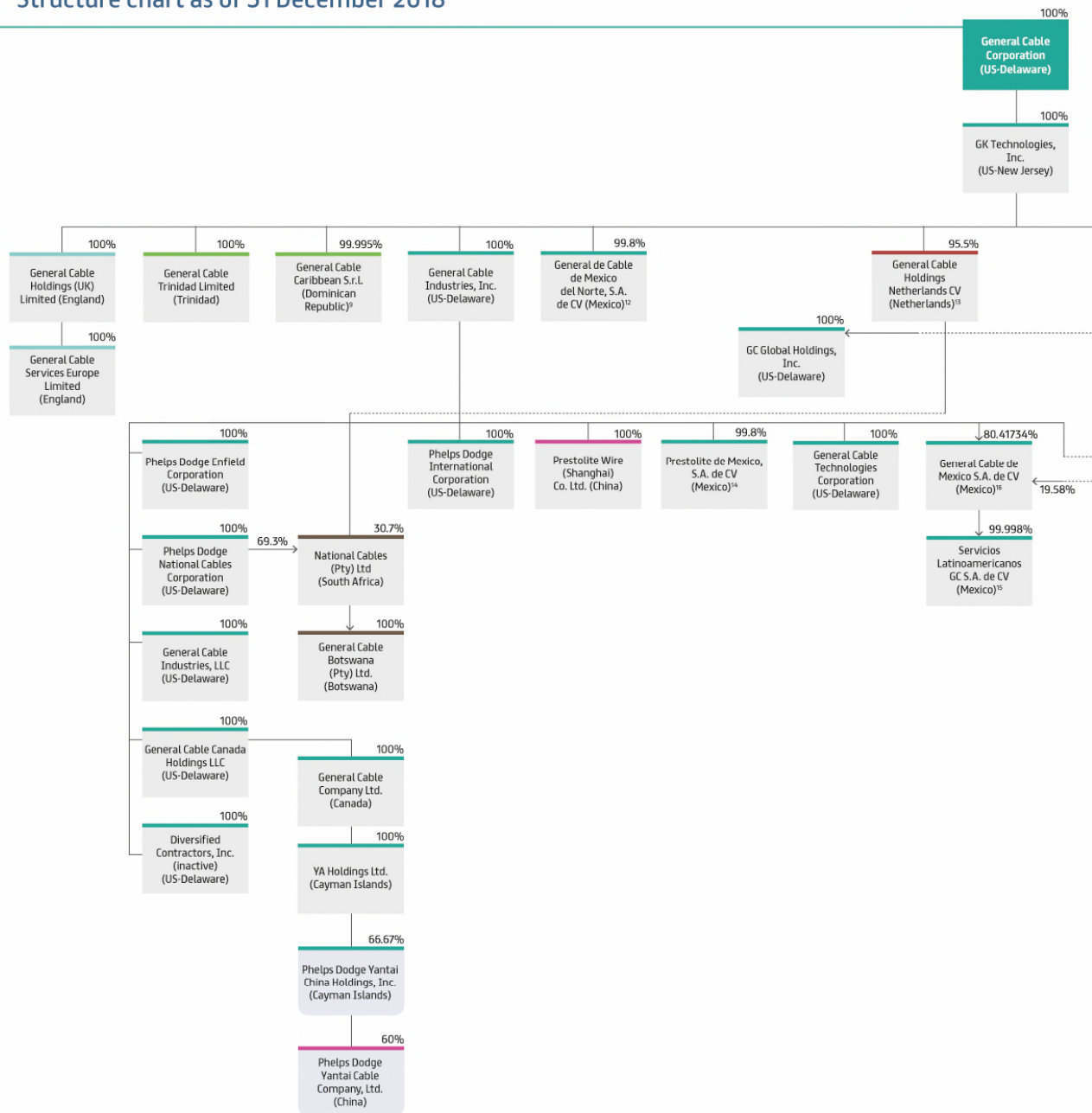
The companies consolidated on a line-by-line basis at 31 December 2018 are presented below

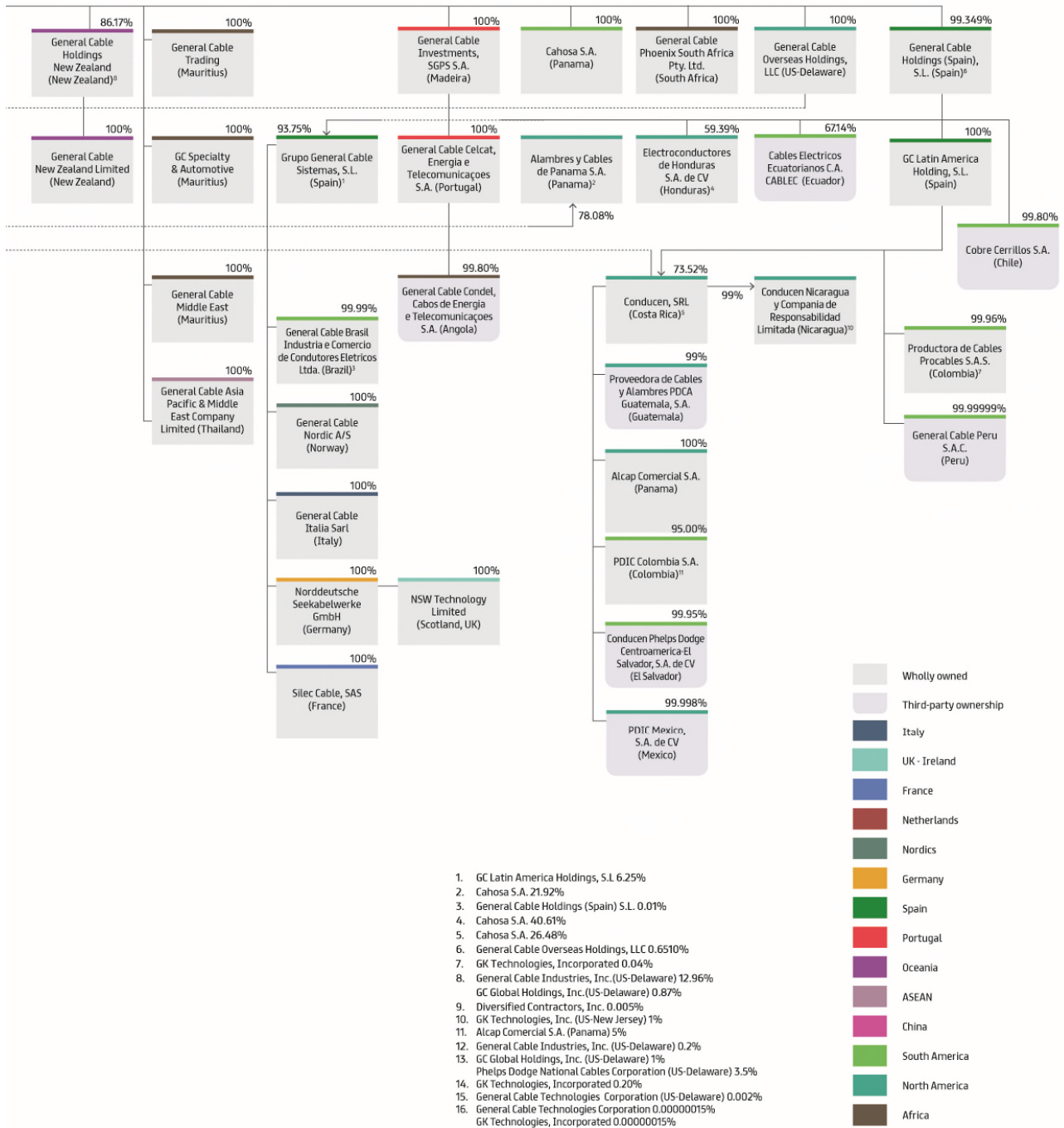




GENERAL CABLE

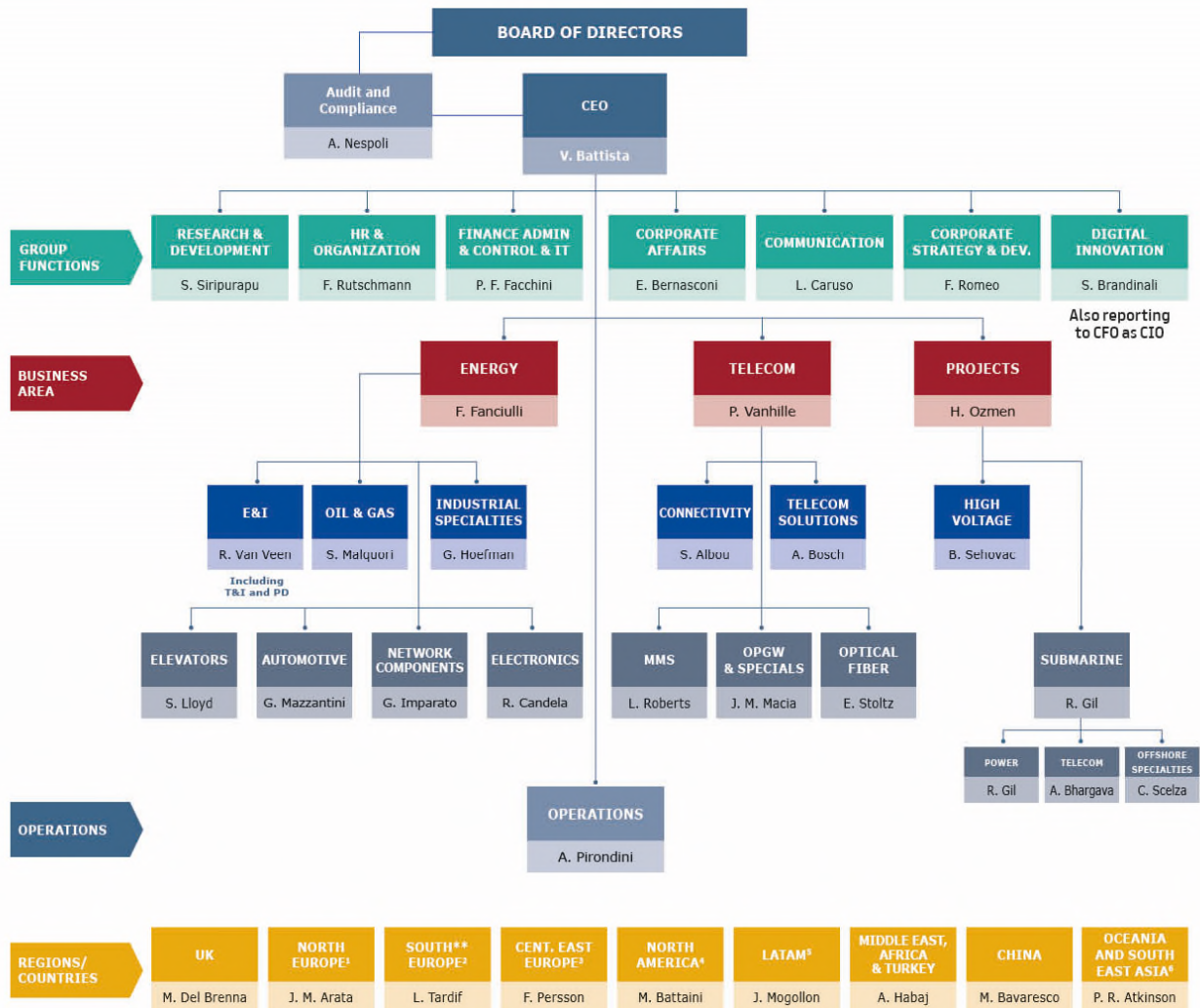
Structure chart as of 31 December 2018







ORGANISATIONAL STRUCTURE (*)



* The organisation chart reflects the organisational structure as from March 2019.

** France delegated for Aerospace.

¹ NORTH EUROPE: Denmark, Estonia, Finland, Norway, Russia, Sweden, Netherlands.

² SOUTH EUROPE: Belgium, France, Italy, Spain, Portugal, Tunisia, Ivory Coast and Angola.

³ CENTRAL EAST EUROPE: Austria, Czech Republic, Germany, Hungary, Poland, Romania, Slovakia.

⁴ NORTH AMERICA: Canada, USA.

⁵ LATAM: Argentina, Brazil, Chile, Mexico, Peru, Central America, Colombia, Ecuador.

⁶ OCEANIA AND SOUTH EAST ASIA: Australia and New Zealand, Indonesia, Malaysia, Philippines, Singapore and Thailand.

TOP MANAGERS

Directors

VALERIO BATTISTA

Chief Executive Officer & General Manager.

Prysmian Group Chief Executive Officer.

He was born in Arezzo on 8 January 1957.

A graduate in Mechanical Engineering from Florence University, Valerio Battista is a manager with extensive knowledge and understanding of the industrial sector thanks to more than 30 years of experience, initially with Pirelli Group and then with Prysmian Group, which he has led since 2005. He held positions of increasing responsibility in Pirelli Group, including for the restructuring and reorganisation of Pirelli Cavi, transformed between 2002 and 2004 into one of the most profitable and competitive organisations in its industry. In 2005, he played a key role in the creation of Prysmian Group, leading to its listing on the Stock Exchange in 2007. The Group of which he is currently CEO is world leader in the energy and telecom cables industry, with approximately 29,000 employees and 112 plants worldwide.

He has been President of Europacable since June 2014 and a member of the Board of Directors of Brembo S.p.A. since April 2017 serving as Lead Independent Director.

He has sat on the Prysmian Board of Directors since December 2005. He was elected for the current term on 12 April 2018 from the list submitted by the Board of Directors, which obtained the majority of votes in general meeting.

MASSIMO BATTAINI

Prysmian Group CEO North America.

Executive Director.

He was born in Varese on 1 August 1961.

After graduating in Mechanical Engineering from the Polytechnic University of Milan and earning an MBA from SDA Bocconi in the same city, he started his career in Pirelli Group in 1987 and held various positions in R&D and Operations over an 18-year period. After running the Business Development department from 2000 to 2002, covering the three Business Divisions of Tyres, Energy Cables and Telecom Cables, he was appointed Operations Director of Energy Cables and Telecom Cables at Pirelli Group. In 2005, he was appointed CEO of Prysmian UK and in January 2011 the group's Chief Operating Officer, remaining in this post until 2014, when he became Senior Vice President Projects and Chairman and CEO of Prysmian PowerLink S.r.l., serving in this position until June 2018, when he assumed the office of CEO North America. He has sat on the Prysmian Board of Directors since February 2014. He was elected for the current term on 12 April 2018 from the list submitted by the Board of Directors, which obtained the majority of votes in general meeting.

PIER FRANCESCO FACCHINI**Chief Financial Officer.****Executive Director.**

He was born in Lugo (Ravenna) on 4 August 1967.

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

He has sat on the Prysmian Board of Directors since February 2007. He was elected for the current term on 12 April 2018 from the list submitted by the Board of Directors, which obtained the majority of votes in general meeting.

FABIO IGNAZIO ROMEO**Chief Strategy and Development Officer.****Executive Director.**

He was born in Rho (Milan) on 25 August 1955.

Mr. Romeo earned his degree in Electronic Engineering from the Polytechnic University of Milan in 1979, later followed by a Master's degree and a Ph.D. in Electronic Engineering and Computer Sciences from the University of California, Berkeley, awarded in 1986 and 1989 respectively. Mr. Romeo began his career in 1981 at Tema (part of the ENI Group) as a designer of control systems for chemical plants. He moved to Honeywell in 1982 as a member of Technical Staff, later becoming Technical Advisor to the CEO. He joined Magneti Marelli's Electronics Division in 1989 as Innovation Manager. In 1995, he was appointed Managing Director of the Rearview Mirrors Division, and in 1998 Managing Director of Magneti Marelli's Electronic Systems Division. In 2001, he moved to Pirelli & C. S.p.A. Group as Director of the Truck Division at the Pirelli Tyre business unit. A year later, he took up the post of Utilities Director at the Pirelli Cables Division. In December 2004, he became Head of Prysmian Group's Energy Cables and Systems Business Unit, holding this position until December 2013, when he was named Chief Strategy and Development Officer.

He has sat on the Prysmian Board of Directors since February 2007. He was elected for the current term on 12 April 2018 from the list submitted by the Board of Directors, which obtained the majority of votes in general meeting.

Senior managers

ANDREA PIRONDINI

Chief Operating Officer

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

FRANCESCO FANCIULLI

Senior Vice President Energy

Francesco Fanciulli has been Senior Vice President of the *Energy* segment since February 2018. He holds a degree in Law from the Cattolica University of Milan. In 1988, he joined Procter and Gamble, where he served in various leading positions in sales and marketing, culminating with his appointment as Head of Mass Retail for Italy. He moved to Pirelli in 1998 as Marketing Director for its Tyres division and successfully filled a variety of sales-related roles in this division, eventually becoming Senior Vice President Sales & Marketing. He has been with Prysmian since 2008, contributing his vast experience in sales and marketing and occupying various positions of regional responsibility, such as CEO India, CEO Turkey and CEO Danube Area. Since 2015 - when the Central Eastern Europe region was created - he has been CEO CEE Region, responsible for integration of Germany and the Danube Area and development of the region's industrial footprint.

PHILIPPE VANHILLE

Senior Vice President Telecom

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

HAKAN OZMEN**Senior Vice President Projects**

Hakan Ozmen has been Senior Vice President *Projects* and Chief Executive Officer of Prysmian Powerlink S.r.l. since June 2018. After graduating as an Industrial Engineer, he began his career in 1993 as Internal Audit Manager and Corporate Secretary at Siemens AS in Istanbul. In August 1999, he obtained an MBA from Yeditepe University in Istanbul. He joined Pirelli S.p.A. in September 1999 as Internal Audit Manager for the EMEA region, completing audits in Germany, Italy, Finland, UK, Turkey, Romania and Czech Republic. In January 2001, he became Chief Financial Officer & Board Member at Turk Pirelli in Istanbul, later becoming Chairman. After holding the position of Global Director of Prysmian Telecom for two years, he served as Prysmian Group's President & CEO North America from 2011 to May 2018.

PRYSMIAN AND THE FINANCIAL MARKETS

OWNERSHIP STRUCTURE

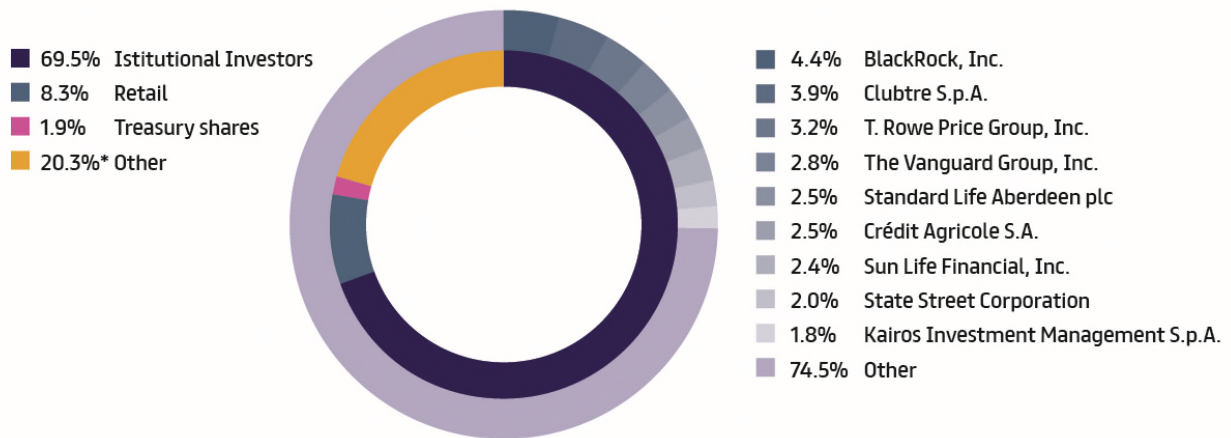
Prysmian Group has been a Public Company in all respects for many years: its free float is equal to 100% of capital, of which around 70% held by institutional investors.

The listing of Prysmian's ordinary shares, resulting from the sale of 46% of the shares held by the Goldman Sachs Group Inc., took place on 3 May 2007 at a price of Euro 15.0 per share, corresponding to a capitalisation of Euro 2.7 billion. Subsequent to the listing, the Goldman Sachs Group Inc. gradually reduced its interest in the company, control of which it had acquired in July 2005, by placing the remaining 54% of the shares with institutional and selected investors in several successive stages: i) approx. 22% in November 2007, ii) approx. 14% in November 2009, iii) approx. 17% in March 2010. Valerio Battista, Prysmian's Chief Executive Officer, announced on occasion of the last sale that he had purchased 1,500,000 shares, corresponding to around 0.8% of share capital and taking his total shareholding to 1.2%, which he has raised to approximately 1.5% during the course of subsequent years.

At 31 December 2018, the Company's free float was equal to 100% of the outstanding shares and significant shareholdings (in excess of 3%) accounted for approximately 12% of total share capital, meaning there were no majority or controlling interests. Prysmian is now one of Italy's few globally present industrial concerns to have achieved true Public Company status in recent years.

At 31 December 2018, the share capital of Prysmian S.p.A. amounted to Euro 26,814,424.60, comprising 268,144,246 ordinary shares with a nominal value of Euro 0.1 each. The ownership structure at this date is shown below.

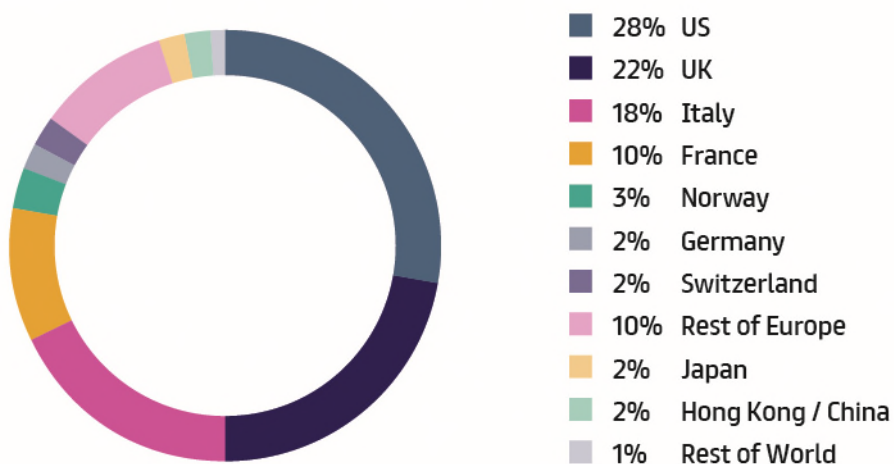
OWNERSHIP STRUCTURE BY TYPE AND MAJOR SHAREHOLDERS



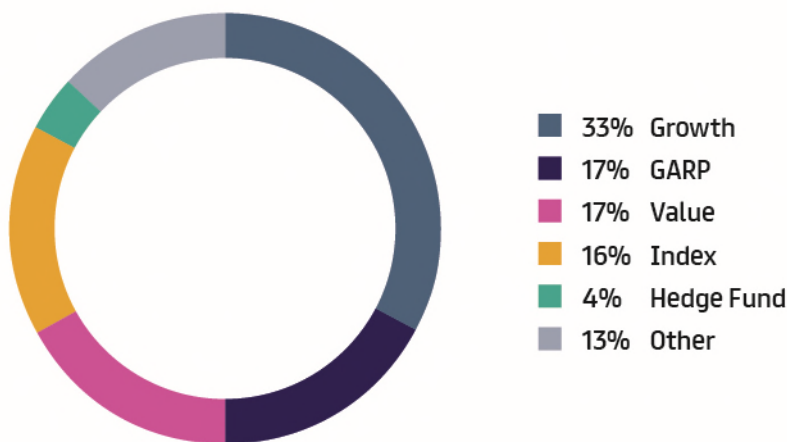
* Mainly includes shares held by non-institutional investors and shares with third-party custodians held for trading.

Source: Nasdaq, December 2018 (Ownership structure by type)

INSTITUTIONAL INVESTORS BY GEOGRAPHICAL AREA



INSTITUTIONAL INVESTORS BY INVESTMENT APPROACH



Source: Nasdaq OMX December 2018

The geographical ownership structure shows a predominant presence of the United States, which represents 28% of the institutional investor total, up from 2017, followed by the United Kingdom, which accounted for 22%, down from 2017. Italy accounted for around 18% of the capital held by institutional investors, slightly up from 2017, while France's share remained the same at 10%. The proportion of Asian investors was basically unchanged.

Approximately 67% of the share capital held by institutional investors is represented by investment funds with Value, Growth or GARP strategies, therefore focused on a medium to long-term investment horizon. The proportion of investors adopting an Index investment strategy, based on the principal stock indexes, was up from 2017, while the Hedge Fund component, focused on a shorter time horizon, remained in line with the year before.

ANNUAL GENERAL MEETING

The Annual General Meeting saw participation by over 63% of share capital, with more than 1,650 shareholders present, in person or by proxy.

The Annual General Meeting of the shareholders of Prysmian S.p.A. was held on 12 April 2018 in single call to adopt resolutions on a number of items: in ordinary session, approval of the 2017 financial statements, allocation of profit for the year and declaration of a dividend, determination of the size of the Board of Directors, determination of the directors' term in office, appointment of the directors, determination of the global directors' fee, authorisation of a share buyback programme, amendments to the Group employee share ownership plan, approval of incentive plan and consultation on remuneration policies; in extraordinary session, the meeting authorised the proposal to increase share capital by a maximum of Euro

500,000,000.00 in cash. The meeting, which was attended by over 1,650 shareholders, in person or by proxy, representing more than 63% of share capital, approved every item on the agenda by a wide majority (more than 85%).

The Annual General Meeting also approved the declaration of a dividend of Euro 0.43 per share, in line with the amount distributed the previous year. The dividend was paid on 25 April 2018, involving a total pay-out of approximately Euro 96 million.

ANNUAL GENERAL MEETING: SHARE CAPITAL



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



FINANCIAL CALENDAR 2019

5 March 2019	Consolidated financial statements of prysmian group and proposed statutory financial statements of PRYSMIAN s.p.a.
17 April 2019	General meeting of shareholders for the approval of the statutory financial statements of PRYSMIAN S.p.a. for the year ended 31 December 2018
13 May 2019	First-Quarter Report at 31 March 2019
1 August 2019	Half-yearly financial report as of 30 June 2019
12 November 2019	Third-Quarter Report at 30 September 2019

FINANCIAL MARKET PERFORMANCE

On the whole 2018 displayed a stable global macro environment despite final-quarter weakness reported in some European and Asian economies

Prysmian S.p.A. was floated on the Italian Stock Exchange on 3 May 2007 and since September 2007 has been included in the FTSE MIB index, comprising the top 40 Italian companies by capitalisation and stock liquidity. The Prysmian stock has since entered the principal world and sector indexes, including the Morgan Stanley Capital International index and the Dow Jones Stoxx 600, made up of the world's largest companies by capitalisation, and the FTSE4Good, composed of a select basket of listed companies that demonstrate excellent Environmental, Social and Governance (ESG) practice.

The main Eurozone stock indexes posted a negative performance in 2018, primarily driven by the stock markets in Italy (FTSE MIB -16.1%) and Germany (DAX -18.3%). The French market retreated by 11% (CAC40 -11.0%) and the Spanish one by 15% (IBEX -15.0%). After the Dow Jones Industrial's prior year record high, the US stock market closed 2018 5.6% lower, with the Nasdaq reporting a minus 3.9%. Among the major emerging country indexes, the Brazilian market index (Bovespa) recorded a 15.0% increase, reflecting newfound political stability and encouraging signs of economic rebound, already seen in 2017, after more than three years of recession. In China, the Hong Kong Hang Seng index lost 13.6%, while the Shanghai Composite index plunged by 24.6%.

The Prysmian stock posted a negative performance of 38.0% in 2018, closing the year at Euro 16.87 per share compared with Euro 27.19 at the end of 2017. The stock's underperformance against the Italian stock market and its sector of reference (Capital Goods Industrial Services) is due to issues involving the Western Link project emerging during the year.

Despite this extraordinary event, the Prysmian stock once again outperformed its main cable industry competitors.

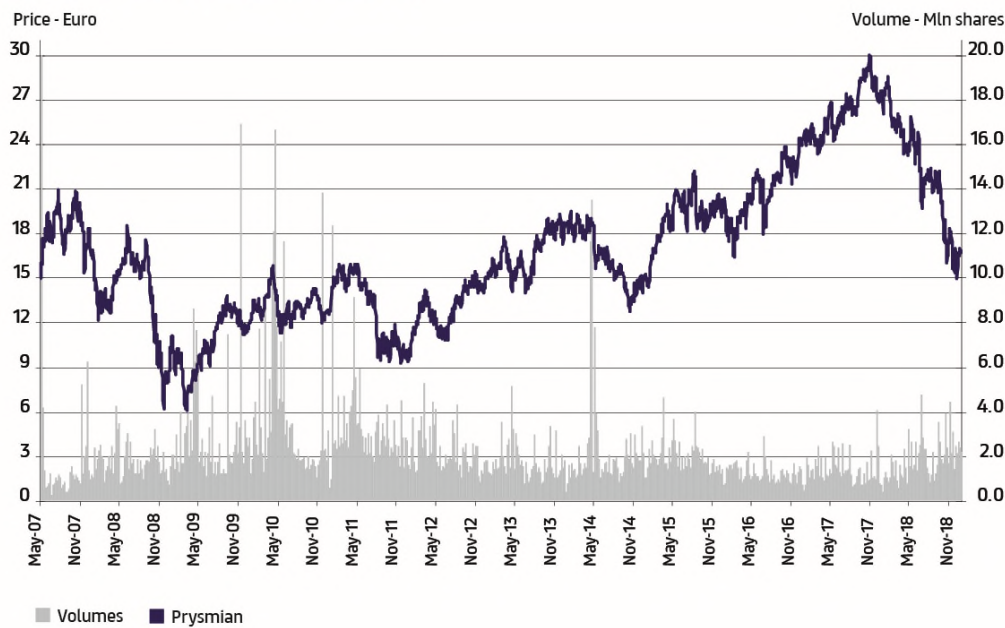
The average share price was Euro 22.17 in 2018, down from Euro 26.31 in 2017. Including dividend pay-outs, the total shareholder return offered by the Prysmian stock was +36.4% in 2018 and +40.2% since its date of listing. Excluding the contribution of dividends and so just considering the change in price, the performance was -38.0% in 2018 and +12.5% since listing.

Looking at the stock's performance over the four quarters of 2018, the second-quarter trend was particularly negative (-16.4%) in response to the technical faults in the Western Link detected late in April 2018 and on 22 June 2018. More details can be found in the later section on Significant events during the year.

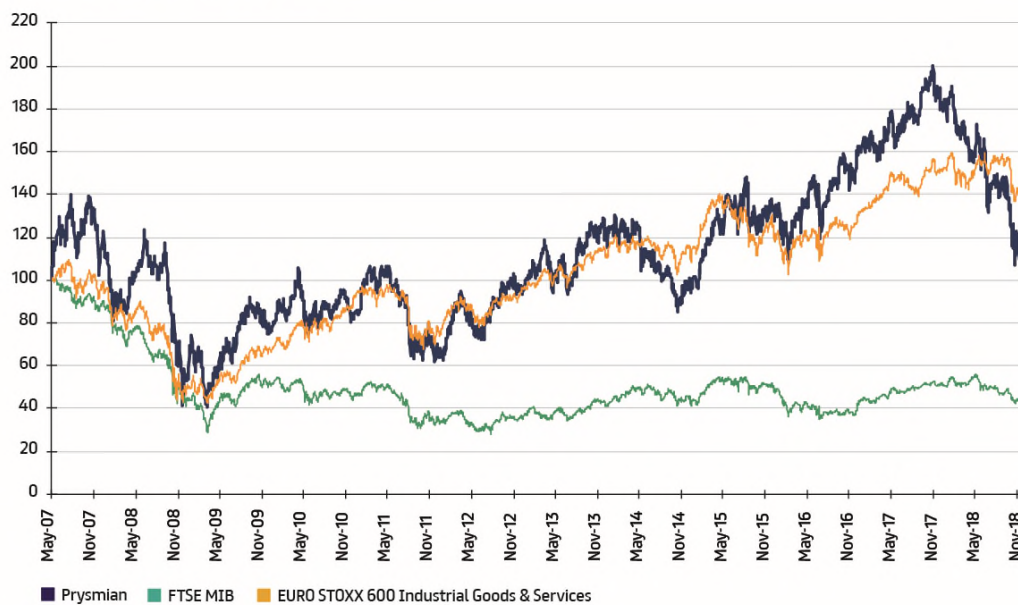
The solidity of the Group, the gradual recognition of the high potential of the General Cable acquisition to create shareholder value, thanks to synergies and the high geographical complementarity achieved by combining the two companies, and the expectations for growth have allowed the Prysmian stock to retain its strong market appeal, confirmed by financial analyst recommendations at year end, of which 73% were "buy" and the remainder "hold".

PERFORMANCE OF PRYSMIAN STOCK SINCE IPO

PERFORMANCE OF PRYSMIAN STOCK SINCE IPO



PERFORMANCE OF PRYSMIAN STOCK



During 2018, the stock's liquidity reported average daily trading volumes of approximately 1.3 million shares, with an average daily turnover of Euro 28 million.

PRYSMIAN STOCK: PRINCIPAL DATA

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007*
Price at 31 December	16.87 €	27.19 €	24.40 €	20.26 €	15.15 €	18.71 €	15.01 €	9.60 €	12.75 €	12.19 €	11.10 €	16.89 €
Change over period	-38.0%	11.4%	20.4%	33.7%	-19.0%	24.7%	56.4%	-24.7%	4.6%	9.8%	-34.3%	12.6%
Average price	22.17 €	26.31 €	20.93 €	19.10 €	16.38 €	16.68 €	13.00 €	12.90 €	13.13 €	10.60 €	13.76 €	18.36 €
Maximum price	28.54 €	30.00 €	24.42 €	22.23 €	19.54 €	19.30 €	15.43 €	15.95 €	15.81 €	13.84 €	18.54 €	21.00 €
Minimum price	14.97 €	23.34 €	16.45 €	14.43 €	12.78 €	14.03 €	9.77 €	9.25 €	11.27 €	6.10 €	6.21 €	15.34 €
Market capitalization at period end	4.523 Mil €	5.913 Mil €	5.288 Mil €	4.319 Mil €	3.283 Mil €	4.015 Mil €	3.220 Mil €	2.057 Mil €	2.321 Mil €	2.209 Mil €	2.004 Mil €	3.040 Mil €
Average capitalization	5.361 Mil €	5.701 Mil €	4.536 Mil €	4.140 Mil €	3.521 Mil €	3.578 Mil €	2.787 Mil €	2.701 Mil €	2.388 Mil €	1.918 Mil €	2.482 Mil €	3.305 Mil €
Average daily trading volume	1.3 Mil €	1.0 Mil €	1.0 Mil €	1.4 Mil €	1.4 Mil €	1.2 Mil €	1.5 Mil €	2.2 Mil €	2.3 Mil €	1.9 Mil €	1.3 Mil €	1.0 Mil €
Average daily turnover	28 Mil €	26 Mil €	20 Mil €	27 Mil €	23 Mil €	20 Mil €	20 Mil €	28 Mil €	30 Mil €	19 Mil €	18 Mil €	17 Mil €
Number of shares at 31 December	268,144,246	217,482,754	216,720,922	216,720,922	216,712,397	214,591,710	214,508,781	214,393,481	182,029,302	181,235,039	180,546,227	180,000,000

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

Source: Nasdaq OMX data

INVESTOR RELATIONS

Transparency in communication, growth in market confidence in the company and promotion of a long-term investment approach to its stock.

Creating value for shareholders, and other stakeholders, is a key priority for Prysmian, whose policy of strategic and financial communication is directed towards the highest standards of accuracy, clarity and transparency. Its actions and procedures are designed to provide the market with credible information, with the goal of boosting market confidence in the group by seeking to encourage a long-term investment approach, avoiding unequal access to information and ensuring effective compliance with the principle that all existing and potential investors have the right to receive the same information so as to make informed investment decisions.

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

There was intense contact with the financial market during 2018, with more than 500 encounters involving conference calls and one-to-one or group meetings at Prysmian's offices. Prysmian also undertook numerous road shows in the major financial centres of Europe and North America, and took part in conferences organised by major international brokers. In addition, the increasing attention paid to the Group's activities by socially responsible investors (SRI) was confirmed by their growing number at SRI

dedicated meetings and road shows. Lastly, the Group organised several visits during the year for institutional investors and financial analysts to view its factories and R&D centres, in order to give them a deeper understanding of its products and production processes.

Coverage of the Prysmian stock remained very high and geographically diversified. There are 20 independent analysts who regularly cover the Prysmian stock: Banca Akros, Banca Profilo, Banca IMI, Barclays Capital, BofA Merrill Lynch, Citi, Credit Suisse, Equita, Exane BNP Paribas, Fidentiis, Goldman Sachs, Hammer Partners, HSBC, Intermonte, JP Morgan, Kepler Cheuvreux, Mediobanca, Morgan Stanley, Natixis and Société Generale.

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

Investor Relations contact details:

Investor Relations Office



+39 02 6449 1



investor.relations@prysmiangroup.com

Maria Cristina Bifulco – IR Director



+39 02 6449 51400



mariacristina.bifulco@prysmiangroup.com

SIGNIFICANT EVENTS DURING THE YEAR

New industrial projects and initiatives

Cable to link Kincardine floating offshore wind farm to mainland Britain

On 24 January 2018, the Group was awarded a contract by Cobra Wind International Ltd for the cable to link the Kincardine floating offshore wind farm to mainland Britain. This is the Group's first cable project for a floating offshore wind farm and involves the design and supply of two submarine export cables, inter-array cables and related accessories to connect the turbines of the Kincardine floating offshore wind farm, located approximately 15 km southeast of Aberdeen, to the Scottish mainland power grid. The cables are being manufactured at the Group's factories in Spain and Norway.

Submarine power link to Capri

On 2 February 2018, following a European call for tender, the Group was awarded a contract worth around Euro 40 million for a new submarine cable link between the isle of Capri and Sorrento (Naples); the contract was awarded by Terna Rete Italia S.p.A., a company wholly owned by Terna S.p.A., Italy's sole transmission system operator.

The project involves the turnkey installation of a 150 kV HVAC power cable between the power stations located in Sorrento and at the Gasto recycling centre on Capri, along a route running 16 km subsea and 3 km onshore.

The cables for the Capri-Sorrento link will be manufactured at the Arco Felice plant in Naples, a Group centre of submarine cable manufacturing and technological excellence. Prysmian will be responsible for submarine cable laying, using its vessel the "Cable Enterprise", and for supplying all related network components and performing the required specialist civil engineering works. The project, which started during 2018, is scheduled for completion in 2019.

Framework agreement with Terna to upgrade Italian power grid

On 19 March 2018, the Group was awarded - as lead contractor in a Temporary Association of Companies (RTI) involving CEBAT S.r.l. and Elettrovit S.r.l., which will carry out civil engineering installation works - a framework contract by the Italian transmission system operator Terna, through its subsidiary Terna Rete Italia, for the supply, installation and emergency repair of 220 kV cables to upgrade the national power grid. The turnkey project is worth about Euro 50 million and will last for three years, with an option to extend its duration and augment its value.

Contract with JG Summit Petrochemicals Group

On 21 March 2018, the Group signed an agreement with JG Summit Petrochemicals Group (JGSPG) for the supply of approximately 820 km of low and medium voltage power cables, instrumentation and control cables and telecom cables for applications in the petroleum and petrochemicals industry.

JGSPG consists of JG Summit Petrochemical Corporation (JGSPC) - the largest manufacturer of polyolefins in the Philippines and the first and only integrated PE and PP resin manufacturer in the country - and JG

Summit Olefins Corporation (JGSOC) - the company that operates the first and only naphtha cracking plant in the Philippines. Both companies are wholly-owned subsidiaries of JG Summit Holdings, Inc. (JGSHI), one of the country's largest and most diversified conglomerates, with business interests in food manufacturing, air transportation, real estate and property development, petrochemicals, banking, publishing, power generation and telecommunications.

The JGSPG complex is located 120 km south of Manila in Batangas City, overlooking the scenic Batangas Bay. At present, JGSPG has a 250-hectare fully integrated world-class manufacturing complex that also houses the naphtha cracking and polymer manufacturing plants.

The Group will provide a complete package of power, instrumentation and control, and telecom cables for Plant & Petrochemical applications for phase 1 of the OSBL (Outside Battery Limits) expansion project for the existing JG Summit facilities initiated in 2018.

New submarine cable-laying vessel

In April 2018, the Group entered into a contract for an investment of over Euro 170 million in a new advanced cable-laying vessel. This strategic asset will bolster Prysmian's turnkey approach, under which it delivers end-to-end EPCI projects, from engineering, manufacturing and installation to full monitoring and diagnostic services for submarine power transmission lines. In particular, the investment in this new vessel will support long-term growth prospects in the submarine cable business, strengthening the Group's installation and execution capabilities for interconnection and offshore wind projects.

Contract for 66 kV submarine cable for Borssele III & IV offshore wind farms in the North Sea

On 18 June 2018, the Group was awarded a contract by Van Oord Offshore Wind B.V. to develop a submarine inter-array cable system for the Borssele III & IV offshore wind farms.

Prysmian will be responsible for the design, manufacture, supply and testing of approximately 175 km of 66 kV three-core XLPE-insulated cables in various cross sections and all related accessories for the Borssele III & IV wind farms. These two farms, forming part of the extensive Borssele Wind Farm Zone located near the southern boundary of the Dutch Exclusive Economic Zone (EEZ), approximately 25 km from the shore, will have a total installed capacity of 731.5 MW with individual wind turbine capacity of 9.54 MW.

The cables, all of which will be manufactured at Prysmian's centre of excellence in Pikkala (Finland), are due to be delivered in early 2020.

Contract for offshore wind farm connections in France

On 29 August 2018, the Group was awarded three important projects to develop cable connections for offshore wind farms in France. Prysmian has been engaged to design, supply and install inter-array cables for the two offshore wind farms, Fécamp and Courseulles-sur-Mer, located off the north coast of France.

The third project, for the Saint Nazaire wind farm also owned by Eolien Maritime France, is worth over Euro 20 million and will be performed in a consortium with Louis Dreyfus Travocean.

Contract for submarine interconnection in Greece

On 4 September 2018, the Group was awarded a new contract worth approximately Euro 21 million by IPTO (Independent Power Transmission Operator), the Transmission System Operator of the Greek electricity grid, for two interconnections between the Cyclades islands (Evia, Andros and Tinos) in Greece.

The project involves the design, supply and installation, as well as related onshore civil engineering works, of two turnkey high voltage cable systems, which will boost power transmission between the Cyclades islands, ensuring a robust, reliable and sustainable power supply.

The submarine cables will be manufactured at the Arco Felice plant (Naples), a Group centre of technological and manufacturing excellence, while the underground cables will be produced in Pignataro (Naples).

Submarine and underground cable manufacturing will be completed in 2019, with delivery and commissioning also scheduled for the same year.

Contract for first submarine cable interconnection between the island of Crete and mainland Greece

On 2 October 2018, the Group was awarded a new contract, worth some Euro 125 million, for an interconnection between the island of Crete and mainland Greece (Peloponnese region). The project was awarded by IPTO (Independent Power Transmission Operator), which operates the transmission system for Greece's power grid.

The project for this first submarine electricity interconnection between Crete and the mainland involves the design, supply, installation and commissioning of an HVAC cable system using 150 kV three-core XLPE-insulated double-armoured cables. The cables, running along a route of 135 km, will be installed as deep as 950 metres.

The submarine cables, which will be manufactured at the Arco Felice plant (Naples), will be laid at sea by the "Giulio Verne", a vessel forming part of the Group's in-house fleet. Delivery and commissioning are scheduled for 2020.

Contract for the design, installation and commissioning of two HV power cable systems in Singapore

On 15 November 2018, the Group was awarded a contract by the utility SP Power Assets Ltd, worth Euro 33 million, for the design, supply, installation and commissioning of two high voltage power cable systems to connect the Rangoon and Paya Lebar substations in Singapore.

Prysmian Group will also supply a grid monitoring system using its proprietary PRY-CAM technology allowing the acquisition, processing and classification of electrical parameters and temperature measurements. The cable and accessories will be supplied by the Group's factory in China. This project is scheduled for delivery and commissioning in 2020.

Technical cooperation agreement with GCC Lab in Saudi Arabia for grid monitoring services

On 29 November 2018, the Group signed a non-binding memorandum of understanding with GCC Electrical Equipment Testing Laboratory (GCC Lab) - a testing facility for power transmission and distribution cables and accessories located in Dammam (Saudi Arabia) - for joint technical cooperation aimed at developing services in support of testing, inspection and certification activities in the Gulf Cooperation Council region.

The agreement involves the supply of PRY-CAM equipment and training for GCC Lab engineers at Prysmian Headquarters in Milan (Italy). Prysmian will support GCC Lab in the execution of measurement analysis to ensure superior performance, quality and levels of service. PRY-CAM will also become an integral part of GCC Lab's overall package offered to its customers.

Contract for a power interconnection between Deer Island and the mainland Boston power grid

On 17 December 2018, the Group was awarded a new contract by Caldwell Marine International LLC, a US construction contractor specialising in submarine utilities operations.

Prysmian Group will be responsible for the design, manufacture, supply and commissioning of a 6 km 3x630 mm² 115kV XLPE-insulated submarine cable system, plus all related cable accessories to connect Deer Island to mainland Massachusetts (USA). Prysmian Group will also be responsible for the project's onshore section, for which it will supply and install 8 km of 115kV underground cables, along with all related accessories. The submarine cables will all be manufactured at Prysmian's centre of excellence in Arco Felice (Italy). The underground cables will be manufactured at Prysmian's state-of-the-art factory in Abbeville (South Carolina, USA), thus offering high-quality products and cable solutions to the US market by drawing on local expertise. The project is due for delivery in 2019.

Mergers & Acquisitions

Acquisition of General Cable

On 4 December 2017, the Prysmian Group and General Cable Corporation announced that they had entered into a merger agreement. Under this agreement, Prysmian S.p.A., through Alisea Corp. (Alisea), a wholly-owned indirect subsidiary of Prysmian S.p.A., and General Cable Corporation (a company whose shares were listed on the NYSE prior to completion of the merger) had entered into an "Agreement and Plan of Merger" governing the terms and conditions of the merger of Alisea into General Cable Corporation.

On 16 February 2018, a special meeting of the shareholders of General Cable Corporation approved Prysmian's acquisition of 100% of General Cable's shares for a consideration of USD 30.00 per share. Present at the meeting was 75.34% of the share capital entitled to vote, of which some 99% voted in favour of the acquisition.

Between March and 2 June, all the approvals or clearances were obtained from the relevant antitrust authorities along with approval by other requisite governmental regulators and authorities (Committee on Foreign Investment in the United States - CFIUS).

The closing of the acquisition was consummated on 6 June, following which all the Alisea shares, wholly-owned by Prysmian, were converted into General Cable Corporation shares resulting from the merger, with the consequence that all the General Cable Corporation shares outstanding on the effective date of the merger with Alisea were cancelled and converted into a right of their respective holders to receive cash consideration of USD 30.00 per share.

Following consummation of the transaction, General Cable Corporation shares were delisted from the NYSE on 6 June 2018.

The combined group is now present in more than 50 countries with approximately 29,000 employees. Prysmian expects the combined group to generate run-rate pre-tax cost synergies of approximately Euro 175 million by 2022 versus a total of Euro 220 million in integration costs. These synergies will come mainly from improved procurement strategy, overhead cost savings and manufacturing footprint optimisation.

Finance Activities

Interest rate hedging derivatives

In January 2018, the Group entered into interest rate hedging derivatives, transforming variable into fixed rate, with the purpose of reducing rate volatility risk. In particular, forward rate agreements were arranged, for an overall notional value of Euro 850 million, with the objective of hedging variable interest rate flows over the period 2018-2023 on financing contracted by the Group for the General Cable acquisition. Following the acquisition, these agreements have become operative through their transformation into interest rate swaps.

Other interest rate swaps were also arranged in January 2018 for an overall notional value of Euro 110 million, with the objective of hedging variable interest rate flows over the period 2018-2024 on the EIB loan of matching underlying amount.

In July 2018, the Group entered into interest rate hedging derivatives, transforming variable into fixed rate, with the purpose of reducing variable rate risk. In particular, forward rate agreements were arranged, for an overall notional value of Euro 300 million, with the objective of hedging variable interest rate flows over the period 2018-2020 on financing contracted by the Group for the General Cable acquisition. These agreements became operative in September 2018 through their transformation into interest rate swaps.

In November 2018, the Group entered into additional interest rate hedging derivatives, transforming variable into fixed rate, with the purpose of reducing variable rate risk. More specifically, interest rate swaps have been arranged, for an overall notional value of Euro 150 million, with the objective of hedging variable interest rate flows over the period 2018-2023 on financing contracted by the Group for the General Cable acquisition.

General Cable Corporation Acquisition Financing Agreement

On 2 March 2018, the Group entered into an agreement (the Acquisition Financing Agreement) under which a syndicate of leading banks made available lines of credit, intended to finance costs of the General Cable acquisition; in particular:

- (a) Acquisition Term Loan for Euro 1 billion, lasting 5 years from the Acquisition Closing and repayable with a bullet payment at maturity;
- (b) Acquisition Bridge Loan for Euro 700 million, lasting 2 years from the Acquisition Closing and repayable with a bullet payment at maturity.

Further details can be found in Note 12. Borrowings from banks and other lenders.

Capital increase

On 12 April 2018, the shareholders of Prysmian S.p.A. approved a capital increase, in cash, for a maximum amount of Euro 500,000,000.00, including any share premium, to be implemented by issuing ordinary shares with normal dividend rights.

On 27 June 2018, the Board of Directors of Prysmian S.p.A. approved the final terms and conditions of the capital increase, approved by the Shareholders' Meeting on 12 April 2018. In particular, it was decided that the capital increase would take place through the issue of up to 32,652,314 ordinary shares with a nominal value of Euro 0.10 each, to be offered pre-emptively to all shareholders and holders of the Company's convertible bonds, namely the convertible bond known as "Prysmian S.p.A. €500,000,000 Zero Coupon Linked Bonds due 2022", in the ratio of 2 new shares for every 15 option rights held, at an issue price of Euro 15.31 per new share, for a total amount of Euro 499,906,927.34, of which Euro 496,641,695.94 by way of share premium.

The rights offering of up to 32,652,314 new shares closed on 27 July 2018. During the option rights offering period (2 July 2018 - 19 July 2018, the "Option Period"), 239,533,800 option rights were exercised and 31,937,840 new shares were subscribed, with an aggregate value of Euro 488,968,330.40. The 5,358,555 option rights not exercised during the Option Period were then offered on the Italian Stock Exchange. All these rights were sold by the end of the first trading session on 24 July 2018 and were subsequently exercised, resulting in the issue of 714,474 new shares, with an aggregate value of Euro 10,938,596.94. The offering therefore concluded with the complete subscription of the 32,652,314 new shares with an aggregate value of Euro 499,906,927.34.

The offering also involved the payment of Euro 8,753,836 in related expenses and the receipt of Euro 4,455,461 in unsubscribed cancelled rights.

Share buyback and disposal programme and Employee incentive plan

The Shareholders' Meeting of Prysmian S.p.A. held on 12 April 2018 authorised a share buyback and disposal programme, revoking at the same time the previous authorisation under the shareholder resolution dated 12 April 2017. The new programme provides the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total must not exceed, at any one time, 10% of share capital. Purchases may not exceed the amount of undistributed earnings and available reserves reported in the most recently approved annual financial statements. The authorisation to buy back treasury shares lasts for 18 months commencing from the date of the Shareholders' Meeting, while the authorisation to dispose of treasury shares has no time limit.

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

The purpose of this Plan is:

- to generate strong commitment by the Group's management to achieving the targets for additional growth in profits and return on capital employed over the next three years;
- to align the interests of management with those of shareholders by using share-based incentives, and promoting stable share ownership of the Company;

- to support synergies and the development of a one-company identity by defining a common performance objective and introducing a retention mechanism, conditional upon completion of the acquisition of 100% of the share capital of General Cable Corporation.

During the extraordinary session of the above meeting, the shareholders authorised an increase in share capital by a maximum amount of Euro 756,281.90, through the issue of up to 7,562,819 new ordinary shares with a nominal value of Euro 0.10 each, to be allotted for no consideration to Group employees who are beneficiaries of the above incentive plan.

Shanghai Stock Exchange listing and capital increase by Yangtze Optical Fibre and Cable Joint Stock Limited

On 20 July 2018, Yangtze Optical Fibre and Cable Joint Stock Limited Company (an equity-accounted associate) completed its listing on the Shanghai Stock Exchange; the company was already listed on the Hong Kong Stock Exchange. The Shanghai listing has increased the number of shares from a previous total of 682,114,598 to 757,905,108. Since Draka Comteq B.V. has kept its holding (of 179,827,794 shares) unchanged, its stake in this company has gone from 26.37% to 23.73%. The Group has recorded a gain of Euro 36 million resulting from the consequent share dilution.

Unicredit Loan Agreement

On 15 November 2018, Prysmian S.p.A. entered into an agreement with Unicredit for a medium-term cash loan for a maximum amount of Euro 200 million for 5 years from the date of signing. The agreement envisages a bullet repayment at maturity. The loan was drawn down in full on 16 November.

Other significant events

Approval of financial statements at 31 December 2017 and dividend distribution

On 12 April 2018, the shareholders of Prysmian S.p.A. approved the financial statements for 2017 and the distribution of a gross dividend of Euro 0.43 per share, for a total of some Euro 96 million. The dividend was paid out from 25 April 2018 to shares outstanding on the record date of 24 April 2018, with the shares going ex-dividend on 23 April 2018.

Western Link

With reference to the Western Link, an electrical transmission cable between Scotland, Wales and England, a fault was detected at the end of April 2018 during preparations to make the link available for full load operation, as a result of which, when approving the Quarterly Financial Report at 31 March 2018, the Directors decided to recognise a provision of Euro 20 million as the best estimate of costs to cover the related contractual penalties for this project's late delivery.

On 22 June 2018, the Board of Directors of Prysmian S.p.A. met to examine the implications of certain faults in the cable's operation. In particular, it was noted that during commissioning of the Western Link Cable, the fault detected at the end of April 2018 had recurred. In light of the tests carried out and the information received from the project's technical managers, it was concluded with reasonable certainty that the area in which the fault had re-emerged was limited to that affected by the previous repair. In light of the information

received from the project's technical managers concerning the costs and time for the new repairs needed to solve this fault, of the related risks and the liquidated damages envisaged by the Western Link Contract, the Board of Directors prudently estimated that the Company might be required to incur additional costs of approximately Euro 50 million and recognised a provision accordingly.

On 12 September 2018, Prysmian announced that the commissioning and testing of the Western Link Interconnection project had been temporarily suspended to investigate a problem in the land section of the cable.

On 16 October 2018, Prysmian announced that the problem involving the land section of the cable had been successfully repaired.

On 19 February 2019, a problem was detected in the Western Link interconnector, leading to its temporary switch-off.

The tests and investigations carried out so far have located the problem necessitating the temporary switch-off within the southern land cable section.

Prysmian has already started mobilising specialised teams on site to investigate the nature of the problem further. In parallel, the Group is taking every necessary step to carry out the repairs in the shortest possible time with the least logistical and environmental impact.

As a result of these events, the Group's management has assessed the need for a provision of Euro 25 million. This provision is against contractual penalties, accruing over the period needed for the repair in question, and against costs of producing an additional length of cable for any future repairs or other needs that might arise.

As described above, the provisions recognised in 2018 have therefore had a total impact of Euro 95 million on income.

Agreement with OI Group in Brazil

During the first few months of 2018, the Group reached a credit recovery agreement with the OI Group, a Brazilian customer that has filed for bankruptcy. The outstanding receivables, amounting to around Euro 8 million, had already been written down in full in 2016. The agreement involves a partial repayment in four annual instalments and so the Group has reinstated the receivable at its realisable amount of Euro 5 million.

Establishment of privacy department and appointment of internal data protection officer pursuant to European Regulation 2016/679 ("GDPR")

In view of the entry into force of the GDPR (on 25 May 2018), the Board of Directors of Prysmian S.p.A. decided on 10 May 2018 to establish a new department to oversee the area of personal data protection and identified and appointed an internal data protection officer (or DPO) whose duties include monitoring the correct application of the GDPR within the Group, supporting senior management in identifying adequate data protection measures and, consequently, processing data correctly in accordance with the law. The role of DPO is held by Mr. Giorgio Totis who continues to act as Group Compliance Director.

New organisation for integration with General Cable

On 11 June 2018, Prysmian Group announced its new organisation and began its integration with General Cable.

The new organisation combines the strengths of both Prysmian and General Cable and is based on centralised governance and integrated management of global businesses, clear responsibilities for results, a focus on efficiency and technological innovation and a customer-centric approach enabled by teams dedicated to key customer accounts.

The new organisational matrix is structured along 3 lines: Group centralised functions, which aim to foster the creation of a highly integrated "One Company"; Regions, which must ensure proximity to the market; and Business areas (Energy, Telecom and Projects), which are responsible for product and cross-selling strategies.

Further details can be found in Section G. Segment information.

Ruling of the General Court of the European Union regarding antitrust investigations

On 12 July 2018, the General Court of the European Union issued rulings on the appeals lodged by the Prysmian Group, including General Cable, against the decision of the European Commission dated 2 April 2014 and whose content had already been anticipated by Prysmian on the same date.

These rulings have dismissed the appeals, thus confirming the previously imposed fines. The Prysmian Group, including General Cable, does not agree with the conclusions reached by the General Court of the European Union and has appealed to the Court of Justice of the European Union. Further details can be found in Note 14. Provisions for risks and charges.

Resignation and new appointment of the Chairman of the Board of Directors

On 25 July 2018, Massimo Tononi, Chairman of the Board of Directors, tendered his resignation as Chairman and member of the Board of Directors and as a member of the Company's Compensation, Nominations and Sustainability Committee, with effect from the end of the Board of Directors' meeting which approved the Half-Year Financial Report at 30 June 2018.

Mr. Tononi's resignation was tendered following his appointment to Cassa Depositi e Prestiti S.p.A., as a result of which he considered it appropriate to step down from all positions held in other companies.

In its meeting of 18 September 2018 to approve the Half-Year Financial Report at 30 June 2018, the Board of Directors named Mr. Claudio De Conto, an independent non-executive pursuant to Legislative Decree 58/98, as its new Chairman.

Closure of the General Cable Group's European headquarters

The Prysmian European Works Council and General Cable European Works Council and the local unions were informed in October 2018 of the intention to close the General Cable Group's European corporate headquarters in Barcelona. After consultations and negotiations, an agreement was reached on 16 November 2018 with the site's union representatives, providing incentives to employees who leave the company and, in order to reduce the social impact, also offering the possibility of relocation for part of the redundant workforce to other company sites.

This operation, involving about 75 employees, together with a social plan instituted in the same period at Montereau (France) for around 70 staff, forms part of the Group's rationalisation following the General Cable acquisition. Accordingly, the process aims to streamline resources by exploiting possible synergies arising from the combination of the two groups.

Antitrust Brazil

On 11 February 2019, as reported in the note on Subsequent Events, the general superintendence of the Brazilian antitrust authority published a technical note in the Brazilian Federal Official Gazette in connection with the procedure notified to Prysmian in 2011; the note sets out the conclusions of the authority's investigation and recommends the imposition of a fine on Prysmian. In view of the circumstances described and consistent with the Group's accounting policies, the directors, assisted by the Group's legal advisors, have recognised a specific risk provision for Euro 68 million, deemed appropriate to cover the potential liability associated with the matter in question.

Changes to segment reporting

Following the acquisition of General Cable, the Group has embarked on a process of organisational change that has led to a redefinition of its segment reporting and the resulting identification of the following new operating segments: *Energy*, *Projects* and *Telecom*. In detail:

- *Energy* segment: this encompasses the former Energy Products segment as well as the Core Oil&Gas and DHT businesses included until the last quarter in the OIL&GAS segment no longer significant for the Group.
- *Projects* segment: this encompasses the former *Energy Projects* segment, the Submarine Telecom business, new to the Group following the acquisition of General Cable, and the Offshore Specialties business (previously known as SURF and included in the OIL&GAS segment now no longer significant for the Group);
- *Telecom* segment: this has not undergone any changes as a result of the above reorganisation.

This change has resulted in the reallocation of Euro 23 million in goodwill; the Cash-Generating Units (CGU) have also been redefined.

Work on the reporting systems in support of the new model started in 2018 and was completed for the purposes of preparing the current document. The Board of Directors approved the adoption of the new structure for segment reporting in its meeting on 19 February 2019. Further details can be found in Section G. Segment information and in Section B.8 Impairment of property, plant and equipment and finite-life intangible assets.

BUSINESS ENVIRONMENT

MACROECONOMIC ENVIRONMENT

The world economy continued to grow in 2018 at virtually the same rate as in 2017, despite the sharp slowdown in major advanced and emerging economies, like Europe and China.

The global economy started to show signs of slowing in 2018 with growth unchanged on the year before and the emergence of a cyclical deterioration in the two major economies of Europe and China.

Despite the European Central Bank's continued pursuit of expansionary monetary policies, Eurozone economic growth was worse than in 2017 due to a general deterioration in business expectations (fall in industrial output especially in the final months of the year) and a contraction in foreign demand. Specific factors also weighed on this slowdown, such as the great uncertainty being generated by the prospect of a negative outcome to the Brexit negotiations or the entry into force of the worldwide harmonised light vehicle test procedure for automotive sector emissions, which has caused the industry's production in the main producer countries (Germany, Italy) to come to a standstill.

US economic growth exceeded the previous year's even in 2018, benefiting from expansionary fiscal policies, the impact of lower corporate taxation, and robust consumer spending. China recorded a high but nonetheless lower growth rate than in 2017, despite the government's fiscal stimulus policies.

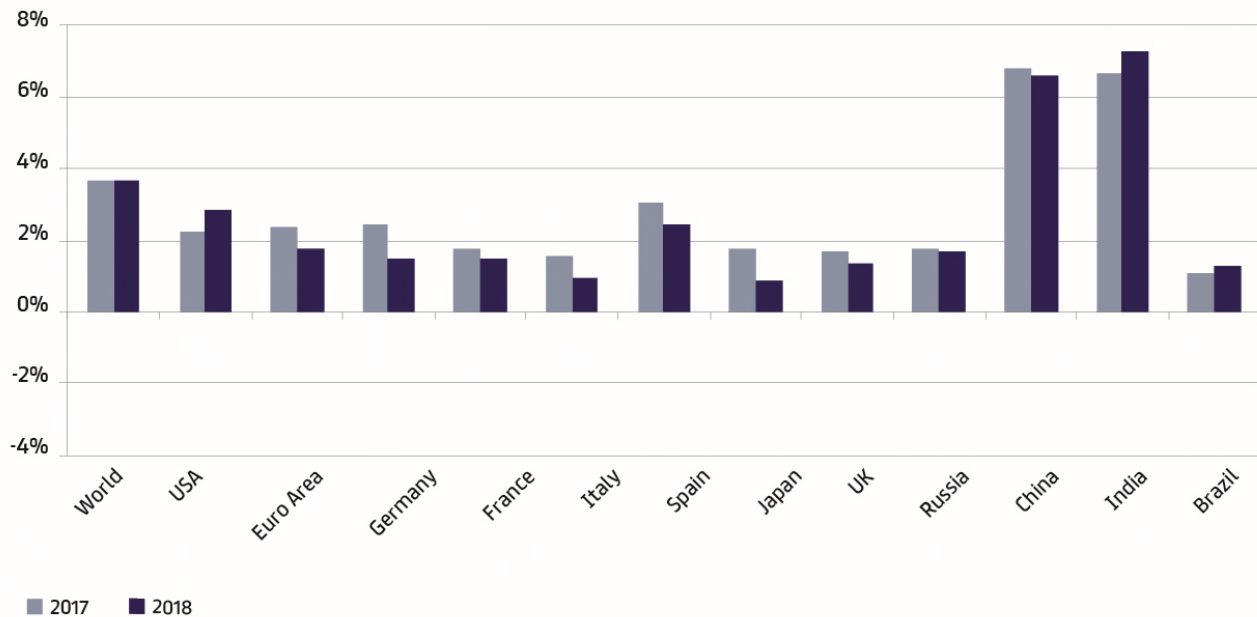
Global GDP grew by +3.7%* year-on-year (basically unchanged on +3.8%* in 2017), reflecting a slight slowdown by both more developed economies (from +2.4%* in 2017 to 2.3%* in 2018) and emerging ones (+4.7%* to +4.6%*).

The United States continued to expand in 2018, with growth of 2.9%* beating that of 2.2%* in 2017, thanks to increased domestic spending and higher exports.

The uncertainty surrounding Brexit, following the British Parliament's failure to ratify the agreement reached in November by the government, had a negative impact on both the Eurozone and the United Kingdom. The Eurozone reported a sharp slowdown in growth from 2017: from +2.4%* to +1.8%* this year; this reflected a negative trend for basically all the main European economies, which displayed a drop in industrial production in the last period of the year: Germany's GDP growth went from +2.5%* to +1.5%*, Italy's from +1.6%* to +1.0%*, France's from +2.3%* to +1.5%* and Spain's from +3%* to +2.5%*. Even Great Britain followed the same trend as the other major European economies, with a sharp slowing in growth from 1.8%* in 2017 to +1.4%* in 2018.

As for the emerging economies, China lost its primacy in growth to India. Chinese economic growth suffered a slowdown, even if its rate was once again above the average of other emerging countries, going from 6.9%* in 2017 to 6.6%* in 2018. India reported growth of +7.3%* in 2018, improving from 2017 (+6.7%*), confirming itself as one of the main drivers of growth in the region, along with China. The Brazilian economy posted positive growth for the second year in a row (+1.3%*), in the wake of the 2016 recession.

GDP GROWTH BY COUNTRY 2017-2018



* Source: IMF, World Economic Outlook Update – January 2019

CABLE INDUSTRY TRENDS

Global cable demand improved in 2018 on 2017, driven by livelier growth in all the major regions. Growth in world demand for optical cables was less striking than in 2017, reflecting stable demand by the Chinese market.

Global demand for power cables in 2018 displayed higher volume growth than the previous year, mainly driven by performance on the European and North American markets. Demand for telecom (copper and optical fibre) cables was stable in fast-developing markets (China and APAC) which alone accounted for more than 50% of the market. Optical fibre cable consumption continued to expand in North America, and in Europe thanks to plans under the Digital Agenda for Europe 2025.

Geographically, Brazil shrugged off its previous slowdown, reflecting the challenging economic conditions faced in recent years, to confirm stable demand for both energy and telecom cables.

Emerging Asian economies (China, India, Southeast Asia) were confirmed as the main engine of 2018 growth in global demand for power cables, while the Middle East region, where the oil crisis and geopolitical uncertainty had adversely affected regional economic performance in the past, recorded an improvement. In the United States and Europe, demand for power cables continued the upward trajectory initiated in previous years, supported by a resurgence in industrial output and consumer confidence. As for the optical cable market, China accounted for more than 50% of global volume growth, despite stable demand versus the previous year, followed by North America and Europe, which both displayed higher growth than in 2017.

The various segments of Prysmian Group's market had a mixed performance in 2018, featuring expansion by optical fibre cables, general stability in demand for cables for industrial applications and infrastructure and softer demand for cables by utilities in certain regions (North Europe), albeit recovering in the final part of the year.

After a weak start to the year, the submarine cables market reported a recovery in the second half, with a number of projects awarded in the final months of the year. The size of the submarine cables market was about Euro 2.8 billion, slightly above its past average.

By contrast, demand continued to grow in Southeast Asia, where the Group has won a number of major interconnection projects. Tendering activities have started for the major Suedlink and Suedostlink underground HVDC cable projects in Germany.

Partly thanks to political stabilisation, Brazil has seen the major telecom carriers resume investments in both copper and optical fibre cables.

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

The industrial applications business saw a mixed trend for the different market niches. While cables for the automotive and railway infrastructure industries were stable year-on-year, the nuclear and infrastructure businesses recorded a minor decline.

In the Oil & Gas business, demand for onshore projects remained at the same level as the year before.

The Downhole Technology business saw signs of improving demand primarily linked to growth in production of Shale Oil & Shale Gas in North America.

The Trade & Installers business enjoyed a positive trend in demand during 2018 in most of the European countries served as well as in North America.

As for Power Distribution, the major European countries have seen a generally stagnant trend in energy consumption in recent years, in turn adversely affecting demand by the main utilities. The latter, operating in a recessionary economic environment, have either maintained extremely cautious positions given the difficulty of forecasting future growth, or else they have concentrated on business restructuring to improve efficiency and reduce supply-side costs.

GROUP PERFORMANCE AND RESULTS

INTRODUCTION

Following the acquisition of General Cable, since June 2018 the Group has embarked on a reorganisation, as a result of which it has redesigned its operating segments and therefore its segment information to reflect the new model adopted by the Group.

These changes have caused the operating segments to be redesigned as follows:

- *Energy*: this segment encompasses the former *Energy Products* segment as well as the Core Oil&Gas and DHT businesses included until the last quarter in the OIL&GAS segment no longer significant for the Group.
- *Projects*: this segment encompasses the former *Energy Projects* segment, the Submarine Telecom business, new to the Group following the acquisition of General Cable, and the Offshore Specialties business (previously known as SURF and included in the OIL&GAS segment now no longer significant for the Group);
- *Telecom*: this segment has not undergone any changes as a result of the above reorganisation.

FINANCIAL PERFORMANCE

(in millions of Euro)

				2018 (*)	2017 (**)	%	%	2016 (**)
	Prysmian	General Cable	Adjustments	Total	Prysmian	change Conso.	change Prysmian	Prysmian
Sales	8,061	2,155	(58)	10,158	7,904	28.5%	2.0%	7,576
of which sales vs third parties	8,041	2,117		10,158	7,904	28.5%	1.7%	7,576
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	581	123	-	704	694	1.4%	-16.3%	689
% of sales	7.2%	5.7%		6.9%	8.8%			9.0%
Adjusted EBITDA	640	123	-	763	736	3.7%	-13.1%	720
% of sales	7.9%	5.7%		7.5%	9.3%			9.4%
EBITDA	532	64	-	596	660	-9.7%	-19.3%	654
% of sales	6.6%	2.9%		5.9%	8.4%			8.5%
Fair value change in metal derivatives	(33)	(15)	-	(48)	12			54
Fair value stock options	(5)	(1)	-	(6)	(49)			(49)
Amortisation, depreciation, impairment and impairment reversal	(185)	(47)	-	(232)	(199)			(203)
Operating income	309	1	-	310	424	-26.9%	-27.1%	456
% of sales	3.8%	0.0%		3.0%	5.4%			5.9%
Net finance income/(costs)	(102)	(10)	-	(112)	(99)			(79)
Profit/(loss) before taxes	207	(9)	-	198	325	-39.1%	-36.4%	377
% of sales	2.6%	-0.4%		2.0%	4.1%			4.9%
Taxes	(64)	(4)	-	(68)	(88)			(109)
Net profit/(loss) for the year	143	(13)	-	130	237	-45.1%	-39.6%	268
% of sales	1.8%	-0.6%		1.3%	3.0%			3.5%
Attributable to:								
Owners of the parent	143	(13)	-	130	241			252
Non-controlling interests	-	-	-	-	(4)			16

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

Operating income (A)	309	1	-	310	424	-26.9%	-27.1%	456
EBITDA (B)	532	64	-	596	660	-9.7%	-19.3%	654
Adjustments:								
Company reorganisation	27	39	-	66	30			50
of which General Cable integration costs	10	39	-	49	-			-
Non-recurring expenses/(income)	69	-	-	69	18			(1)
of which Antitrust	69	-	-	69	18			(1)
Other non-operating expenses/(income)	12	20	-	32	28			17
of which General Cable acquisition-related costs	4	-	-	4	16			-
of which General Cable integration costs	26	5	-	31	-			-
of which release of General Cable inventory step-up ⁽¹⁾	-	16	-	16	-			-
of which income from YOFC listing	(36)	-	-	(36)	-			-
Total adjustments (C)	108	59	-	167	76			66
Fair value change in metal derivatives (D)	33	15	-	48	(12)			(54)
Fair value stock options (E)	5	1	-	6	49			49
Assets impairment and impairment reversal (F)	5	-	-	5	22			30
Adjusted operating income (A+C+D+E+F)	460	76	-	536	559	-4.1%	-17.7%	547
Adjusted EBITDA (B+C)	640	123	-	763	736	3.7%	-13.1%	720

(*) The results of General Cable have been consolidated for the period 1 June - 31 December 2018.

(**) The previously published comparative figures for 2017 and 2016 have been restated following the introduction of IFRS 9 and IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the Consolidated Financial Statements.

⁽¹⁾ Reflects the higher cost of using finished goods and raw materials measured at General Cable's acquisition-date fair value

Organic sales growth for the *Projects* segment was heavily influenced in 2018 by the negative impact of the Western Link project.

Excluding this effect, organic sales growth would have been higher, reflecting a recovery in installation activities for Submarine projects and solid High Voltage demand in certain markets, primarily China, Indonesia, South Europe and South America.

Segment profitability was significantly lower than in 2017, the consequence of additional costs for the Western Link project, an unfavourable comparison with 2017 (for both Prysmian and General Cable), delays in the execution of certain projects and some rework activities. The High Voltage business reported significant growth in lower margin markets. This confirms the Group's important presence in Middle and Far East markets, which continue to display growing demand for energy infrastructure but also lower profit margins. Positive results were also achieved in South Europe and South America.

Profits in the *Energy* segment in 2018 reflected mixed performances within its business lines. Within Energy and Infrastructure, the Power Distribution business remained depressed compared with the previous year, particularly in the Nordic region, although displaying some recovery in sales volumes, while those of the Trade & Installers business improved on the previous year, particularly in North America and Europe, even if profitability was affected by negative exchange rate trends. Industrial & Network Components also reported a mixed performance between the different businesses: positive or stable for Network Components, Renewables and Automotive, like for the Elevator businesses, affected by rising price pressure in the Chinese market and an unfavourable exchange rate due to the considerable exposure to the North American market, nonetheless offset by increased volumes.

The Downhole Technology business saw signs of improving demand primarily linked to growth in production of Shale Oil & Shale Gas in North America; the Core Oil & Gas business confirmed a resurgence in demand by onshore projects. The business's overall margins remained largely stable despite a drop in higher-margin MRO and offshore volumes.

The *Telecom* segment performed well, with organic growth in 2018 sales reflecting the positive trend already observed last year. This was mainly the product of a steady growth in demand for optical fibre and special cables serving major investment projects. The segment's profitability also benefited from the positive results reported by the associate Yangtze Optical Fibre and Cable Joint Stock Limited Company in China and by the recovery of credit from a Brazilian customer that had been written off in 2016.

The Group's sales for 2018 came to Euro 10,158 million, compared with Euro 7,904 million in 2017, posting a positive change of Euro 2,254 million (+28.5%).

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

- Euro 2,117 million (+26.8%) following General Cable's inclusion in the Group from the end of May 2018;
- Euro 137 million (+1.7%) in sales growth by the pre-acquisition Prysmian Group.

The change relating to the pre-acquisition Prysmian Group is mainly attributable to the following factors:

- increase of Euro 261 million (+3.3%) for organic sales growth;
- decrease of Euro 389 million (-5.0%) due to adverse exchange rate effects;
- sales price increase of Euro 265 million (+3.4%) following metal price fluctuations (copper, aluminium and lead).

Organic sales growth for the pre-acquisition group was a positive 3.4%, analysed between the three operating segments as follows:

<i>Projects</i>	+2.6%;
<i>Energy</i>	+3.1%;
<i>Telecom</i>	+5.0%.

Group Adjusted EBITDA (before net expenses for company reorganisation, net non-recurring expenses and other net non-operating expenses totalling Euro 167 million) came to Euro 763 million, posting an increase of Euro 27 million on the corresponding 2017 figure of Euro 736 million (+3.7%), mainly due to Euro 123 million from the first-time consolidation of General Cable into Prysmian, as partly offset by Euro 95 million in extra costs for the Western Link project. Adjusted EBITDA for 2018 was also negatively impacted by Euro 33 million in exchange rate effects compared with the same period and same scope of consolidation in 2017, mainly due to a general depreciation of currencies against the Euro, particularly by the Argentine Peso, Brazilian Real, US Dollar, Turkish Lira, Australian Dollar and Omani Rial.

EBITDA is stated after net expenses for company reorganisation, net non-recurring expenses and other net non-operating expenses totalling Euro 167 million (Euro 76 million in 2017). Such adjustments in 2018 consist primarily of Euro 69 million in provisions for antitrust litigation, Euro 49 million in reorganisation costs following the acquisition of General Cable, Euro 35 million in costs related to the acquisition and integration of General Cable, and Euro 16 million in higher costs for the sale of inventory, measured at fair value under IFRS 3 as part of the General Cable acquisition accounting process, as partially offset by the gain of Euro 36 million arising on dilution of the interest in YOFC.

Amortisation, depreciation and impairment amounted to Euro 232 million in 2018, reporting a year-on-year increase of Euro 33 million, with Euro 47 million attributable to the first-time consolidation of General Cable. The fair value change in metal derivatives was a negative Euro 48 million in 2018, compared with a positive Euro 12 million in 2017.

Group operating income was Euro 310 million in 2018, compared with Euro 424 million in 2017, reflecting a decrease of Euro 114 million primarily due to:

- Euro 95 million in extra costs for the Western Link project;
- Euro 69 million in provisions for antitrust litigation;
- Euro 43 million in less expense for stock option fair value recognition.

Net finance costs amounted to Euro 112 million in 2018, compared with Euro 99 million in the previous year.

Taxes came to Euro 68 million, representing an effective tax rate of around 34%.

Net profit for 2018 was Euro 130 million (all of which attributable to the Group), compared with Euro 237 million (of which Euro 241 million attributable to the Group) in 2017.

If General Cable had been consolidated from 1 January 2018, the Group's sales to third parties would have been Euro 11,577 million, up Euro 224 million on 2017. The Group's organic growth would therefore have been 3.3%.

Adjusted EBITDA for 2018 would have been Euro 837 million, down Euro 103 million on the year before.

The prime objective of the ongoing integration process is to achieve synergies. The synergies realised to date can be divided into:

- Greater cost efficiency and cross-selling, achieved by reducing fixed costs through organisational efficiencies and savings in the procurement of direct and indirect materials and by cross-selling activities; these synergies amounted to Euro 35 million in 2018;
- Working capital synergies: through more efficient inventory management and by centralising supplier terms and conditions of payment; these synergies amounted to Euro 180 million;
- Financial synergies: the refinancing of General Cable's net financial debt at the time of acquisition has generated a synergy of Euro 14 million in the subsequent six months.

The aggregate target synergies announced at the time of acquisition have been revised up by Euro 25 million and are now expected to be achieved one year in advance (by 2021 instead of 2022). More specifically, cost synergies, originally forecast at Euro 5-10 million for 2018, actually came in at Euro 35 million, and are expected to be around Euro 120 million in 2019, Euro 155 million in 2020 and Euro 175 million in 2021.

REVIEW OF PROJECTS OPERATING SEGMENT

(in millions of Euro)

	2018 (*)				2017 (**)	% change Conso.	% change Prysmian	2016 (**)
	Prysmian	General Cable	Adjustments	Total	Prysmian			Prysmian
Sales	1,539	151	(1)	1,689	1,533	10.2%	0.4%	1,719
of which sales vs third parties	1,538	151		1,689	1,533	10.2%	0.3%	1,719
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	149	10	-	159	277	-42.7%	-46.2%	287
% of sales	9.7%	6.4%		9.4%	18.0%			16.2%
Adjusted EBITDA	149	10	-	159	278	-42.8%	-46.3%	287
% of sales	9.7%	6.4%		9.4%	18.0%			16.2%
EBITDA	79	-	-	79	258	-69.4%	-69.3%	300
% of sales	5.2%	-0.1%		4.7%	16.6%			17.0%
Amortisation and depreciation	(47)	(7)	-	(54)	(50)			(44)
Adjusted operating income	102	3	-	105	228	-54.1%	-55.1%	243
% of sales	6.7%	1.5%		6.2%	14.7%			13.7%
Reconciliation between EBITDA and Adjusted EBITDA								
EBITDA (A)	79	-	-	79	258	-69.4%	-69.3%	300
Adjustments:								
Company reorganisation	1	9	-	10	1			-
of which General Cable integration costs	-	9	-	9	-			-
Non-recurring expenses/(income)	69	-	-	69	18			(1)
of which Antitrust	69	-	-	69	18			(1)
Other non-operating expenses/(income)	-	1	-	1	1			(12)
of which release of General Cable inventory step-up	-	1		1				
Total adjustments (B)	70	10	-	80	20			(13)
Adjusted EBITDA (A+B)	149	10	-	159	278	-42.8%	-46.3%	287

(*) The results of General Cable have been consolidated for the period 1 June - 31 December 2018.

(**) The previously published comparative figures for 2017 and 2016 have been restated following the introduction of IFRS 9 and IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the Consolidated Financial Statements.

The *Projects Operating Segment* incorporates the high-tech businesses of High Voltage underground, Submarine Power, Submarine Telecom, and Offshore Specialties, whose focus is projects and their execution, as well as product customisation.

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

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

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

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

MARKET OVERVIEW

The submarine cables business faced a weaker market in 2018 than in the previous year; however, several tenders, whose award delayed for several months, are now in progress and at an advanced stage of the tendering process, pointing to an upturn in demand in 2019. This market is expected to grow over the medium term, especially the Offshore Wind segment, fostered by the continuous reduction in electricity generation costs and accompanying increase in competitiveness.

The high voltage underground business has experienced essentially stable demand in Europe, with a mixed performance between the different countries, while reporting a downturn in North America and the Middle East. By contrast, demand continued to grow in Southeast Asia, where the Group has won a number of major interconnection projects. Tendering activities have started for the major Suedlink and Suedostlink underground HVDC cable projects in Germany.

The Offshore Specialties business has seen a continued drop in prices due to strong local market competition.

FINANCIAL PERFORMANCE

Sales to third parties by the *Projects* segment amounted to Euro 1,689 million in 2018, compared with Euro 1,533 million in 2017, posting a positive change of Euro 156 million (+10.2%).

The main components of this change are as follows:

- Euro 151 million (+9.9%) following General Cable's inclusion in the Group from the end of May 2018;
- Euro 5 million (+0.3%) in sales growth by the pre-acquisition Prysmian Group.

The change relating to the pre-acquisition Prysmian Group is mainly attributable to the following factors:

- positive organic growth of Euro 40 million (+2.6%);
- decrease of Euro 41 million (-2.5%) for exchange rate fluctuations;
- sales price increase of Euro 6 million (+0.2%) for metal price fluctuations.

Organic sales growth was heavily influenced in 2018 by the negative impact of the Western Link project.

Excluding this effect, organic sales growth would have been higher, reflecting a recovery in installation activities for Submarine projects and solid High Voltage demand in certain markets, primarily China, Indonesia, South Europe and South America.

Segment profitability was significantly lower than in 2017, the consequence of additional costs for the Western Link project, an unfavourable comparison with 2017 (for both Prysmian and General Cable), delays in the execution of certain projects and some product rework activities. The High Voltage business reported significant growth in lower margin markets. This confirms the Group's important presence in Middle and Far East markets, which continue to display growing demand for energy infrastructure but also lower profit margins. Positive results were also achieved in South Europe and South America.

The Offshore Specialties business was marked by continued contraction in the market for umbilical cables in Brazil, Prysmian's main market and home to Petrobras, its top customer for these products.

The main submarine cable projects on which work was performed during the period were: the links between offshore wind farms in the North and Baltic Seas and the German mainland (Borwin3, 50Hertz), the interconnector between Norway and Britain (North Sea Link), the interconnector between the Netherlands and Denmark (CoBRA cable) and the interconnection between France and the UK (IFA2).

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

The value of the Group's Submarine order book is around Euro 1.465 billion, inclusive of the General Cable order book, and mainly consists of the following contracts: the interconnector between Norway and Britain (North Sea Link); the CoBRA cable between the Netherlands and Denmark; inter-array and export cables for offshore wind platforms (Deutsche Bucht); the interconnection between France and the UK (IFA2); the Hainan2 project in China; the interconnection projects in the Philippines and Bahrain; the new offshore projects in France; the Capri-Sorrento interconnection project in Italy; and contracts to supply inter-array cables for the Hornsea2 and Borssele III e IV wind farms.

The value of the Group's High Voltage order book is around Euro 435 million, inclusive of the General Cable order book.

Adjusted EBITDA recorded in 2018 came to Euro 159 million, down from Euro 278 million in 2017, with the decrease of Euro 119 million (-42.8%) largely attributable to Euro 95 million in extra costs for the Western Link project, to an unfavourable comparison with the submarine business's performance in 2017 (for both Prysmian and General Cable), to delays in the execution of certain projects and some rework activities. These effects were partially offset by the High Voltage business's performance in South Europe and South America. The negative trend for the Offshore Specialties business was confirmed in 2018.

If General Cable had been consolidated from 1 January 2018, the *Projects* operating segment's sales to third parties would have been Euro 1,804 million, up Euro 50 million on 2017. The segment's organic growth would therefore have been 4.7%.

Adjusted EBITDA for 2018 would have been Euro 170 million, down Euro 128 million on the year before.

REVIEW OF ENERGY OPERATING SEGMENT

(in millions of Euro)

	2018 (*)				2017	%	%	2016
	Prysmian	General Cable	Adjustments	Total	Prysmian	change Conso.	change Prysmian	Prysmian
Sales	5,239	1,779	(43)	6,975	5,113	36.4%	2.5%	4,693
of which sales vs third parties	5,233	1,742		6,975	5,113	36.4%	2.3%	4,693
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	231	85	-	316	240	31.6%	-3.9%	267
% of sales	4.4%	4.8%		4.5%	4.7%			5.7%
Adjusted EBITDA	235	85	-	320	244	31.2%	-3.8%	270
% of sales	4.5%	4.8%		4.6%	4.8%			5.8%
EBITDA	199	50	-	249	221	12.5%	-10.2%	208
% of sales	3.8%	2.8%		3.6%	4.3%			4.4%
Amortisation and depreciation	(89)	(37)	-	(126)	(86)			(89)
Adjusted operating income	146	48	-	194	158	22.7%	-7.7%	181
% of sales	2.8%	2.7%		2.8%	3.1%			3.9%
Reconciliation between EBITDA and Adjusted EBITDA								
EBITDA (A)	199	50	-	249	221	12.5%	-10.2%	208
Adjustments:								
Company reorganisation	22	23	-	45	20			40
of which General Cable integration costs	7	23		30				
Non-recurring expenses/(income)	-	-	-	-	-			-
Other non-operating expenses/(income)	14	12	-	26	3			22
of which release of General Cable inventory step-up	-	12		12				
Total adjustments (B)	36	35	-	71	23			62
Adjusted EBITDA (A+B)	235	85	-	320	244	31.2%	-3.8%	270

(*) The results of General Cable have been consolidated for the period 1 June - 31 December 2018.

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

Sales to third parties by the *Energy operating segment* amounted to Euro 6,975 million, compared with Euro 5,113 million in 2017, posting a positive change of Euro 1,862 million (+36.4%), the main components of which are as follows:

- Euro 1,742 million (+34.1%) following General Cable's inclusion in the Group from the end of May 2018;
- Euro 120 million (+2.3%) in sales growth by the pre-acquisition Prysmian Group.

The change relating to the pre-acquisition Prysmian Group is mainly attributable to the following factors:

- organic increase of Euro 158 million (+3.1%), reflecting a growth in volumes concentrated in Europe and North America;
- decrease of Euro 286 million (-5.6%) linked to unfavourable exchange rate movements;
- sales price increase of Euro 248 million (+4.8%) for metal price fluctuations.

Adjusted EBITDA for 2018 came to Euro 320 million, up Euro 76 million (+31.2%) from Euro 244 million in 2017. This increase has benefited from Euro 85 million (+34.8%) for the first-time consolidation of General Cable.

The entry of General Cable to the *Energy* segment has led to a turning point for the Group's size, by enlarging its product portfolio and strengthening its presence in strategic regions like North America and Latin America.

If General Cable had been consolidated from 1 January 2018, the *Energy* operating segment's sales to third parties would have been Euro 8,139 million, up Euro 132 million on 2017. The segment's organic growth would therefore have been 2.4%.

Adjusted EBITDA for 2018 would have been Euro 372 million, down Euro 23 million on the year before.

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

ENERGY & INFRASTRUCTURE

(in millions of Euro)

	2018 (*)				2017	% change Conso.	% change Prysmian	2016
	Prysmian	General Cable	Adjustments	Total	Prysmian			Prysmian
Sales	3,371	1,294	(29)	4,636	3,271	41.7%	3.0%	3,016
of which sales vs third parties	3,368	1,268		4,636	3,271	41.7%	3.0%	3,016
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	116	52	-	168	128	31.2%	-9.6%	152
% of sales	3.4%	4.0%		3.6%	3.9%			5.0%
Adjusted EBITDA	119	52	-	171	130	31.5%	-8.8%	154
% of sales	3.5%	4.0%		3.7%	4.0%			5.1%
Adjusted operating income	58	27	-	85	73	17.1%	-20.1%	92
% of sales	1.7%	2.1%		1.8%	2.2%			3.0%

(*) The results of General Cable have been consolidated for the period 1 June - 31 December 2018.

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

MARKET OVERVIEW

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

The Trade & Installers business enjoyed a positive trend in demand during 2018 in most of the European countries served as well as in North America.

As for Power Distribution, the major European countries have seen a generally stagnant trend in energy consumption in recent years, in turn adversely affecting demand by the main utilities. The latter, operating in a recessionary economic environment, have either maintained extremely cautious positions given the difficulty of forecasting future growth, or else they have concentrated on business restructuring to improve efficiency and reduce supply-side costs. This situation has exacerbated the competitive environment in terms of price and mix, leaving an extremely challenging context almost everywhere.

In 2018, the Power Distribution business showed signs of recovery in Europe, particularly in Germany and the Danube area, with a substantially stable situation in South Europe but a contraction in North Europe.

Beyond Europe, demand expanded in North America and APAC; the situation in South America, however, remained challenging due to recent changes in the Latin American utilities sector currently in the throes of consolidation.

The Overhead Transmission Lines business, with a major presence on the American market, is part of the Group following the General Cable acquisition.

FINANCIAL PERFORMANCE

Sales to third parties by the *Energy & Infrastructure* business area amounted to Euro 4,636 million in 2018, compared with Euro 3,271 million in 2017, posting a positive change of Euro 1,365 million (+41.7%), the main components of which are as follows:

- Euro 1,268 million (+38.7%) following General Cable's inclusion in the Group from the end of May 2018;
- Euro 97 million (+3.0%) in sales growth by the pre-acquisition Prysmian Group.

The change relating to the pre-acquisition Prysmian Group is mainly attributable to the following factors:

- positive organic growth of Euro 117 million (+3.6%);
- decrease of Euro 180 million (-5.5%) for adverse exchange rate fluctuations;
- sales price increase of Euro 160 million (+4.9%) for metal price fluctuations.

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

Over the course of 2018, the Group saw sales volumes increase year-on-year, particularly in North America and in Europe, thanks not only to strict application of the Construction Products Regulation (EU Regulation 305/2011), which became mandatory from 1 July 2017 in every European Union member state, but also to a general upturn in the construction market.

Power Distribution, however, reported a worse year-on-year performance, reflecting softer demand in several markets and pressure on prices, the continued strength of which has impacted the results.

Even the results of the Omani subsidiary, suffering from conditions on the local market, were below the year before.

Given the factors described above, Adjusted EBITDA for 2018 came to Euro 171 million, up Euro 41 million from the prior year figure of Euro 130 million (+31.5%). This increase has benefited from Euro 52 million (+40.0%) for the first-time consolidation of General Cable.

If General Cable had been consolidated from 1 January 2018, the E&I business's sales to third parties would have been Euro 5,492 million, up Euro 113 million on 2017. The business's organic growth would therefore have been 2.1%.

Adjusted EBITDA for 2018 would have been Euro 207 million, down Euro 26 million on the year before.

INDUSTRIAL & NETWORK COMPONENTS

(in millions of Euro)

	2018 (*)				2017	%	%	2016
	Prysmian	General Cable	Adjustments	Total	Prysmian	change Conso.	change Prysmian	Prysmian
Sales	1,712	393	(2)	2,103	1,693	24.2%	1.1%	1,567
of which sales vs third parties	1,711	392		2,103	1,693	24.2%	1.0%	1,567
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	115	35	-	150	113	32.4%	1.4%	116
% of sales	6.7%	8.9%		7.1%	6.7%			7.5%
Adjusted EBITDA	116	35	-	151	115	31.3%	0.8%	117
% of sales	6.8%	8.9%		7.2%	6.8%			7.5%
Adjusted operating income	89	24	-	113	88	28.4%	1.4%	91
% of sales	5.2%	6.1%		5.4%	5.2%			5.8%

(*) The results of General Cable have been consolidated for the period 1 June - 31 December 2018.

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

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

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

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

MARKET OVERVIEW

Trends in Industrial cable markets display considerable inconsistencies within the various business lines and between the different geographical areas. In fact, while some market segments have shown growing demand, like certain OEM sectors (such as Railway or Cranes), others have been stable, like Automotive and Mining, while other segments have seen volumes decline in specific countries due to delays in investment projects in areas of national interest like Nuclear and Infrastructure.

O&G demand was down year-on-year in Europe and North America, but stable in APAC. Offshore activities have remained depressed, putting pressure not only on the major Asian shipyards (in Singapore and Korea) but also EPC contractors. The drilling sector has revived, largely driven by the North American market, while the MRO (Maintenance, Repair and Overhaul) segment has remained weak.

The Downhole Technology business has seen further signs of growth in turnover associated with Shale Oil & Shale Gas production in North America and, in the Middle East, with onshore investments in Saudi Arabia.

The ESP (Downwell Pump) business has seen initial signs of market growth, especially in North America and the Middle East.

The Elevator market has recorded growth in North America and EMEA, but substantial stability in APAC.

The Automotive market has remained stable. Demand continued to be strong in South America, stable in Europe and Southeast Asia and slightly down in North America and China.

Despite the strong growth in the market for electric cars, there is a continuing trend in the latter regions for cable manufacturers to intercept the market upstream.

FINANCIAL PERFORMANCE

Sales to third parties by the *Industrial & Network Components* business area amounted to Euro 2,103 million in 2018, compared with Euro 1,693 million in 2017, recording a positive change of Euro 410 million (+24.2%), the main components of which are as follows:

- Euro 392 million (+23.2%) following General Cable's inclusion in the Group from the end of May 2018;
- Euro 18 million (+1.0%) in sales growth by the pre-acquisition Prysmian Group.

The change relating to the pre-acquisition Prysmian Group is mainly attributable to the following factors:

- positive organic growth of Euro 43 million (+2.5%);
- decrease of Euro 98 million (-5.8%) for adverse exchange rate fluctuations;
- sales price increase of Euro 73 million (+4.3%) for metal price fluctuations.

The industrial applications market posted a stable performance in 2018 compared with 2017, supported by the necessary differentiation by geographies and application.

In the Oil & Gas business, demand for onshore projects remained at the same level as the year before. The business's overall profitability remained largely stable despite a drop in higher-margin MRO and offshore volumes.

The Downhole Technology business saw signs of improving demand primarily linked to growth in production of Shale Oil & Shale Gas in North America.

In the OEM market, the Group recorded growth in North America and South America. As for the different applications, the market's main drivers compared with the previous year were the Cranes, Railway and Solar businesses. Instead, the Nuclear and Infrastructure businesses were both weaker.

The *Elevator* business was affected in 2018 by growing price pressure on the Chinese market and negative exchange rate effects arising from its considerable exposure to the North American market, as offset by increased volumes. Last year's growth in the EMEA region continued. By contrast, the North American market was marked by growing demand, mostly concentrated on low value-added products.

The Automotive business maintained its margins year-on-year, thanks to the strategy of focusing on top-end segments and to better industrial performance, especially in North America. Competitive pressure has continued for low value-added products, and mounted in Southeast Asia.

The acquisition of General Cable has enabled greater vertical integration and greater proximity to the end customer.

Growth in the Network Components business area was driven by High Voltage applications, where the range of products up to 150kV more than made up for a contraction in EHV volumes.

Given the factors described above, Adjusted EBITDA for 2018 came to Euro 151 million, up from Euro 115 million in 2017, posting a positive change of Euro 36 million (+31.3%) of which Euro 35 million (+30.4%) due to the first-time consolidation of General Cable.

If General Cable had been consolidated from 1 January 2018, the *Industrial & Network Components* business's sales to third parties would have been Euro 2,353 million, up Euro 51 million on 2017. The business's organic growth would therefore have been 3.3%.

Adjusted EBITDA for 2018 would have been Euro 167 million, down Euro 2 million on the year before.

OTHER

(in millions of Euro)

	2018 (*)				2017	2016
	Prysmian	General Cable	Adjustments	Total	Prysmian	Prysmian
Sales	156	92	(12)	236	149	110
of which sales vs third parties	154	82		236		
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	-	(2)	-	(2)	(1)	(1)
Adjusted EBITDA	-	(2)	-	(2)	(1)	(1)
Adjusted operating income	(1)	(3)	-	(4)	(3)	(2)

(*) The results of General Cable have been consolidated for the period 1 June - 31 December 2018.

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

REVIEW OF TELECOM OPERATING SEGMENT

(in millions of Euro)

	2018 (*)				2017	%	%	2016
	Prysmian	General Cable	Adjustments	Total	Prysmian	change Conso.	change Prysmian	Prysmian
Sales	1,283	225	(14)	1,494	1,258	18.7%	2.0%	1,164
of which sales vs third parties	1,270	224		1,494	1,258	18.7%	0.9%	1,164
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	201	28	-	229	177	29.6%	13.6%	135
% of sales	15.7%	12.7%		15.4%	14.0%			11.6%
Adjusted EBITDA	256	28	-	284	214	32.8%	19.5%	163
% of sales	19.9%	12.7%		19.0%	17.0%			14.0%
EBITDA	287	19	-	306	206	48.4%	39.1%	158
% of sales	22.4%	8.5%		20.5%	16.4%			13.6%
Amortisation and depreciation	(44)	(3)	-	(47)	(41)			(40)
Adjusted operating income	212	25	-	237	173	37.2%	22.3%	123
% of sales		11.5%		15.9%	13.8%			10.6%
Reconciliation between EBITDA and Adjusted EBITDA								
EBITDA (A)	287	19	-	306	206	48.4%	39.1%	158
Adjustments:								
Company reorganisation	1	7	-	8	6			6
of which General Cable integration costs	-	7	-	7	-			-
Non-recurring expenses/(income)	-	-	-	-	-			-
Other non-operating expenses/(income)	(32)	2	-	(30)	2			(1)
of which release of General Cable inventory step-up	-	3		3				
of which income from YOFC listing	(36)			(36)				
Total adjustments (B)	(31)	9	-	(22)	8			5
Adjusted EBITDA (A+B)	256	28	-	284	214	32.8%	19.5%	163

(*) The results of General Cable have been consolidated for the period 1 June - 31 December 2018.

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

Optical fibre

Prysmian Group is one of the leading manufacturers of the core component of every type of optical cable: optical fibre. The Group is in the unique position of being able to use all existing manufacturing processes within its plants: MCVD (Modified Chemical Vapour Deposition), OVD (Outside Vapour Deposition), VAD

(Vapour Axial Deposition) and PCVD (Plasma-activated Chemical Vapour Deposition). The result is an optimised product range for different applications. With centres of excellence in Battipaglia (Italy), Eindhoven (the Netherlands) and Douvrin (France), and 5 production sites around the world, Prysmian Group offers a wide range of optical fibres, such as single-mode, multimode and specialty fibres, designed and manufactured to cater to the broadest possible spectrum of customer applications.

Optical cables

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

Connectivity

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

FTTx

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

FTTA (Fibre-To-The-Antenna)

xsMobile, which offers Fibre-To-The-Antenna (FTTA) solutions, is an extensive passive portfolio which enables mobile operators to upgrade their networks quickly and easily. Incorporating Prysmian's experience

in Fibre-to-the-Home (FTTH) and its unique fibre innovations, xsMobile provides different product solutions for three applications: antenna towers, roof-top antennas and Distributed Antenna Systems (DAS) for small cell deployment. The technology offers three access types for outdoor and indoor FTTA deployment, as well as backhaul solutions, incorporating the latest fibre technologies.

Copper cables

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

Multimedia Solutions

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

MARKET OVERVIEW

The global optical fibre cables market expanded in 2018 compared with the previous year. Demand remained stable in fast-developing markets (China and APAC) which alone accounted for more than 50% of the market. Optical fibre cable consumption has continued to expand in North America, and in Europe thanks to plans under the Digital Agenda for Europe 2025. The latter envisages the provision of three levels of minimum service depending on the type of user. In fact, government offices and entities like schools and hospitals will benefit from a bandwidth of at least 1 Gb/s. Likewise, the entire residential population will be connected with 100 Mb/s, while all urban areas and transport corridors should have broadband mobile coverage with 5G technology. In Europe, the network architectures used vary according to decisions made by each country.

FTTH networks are the preference in France, Spain, Portugal and the Nordics, while G.Fast is the norm in Germany and Britain; although these systems use the last metres of the existing copper network, massive volumes of optical cables are nonetheless required to upgrade the distribution networks. In other places like Italy, the two technologies coexist.

Partly thanks to political stabilisation, Brazil has seen the major telecom carriers resume investments in both copper and optical fibre cables.

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

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

The copper cable market is slowing down due to the maturity of the products concerned. The decline in this market was increasingly evident in 2018, with high demand for internet access causing major operators to opt to renew their networks using optical fibre, rather than perform maintenance or upgrade work on existing networks. It is still worth remaining in this segment since the gradual decommissioning of assets by competitor cable manufacturers nonetheless offers attractive opportunities.

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

FINANCIAL PERFORMANCE

Sales to third parties by the *Telecom* operating segment amounted to Euro 1,494 million, compared with Euro 1,258 million in 2017.

The main components of the change of Euro 236 million (+18.7%) are as follows:

- Euro 224 million (+17.8%) for the first-time consolidation of General Cable from the end of May 2018;
- Euro 12 million (+0.9%) in sales growth by the pre-acquisition Prysmian Group, net of Euro 14 million in intercompany transactions.

The change relating to the pre-acquisition Prysmian Group is mainly attributable to the following factors:

- sales price increase of Euro 11 million (+0.8%) for metal price fluctuations;
- organic sales growth of Euro 63 million (+5.0%), mainly thanks to further volume growth for optical fibre cables;
- negative change of Euro 62 million (-4.9%) for exchange rate fluctuations.

The organic growth in 2018 sales reflects the positive trend already observed the previous year. This is mainly the product of a steady growth in demand for optical fibre and special cables serving major investment projects.

Volume trends in Europe have been positive and price levels stable. The Group has won important contracts with leading operators in Europe for the construction of backhaul links and FTTH connections. The network development plan in rural areas is progressing in the Netherlands, while a national plan is being implemented by Swisscom in Switzerland. In France the "Très Haut Débit" broadband roll-out project is going ahead at full speed. In addition, British Telecom has announced a new FTTH project to connect 3 million "premises" in 8 cities by 2020.

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

Brazil and Argentina have seen increased investments by the major telecom carriers in both copper and optical fibre cables.

Lastly, copper cables have continued their steady decline due to the retirement of traditional networks in favour of next-generation ones.

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

Growth in the Multimedia Solutions business mainly reflects increased volumes on the European market for copper data transmission cables, also observed, albeit to a lesser extent, in South America. This result has been achieved thanks to the business's ability to satisfy growing demand with a high level of responsiveness and service. An approach that, along with its strong customer orientation, has been appreciated as one of the Group's main strengths.

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

Adjusted EBITDA for 2018 came to Euro 284 million, compared with Euro 214 million in 2017, reporting an increase of Euro 70 million (+32.8%), of which Euro 28 million attributable to the first-time consolidation of General Cable. This increase has also benefited from the positive results reported by the associate Yangtze Optical Fibre and Cable Joint Stock Limited Company in China and from the reversal of impairment recorded in 2016 against receivables owed by a Brazilian customer.

The acquisition of General Cable has allowed Prysmian to increase the exposure of its MMS business to the North American market, to increase optical cable production capacity and to extend its geographical presence to new countries in Latin America.

If General Cable had been consolidated from 1 January 2018, the *Telecom* operating segment's sales to third parties would have been Euro 1,634 million, up Euro 42 million on 2017. The segment's organic growth would therefore have been 6.4%.

Adjusted EBITDA for 2018 would have been Euro 295 million, up Euro 48 million on the year before.

REVIEW OF THE ACQUIRED PERIMETER (GENERAL CABLE)

The subsequent comments refer to the results of the acquired perimeter (General Cable) for the full year using the segment reporting format adopted by General Cable before the acquisition. The new organisation, becoming effective from June 2018, has required Prysmian Group to change its segment reporting, involving several months of work to homogenise the reporting structure presented and discussed earlier. For the sake of clarity, it has nonetheless been decided also to present the old segment reporting used by General Cable in the previous year and up to the third quarter of 2018.

Sales to third parties by the acquired perimeter (General Cable) came to Euro 3,536 million in 2018, up Euro 87 million on the previous year. Organic sales growth on 2017 was +3.3%.

Adjusted EBITDA for 2018 was Euro 197 million, reporting a reduction of Euro 7 million on the previous year, of which Euro 8 million due to adverse exchange rate movements.

The results will now be examined by geographical area.

North America

Sales to third parties by the North America operating segment amounted to Euro 2,131 million in 2018, up Euro 92 million on the previous year. Organic sales growth was +4.6%, reflecting a recovery by the Power Distribution business and a robust performance by the Industrial and Telecom businesses.

Adjusted EBITDA was Euro 139 million, down Euro 10 million on the year before, primarily as a result of the negative impact of exchange rates and higher transport costs.

Europe

Sales to third parties by the Europe operating segment amounted to Euro 863 million in 2018, up Euro 65 million on the previous year. Organic sales growth was +8.2%, driven primarily by the uptrend in projects (particularly in the first half) and in the optical cables business.

Adjusted EBITDA was Euro 25 million, up Euro 5 million on the year before, mainly reflecting a favourable sales mix.

Latin America

Sales to third parties by the Latin America operating segment amounted to Euro 542 million in 2018, down Euro 70 million on the previous year. Sales reflected an organic decline of -7.5% due to decreased volumes for overhead transmission lines in Brazil, albeit partially offset by a strong fourth quarter reported by the Trade & Installers and Industrial businesses.

Adjusted EBITDA was Euro 33 million, down Euro 2 million on the year before mainly due to the performance of the overhead business.

GROUP STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	31 December 2018	31 December 2017 (*)	Change	31 December 2016 (*)
Net fixed assets	5,071	2,610	2,461	2,630
Net working capital	721	128	593	272
Provisions and net deferred taxes	(661)	(308)	(353)	(344)
Net capital employed	5,131	2,430	2,701	2,558
Employee benefit obligations	463	355	108	383
Total equity	2,446	1,639	807	1,638
<i>of which attributable to non-controlling interests</i>	<i>188</i>	<i>188</i>	<i>-</i>	<i>227</i>
Net financial debt	2,222	436	1,786	537
Total equity and sources of funds	5,131	2,430	2,701	2,558

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 9 and IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the Consolidated Financial Statements.

NET FIXED ASSETS

(in millions of Euro)

	31 December 2018	31 December 2017 (*)	Change	31 December 2016 (*)
Property, plant and equipment	2,629	1,646	983	1,631
Intangible assets	2,132	735	1,397	792
Equity-accounted investments	294	217	77	195
Other investments at fair value through other comprehensive income	13	12	1	12
Assets held for sale (**)	3	-	3	-
Net fixed assets	5,071	2,610	2,461	2,630

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 9 and IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the Consolidated Financial Statements.

(**) These include the value of Land and Buildings classified as held for sale.

At 31 December 2018, net fixed assets amounted to Euro 5,071 million, compared with Euro 2,610 million at 31 December 2017, posting an increase of Euro 2,461 million mainly due to the combined effect of the following factors:

- Euro 1,216 million from the first-time consolidation of companies in the General Cable group;
- Euro 1,084 million for the recognition of provisional goodwill on the acquisition of General Cable;
- Euro 278 million in net capital expenditure on property, plant and equipment and intangible assets;
- Euro 232 million in depreciation, amortisation and impairment charges for the year;

- Euro 29 million in positive currency translation differences affecting property, plant and equipment and intangible assets;
- Euro 77 million for the net increase in equity-accounted investments, mainly comprising Euro 59 million for the share of net profit/(loss) of equity-accounted companies and the Euro 36 million gain on dilution of the interest in YOFC, less Euro 16 million in dividend payments and Euro 2 million in negative currency translation differences.

NET WORKING CAPITAL

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

(in millions of Euro)

	31 December 2018	31 December 2017 (*)	Change	31 December 2016 (*)
Inventories	1,515	954	561	906
Trade receivables	1,635	1,131	504	1,088
Trade payables	(2,132)	(1,686)	(446)	(1,498)
Other receivables/(payables)	(282)	(293)	11	(231)
Net operating working capital	736	106	630	265
Derivatives	(15)	22	(37)	7
Net working capital	721	128	593	272

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 9 and IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the Consolidated Financial Statements.

Net working capital of Euro 721 million at 31 December 2018 was Euro 593 million higher than the corresponding figure of Euro 128 million at 31 December 2017. Net operating working capital amounted to Euro 736 million (6.4% of annualised sales) at 31 December 2018, an increase of Euro 630 million from Euro 106 million (1.3% of sales) at 31 December 2017, reflecting the following factors:

- Euro 380 million from the first-time consolidation of companies in General Cable group;
- an increase in working capital employed in multi-year Submarine projects, reflecting their stage of completion relative to their respective contractual deadlines, as partially offset by new provisions for the Western Link contract;
- an increase in working capital due to a decrease in without-recourse factoring of trade receivables;
- a decrease for currency translation differences.

EQUITY

The following table reconciles the Group's equity and net profit/(loss) for 2018 with the corresponding figures reported by Prysmian S.p.A., the Parent Company.

(in millions of Euro)

	Equity at 31 December 2018	Net profit/ (loss) 2018	Equity at 31 December 2017 (*)	Net profit/ (loss) 2017 (*)
Parent Company Financial Statements	2,106	100	1,328	111
Share of equity and net profit of consolidated subsidiaries, net of carrying amount of the related investments	366	170	336	291
Reversal of dividends distributed to the Parent Company by consolidated subsidiaries		(139)		(162)
Deferred taxes on earnings/reserves distributable by subsidiaries	(16)	-	(16)	(2)
Elimination of intercompany profits and losses included in inventories	(10)	(1)	(9)	(1)
Non-controlling interests	(188)	-	(188)	4
Consolidated Financial Statements	2,258	130	1,451	241

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 9 and IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the Consolidated Financial Statements.

NET FINANCIAL DEBT

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

(in millions of Euro)

	31 December 2018	31 December 2017	Change	31 December 2016
Long-term financial payables				
CDP Loan	100	100	-	-
EIB Loans	135	152	(17)	58
Non-convertible bond	745	743	2	741
Convertible bond 2013	-	-	-	288
Convertible bond 2017	467	456	11	-
Term Loan	993	-	993	-
Bridge Loan	500	-	500	-
Unicredit Loan	199	-	199	-
Derivatives	8	-	8	-
Other financial payables	22	15	7	27
Total long-term financial payables	3,169	1,466	1,703	1,114
Short-term financial payables				
Revolving Credit Facility 2014	-	-	-	50
EIB Loans	17	17	-	17
Non-convertible bond	14	14	-	14
Convertible bond 2013	-	283	(283)	1
Term Loan	1	-	1	-
Derivatives	8	1	7	1
Other financial payables	66	56	10	90
Total short-term financial payables	106	371	(265)	173
Total financial liabilities	3,275	1,837	1,438	1,287
Long-term financial assets				
Long-term financial receivables	1	2	(1)	2
Long-term bank fees	1	1	-	2
Financial assets at amortised cost	5	4	1	2
Short-term derivatives	2	1	1	1
Short-term financial receivables	7	7	-	38
Short-term bank fees	1	2	(1)	2
Financial assets at fair value through profit or loss	25	38	(13)	57
Financial assets at fair value through other comprehensive income	10	11	(1)	-
Cash and cash equivalents	1,001	1,335	(334)	646
Total financial assets	1,053	1,401	(348)	750
Net financial debt	2,222	436	1,786	537

Net financial debt of Euro 2,222 million at 31 December 2018 has increased by Euro 1,786 million from Euro 436 million at 31 December 2017. The main factors contributing to this change are summarised in the comments in the next section on the statement of cash flows.

STATEMENT OF CASH FLOWS

(in millions of Euro)

	2018 (**)	2017 (*)	Change	2016 (*)
EBITDA	596	660	(64)	654
Changes in provisions (including employee benefit obligations) and other movements	52	-	52	21
(Gains)/losses on disposal of property, plant and equipment, intangible assets and non-current assets and on dilution of equity interests	(37)	(2)	(35)	(3)
Share of net profit/(loss) of equity-accounted companies	(59)	(42)	(17)	(31)
Net cash flow provided by operating activities (before changes in net working capital)	552	616	(64)	623
Changes in net working capital	4	85	(81)	58
Taxes paid	(110)	(104)	(6)	(76)
Dividends from investments in equity-accounted companies	16	10	6	10
Net cash flow provided/(used) by operating activities	462	607	(145)	615
Cash flow from acquisitions and/or disposals	(1,290)	(7)	(1,283)	31
Net cash flow used in operating activities	(278)	(254)	(24)	(227)
<i>of which for investment in Wuhan Shen Huan</i>	-	(35)	35	(11)
Free cash flow (unlevered)	(1,106)	346	(1,452)	419
Net finance costs	(84)	(70)	(14)	(68)
Free cash flow (levered)	(1,190)	276	(1,466)	351
Share buyback	-	(100)	100	-
Dividend distribution	(105)	(101)	(4)	(102)
Capital contributions and other changes in equity	496	3	493	-
Net cash flow provided/(used) in the year	(799)	78	(877)	249
Opening net financial debt	(436)	(537)	101	(750)
Net cash flow provided/(used) in the year	(799)	78	(877)	249
Equity component of Convertible Bond 2017	-	48	(48)	-
Conversion of Convertible Bond 2013	283	13	270	-
Net financial debt General Cable	(1,215)	-	(1,215)	-
Other changes	(55)	(38)	(17)	(36)
Closing net financial debt	(2,222)	(436)	(1,786)	(537)

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 9 and IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the Consolidated Financial Statements.

(**) The results of General Cable have been consolidated for the period 1 June - 31 December 2018.

Net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 552 million at the end of 2018.

The decrease in net working capital, described earlier, provided Euro 4 million in cash flow. After Euro 110 million in tax payments and Euro 16 million in dividend receipts, net cash flow from operating activities in 2018 therefore amounted to a positive Euro 462 million.

Cash flow from acquisitions and/or disposals was a negative Euro 1,290 million, all of which related to General Cable and representing the cash outflow to acquire this group.

Net operating capital expenditure amounted to Euro 278 million in 2018, a large part of which relating to projects to increase and rationalise production capacity and to develop new products.

In addition, Euro 84 million in net finance costs were paid and Euro 105 million in dividends were distributed during the year.

The capital increase, completed in July 2018, generated a net cash inflow of Euro 496 million.

Net financial debt has been affected by net cash outflows for the year of Euro 799 million and the first-time consolidation of General Cable's net financial debt of Euro 1,215 million, while benefiting from Euro 283 million after converting the Convertible Bond 2013.

ALTERNATIVE PERFORMANCE INDICATORS

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

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

The alternative indicators used for reviewing the income statement include:

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

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

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

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

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

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

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

- Provisions for risks and charges – current portion
- Provisions for risks and charges – non-current portion
- Provisions for deferred tax liabilities
- Deferred tax assets

• **Net capital employed:** sum of Net fixed assets, Net working capital and Provisions.

• **Employee benefit obligations** and **Total equity:** these indicators correspond to Employee benefit obligations and Total equity reported in the statement of financial position.

• **Net financial debt:** sum of the following items:

- Borrowings from banks and other lenders – non-current portion
- Borrowings from banks and other lenders – current portion
- Derivatives on financial transactions recorded as Non-current derivatives and classified under Long-term financial receivables
- Derivatives on financial transactions recorded as Current derivatives and classified under Short-term financial receivables
- Derivatives on financial transactions recorded as Non-current derivatives and classified under Long-term financial payables
- Derivatives on financial transactions recorded as Current derivatives and classified under Short-term financial payables
- Medium/long-term financial receivables recorded in Other non-current receivables
- 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
- Financial assets at amortised cost
- Financial assets at fair value through profit or loss
- Financial assets at fair value through other comprehensive income
- Cash and cash equivalents

Reconciliation between the Reclassified Statement of Financial Position presented in the Directors' Report and the Statement of Financial Position contained in the Consolidated Financial Statements and Explanatory Notes at 31 December 2018

(in millions of Euro)

	Note	31 December 2018		31 December 2017 (*)	
		Partial amounts from financial statements	Total amounts from financial statements	Partial amounts from financial statements	Total amounts from financial statements
Net fixed assets					
Property, plant and equipment	1		2,629		1,646
Intangible assets	2		2,132		735
Equity-accounted investments	3		294		217
Other investments at fair value through other comprehensive income	4	.	13		12
Asset held for sale	4	-	3		-
Total net fixed assets	A		5,071		2,610
Net working capital					
Inventories	B	6	1,515		954
Trade receivables	C	5	1,635		1,131
Trade payables	D	13	(2,132)		(1,686)
Other receivables/payables net of which:	E		(282)		(293)
<i>Other receivables - non-current</i>			31		15
<i>Tax receivables</i>	5		6		3
<i>Receivables from employees</i>	5		2		1
<i>Advances to suppliers</i>	5		4		-
<i>Other</i>	5		19		11
<i>Other receivables - current</i>			658		410
<i>Tax receivables</i>	5		155		115
<i>Receivables from employees and pension plans</i>	5		3		3
<i>Advances to suppliers</i>	5		23		15
<i>Other</i>	5		115		91
<i>Construction contracts</i>	5		362		186
<i>Other payables - non-current</i>			(12)		(8)
<i>Tax and social security payables</i>	13		(3)		(3)
<i>Other</i>	13		(9)		(5)
<i>Other payables - current</i>			(921)		(692)
<i>Tax and social security payables</i>	13		(163)		(161)
<i>Advances from customers</i>	13		(262)		(177)
<i>Payables to employees</i>	13		(176)		(92)
<i>Accrued expenses</i>	13		(140)		(107)
<i>Other</i>	13		(180)		(155)
<i>Current tax payables</i>			(38)		(18)
Total net operating net working capital	F = B+C+D+E		736		106
Derivatives	G		(15)		22
of which:					
<i>Forward currency contracts on commercial transactions (cash flow hedges) - non-current</i>	8		-		6
<i>Forward currency contracts on commercial transactions (cash flow hedges) - current</i>	8		(7)		4
<i>Zero cost collar on General Cable acquisition (cash flow hedges)</i>	8		-		(17)
<i>Forward currency contracts on commercial transactions - current</i>	8		(4)		(1)
<i>Metal derivatives - non-current</i>	8		1		6
<i>Metal derivatives - current</i>	8		(5)		24
Total net working capital	H = F+G		721		128

(in millions of Euro)

	Note	31 December 2018	31 December 2017 (*)
		Partial amounts from financial statements	Partial amounts from financial statements
		Total amounts from financial statements	Total amounts from financial statements
Provisions for risks and charges - non-current	14	(51)	(33)
Provisions for risks and charges - current	14	(533)	(321)
Deferred tax assets	16	161	149
Deferred tax liabilities	16	(238)	(103)
Total provisions	I	(661)	(308)
Net capital employed	L = A+H+I	5,131	2,430
Employee benefit obligations	M	463	355
Total equity	N	2,446	1,639
<i>of which equity attributable to non-controlling interests</i>		188	188
Net financial debt			
Total long-term financial payables	O	3,169	1,466
CDP Loan	12	100	100
EIB Loans	12	135	152
Non-convertible bond	12	745	743
Convertible bond 2017	12	467	456
Term Loan	12	993	-
Bridge Loan	12	500	-
Unicredit Loan	12	199	-
Derivatives	8	8	-
Other payables		22	15
<i>of which:</i>			
<i>Finance lease obligations</i>	12	11	12
<i>Other financial payables</i>	12	11	3
Total short-term financial payables	P	106	371
EIB Loans	12	17	17
Non-convertible bond	12	14	14
Convertible bond 2013	12	-	283
Term Loan	12	1	-
Derivatives	8	8	1
<i>of which:</i>			
<i>Interest rate swaps</i>	8	6	-
<i>Forward currency contracts on financial transactions</i>	8	2	1
Other payables		66	56
<i>of which:</i>			
<i>Finance lease obligations</i>	12	1	1
<i>Other financial payables</i>	12	65	55
Total financial liabilities	Q = O+P	3,275	1,837
Long-term financial receivables	R	(1)	(2)
Long-term bank fees	R	(1)	(1)
Short-term financial receivables	R	(7)	(7)
Short-term derivatives	R	(2)	(1)
<i>of which:</i>			
<i>Forward currency contracts on financial transactions (current)</i>	8	(2)	(1)
Short-term bank fees	R	(1)	(2)
Financial assets at amortised cost	S	(5)	(2)
Financial assets at fair value through other comprehensive income	T	(10)	(11)
Financial assets at fair value through profit or loss	U	(25)	(40)
Cash and cash equivalents	V	(1,001)	(1,335)
Total financial assets	Z = R+S+T+U+V	(1,053)	(1,401)
Total net financial debt	W = Q+Z	2,222	436
Total equity and sources of funds	Y = M+N+W	5,131	2,430

(*) The previously published comparative figures for 2017 have been restated following the introduction of IFRS 9 and IFRS 15.

Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the Consolidated Financial Statements.

Reconciliation between the principal income statement indicators and the Income Statement contained in the Consolidated Financial Statements and Explanatory Notes for 2018

(in millions of Euro)

		2018 (*)	2017 (**)
		Amounts from income statement	Amounts from income statement
Sales of goods and services	A	10,158	7,904
Change in inventories of work in progress, semi-finished and finished goods		(85)	57
Other income		139	81
Raw materials, consumables used and goods for resale		(6,542)	(4,912)
Personnel costs		(1,260)	(1,086)
Other expenses		(1,879)	(1,475)
Operating costs	B	(9,627)	(7,335)
Share of net profit/(loss) of equity-accounted companies	C	59	42
Fair value stock options	D	6	49
EBITDA	E = A+B+C+D	596	660
Other non-recurring expenses and revenues	F	(69)	(18)
Personnel costs for company reorganisation	G	(57)	(24)
Other costs and revenues for company reorganisation	H	(9)	(6)
Other non-operating expenses	I	(32)	(28)
Total adjustments	L = F+G+H+I	(167)	(76)
Adjusted EBITDA	M = E-L	763	736
Share of net profit/(loss) of equity-accounted companies	N	59	42
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	O = M-N	704	694

(in millions of Euro)

		2018 (*)	2017 (**)
		Amounts from income statement	Amounts from income statement
Operating income	A	310	424
Other non-recurring expenses and revenues		(69)	(18)
Personnel costs for company reorganisation		(57)	(24)
Other costs and revenues for company reorganisation		(9)	(6)
Other non-operating expenses		(32)	(28)
Total adjustments to EBITDA	B	(167)	(76)
Fair value change in metal derivatives	C	(48)	12
Fair value stock options	D	(6)	(49)
Non-recurring impairment and releases	E	(5)	(22)
Adjusted operating income	E=A-B-C-D	536	559

(*) The results of General Cable have been consolidated for the period 1 June - 31 December 2018

(**) The previously published comparative figures for 2017 have been restated following the introduction of IFRS 9 and IFRS 15. Further details can be found in Section C. Restatement of comparative figures, within the Explanatory Notes to the Consolidated Financial Statements.

Following adoption of the new organisational structure, the alternative performance indicators for 2017 have been restated as follows:

(in millions of Euro)

(in millions of Euro)

						2017	
			Project	Energy			
				E&I	Industrial & NWC	Other	Total Energy
Energy Projects	Sales	1,490	1,533				
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	265	277				
	Adjusted EBITDA	266	278				
	Adjusted operating income	225	228				
E&I	Sales	3,271		3,271			
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	128		128			
	Adjusted EBITDA	130		130			
	Adjusted operating income	73		73			
Industrial & NwC	Sales	1,460			1,693		
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	113			113		
	Adjusted EBITDA	115			115		
	Adjusted operating income	95			88		
Other	Sales	149				149	
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	(1)				(1)	
	Adjusted EBITDA	(1)				(1)	
	Adjusted operating income	(3)				(3)	
Energy Products	Sales	4,880					5,113
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	240					240
	Adjusted EBITDA	244					244
	Adjusted operating income	165					158
OIL & GAS	Sales	273					-
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	9					-
	Adjusted EBITDA	9					-
	Adjusted operating income	(7)					-

RISK FACTORS AND UNCERTAINTIES

The policy of value creation that motivates Prysmian Group has always been based on effective risk management. Since 2012, by adopting the provisions on risk management introduced by the "Italian Stock Exchange Corporate Governance Code for Listed Companies" (Corporate Governance Code), Prysmian has taken the opportunity to strengthen its governance model and implement an advanced system of Risk Management that promotes proactive management of risks using a structured and systematic tool to support the main business decision-making processes. In fact, this Enterprise Risk Management (ERM) model, developed in line with internationally recognised models and best practices, allows the Board of Directors and management to consciously evaluate those risk scenarios that might compromise the achievement of strategic objectives, and to adopt additional tools able to anticipate, mitigate or manage significant exposures. The Group Chief Risk Officer (CRO), designated to govern the ERM process, is responsible for ensuring, together with management, that the main risks facing Prysmian and its subsidiaries are promptly identified, evaluated and monitored over time. A special Internal Risk Management Committee (consisting of the Group's Senior Management) also ensures, through the CRO, that the ERM process develops dynamically, by taking account of changes in the business, of needs and of events that have an impact on the Group over time. The CRO reports periodically (at least twice a year) on such developments to the top management. Reference should be made to the "Corporate Governance" section of this report for a discussion of the governance structure adopted and the responsibilities designated to the bodies involved.

The ERM model adopted (and formalised within the Group ERM Policy which incorporates the guidelines for the Internal Control and Risk Management System approved by the Board of Directors back in 2014) follows a top-down approach, whereby it is steered by Senior Management and by medium to long-term business objectives and strategies. It extends to all the types of risk/opportunity for the Group, represented in the Risk Model - shown in the following diagram - that uses five categories to classify the risks of an internal or external nature characterising the Prysmian business model:

- Strategic Risks: risks arising from external or internal factors such as changes in the market environment, from bad and/or improperly implemented corporate decisions and from failure to react to changes in the competitive environment, which could therefore threaten the Group's competitive position and achievement of its strategic objectives;
- Financial Risks: risks associated with the amount of financial resources available, with the ability to manage currency and interest rate volatility efficiently;
- Operational Risks: risks arising from the occurrence of events or situations that, by limiting the effectiveness and efficiency of key processes, affect the Group's ability to create value;
- Legal and Compliance Risks: risks related to violations of national, international and industry-specific legal and regulatory requirements, to unprofessional conduct in conflict with company ethical policies, exposing the Group to possible penalties and undermining its reputation in the marketplace;

- **Planning and Reporting Risks:** risks related to the adverse effects of incomplete, incorrect and/or untimely information with possible impacts on the Group's strategic, operational and financial decisions.

THE PRYSMIAN RISK MODEL

STRATEGIC	FINANCIAL	OPERATIONAL
Macroeconomic, demand trends & Competitive environment Stakeholder expectations and Corporate Social Responsibility Key customer & business partners Emerging country risk Law & regulation evolution Research & Development M&A / JVs and integration process Operative CAPEX Strategy implementation Organizational framework & governance	Raw materials price volatility Exchange rate volatility Interest rate volatility Financial instruments Credit risk Liquidity risk / Working Capital risk Capital availability / cost risk Financial counterparties	Sales & Tendering Production Capacity / Efficiency Supply Chain Capacity / Efficiency Business interruption / Catastrophic events Contract execution / liabilities Product quality / liabilities Environmental Information Technology Human Resources Outsourcing
LEGAL & COMPLIANCE	PLANNING & REPORTING	
Intellectual Property rights Compliance to laws and regulations Compliance to Code of Ethics, Policies & Procedures	Budgeting & Strategic planning Tax & Financial planning Management reporting Financial reporting	

In compliance with the amendments to the Corporate Governance Code published in July 2015, the Group Risk Model has been revised to include, as part of strategic risks, the issue of Corporate Social Responsibility with the purpose of identifying more precisely the Group's economic, environmental and social sustainability risks which, over time, could jeopardise value creation for its shareholders and stakeholders.

The Board of Directors has also given the Compensation, Nominations and Sustainability Committee responsibility, with effect from 1 January 2016, for supervising the issues of sustainability associated with the Group's business, as described in the Corporate Governance Report.

Members of management involved in the ERM process are required to use a clearly defined common method to measure and assess specific risk events in terms of Impact, Probability of occurrence and adequacy of the existing Level of Risk Management, meaning:

- **economic-financial impact** on expected EBITDA or cash flow, net of any insurance cover and countermeasures in place, and/or qualitative type of impact on reputation and/or efficiency and/or business continuity, measured using a scale that goes from *negligible* (1) to *critical* (4);
- **probability** that a particular event may occur within the specific planning period, measured using a scale that goes from *remote* (1) to *high* (4);
- **level of control**, meaning the maturity and efficiency of existing risk management systems and processes, measured using a scale that goes from *adequate* (green) to *inadequate* (red).

The overall assessment must also take into account the future outlook for risk, or the possibility that in the period considered the exposure is increasing, constant or decreasing.

The results of measuring exposure to the risks analysed are then represented on a 4x4 heat map diagram, which, by combining the variables in question, provides an immediate overview of the risk events considered most significant.

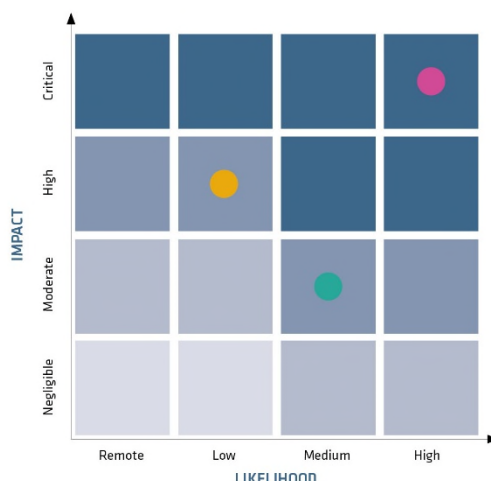
RISK ASSESSMENT CRITERIA

Assessment Criteria

- Impact
- Probability
- Level of Risk Management

Level of Risk Management

- Risk INADEQUATELY covered and/or managed
- Risk covered and/or managed but with ROOM FOR IMPROVEMENT
- Risk ADEQUATELY covered and/or managed



This overall picture of the Group's risks allows the Board of Directors and Management to reflect upon the level of the Group's risk appetite, and so identify the risk management strategies to adopt, or assess which risks and with what priority it is thought necessary to improve and optimise mitigation actions or simply to monitor the exposure over time. The adoption of a particular risk management strategy, however, depends on the nature of the risk event identified, so in the case of:

- *external risks outside* the Group's control, it will be possible to implement tools that support the assessment of scenarios should the risk materialise, by defining the possible action plans to mitigate impacts (e.g. continuous monitoring activities, stress testing of the business plan, insurance cover, disaster recovery plans, and so on);
- *risks partially addressable* by the Group, it will be possible to intervene through systems of risk transfer, monitoring of specific indicators of risk, hedging activities, and so on;
- *internal risks addressable* by the Group, it will be possible, as risks inherent in the business, to take targeted actions to prevent risk and minimise impacts by implementing an adequate system of internal controls and related monitoring and auditing.

ERM is a continuous process that, as stated in the ERM Policy, forms part of the Group's three-year strategic and business planning process, by identifying potential events that could affect its sustainability, and is updated annually with the involvement of key members of management.

In 2018 this process involved the main business/function managers of the Group, allowing the most significant risk factors to be identified, assessed and managed; this process also covered factors related to the Group's economic, environmental and social sustainability, to ensure lasting value creation for shareholders and stakeholders, about which more details can be found in the annual Sustainability Report,

available on the Company's website at www.prysmiangroup.com in the section [media/media-library/sustainability-report](#)

The main risk factors to which the Group's particular type of business model is exposed will now be presented according to the classification used in the Risk Model described earlier, and describing the strategies adopted to mitigate these risks.

Financial risks are discussed in detail in the Explanatory Notes to the Consolidated Financial Statements in Section D (Financial Risk Management). As stated in the Explanatory Notes to the Consolidated Financial Statements (Section B.1 Basis of preparation), 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, based on its financial performance and cash generation in recent years, as well as its available financial resources at 31 December 2018, the Directors believe that, barring any unforeseeable extraordinary events, there are no material uncertainties, such as to cast significant doubts upon the business's ability to continue as a going concern.

It should be noted that, in line with the Group's ERM process, the risks described below have been reassessed, particularly taking into consideration any effects arising from completion of the General Cable acquisition.

STRATEGIC RISKS

Risks associated with the competitive environment

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

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

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

Risks associated with changes in the macroeconomic environment and in demand

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

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

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

Risks associated with dependence on key customers

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

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

Risk of instability in the Group's countries of operation

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

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

FINANCIAL RISKS

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

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

The Group Finance, Administration and Control department provides guidelines on risk management, with particular attention to exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative instruments, and on how to invest excess liquidity. Such financial instruments are used solely to hedge risks and not for speculative purposes.

Risks associated with availability of financial resources and their cost

The volatility of the international banking and financial system could be a potential risk factor in terms of raising finance and its associated cost. In addition, non-compliance with the financial and non-financial covenants contained in the Group's credit agreements could restrict its ability to increase its net indebtedness, other conditions remaining equal. In fact, should it fail to satisfy one of these covenants, this would trigger a default event which, unless resolved under the terms of the respective agreements, could lead to their termination and/or an early repayment of any credit drawn down. In such an eventuality, the Group might be unable to repay the amounts demanded early, in turn giving rise to a liquidity risk.

At present, given its balance of cash and cash equivalents and undrawn committed credit lines, totalling more than Euro 1 billion at 31 December 2018, and six-monthly monitoring² of financial covenant compliance (fully satisfied at 31 December 2018), the Group is of the opinion that this risk is significantly mitigated and that it is able to raise sufficient financial resources and at a competitive cost. A more detailed analysis of the risk in question, including a description of the Group's principal sources of finance, can be found in the Explanatory Notes to the Consolidated Financial Statements.

Exchange rate volatility

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

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

However, since Prysmian prepares its consolidated financial statements in Euro, fluctuations in the exchange rates used to translate the financial statements of subsidiaries, originally expressed in a foreign

² The financial covenants are measured at the half-year close on 30 June and at the full-year close on 31 December.

currency, could affect the Group's results of operations and financial condition. Exchange rate volatility is monitored both locally and centrally, by the Group Finance department, also using specific indicators designed to intercept potential risk situations which, when thought to exceed the defined tolerance limits, will trigger immediate mitigating actions.

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

Interest rate volatility

Changes in interest rates affect the market value of the Prysmian Group's financial assets and liabilities as well as its net finance costs. The interest rate risk to which the Group is exposed is mainly on long-term financial liabilities, carrying both fixed and variable rates. Fixed rate debt exposes the Group to a fair value risk. The Group does not operate any particular hedging policies in relation to the risk arising from such contracts since it considers this risk to be immaterial. Variable rate debt exposes the Group to a rate volatility risk (cash flow risk). The Group can use interest rate swaps (IRS) to hedge this risk, which transform variable rates into fixed ones, thus reducing the rate volatility risk. IRS contracts make it possible to exchange on specified dates the difference between contracted fixed rates and the variable rate calculated with reference to the loan's notional value. A potential rise in interest rates, from the record lows reached in recent years, could represent a risk factor in coming quarters.

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

Credit risk

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

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

Liquidity risk

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

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

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

As at 31 December 2018, the Group's total financial resources, comprising cash and cash equivalents and undrawn committed credit lines, came to in excess of Euro 1 billion.

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

Risks associated with commodity price volatility

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

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

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

OPERATIONAL RISKS

Liability for product quality/defects

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

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

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

Projects for high/medium voltage submarine or underground connections are characterised by contractual forms entailing a "turnkey" type of project management that therefore demands compliance with deadlines and quality standards, guaranteed by penalties calculated as an agreed percentage of the contract value and that can even result in contract termination.

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

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

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

With regard to the events involving Western Link, an electrical transmission cable between Scotland, Wales and England, please refer to the sections on Significant Events in the Year and Significant Events after the Reporting Period within the Explanatory Notes to the Consolidated Financial Statements.

Risk of business interruption through dependence on key assets

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

The construction of a new cable-laying vessel began in 2018, with a best-in-class specification. As a result, the risk of dependence on the "Giulio Verne" cable-laying vessel has been significantly reduced.

Prysmian addresses this risk through:

- a systematic Loss Prevention program, managed centrally by the Risk Management department, which, through periodic on-site inspections, allows the adequacy of existing systems of protection to be assessed and any necessary remedial actions decided to mitigate the estimated residual risk. As at 31 December 2018, the Group's operating plants were sufficiently protected and no significant exposures to risk were noted. All the plants have been classified as "Excellent Highly Protected Rated (HPR)", "Good HPR" or "Good not HPR", in accordance with the methodology defined by internationally recognised best practices in the field of Risk Engineering & Loss Prevention;

- specific disaster recovery & business continuity plans which allow appropriate countermeasures to be activated as soon as possible in order to minimise the impact of a catastrophic event and to manage any consequent crisis;
- specific insurance programs for coverage against any damage to assets and loss of associated contribution margin due to business interruption, such as to minimise the financial impact of this risk on cash flow.

Environmental risks

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

Considering the large number of the Group's plants, the probability of an accident with consequences for the environment, as well as for continuity of production, cannot be ignored or the resulting potentially significant economic and reputational impact. Accordingly, Prysmian adopts a series of controls that keep the risk at an acceptable level. In fact, environmental issues are managed centrally by the HQ Health Safety & Environment (HSE) department which oversees local HSE departments and is responsible for organising specific training activities, for adopting systems to ensure strict adherence to regulations in accordance with best practices, as well as for monitoring risk exposures using specific indicators and internal and external auditing activities.

With reference to just the production sites within the pre-acquisition Prysmian Group, the certified percentage has remained relatively stable, with 95% certified under ISO 14001 and 78% certified under OHSAS 18001; in addition, specific other Organisations have also been certified (R&D, installation activities, kitting and distribution centres, etc.), for a total of four OHSAS 18001 certificates and two ISO 14001 certificates.

The overall situation has been changed by the acquisition of General Cable, about a third of whose plants (not counted in the above percentages) are currently certified under the standards in question (ISO 14001 and OHSAS 18001).

Therefore, following the acquisition, the programme of certifications at Group level has been duly revised, with the intent of certifying all the production units (except for specific cases) in the future.

Cyber security risks

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

Management department, the Group's IT Security function periodically performs specific assessments to identify any vulnerabilities in IT systems locally and centrally that could compromise business continuity.

Furthermore, since 2016 Prysmian Group has started to implement a structured and integrated process for managing cyber security-related risks which, under the leadership of the Group IT Security function, in partnership with the Risk Management department, aims to strengthen the Group's IT systems and platforms and introduce robust mechanisms to prevent and control any cyberattacks. A cogent Information Security strategy has been defined in this regard that clarifies the governance structure adopted by the Group and the guidelines for managing cyber risk in connection with IT architectures and business processes. A special Information Security Committee, consisting of the key figures involved in managing cyber risk³, has been appointed with the mission of defining the strategic and operational Cyber Security objectives, of coordinating the main initiatives undertaken, and of examining and approving policies, operating procedures and instructions. The Committee is convened on a periodic basis (twice a year) and in any case upon the occurrence of any extraordinary events or crises. Lastly, specific e-learning training sessions have been provided to all the Group's IT staff with the aim of increasing their awareness of this issue.

LEGAL AND COMPLIANCE RISKS

Compliance risks associated Code of Ethics, Policies and Procedures

Compliance risk generically represents the possibility of incurring legal or administrative sanctions, material financial losses or reputational damage as a result of violations of prevailing laws and regulations. Prysmian Group deploys a series of organisational procedures designed to define the principles of legality, transparency, fairness and honesty through which to operate. In particular, since its inception, the Group has adopted a Code of Ethics, a document which contains the ethical standards and the behavioural guidelines that all those engaged in activities on behalf of Prysmian or its subsidiaries (including managers, officers, employees, agents, representatives, contractors, suppliers and consultants) are required to observe. The Group undertakes, through its Internal Audit & Compliance department, to constantly monitor compliance and actual application of these rules, with no type of violation tolerated.

However, despite this ongoing endeavour, assiduous vigilance and periodic information campaigns, it is not possible to rule out future episodes of improper conduct in breach of policy, procedures or the Code of Ethics, and hence of current legislation and regulations, by those engaged in performing activities on Prysmian's behalf, which could result in legal sanctions, fines or reputational damage, even on a material scale.

³ The following sit, as permanent members, on the Information Security Committee: the Chief Operating Officer, the Vicepresident HR&Organization, the Chief Security Officer, the Chief Information Officer, the Chief Risk Officer, the Chief Audit & Compliance Officer and the Group's IT Security Manager.

Risks of non-compliance with Data Protection (Privacy) legislation

In the current context, featuring a continuous globalisation of business, a proliferation of channels, information access and an increase in volume and types of data managed, Prysmian has the chance to create new opportunities and new services; at the same time, however, it is experiencing a time of great complexity concerning the governance of data and its compliance with international regulations, as well as the growth of potential threats to the confidentiality, integrity and availability of information.

It is therefore essential to address the issue of how to manage information and data considered confidential or sensitive, not solely as a compliance problem but also as a security problem and a business priority.

Furthermore, the coming into force, in May 2018, of the new European Regulation (EU) 2016/679 (GDPR – General Data Protection Regulation) is one of the driving forces behind a renewed commitment to data protection, particularly personal data.

The personal data protection programme adopted by Prysmian is based on three fundamental elements impacting the entire corporate structure:

- Development of a "data-centric" model by mapping the relevant personal data processed by the company functions and establishing a data processing register;
- Definition of a new updated governance model, designed to meet the requirements of the GDPR and based on the following pillars:
 - A new organisational structure that includes the appointment of a Data Protection Officer, serving in an advisory and monitoring capacity, with the appropriate duties and responsibilities delegated to Internal Data Supervisors, who are responsible for the more substantial processing of data and supervise the activities of persons who process the data;
 - A series of new policies and standard appointment documents.
- Implementation of adequate technical, organisational measures to guarantee a level of security appropriate to the risk.

The programme also includes communication and training materials to raise user awareness of the GDPR and of the measures adopted by Prysmian to ensure compliance with this Regulation.

Following the acquisition of General Cable, the personal data protection programme has been updated and extended to General Cable.

In fact, during the course of 2018, General Cable implemented the new European rules of the GDPR throughout its group and also carried out training for about 800 employees.

Risks of non-compliance with anti-bribery legislation

In recent years, legislators and regulators have devoted much attention to the fight against bribery and corruption, with a growing tendency to extend responsibility to legal entities as well as to natural persons. With growing internationalisation, organisations more and more often find themselves operating in contexts exposed to the risk of bribery and having to comply with the many related regulations, such as Italian Legislative Decree 231/2001, Italy's Anti-bribery Law (Law 190/2012), the Foreign Corrupt Practices Act, the UK Bribery Act etc., all with a common objective: to counteract and repress corruption.

The Group's business model, with a global presence in over 50 countries and a wide array of applications for its products, brings it into constant contact with multiple third parties (suppliers, intermediaries, agents and

customers). In particular, in the Energy (submarine and high voltage) and Oil & Gas businesses, the management of large international projects involves having commercial relations even in countries with a potential risk of bribery (as per the Corruption Perception Index⁴), often through local commercial agents and public officials.

Prysmian Group has therefore implemented a series of actions designed to manage bribery and corruption on a preventive basis; foremost amongst these is the adoption of an Anti-Bribery Policy which prohibits the bribery of both public officials and private individuals and requires employees to abide by it and to observe and comply with all anti-bribery legislation in the countries in which they are employed or active, if this is more restrictive. In addition, specific e-learning activities (training and testing) for all Group personnel are periodically conducted to raise awareness about compliance with this legislation.

In continuity with the previous year, Prysmian Group moved forward in 2018 with the activities defined in its Anti-Bribery Compliance Program, inspired by the ISO 37001 guidelines for Anti-bribery management systems, published on 15 October 2016 and intended to strengthen its monitoring of and focus on compliance issues. This program, in addition to giving greater control over management of the bribery risk, also aims to minimise the risk of punishment if crimes related to corruption are committed by employees or third parties. The core of the ISO 37001 standard is the control of third parties (suppliers, intermediaries, agents and customers) through a due diligence system designed to reveal any critical or negative events that undermine the reputation of third parties with whom Prysmian Group deals. Following the acquisition of General Cable, Prysmian Group's Anti-Bribery Compliance Program has been updated and expanded to include the additional activities in this area envisaged by the General Cable Compliance Program.

Further details about the actions taken by the Group to prevent corrupt practices can be found in the specific section of the annual Sustainability Report.

Risks of non-compliance with antitrust law

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

In keeping with the priorities identified by the ERM process, the Board of Directors has adopted an Antitrust Code of Conduct that all Group employees, directors and managers are required to know and observe in the conduct of their duties and in their dealings with third parties. The Antitrust Code of Conduct was updated during 2018; the new version, published on the company intranet and made available to all the Group's employees, contains the general principles of antitrust law generally found in industry regulations applying in the various jurisdictions in which the Group operates. In addition, other more detailed documents are

⁴ The Corruption Perception Index (CPI) is an indicator published annually by Transparency International, used to measure the perception of public sector corruption in various countries around the world.

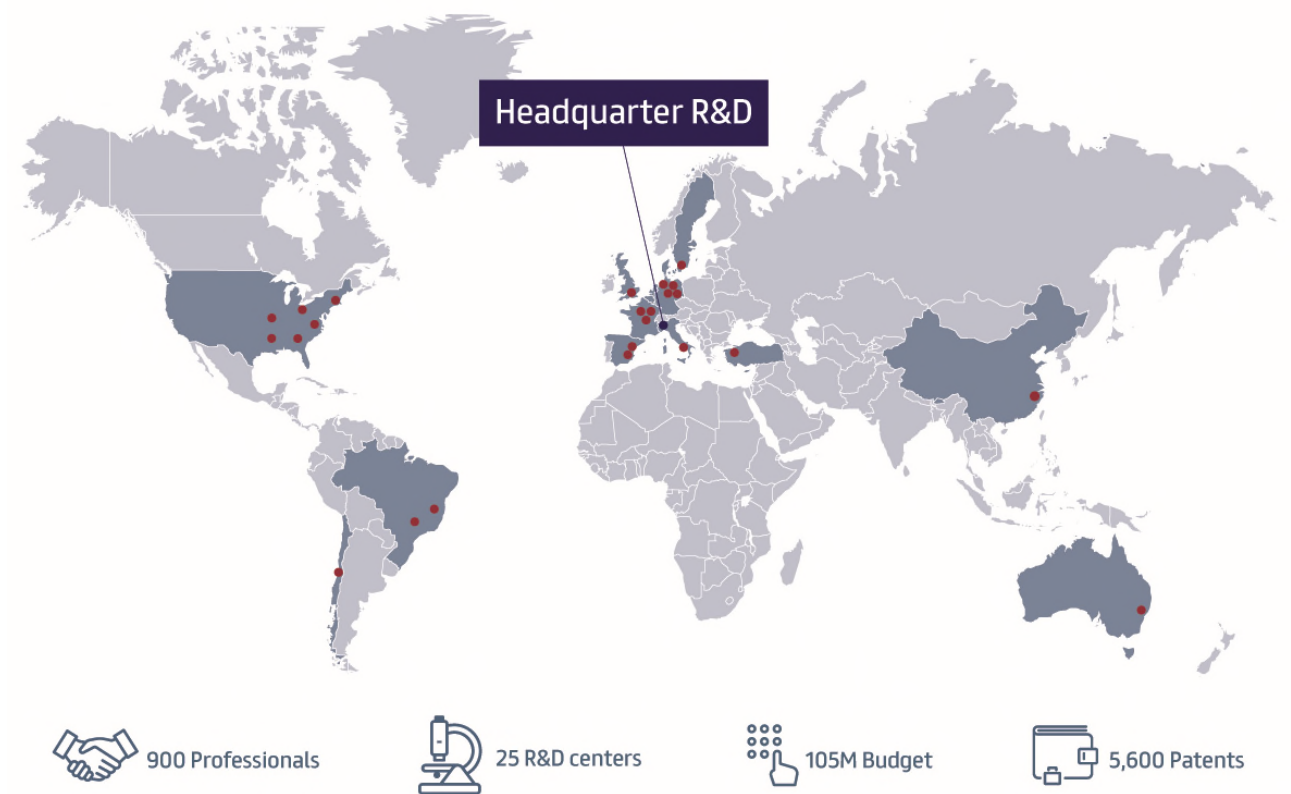
currently being prepared, each focusing on the antitrust legislation specifically applicable in the main countries in which the Group operates. The Antitrust Code of Conduct forms an integral part of the training program and is intended to provide a framework for the issues concerning application of EU and Italian competition law concerning collusive practices and abuse of dominant position, within which specific situations are assessed on a case-by-case basis. These activities represent a further step in establishing an "antitrust culture" within the Group by promoting knowledge and heightening individual accountability for professional duties arising under antitrust legislation. In this context, specific classroom training sessions were held in 2017 and 2018 mostly for the Group's sales force and organised in collaboration with external lecturers and legal consultants. In addition, E-learning modules were launched on the company intranet during 2018 with the aim of continuously supporting and raising awareness of and attention to this issue.

With regard to the antitrust investigations still in progress, details of which can be found in Note 14. Provisions for risks and charges in the Explanatory Notes to the Consolidated Financial Statements, the Group has a provision for risks and charges as at 31 December 2018 of approximately Euro 233 million. Despite the uncertainty of the outcome of the investigations in progress and potential legal action by customers as a result of the European Commission's decision adopted in April 2014, as described in the Explanatory Notes (Note 14. Provisions for risks and charges), the amount of this provision is considered to represent the best estimate of the liability based on the information now available.

PLANNING AND REPORTING RISKS

Planning and reporting risks are related to the adverse effects that irrelevant, untimely or incorrect information might have on the Group's strategic, operational and financial decisions. At present, in view of the reliability and effectiveness of internal procedures for reporting and planning, the Group does not consider these risks to be relevant.

RESEARCH AND DEVELOPMENT



The merger of General Cable to the Prysmian Group has created a R&D Powerhouse.

Investments across Prysmian Group on Research, Development and Innovation during 2018 totaled about EUR 105⁵ million, confirming our strong commitment and focus on sustainable growth over the long term.

Prysmian group's focus on innovation is supported by over 900 professionals in 25 R&D Centers across the entire globe close to our customers and our manufacturing facilities. Our flagship research center is in Milan next to our corporate headquarters where we have committed to world class investment to maintain our market leadership in the wire and cable industry.

Prysmian and General Cable both have a very rich history of successful development and commercialization of flagship products and well recognized brands in the wire and cable industry. The combined company now has the broadest product portfolio in this space to service customers in any part of the world. We worked on

⁵ Of which EUR 98 million opex and EUR 7 million capex

several groundbreaking product innovations in 2018. This section highlights those that are most significant from the point of view of sustainability.

We continued our continuous improvement focus on optimization of costs via the **Design to Cost (DTC)** program using better materials, efficient processes and innovative designs. This program achieved cost savings totaling more than EUR 18 million in 2018 through more than 1000 projects in our manufacturing plants. These projects deliver improve productivity and lower materials consumption resulting in a lower environmental impact from our products.

PROJECTS

Submarine cables

During 2018, activities related to 3-cores cable with aluminum conductor have been accomplished with the completion of RTE 220 kV AC Type Test. Moreover, it has been successfully completed also the Type Test of 3-cores cable of RTE 220 kV AC with **bi-metallic joint** (aluminum and copper conductor jointed together), which allows a cost effective optimization of the entire link using the most expensive conductors only close to the shore and in the landfall cross section, while optimizing the conductor choice for the rest of the subsea link portion, ensuring greater sustainability of the connection itself.

Below, the list of other milestone projects:

- Studies and activities related to welding of conductors, specifically for AC systems, with different design started during 2018 and will be finalized during 2019: use of **Milliken conductor** is indicated for land and landfall applications due to its low losses properties and the welding with standard Class 2 conductor typically used for submarine link will allows greater sustainability of the entire link.
- Within the **MI** (mass impregnated) **paper** technology, the qualification of the system at higher temperature (60°C instead of the actual 55°) has been planned, allowing to transmit more power with the same conductor cross section. Prototype with **MI PPL** (paper polypropylene laminated) technology have been produced during 2018 and it will be tested up to 800 kV DC within 2019.
- Within the year, the development of an innovative lighter 3-cores cable has been successfully completed and it will allow the installation at **higher water depths**, not technologically achievable in the past years (the backup would have been the installation of three stand-alone cables that made the link not economically convenient). Interconnections between island and mainland will guarantee a more balanced grid and less dependency form electricity production with Diesel generator and a better, case by case, management on natural reserves.
- During the year, development projects up to **600 kV DC extruded technology** proceeded as per planning, with the use of XLPE and P-Laser as insulation materials.

In the case the extra high voltage cable version with P-Laser insulation, the development of the **P-Laser flexible joint** continued with the so-called intrusion technology by means of which the insulation is reinstated by extruding the material within the joint area.

In the case of extra high voltage cable with XLPE technology, the intrusion joint technology has been recently introduced and first development activities started during 2018 and will be completed within 2019 with thermal stability test and pre-qualification tests, introducing on the market innovative solution for submarine interconnections at higher voltages.

Cables for submarine applications have to be water proof and the technology so far is based on use of water tight lead sheaths: during 2018 has been introduced on the market solutions with reduced lead screen thickness, for stand alone XLPE extruded cable 220 kV AC and for 3-cores XLPE extruded cable 220 kV AC, with the double benefits on the reduction of losses (thus improving efficiency of the system) and a positive impact on the environment.

- The path towards a totally lead free world in the cable submarine market is proceeding fast with the positive completion of the development activities related to **leadless technology**, based on a longitudinally welded copper sheath. A first prototype has been manufactured during 2018 and the full qualification will be completed in the first months of 2019. Furthermore, this technology will also allow the development of dynamic connections for offshore platforms, thus expanding the range of wind systems to even the deepest seas.
- Finally, the feasibility study of **monitoring system** for submarine systems in EHV, AC or DC over long distances, using **Prycam Gate** technology, has been further developed. The full purpose of the project is implement and integrate within the cable smart diagnostic system able to prevent possible issues during operational service of the system, allowing preventive maintenance and minimizing the repair time, but also allowing a quick detection of fault position in this way reducing the repairmen time and the link out of service.

Terrestrial cables

•In the field of Product Development of Very High Voltage Cable Systems, significant progress was made simultaneously in qualification of both XLPE and proprietary P-Laser systems for **525kV HVDC** applications. Suitable technological parameters have been defined and multiple prototypes produced for extensive internal evaluations. Thanks to P-Laser technology, the system can operate at a higher conductor temperature of 90°C.

•Development of **UHV AC** cable systems development (up to **800 kV**) have been pursued and two innovative XLPE candidates has been downselected (after a screening of 8 potential candidates).

•New Technological advancements have been reached in China with the production in Yixing Plant of the prototypes to qualify a XLPE 500 kV AC cable system.

•In the Technological Transfer Activities, the start-up of the new HV Plant in La Rosa (Argentina) has to be highlighted. **Welding Aluminum Sheath (WAS)** technology was introduced by commissioning and

producing prototypes with the newly installed welding line, while prototypes to qualify the new Maillefer CCV line were insulated. Whole Technological Transfer, included Personnel training and Technological instruction redaction has been completed.

•In the field of Underground Network Components Technology Development, two projects were completed. The first one gave as a result a new distributor for class 300 kV accessories insulation step, with improvement of injection conditions and mechanical performances of the EPR sleeve.

The second project allows to produce the elastic cross-linked jackets for “Speed Series” accessories without the use of a metallic support, with cost reduction, process simplification and increase of reliability of the final product.

ENERGY

T&I (Trade and Installers)

CPR regulation has been actively introduced in some EU countries, where more severe requirements in terms of flame propagation, smoke productions, acidity of gas developed during fire and droplets have been applied for the products to be installed in places with a certain level of risk of fire. In these countries (mainly Italy, Spain, The Netherlands) the **High Performance CPR** Euroclasses, typically Dca, Cca and B2ca, are mandatory for application in these (see above) environments and sanctions are applied for the not-compliant players. In this sense Prysmian is actively leading the process of development and standardization of the new products, and additionally is moving with the other players in the sector (like distributors, fire brigades, specifiers) in order to fix any concern or procedural issue related to the application of CPR.

In other EU countries the CPR regulation is entered into force but the definition of the Euroclass levels to be applied for the different environments hasn't been finalized yet; so extensive work on this subject is expected to take place in the next 2 – 3 years.

Oil&Gas

The O&G market crisis, in its first and still partial recovery trend, is still strongly focused on design to cost, optimization and new products development. A deep product range optimization for the offshore applications has been successfully introduced in 2018, including new materials concepts and process improvements: the results are ready to be applied at Operational level and are being extended to all the focused production units of the Group in a structured activity which will continue in 2019.

In the field of cables for **submersible pumps (ESP)** a comprehensive cost optimization program has been defined and successfully completed on the most business relevant product segments. On the other side, the trend of simplifying the extraction system considered as a whole, including the installation and maintenance phases, accelerates the development of innovative solutions and requires a broader, application-based approach with a co-design of new combined systems in partnership with key System Integrators.

A new range of **Genfire®** JF30+ products have been developed ensuring the greatest safety of people and facilities in extreme fire scenarios. It is an innovative solution able to pass the Jet Fire test in accordance to ISO 22899-1 standard with an enhance heat flux (350kW/m², 1300°C). With this Technology development, a

wide range of products has been approved for the Jet Fire test in accordance to ISO-22899-1 and defined in NEK-TS606:2016 for offshore and onshore applications.

OEMs

In 2018, the intense activity of development and improvement of products for the industrial market continued, including a vast and varied number of applications, with a structured focus on the developing markets and on the Customer applications needs.

Wind tower cable systems have been developed and successfully launched to reduce the amount of manpower needed by the OEMs and Contractors on the field during installations in harsh, remote or simply expensive environments.

For Crane, Mining, Wind and Rolling Stock all the proprietary Compounds formulations for MV insulations have been successfully switched to **new lead-free** variants.

Prysmian Electronics

In 2018 PE has been involved in the developments of two important products. The first is the monitoring version of a products that we are working on since 2015 and based on a patent of the same year. This device is designed to implement the “**Pry-Cam Gate**” concept, (detection of partial discharges based on “time to flag” principle) on a monitoring system for DC cable system. In particular this device is especially designed to check the presence of PD in joints giving as result a simple traffic light. This device ah been installed in “Laguna” project for Terna and will be install in Eleklinc project starting from the last part of the year.

The second development of 2018 is the new **GUI** for the monitoring system. In particular a new software has been developed with the aim to manage all the information acquired by Pry-Cam products (Grids for PD, DLOG for analog parameter as voltage current pression, etc, DTS, DAS) in a unique software platform.

TELECOM

Optical Cables

2018 saw the launch of new FlexRibbon™ products reaching up to 6912 optical fibres to offer increased functionality to data centres. Designed to maximize fibre density and duct space utilization, Prysmian's **MassLink™** with **FlexRibbon™** technology products compact the maximum fibre count into the smallest cable possible, by using extremely flexible fibre ribbons that can either be rolled up for high packing densities or laid flat for ribbon splicing. The significantly smaller diameter and lighter weight cables have superior kink resistance and increased flexibility, which allows for easier installation and the use of smaller ducts. In the case of the 1728 fibre design, there is a 21 percent smaller diameter (38 percent volume reduction) over traditional flat ribbon designs. And while the new FlexRibbon™ products provide high packing density, they also feature 200 and 250-micron fibre ribbons that still provide the advantages of mass fusion splicing. With this latest product enhancement, Prysmian Group is reaffirming its commitment to investing in its optical fibre and cable capacities to respond to the evolving needs of the market and support its customers in developing new, reliable and efficient broadband networks.

Optical fibres

To increase the capacity of data communications (local-area and intra-data-centre networks), the use of multiple high-bandwidth OM4 MMFs in parallel has been the preferred solution. For speeds higher than 400Gbps, however, this can make cabling management too complex. Wide-Band MMFs, compatible with wavelength division multiplexing, offer a simple path to reduce fiber counts. After pioneer work started in 2014, we are now producing and selling this **new type of MMF**, standardized as **OM5**, that allow for migration to future bit rates while being compatible with current OM4 systems. We have also been working on new types of fibers that allow for **Spatial Division Multiplexing (SDM)**, a unique multiplexing technology able to cope with capacity demand that is growing at an exponential rate. These SDM fibers (few-mode fibers that multiply the capacity by the number of modes, and multi-core fibers that multiply the capacity by the number of cores) could find applications in short-reach green-field applications such as data centre interconnects.

Connectivity

Prysmian has continued to expand its product range for use in ultra broadband access networks. In 2018 a strong focus was made on products that enable full fibre to the premises **connections**, in multi dwelling unit applications. This included a range of termination boxes for use with pre-connectorized drop cables, such as the PBI-8SC and MTWB. A number of additional customer termination boxes such as the CTB Lite, 4f Hybrid CTB and the unroller termination box were also launched. In addition to the range of MDU boxes launched, Prysmian continued its focus on expanding its outside plant closure range, with a range of addition items to provide further functionality such as splitter trays and ribbon trays.

OPGW and Specials

In the OPGW & Specials BU, the Technology of stainless steel with an aluminium coating has been consolidated up to 96 fibres while the **monotube aluminium extruded** Technology has been further reinforced. With these technologies different projects have been awarded, such as the OPGW supply contract with EVN (Vietnam) and ESKOM (South Africa).

The Specials family of high mechanical strength and chemical for applications such as sensing, OGP and sub-aqua have been further developed. With these technologies different projects have been awarded such as the Shell's sub aqua connection (Nigeria) or fibre network at Petrobel project (Egypt).

Multimedia Solutions and Data Communication Cables

Originally developed for application in the Automotive environment, **Single-Pair-Ethernet (SPE)** is now deployed into structured cabling. Especially in areas with limited demand for bandwidth (e.g. industrial application) SPE will be able to contribute additional benefit of Ethernet interoperability using resource and space saving cable solution compared to traditional bus-system. Standardisation projects for cabling, connecting hardware and cables are on-going. Maximum bandwidth currently specified is 1 Gb/s. All channels under development are based on screened cables and connectors. First samples are run in order to have a suitable design ready and adjusted to connector system once standards are finalised.

About Data Communication Cables, a new generation of small diameter 10Gig Category 6A cables was introduced in 2018 for our North America customers. With a revolutionary design developed to find the perfect blend of product performance and product size, the new **GenSPEED® 10 Category 6A** Cables is the industry's first Category 6A Cable to feature a 0.250" overall diameter with enhanced performance and maneuverability. Its innovative technology and reduced size is perfect for migrating to a Cat 6A infrastructure, allowing for improved cable management, installation and handling. It is a win for all partners in the value chain and the environment alike. The smaller size allows for packaging up to 3X number of reels per pallet and improves transportation efficiency. Lighter cable is easier to manage when loading trucks or moving around a jobsite and can help reduce the risk of worksite injuries.

INNOVATIVE MATERIALS

Prysmian is investing in leading research to push the boundaries of innovation in materials and surface science for cables and accessories. The main results achieved during 2018 include:

- Industrialization of the full MV disconnectable joint completed with full satisfaction of the plant in France, the new materials show better performance in the molding process than the previous ones leading even to a significative reduction of the scrap generated.
- Development of materials for MV and HV accessories that could be extruded without the central support of an aluminum tube.
- Development of insulating compounds for HV accessories **without lead**, materials developed and now ready to be tested on model cables in the laboratory.
- Development of a new sheathing material for oil and gas able to meet the requirements of the market more and more stringent in term of cost preserving the target performance.
- Development of a patented masterbatch to be used with the LV XLPE able to reduce significantly the **dripping** of the material during the burning of the cable.
- Studies with the University of Salerno on polypropylene materials ongoing, scope of the work is to find a material that can withstand better the heavy thermal conditions applied to the **EHV** cables during the long term electrical tests.
- Development of a method to study the decomposition of **mica glass** tapes at high temperatures (up to 1500° C) to evaluate the performance of products in current use.
- In the field of low-weight submarine reinforcements, the collaboration with a **UHMW-based polyethylene** fiber producer lead to a product that we can now use to make prototypes of cables with new designs.
- Research into a new optical fiber coating formulation based on a sustainable green raw material that can reduce energy consumption during optical fiber drawing process.
- Studies and evaluations done on polyamides to understand the possibility to use **bio based** polymers.
- Evaluation of nanocarbon forms including **carbon nanotubes (CNTs)** and **graphene** to substitute metal as light weight high performance conductor elements.
- Development of **ice phobic coatings** that can delay ice accretion and reduce ice adhesion on both polymeric and metal substrates
- Development of **antimicrobial coatings** for flexible rubber cords targeting industries requiring high sanitation requirements such as food processing and hospitals.

INTELLECTUAL PROPERTY

Protecting the portfolio of patents and trademarks is a key part of the Group's business, particularly in relation to its strategy of growth in high-tech market segments. During the year, the Group continued to increase its patent assets, especially in segments with higher added value and in support of the significant investments made in recent years. As of 31 December 2018, the Prysmian Group holds 5627 patents and patent applications throughout the world covering 854 inventions (4,845 patents and patent applications covering 741 inventions refers to legacy Prysmian Group perimeter while 782 covering 113 inventions refers to legacy General Cable perimeter). A total of 61 patent applications were filed during 2018 (41 legacy Prysmian Group and 20 legacy General Cable) of which 29 in the Projects and Energy sectors (17 legacy Prysmian Group and 12 legacy General Cable) and 27 in the Telecom sector (24 legacy Prysmian Group and 3 legacy General Cable). Following examination, 200 patents were granted during the year (141 legacy Prysmian Group and 59 legacy General Cable), 54 by the European Patent Office (EPO) (50 legacy Prysmian Group and 4 legacy General Cable) and 31 in the United States (24 legacy Prysmian Group and 7 legacy General Cable).

INCENTIVE PLANS

Long-term incentive plan 2018-2020

The Shareholders' Meeting of Prysmian S.p.A. held on 12 April 2018 approved an incentive plan for employees of the Prysmian Group, including members of the Board of Directors of Prysmian S.p.A., and granted the Board of Directors the necessary powers to establish and implement this plan.

The reasons behind the introduction of the Plan are:

- generation of a strong commitment by the Group's management to achieving the targets for additional growth in profits and return on capital employed;
- alignment of the interests of management with those of shareholders by using share-based incentives, and promoting stable share ownership of the Company;
- to support synergies and the development of a one-company identity by defining a common performance objective and introducing a retention mechanism, also further to the acquisition of General Cable Corporation.

The Plan covers around 600 employees of Group companies and involves the grant of options, the number of which depends on the achievement of common business and financial performance objectives for all participants.

The Plan consists of two parts:

- Co-investment;
- Performance Shares.

The Co-investment part allows each participant to defer and co-invest a variable portion of their annual bonus for the years 2018, 2019 and 2020; if the Target is achieved, this portion will be returned to the participant in the form of company shares with a higher value, depending on the type of co-investment profile selected and the amount co-invested.

The Performance Shares part involves the prior establishment of a minimum and maximum number of shares for each participant, according to their company position and salary level. The number of shares actually awarded will depend on the extent to which the Performance Conditions are achieved. Both parts of the plan are contingent upon achieving the Group's aggregate Adjusted EBITDA for the three years 2018-2020, while the number of shares awarded for the Performance Share part will depend on the level of:

- aggregate Adjusted EBITDA (60%);
- net financial debt at 31 December 2020 (40%).

Total Shareholders Return acts as a multiplier and demultiplier of the total shares awarded for both parts of the plan (+12.5% and -25%).

The employee incentive plan (LTI 2018-2020), introduced to support the integration with General Cable, which got off to a rapid start after the mid-year closing, has been significantly affected in the short-term by unexpected problems encountered in the Projects business during 2018. In fact, although the integration has

continued to be implemented in line with the roadmap for its completion and achievement of the related synergies by 2021, the operating issues, particularly involving the Western Link project, have led management to believe that the above incentive plan is at risk in target terms and nonetheless off track with the new medium-term outlook. Also in light of the General Cable integration plan, currently in progress and due for completion at the end of 2021, management has deemed it appropriate to bring the term of the LTI into line with that of this integration plan, also to lend additional support to the latter's effective pursuit.

Therefore, the Company will submit for approval by the forthcoming Shareholders' Meeting a proposal to adopt several amendments to the Plan, aimed at strengthening its retention and motivational mechanism for management (including the very high number of General Cable participants), who represent the Group's key asset for delivering the ultimate strategy, staying constantly on track with shareholder interests.

The main amendments to the Plan, made for the benefit of participants, concern the period and the performance conditions; the period will be extended to include 2021, making it a four-year plan, in line with the integration roadmap. The revised term of the Plan will better measure the Group's medium-term growth in value.

Additional information about the incentive plans can be found in Note 21 to the Consolidated Financial Statements.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Antitrust Brazil

On 3 January 2019, the Brazilian antitrust authority informed Prysmian that its investigations, notified to the Company in 2011, had been completed and gave it 10 working days for the submission of briefs, duly filed by Prysmian on 18 January 2019. The general superintendence of the Brazilian antitrust authority (Administrative Council for Economic Defense – "CADE") published a Technical Note in the Brazilian Federal Official Gazette on 11 February 2019. The Technical Note sets out the conclusions of CADE's investigations which lean towards the imposition of a fine on Prysmian. The Technical Note contains the recommendation that the amount the CADE Tribunal could fine Prysmian be between 15% and 20% of its turnover in Brazil in 2009. In any case, this recommendation is not binding for the CADE Tribunal. The Tribunal's decision, which will be issued at the end of a public hearing, will be provisionally enforceable but can be challenged before the Brazilian courts.

In view of the circumstances described, the directors, assisted by the Group's legal advisors, have decided to recognise a provision of Euro 68 million.

Development of power transmission grid in Washington D.C.

On 6 February 2019, the Group signed an agreement to participate in a project to upgrade the US capital district's power transmission system. The multi-stage project is worth approximately USD 190 million and is scheduled to run between 2019 and 2026. The first batch of cables worth USD 13 million will be delivered by the end of 2019.

Cables will be manufactured at Prysmian's state-of-the-art factory in Abbeville (South Carolina, USA).

Contract to develop a new submarine cable system in Canada (Fundy Isles)

On 11 February 2019, the Group was awarded a new contract worth Euro 17 million by New Brunswick Power Corporation (NB Power), the largest electric utility in Canada, based in the province of New Brunswick. The Fundy Isles project involves the development of a new submarine cable link to upgrade the capacity of the existing transmission system in the Passamaquoddy Region of the Bay of Fundy. The new submarine power cable will connect Deer Island, Campobello Island and Grand Manan Island to the Canadian province's mainland power grid.

The submarine cable cores will be produced at Prysmian's centre of excellence in Montereau (France), while the cable armouring will be manufactured at its state-of-the-art factory in Nordenham (Germany), part of the Group after the General Cable acquisition. Completion of the project is scheduled for October 2019.

Western Link

On 19 February 2019, a problem was detected in the Western Link interconnector, leading to its temporary switch-off.

The tests and investigations carried out so far have located the problem necessitating the temporary switch-off within the southern land cable section.

Prysmian has already started mobilising specialised teams on site to investigate the nature of the problem further. In parallel, the Group is taking every necessary step to carry out the repairs in the shortest possible time with the least logistical and environmental impact.

As a result of these events, the Group's management has assessed the need for a provision of Euro 25 million. This provision is against contractual penalties, accruing over the period needed for the repair in question, and against costs of producing an additional length of cable for any future repairs or other needs that might arise.

Mediobanca loan and partial repayment of the Bridge Loan

On 20 February 2019, the Group entered into an agreement with Mediobanca for a Euro 100 million medium-term loan for 5 years from the date of signing, with a bullet repayment at maturity. In parallel, a partial repayment of Euro 100 million against the Bridge Loan was instructed on 25 February 2019 for execution on 6 March 2019.

Amendments to the long-term incentive plan 2018-2020

The employee incentive plan (LTI 2018-2020), introduced to support the integration with General Cable, which got off to a rapid start after the mid-year closing, has been significantly affected in the short-term by unexpected problems encountered in the *Projects* business during 2018. In fact, although the integration has continued to be implemented in line with the roadmap for its completion and achievement of the related synergies by 2021, the operating issues, particularly involving the Western Link project, have led management to believe that the above incentive plan is at risk in target terms and nonetheless off track with the new medium-term outlook. Also in light of the General Cable integration plan, currently in progress and due for completion at the end of 2021, management has deemed it appropriate to bring the term of the LTI into line with that of this integration plan, also to lend additional support to the latter's effective pursuit.

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The main amendments to the Plan, made for the benefit of participants, concern the period and the performance conditions; the period will be extended to include 2021, making it a four-year plan, in line with the integration roadmap. The revised term of the Plan will better measure the Group's medium-term growth in value.

BUSINESS OUTLOOK

In 2018, the global economy grew compared to the previous year, despite the emergence of signs of cyclical deterioration in many advanced economies and emerging countries. In the Euro area, growth slowed down as of the second half of the year, partly due to financial instability factors but also to the deterioration of companies' expectations and the weakness of demand.

The US continued to show a robust growth rate, driven by internal consumption and investments. Amongst the main emerging economies, in China the slowdown of economic activity, which started in early 2018, continued also in the last months of the year, despite the fiscal stimulus measures introduced by the government.

The consolidation of such trends seems to be confirmed in early 2019, and some economies are expected to worsen. The expansion of international economic activity is indeed hindered by multiple uncertainty and risk factors: the consequences of the negative outcome of the US-China trade negotiations currently underway, the rekindling of financial tensions in emerging countries, the decision, as yet to be finalized, on how Brexit will take place.

Within this macroeconomic scenario, Prysmian Group expects that FY 2019 demand in the cyclical construction and industrial cable businesses will be slightly higher than in 2018. The medium voltage utilities cable business is also expected to show a trend of moderate recovery, with uneven performances at the level of the various geographical areas. In the Submarine systems and cables business, Prysmian Group is aiming to reaffirm its leading position, also in light of a market that is expected to remain stable at the levels of 2018. The results of this business will be positively influenced by the recovery of the negative effect of the Western Link provisions (Euro 95 million). At organic level, said results are expected to decrease in 2019 due to the limited collection of orders in 2018. In the High Voltage Underground systems and cables business, the Group expects virtual stability, with a gradual improvement in expected performance in China and South-East Asia due to the new manufacturing set-up. Finally, for the Telecom segment the Group expects that growth will remain solid in 2019, driven by the increase in demand for optical cables in Europe and North America, whereas a slowdown is expected due to a reduction in volumes on the Australian market.

The effect of converting subsidiaries' results into the consolidated reporting currency is assumed to be neutral on the Group's operating performance.

In light of the above considerations, the Group expects to achieve an adjusted EBITDA for FY 2019 in the range of Euro 950-1,020 million, significantly up compared to Euro 837 million reported in 2018 (which included the Euro 95 million negative effect of the Western Link project).

Estimated synergies that can be achieved in 2019 amount to Euro 120 million (Euro 85 million incremental in 2019).

Moreover, for 2019 the Group forecasts a cash flow generation of approximately Euro 300 million, with a foreseeable maximum fluctuation of 10% (FCF before acquisition and disposals). This amount includes the planned cash outflow of Euro 90 million for restructuring and integration activities.

2019 objectives do not include further impacts of the Western Link project and do not take into account the effect of the implementation of IFRS 16. Moreover, the cash objective includes the negative effect of the Western Link criticalities occurred on 19 February 2019, and does not take into account any impacts from the dispute with the Brazilian Antitrust Regulator.

Prysmian Group continues to optimise its organisational and production structures with the aim of achieving by financial year 2021, a level of cumulated synergies generated by the integration of General Cable of Euro 175 million (compared to Euro 35 million realised at year-end 2018), a higher amount compared to the previous target of Euro 150 million by 2022 and one year ahead of initial expectations.

This forecast is based on the Company's current business perimeter.

OTHER INFORMATION

Related party transactions

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

The Group has also published, including on its website, the procedures adopted to ensure the transparency and substantive and procedural fairness of related party transactions.

Information about related party transactions, including that required by the Consob Communication dated 28 July 2006, is presented in Note 33 to the Consolidated Financial Statements at 31 December 2018.

Atypical and/or unusual transactions

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions took place during 2018.

Secondary offices and key corporate information

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

Financial risk management

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

Treasury shares

Information about treasury shares can be found in Note 11 to the Consolidated Financial Statements at 31 December 2018.

CERTIFICATION PURSUANT TO ART. 2.6.2 OF THE ITALIAN STOCK EXCHANGE MARKET REGULATIONS

Suitable measures have been taken to ensure compliance with art. 15 of the Regulations issued by Consob under Resolution no. 20249 of 28 December 2017, concerning conditions for the listing of shares of parent companies that control companies incorporated under and regulated by the law of countries other than EU member states and which are material to the Consolidated Financial Statements, and whose conditions apply to the Company.

Milan, 5 March 2019

ON BEHALF OF THE BOARD OF DIRECTORS
THE CHAIRMAN
Claudio De Conto

Consolidated Financial Statements



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	Note	31 December 2018	of which related parties (Note 33)	31 December 2017 (*)	of which related parties (Note 33)	1 January 2017 (*)	of which related parties
Non-current assets							
Property, plant and equipment	1	2,629		1,646		1,631	
Intangible assets	2	2,132		735		792	
Equity-accounted investments	3	294	294	217	217	195	195
Other investments at fair value through other comprehensive income	4	13		12		12	
Financial assets at amortised cost		5		2		2	
Derivatives	8	2		14		3	
Deferred tax assets	16	161		149		146	
Other receivables	5	33		18		21	
Total non-current assets		5,269		2,793		2,802	
Current assets							
Inventories	6	1,515		954		906	
Trade receivables	5	1,635	3	1,131	6	1,088	14
Other receivables	5	666	5	419	5	735	5
Financial assets at fair value through profit or loss	7	25		40		57	
Derivatives	8	19		45		40	
Financial assets at fair value through other comprehensive income	4	10		11		-	
Cash and cash equivalents	9	1,001		1,335		646	
Total current assets		4,871		3,935		3,472	
Assets held for sale	10	3		-		-	
Total assets		10,143		6,728		6,274	
Equity attributable to the Group:		2,258		1,451		1,411	
Share capital	11	27		22		22	
Reserves	11	2,101		1,188		1,143	
Net profit/(loss) for the period		130		241		246	
Equity attributable to non-controlling interests:		188		188		227	
Share capital and reserves		188		192		211	
Net profit/(loss) for the year		-		(4)		16	
Total equity		2,446		1,639		1,638	
Non-current liabilities							
Borrowings from banks and other lenders	12	3,161		1,466		1,114	
Other payables	13	12		8		18	
Provisions for risks and charges	14	51		33		40	
Derivatives	8	9		2		12	
Deferred tax liabilities	16	238		103		111	
Employee benefit obligations	15	463		355		383	
Total non-current liabilities		3,934		1,967		1,678	
Current liabilities							
Borrowings from banks and other lenders	12	98		370		172	
Trade payables	13	2,132	5	1,686	4	1,498	4
Other payables	13	921	1	692	5	875	3
Derivatives	8	41		35		24	
Provisions for risks and charges	14	533	4	321	4	339	2
Current tax payables		38		18		50	
Total current liabilities		3,763		3,122		2,958	
Total liabilities		7,697		5,089		4,636	
Total equity and liabilities		10,143		6,728		6,274	

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

CONSOLIDATED INCOME STATEMENT

(in millions of Euro)

	Note	2018	of which related parties (Note 33)	2017 (*)	of which related parties (Note 33)
Sales of goods and services	17	10,158	29	7,904	34
Change in inventories of work in progress, semi-finished and finished goods	18	(85)		57	
Other income	19	139	5	81	5
Raw materials, consumables used and goods for resale	20	(6,542)	(20)	(4,912)	(15)
Fair value change in metal derivatives		(48)		12	
Personnel costs	21	(1,260)	(11)	(1,086)	(26)
<i>of which personnel costs for company reorganisation</i>		(57)		(24)	
<i>of which personnel costs for stock option fair value</i>		(6)		(49)	
Amortisation, depreciation, impairment and impairment reversals	22	(232)		(199)	
<i>of which other impairment</i>		(5)		(18)	
Other expenses	23	(1,879)	(1)	(1,475)	
<i>of which non-recurring (other expenses) and releases</i>		(69)		(18)	
<i>of which (other expenses) for company reorganisation</i>		(9)		(6)	
Share of net profit/(loss) of equity-accounted companies	24	59	59	42	42
Operating income		310		424	
Finance costs	25	(414)		(349)	
<i>of which non-recurring finance costs</i>		(2)		(2)	
<i>of which impact from hyperinflationary economies</i>		(6)			
Finance income	26	302		250	
Profit/(loss) before taxes		198		325	
Taxes	27	(68)		(88)	
Net profit/(loss) for the year		130		237	
Attributable to:					
Owners of the parent		130		241	
Non-controlling interests		-		(4)	
Basic earnings/(loss) per share (in Euro)	28	0.53		1.14	
Diluted earnings/(loss) per share (in Euro)	28	0.53		1.11	

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Euro)

	2018	2017 (*)
Net profit/(loss) for the year	130	237
Comprehensive income/(loss) for the year		
- items that may be reclassified subsequently to profit or loss:		
Fair value gains/(losses) on cash flow hedges - gross of tax	(14)	11
Fair value gains/(losses) on cash flow hedges - tax effect	4	(5)
Measurement of financial instruments at fair value through other comprehensive income	(1)	-
Currency translation differences	(6)	(169)
Total items that may be reclassified, net of tax	(17)	(163)
- items that will NOT be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on employee benefits - gross of tax	(4)	17
Actuarial gains/(losses) on employee benefits - tax effect	2	(3)
Total items that will NOT be reclassified, net of tax	(2)	14
Total comprehensive income/(loss) for the year	111	88
Attributable to:		
Owners of the parent	104	120
Non-controlling interests	7	(32)

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of Euro)

	Share capital	Cash flow hedge reserve	Currency translation reserve	Other reserves	Net profit/(loss) for the year	Equity attributable to the Group	Non-controlling interests	Total
Balance at 31 December 2016 (*)	22	(13)	(156)	1,312	246	1,411	227	1,638
Allocation of prior year net result	-	-	-	246	(246)	-	-	-
Dividend distribution	-	-	-	(91)	-	(91)	(10)	(101)
Fair value - stock options	-	-	-	49	-	49	-	49
Equity component of Convertible Bond 2017	-	-	-	48	-	48	-	48
Share buyback	-	-	-	(100)	-	(100)	-	(100)
Non-controlling interests purchased in subsidiaries	-	-	-	(3)	-	(3)	-	(3)
Capital contributions by non-controlling interests	-	-	-	-	-	-	3	3
Partial conversion of Convertible Bond 2013	-	-	-	17	-	17	-	17
Total comprehensive income/(loss) for the year	-	8	(143)	14	241	120	(32)	88
Balance at 31 December 2017(*)	22	(5)	(299)	1,492	241	1,451	188	1,639

(in millions of Euro)

	Share capital	Cash flow hedge reserve	Currency translation reserve	Other reserves	Net profit/(loss) for the year	Equity attributable to the Group	Non-controlling interests	Total
Balance at 31 December 2017(*)	22	(5)	(299)	1,492	241	1,451	188	1,639
Allocation of prior year net result	-	-	-	241	(241)	-	-	-
Fair value - stock options	-	-	-	6	-	6	-	6
Dividend distribution	-	-	-	(96)	-	(96)	(9)	(105)
Capital increase	3	-	-	493	-	496	-	496
Change in scope of consolidation	-	-	-	-	-	-	2	2
Conversion of convertible bond 2013	2	-	-	281	-	283	-	283
Monetary revaluation for hyperinflation	-	-	-	14	-	14	-	14
Total comprehensive income/(loss) for the year	-	(9)	(14)	(3)	130	104	7	111
Balance at 31 December 2018	27	(14)	(313)	2,428	130	2,258	188	2,446

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Euro)

	2018	of which related parties (Note 33)	2017 (*)	of which related parties (Note 33)
Profit/(loss) before taxes	198		325	
Depreciation, impairment and impairment reversals of property, plant and equipment	173		154	
Amortisation and impairment of intangible assets	59		45	
Net gains on disposal of property, plant and equipment, intangible assets and on dilutions of interests in associates and other non-monetary movements	(37)		(2)	
Share of net profit/(loss) of equity-accounted companies	(59)	(59)	(42)	(42)
Share-based payments	6		49	
Fair value change in metal derivatives and other fair value items	48		(12)	
Net finance costs	112		99	
Changes in inventories	80		(101)	
Changes in trade receivables/payables	108	4	122	8
Changes in other receivables/payables	(184)	(4)	64	2
Taxes paid	(110)		(104)	
Dividends received from equity-accounted companies	16	16	10	10
Utilisations of provisions (including employee benefit obligations)	(69)		(64)	
Increases and other movements in provisions (including employee benefit obligations)	121		64	2
A. Net cash flow provided by/(used in) operating activities	462		607	
Cash flow from acquisitions and/or disposals ⁽¹⁾	(1,208)		(7)	
Investments in property, plant and equipment	(267)		(237)	
Disposals of property, plant and equipment and assets held for sale	7		3	
Investments in intangible assets	(18)		(20)	
Investments in financial assets at fair value through profit or loss	(7)		(2)	
Disposals of financial assets at fair value through profit or loss	17		11	
Investments in financial assets or equity interests at fair value through other comprehensive income	-		(13)	
Investments in associates	-		(1)	
B. Net cash flow provided by/(used in) investing activities	(1,476)		(266)	
Capital contributions and other changes in equity	496		3	
Share buyback	-		(100)	
Dividend distribution	(105)		(101)	
Early repayment of credit facility	-		(50)	
Repayment of EIB Loan 2013	(17)		(16)	
Proceeds of EIB Loan 2017	-		110	
Proceeds of Loans for acquisition ⁽²⁾	1,700		-	
Repayment of Loans for acquisition	(200)		-	
Proceeds of Unicredit Loan	200		-	
Issuance of Convertible Bond 2017	-		500	
Proceeds of CDP Loan	-		100	
Repayment of General Cable Convertible Bond	(396)		-	
Finance costs paid ⁽³⁾	(362)		(398)	
Finance income received ⁽⁴⁾	278		328	
Changes in other net financial receivables/payables	(902)		(7)	
C. Net cash flow provided by/(used in) financing activities	692		369	
D. Currency translation gains/(losses) on cash and cash equivalents	(12)		(21)	
E. Total cash flow provided/(used) in the year (A+B+C+D)	(334)		689	
F. Net cash and cash equivalents at the beginning of the year	1,335		646	
G. Net cash and cash equivalents at the end of the year (E+F)	1,001		1,335	

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

⁽¹⁾ The figure of Euro 1,208 million represents the difference between the cash outlay of Euro 1,290 million to acquire General Cable and the net cash and cash equivalents reported by General Cable at the time of the acquisition. More details can be found in the section on "Business combinations".

⁽²⁾ The figure of Euro 1,700 million excludes loan-arrangement costs of Euro 10 million, which are reported in Finance costs paid.

⁽³⁾ Finance costs paid of Euro 362 million include interest payments of Euro 48 million in 2018 (Euro 33 million in 2017).

⁽⁴⁾ Finance income received of Euro 278 million includes interest income of Euro 4 million in 2018 (Euro 6 million in 2017).

CONSOLIDATED FINANCIAL REPORT

Explanatory notes



EXPLANATORY NOTES

A. GENERAL INFORMATION

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

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

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

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

A.1 SIGNIFICANT EVENTS IN 2018

Mergers & Acquisitions

Acquisition of General Cable

On 4 December 2017, the Prysmian Group and General Cable Corporation announced that they had entered into a merger agreement. Under this agreement, Prysmian S.p.A., through Alisea Corp. (Alisea), a wholly-owned indirect subsidiary of Prysmian S.p.A., and General Cable Corporation (a company whose shares were listed on the NYSE prior to completion of the merger) had entered into an "Agreement and Plan of Merger" governing the terms and conditions of the merger of Alisea into General Cable Corporation.

On 16 February 2018, a special meeting of the shareholders of General Cable Corporation approved Prysmian's acquisition of 100% of General Cable's shares for a consideration of USD 30.00 per share. Present at the meeting was 75.34% of the share capital entitled to vote, of which some 99% voted in favour of the acquisition.

Between March and 2 June, all the approvals or clearances were obtained from the relevant antitrust authorities along with approval by other requisite governmental regulators and authorities (Committee on Foreign Investment in the United States - CFIUS).

The closing of the acquisition was consummated on 6 June, following which all the Alisea shares, wholly-owned by Prysmian, were converted into General Cable Corporation shares resulting from the merger, with the consequence that all the General Cable Corporation shares outstanding on the effective date of the

merger with Alisea were cancelled and converted into a right of their respective holders to receive cash consideration of USD 30.00 per share.

Following consummation of the transaction, General Cable Corporation shares were delisted from the NYSE on 6 June 2018.

The combined group is now present in more than 50 countries with approximately 29,000 employees. Prysmian expects the combined group to generate run-rate pre-tax cost synergies of approximately Euro 175 million by 2022 versus a total of Euro 220 million in integration costs. These synergies will come mainly from improved procurement strategy, overhead cost savings and manufacturing footprint optimisation.

Finance Activities

Interest rate hedging derivatives

In January 2018, the Group entered into interest rate hedging derivatives, transforming variable into fixed rate, with the purpose of reducing rate volatility risk. In particular, forward rate agreements were arranged, for an overall notional value of Euro 850 million, with the objective of hedging variable interest rate flows over the period 2018-2023 on financing contracted by the Group for the General Cable acquisition. Following the acquisition, these agreements have become operative through their transformation into interest rate swaps.

Other interest rate swaps were also arranged in January 2018 for an overall notional value of Euro 110 million, with the objective of hedging variable interest rate flows over the period 2018-2024 on the EIB loan of matching underlying amount.

In July 2018, the Group entered into interest rate hedging derivatives, transforming variable into fixed rate, with the purpose of reducing variable rate risk. In particular, forward rate agreements were arranged, for an overall notional value of Euro 300 million, with the objective of hedging variable interest rate flows over the period 2018-2020 on financing contracted by the Group for the General Cable acquisition. These agreements became operative in September 2018 through their transformation into interest rate swaps.

In November 2018, the Group entered into additional interest rate hedging derivatives, transforming variable into fixed rate, with the purpose of reducing variable rate risk. More specifically, interest rate swaps have been arranged, for an overall notional value of Euro 150 million, with the objective of hedging variable interest rate flows over the period 2018-2023 on financing contracted by the Group for the General Cable acquisition.

General Cable Corporation Acquisition Financing Agreement

On 2 March 2018, the Group entered into an agreement (the Acquisition Financing Agreement) under which a syndicate of leading banks made available lines of credit, intended to finance costs of the General Cable acquisition; in particular:

- (a) Acquisition Term Loan for Euro 1 billion, lasting 5 years from the Acquisition Closing and repayable with a bullet payment at maturity;
- (b) Acquisition Bridge Loan for Euro 700 million, lasting 2 years from the Acquisition Closing and repayable with a bullet payment at maturity.

Further details can be found in Note 12. Borrowings from banks and other lenders.

Capital increase

On 12 April 2018, the shareholders of Prysmian S.p.A. approved a capital increase, in cash, for a maximum amount of Euro 500,000,000.00, including any share premium, to be implemented by issuing ordinary shares with normal dividend rights.

On 27 June 2018, the Board of Directors of Prysmian S.p.A. approved the final terms and conditions of the capital increase, approved by the Shareholders' Meeting on 12 April 2018. In particular, it was decided that the capital increase would take place through the issue of up to 32,652,314 ordinary shares with a nominal value of Euro 0.10 each, to be offered pre-emptively to all shareholders and holders of the Company's convertible bonds, namely the convertible bond known as "Prysmian S.p.A. €500,000,000 Zero Coupon Linked Bonds due 2022", in the ratio of 2 new shares for every 15 option rights held, at an issue price of Euro 15.31 per new share, for a total amount of Euro 499,906,927.34, of which Euro 496,641,695.94 by way of share premium.

The rights offering of up to 32,652,314 new shares closed on 27 July 2018. During the option rights offering period (2 July 2018 - 19 July 2018, the "Option Period"), 239,533,800 option rights were exercised and 31,937,840 new shares were subscribed, with an aggregate value of Euro 488,968,330.40. The 5,358,555 option rights not exercised during the Option Period were then offered on the Italian Stock Exchange. All these rights were sold by the end of the first trading session on 24 July 2018 and were subsequently exercised, resulting in the issue of 714,474 new shares, with an aggregate value of Euro 10,938,596.94. The offering therefore concluded with the complete subscription of the 32,652,314 new shares with an aggregate value of Euro 499,906,927.34.

The offering also involved the payment of Euro 8,753,836 in related expenses and the receipt of Euro 4,455,461 in unsubscribed cancelled rights.

Share buyback and disposal programme and Employee incentive plan

The Shareholders' Meeting of Prysmian S.p.A. held on 12 April 2018 authorised a share buyback and disposal programme, revoking at the same time the previous authorisation under the shareholder resolution dated 12 April 2017. The new programme provides the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total must not exceed, at any one time, 10% of share capital. Purchases may not exceed the amount of undistributed earnings and available reserves reported in the most recently approved annual financial statements. The authorisation to buy back treasury shares lasts for 18 months commencing from the date of the Shareholders' Meeting, while the authorisation to dispose of treasury shares has no time limit.

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

The purpose of this Plan is:

- to generate strong commitment by the Group's management to achieving the targets for additional growth in profits and return on capital employed over the next three years;
- to align the interests of management with those of shareholders by using share-based incentives, and promoting stable share ownership of the Company;

- to support synergies and the development of a one-company identity by defining a common performance objective and introducing a retention mechanism, conditional upon completion of the acquisition of 100% of the share capital of General Cable Corporation.

During the extraordinary session of the above meeting, the shareholders authorised an increase in share capital by a maximum amount of Euro 756,281.90, through the issue of up to 7,562,819 new ordinary shares with a nominal value of Euro 0.10 each, to be allotted for no consideration to Group employees who are beneficiaries of the above incentive plan.

Shanghai Stock Exchange listing and capital increase by Yangtze Optical Fibre and Cable Joint Stock Limited

On 20 July 2018, Yangtze Optical Fibre and Cable Joint Stock Limited Company (an equity-accounted associate) completed its listing on the Shanghai Stock Exchange; the company was already listed on the Hong Kong Stock Exchange. The Shanghai listing has increased the number of shares from a previous total of 682,114,598 to 757,905,108. Since Draka Comteq B.V. has kept its holding (of 179,827,794 shares) unchanged, its stake in this company has gone from 26.37% to 23.73%. The Group has recorded a gain of Euro 36 million resulting from the consequent share dilution.

Unicredit Loan Agreement

On 15 November 2018, Prysmian S.p.A. entered into an agreement with Unicredit for a medium-term cash loan for a maximum amount of Euro 200 million for 5 years from the date of signing. The agreement envisages a bullet repayment at maturity. The loan was drawn down in full on 16 November.

New industrial projects and initiatives

Cable to link Kincardine floating offshore wind farm to mainland Britain

On 24 January 2018, the Group was awarded a contract by Cobra Wind International Ltd for the cable to link the Kincardine floating offshore wind farm to mainland Britain. This is the Group's first cable project for a floating offshore wind farm and involves the design and supply of two submarine export cables, inter-array cables and related accessories to connect the turbines of the Kincardine floating offshore wind farm, located approximately 15 km southeast of Aberdeen, to the Scottish mainland power grid. The cables are being manufactured at the Group's factories in Spain and Norway.

Submarine power link to Capri

On 2 February 2018, following a European call for tender, the Group was awarded a contract worth around Euro 40 million for a new submarine cable link between the isle of Capri and Sorrento (Naples); the contract was awarded by Terna Rete Italia S.p.A., a company wholly owned by Terna S.p.A., Italy's sole transmission system operator.

The project involves the turnkey installation of a 150 kV HVAC power cable between the power stations located in Sorrento and at the Gasto recycling centre on Capri, along a route running 16 km subsea and 3 km onshore.

The cables for the Capri-Sorrento link will be manufactured at the Arco Felice plant in Naples, a Group centre of submarine cable manufacturing and technological excellence. Prysmian will be responsible for submarine cable laying, using its vessel the "Cable Enterprise", and for supplying all related network components and performing the required specialist civil engineering works. The project, which started during 2018, is scheduled for completion in 2019.

Framework agreement with Terna to upgrade Italian power grid

On 19 March 2018, the Group was awarded - as lead contractor in a Temporary Association of Companies (RTI) involving CEBAT S.r.l. and Elettrovit S.r.l., which will carry out civil engineering installation works - a framework contract by the Italian transmission system operator Terna, through its subsidiary Terna Rete Italia, for the supply, installation and emergency repair of 220 kV cables to upgrade the national power grid. The turnkey project is worth about Euro 50 million and will last for three years, with an option to extend its duration and augment its value.

Contract with JG Summit Petrochemicals Group

On 21 March 2018, the Group signed an agreement with JG Summit Petrochemicals Group (JGSPG) for the supply of approximately 820 km of low and medium voltage power cables, instrumentation and control cables and telecom cables for applications in the petroleum and petrochemicals industry.

JGSPG consists of JG Summit Petrochemical Corporation (JGSPC) - the largest manufacturer of polyolefins in the Philippines and the first and only integrated PE and PP resin manufacturer in the country - and JG Summit Olefins Corporation (JGSOC) - the company that operates the first and only naphtha cracking plant in the Philippines. Both companies are wholly-owned subsidiaries of JG Summit Holdings, Inc. (JGSHI), one of the country's largest and most diversified conglomerates, with business interests in food manufacturing, air transportation, real estate and property development, petrochemicals, banking, publishing, power generation and telecommunications.

The JGSPG complex is located 120 km south of Manila in Batangas City, overlooking the scenic Batangas Bay. At present, JGSPG has a 250-hectare fully integrated world-class manufacturing complex that also houses the naphtha cracking and polymer manufacturing plants.

The Group will provide a complete package of power, instrumentation and control, and telecom cables for Plant & Petrochemical applications for phase 1 of the OSBL (Outside Battery Limits) expansion project for the existing JG Summit facilities initiated in 2018.

New submarine cable-laying vessel

In April 2018, the Group entered into a contract for an investment of over Euro 170 million in a new advanced cable-laying vessel. This strategic asset will bolster Prysmian's turnkey approach, under which it delivers end-to-end EPCI projects, from engineering, manufacturing and installation to full monitoring and diagnostic services for submarine power transmission lines. In particular, the investment in this new vessel will support long-term growth prospects in the submarine cable business, strengthening the Group's installation and execution capabilities for interconnection and offshore wind projects.

Contract for 66 kV submarine cable for Borssele III & IV offshore wind farms in the North Sea

On 18 June 2018, the Group was awarded a contract by Van Oord Offshore Wind B.V. to develop a submarine inter-array cable system for the Borssele III & IV offshore wind farms.

Prysmian will be responsible for the design, manufacture, supply and testing of approximately 175 km of 66 kV three-core XLPE-insulated cables in various cross sections and all related accessories for the Borssele III & IV wind farms. These two farms, forming part of the extensive Borssele Wind Farm Zone located near the southern boundary of the Dutch Exclusive Economic Zone (EEZ), approximately 25 km from the shore, will have a total installed capacity of 731.5 MW with individual wind turbine capacity of 9.54 MW.

The cables, all of which will be manufactured at Prysmian's centre of excellence in Pikkala (Finland), are due to be delivered in early 2020.

Contract for offshore wind farm connections in France

On 29 August 2018, the Group was awarded three important projects to develop cable connections for offshore wind farms in France. Prysmian has been engaged to design, supply and install inter-array cables for the two offshore wind farms, Fécamp and Courseulles-sur-Mer, located off the north coast of France. The third project, for the Saint Nazaire wind farm also owned by Eolien Maritime France, is worth over Euro 20 million and will be performed in a consortium with Louis Dreyfus Travocean.

Contract for submarine interconnection in Greece

On 4 September 2018, the Group was awarded a new contract worth approximately Euro 21 million by IPTO (Independent Power Transmission Operator), the Transmission System Operator of the Greek electricity grid, for two interconnections between the Cyclades islands (Evia, Andros and Tinos) in Greece. The project involves the design, supply and installation, as well as related onshore civil engineering works, of two turnkey high voltage cable systems, which will boost power transmission between the Cyclades islands, ensuring a robust, reliable and sustainable power supply.

The submarine cables will be manufactured at the Arco Felice plant (Naples), a Group centre of technological and manufacturing excellence, while the underground cables will be produced in Pignataro (Naples).

Submarine and underground cable manufacturing will be completed in 2019, with delivery and commissioning also scheduled for the same year.

Contract for first submarine cable interconnection between the island of Crete and mainland Greece

On 2 October 2018, the Group was awarded a new contract, worth some Euro 125 million, for an interconnection between the island of Crete and mainland Greece (Peloponnese region). The project was awarded by IPTO (Independent Power Transmission Operator), which operates the transmission system for Greece's power grid. The project for this first submarine electricity interconnection between Crete and the mainland involves the design, supply, installation and commissioning of an HVAC cable system using 150 kV three-core XLPE-insulated double-armoured cables. The cables, running along a route of 135 km, will be installed as deep as 950 metres.

The submarine cables, which will be manufactured at the Arco Felice plant (Naples), will be laid at sea by the "Giulio Verne", a vessel forming part of the Group's in-house fleet. Delivery and commissioning are scheduled for 2020.

Contract for the design, installation and commissioning of two HV power cable systems in Singapore

On 15 November 2018, the Group was awarded a contract by the utility SP Power Assets Ltd, worth Euro 33 million, for the design, supply, installation and commissioning of two high voltage power cable systems to connect the Rangoon and Paya Lebar substations in Singapore.

Prysmian Group will also supply a grid monitoring system using its proprietary PRY-CAM technology allowing the acquisition, processing and classification of partial discharge and temperature measurements. The cable and accessories will be supplied by the Group's factory in China. This project is scheduled for delivery and commissioning in 2020.

Technical cooperation agreement with GCC Lab in Saudi Arabia for grid monitoring services

On 29 November 2018, the Group signed a non-binding memorandum of understanding with GCC Electrical Equipment Testing Laboratory (GCC Lab) - a testing facility for power transmission and distribution cables and accessories located in Dammam (Saudi Arabia) - for joint technical cooperation aimed at developing services in support of testing, inspection and certification activities in the Gulf Cooperation Council region.

The agreement involves the supply of PRY-CAM equipment and training for GCC Lab engineers at Prysmian Headquarters in Milan (Italy). Prysmian will support GCC Lab in the execution of partial discharge analysis to ensure superior performance, quality and levels of service. PRY-CAM will also become an integral part of GCC Lab's overall package offered to its customers.

Contract for a power interconnection between Deer Island and the mainland Boston power grid

On 17 December 2018, the Group was awarded a new contract by Caldwell Marine International LLC, a US construction contractor specialising in submarine utilities operations.

Prysmian Group will be responsible for the design, manufacture, supply and commissioning of a 6 km 3x630 mm² 115kV XLPE-insulated submarine cable system, plus all related cable accessories to connect Deer Island to mainland Massachusetts (USA). Prysmian Group will also be responsible for the project's onshore section, for which it will supply and install 8 km of 115kV underground cables, along with all related accessories. The submarine cables will all be manufactured at Prysmian's centre of excellence in Arco Felice (Italy). The underground cables will be manufactured at Prysmian's state-of-the-art factory in Abbeville (South Carolina, USA), thus offering high-quality products and cable solutions to the US market by drawing on local expertise. The project is due for delivery in 2019.

Other significant events

Approval of financial statements at 31 December 2017 and dividend distribution

On 12 April 2018, the shareholders of Prysmian S.p.A. approved the financial statements for 2017 and the distribution of a gross dividend of Euro 0.43 per share, for a total of some Euro 96 million. The dividend was paid out from 25 April 2018 to shares outstanding on the record date of 24 April 2018, with the shares going ex-dividend on 23 April 2018.

Western Link

With reference to the Western Link, an electrical transmission cable between Scotland, Wales and England, a fault was detected at the end of April 2018 during preparations to make the link available for full load operation, as a result of which, when approving the Quarterly Financial Report at 31 March 2018, the Directors decided to recognise a provision of Euro 20 million as the best estimate of costs to cover the related contractual penalties for this project's late delivery.

On 22 June 2018, the Board of Directors of Prysmian S.p.A. met to examine the implications of certain faults in the cable's operation. In particular, it was noted that during commissioning of the Western Link Cable, the fault detected at the end of April 2018 had recurred. In light of the tests carried out and the information received from the project's technical managers, it was concluded with reasonable certainty that the area in which the fault had re-emerged was limited to that affected by the previous repair. In light of the information received from the project's technical managers concerning the costs and time for the new repairs needed to solve this fault, of the related risks and the liquidated damages envisaged by the Western Link Contract, the Board of Directors prudently estimated that the Company might be required to incur additional costs of approximately Euro 50 million and recognised a provision accordingly.

On 12 September 2018, Prysmian announced that the commissioning and testing of the Western Link Interconnection project had been temporarily suspended to investigate a problem in the land section of the cable.

On 16 October 2018, Prysmian announced that the problem involving the land section of the cable had been successfully repaired.

On 19 February 2019, a problem was detected in the Western Link interconnector, leading to its temporary switch-off.

The tests and investigations carried out so far have located the problem necessitating the temporary switch-off within the southern land cable section.

Prysmian has already started mobilising specialised teams on site to investigate the nature of the problem further. In parallel, the Group is taking every necessary step to carry out the repairs in the shortest possible time with the least logistical and environmental impact.

As a result of these events, the Group's management has assessed the need for a provision of Euro 25 million. This provision is against contractual penalties, accruing over the period needed for the repair in question, and against costs of producing an additional length of cable for any future repairs or other needs that might arise.

As described above, the provisions recognised in 2018 have therefore had a total impact of Euro 95 million on income.

Agreement with OI Group in Brazil

During the first few months of 2018, the Group reached a credit recovery agreement with the OI Group, a Brazilian customer that has filed for bankruptcy. The outstanding receivables, amounting to around Euro 8 million, had already been written down in full in 2016. The agreement involves a partial repayment in four annual instalments and so the Group has reinstated the receivable at its realisable amount of Euro 5 million.

Establishment of privacy department and appointment of internal data protection officer pursuant to European Regulation 2016/679 ("GDPR")

In view of the entry into force of the GDPR (on 25 May 2018), the Board of Directors of Prysmian S.p.A. decided on 10 May 2018 to establish a new department to oversee the area of personal data protection and identified and appointed an internal data protection officer (or DPO) whose duties include monitoring the correct application of the GDPR within the Group, supporting senior management in identifying adequate data protection measures and, consequently, processing data correctly in accordance with the law. The role of DPO is held by Mr. Giorgio Totis who continues to act as Group Compliance Director.

New organisation for integration with General Cable

On 11 June 2018, Prysmian Group announced its new organisation and began its integration with General Cable.

The new organisation combines the strengths of both Prysmian and General Cable and is based on centralised governance and integrated management of global businesses, clear responsibilities for results, a focus on efficiency and technological innovation and a customer-centric approach enabled by teams dedicated to key customer accounts.

The new organisational matrix is structured along 3 lines: Group centralised functions, which aim to foster the creation of a highly integrated "One Company"; Regions, which must ensure proximity to the market; and Business areas (Energy, Telecom and Projects), which are responsible for product and cross-selling strategies.

Further details can be found in Section G. Segment information.

Ruling of the General Court of the European Union regarding antitrust investigations

On 12 July 2018, the General Court of the European Union issued rulings on the appeals lodged by the Prysmian Group, including General Cable, against the decision of the European Commission dated 2 April 2014 and whose content had already been anticipated by Prysmian on the same date.

These rulings have dismissed the appeals, thus confirming the previously imposed fines. The Prysmian Group, including General Cable, does not agree with the conclusions reached by the General Court of the European Union and has appealed to the Court of Justice of the European Union. Further details can be found in Note 14. Provisions for risks and charges.

Resignation and new appointment of the Chairman of the Board of Directors

On 25 July 2018, Massimo Tononi, Chairman of the Board of Directors, tendered his resignation as Chairman and member of the Board of Directors and as a member of the Company's Compensation,

Nominations and Sustainability Committee, with effect from the end of the Board of Directors' meeting which approved the Half-Year Financial Report at 30 June 2018.

Mr. Tononi's resignation was tendered following his appointment to Cassa Depositi e Prestiti S.p.A., as a result of which he considered it appropriate to step down from all positions held in other companies.

In its meeting of 18 September 2018 to approve the Half-Year Financial Report at 30 June 2018, the Board of Directors named Mr. Claudio De Conto, an independent non-executive pursuant to Legislative Decree 58/98, as its new Chairman.

Closure of the General Cable Group's European headquarters

The Prysmian European Works Council and General Cable European Works Council and the local unions were informed in October 2018 of the intention to close the General Cable Group's European corporate headquarters in Barcelona. After consultations and negotiations, an agreement was reached on 16 November 2018 with the site's union representatives, providing incentives to employees who leave the company and, in order to reduce the social impact, also offering the possibility of relocation for part of the redundant workforce to other company sites.

This operation, involving about 75 employees, together with a social plan instituted in the same period at Montereau (France) for around 70 staff, forms part of the Group's rationalisation following the General Cable acquisition. Accordingly, the process aims to streamline resources by exploiting possible synergies arising from the combination of the two groups.

Antitrust Brazil

On 11 February 2019, as reported in the note on Subsequent Events, the general superintendence of the Brazilian antitrust authority published a technical note in the Brazilian Federal Official Gazette in connection with the procedure notified to Prysmian in 2011; the note sets out the conclusions of the authority's investigation and recommends the imposition of a fine on Prysmian. In view of the circumstances described and consistent with the Group's accounting policies, the directors, assisted by the Group's legal advisors, have recognised a specific risk provision for Euro 68 million, deemed appropriate to cover the potential liability associated with the matter in question.

Changes to segment reporting

Following the acquisition of General Cable, the Group has embarked on a process of organisational change that has led to a redefinition of its segment reporting and the resulting identification of the following new operating segments: *Energy*, *Projects* and *Telecom*. In detail:

- *Energy* segment: this encompasses the former Energy Products segment as well as the Core Oil&Gas and DHT businesses included until the last quarter in the OIL&GAS segment no longer significant for the Group.
- *Projects* segment: this encompasses the former *Energy Projects* segment, the Submarine Telecom business, new to the Group following the acquisition of General Cable, and the Offshore

Specialties business (previously known as SURF and included in the OIL&GAS segment now no longer significant for the Group);

- *Telecom* segment: this has not undergone any changes as a result of the above reorganisation.

This change has resulted in the reallocation of Euro 23 million in goodwill; the Cash-Generating Units (CGU) have also been redefined.

Work on the reporting systems in support of the new model started in 2018 and was completed for the purposes of preparing the current document. The Board of Directors approved the adoption of the new structure for segment reporting in its meeting on 19 February 2019. Further details can be found in Section G. Segment information and in Section B.8 Impairment of property, plant and equipment and finite-life intangible assets.

The consolidated financial statements contained herein were approved by the Board of Directors on 5 March 2019.

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

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

B. ACCOUNTING POLICIES AND STANDARDS

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

B.1 BASIS OF PREPARATION

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

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

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

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

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

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

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

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

The consolidated financial statements present comparative information referring to the previous year. The Group also presents a supplementary statement of financial position as at the beginning of the first comparative year in which it retroactively applies a new accounting standard, retroactively recognises an adjustment or reclassifies items in the financial statements. Following the retroactive application of the new accounting standards, as reported in Note B.3. the present explanatory notes include a supplementary statement of financial position as at 1 January 2017.

B.2 BASIS OF CONSOLIDATION

The financial statements of Group operating companies used for consolidation purposes have been prepared for the year ended 31 December 2018 and the year ended 31 December 2017. They have been adjusted, where necessary, to bring them into line with Group accounting policies and standards. All the companies included in the consolidation end their financial year at 31 December. It should be noted that Yangtze Optical Fibre and Cable Joint Stock Company Limited, consolidated using the equity method, has reported financial results for the first nine months of 2018; for consolidation purposes these figures have been combined with the company's estimated results for the last quarter of the year. General Cable, acquired by Prysmian on 6 June 2018, has been consolidated for accounting purposes with effect from 1 June 2018.

Subsidiaries

The Group consolidated financial statements include the financial statements of Prysmian S.p.A. (the Parent Company) and the subsidiaries over which the Parent Company exercises direct or indirect control. Subsidiaries are consolidated from the date control is acquired until the date such control ceases. Control is connected with the ongoing existence of all the following conditions:

- power over the investee;
- the possibility of achieving a return resulting from ownership of the investment;
- the investor's ability to use its power over the investee to affect the amount of its return.

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

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

- assets and liabilities, expenses and income of consolidated entities are aggregated line-by-line and non-controlling interests are allocated, where applicable, the relevant portions of equity and profit for the period, which are then reported separately within equity and the consolidated income statement;
- gains and losses, including the relevant tax effect, arising from transactions between consolidated companies are eliminated if not realised with third parties; unrealised losses are not eliminated if there is evidence that the asset transferred is impaired. The following are also eliminated:

intercompany payables and receivables, intercompany expenses and income, and intercompany finance income and costs;

- business combinations through which control of an entity is acquired are recorded using the acquisition method of accounting. The acquisition cost is measured as the acquisition-date fair value of the assets acquired, the liabilities incurred or assumed and the equity instruments issued. The assets, liabilities and contingent liabilities acquired are recognised at their acquisition-date fair values. The excess of acquisition cost over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill under intangible assets. If the acquisition cost is less than the Group's share of the fair value of the identifiable net assets acquired, the difference is recognised as a gain directly in the income statement, but only after reassessing that the fair values of the net assets acquired and the acquisition cost have been measured correctly;
- if non-controlling interests are acquired in entities which are already under the Group's control, the Group recognises directly in equity any difference between the acquisition cost and the related share of net assets acquired;
- if non-controlling interests are acquired in entities previously not under the Group's control, and which result in it obtaining control, the Group accounts for this using the acquisition method, whereby the consideration transferred is equal to the acquisition-date fair value of the assets acquired and liabilities assumed or incurred. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in the income statement;
- gains or losses arising on the disposal of ownership interests that result in a loss of control of consolidated companies are recognised in the income statement at the amount equal to the difference between the sale consideration and the corresponding share of consolidated equity sold;
- gains or losses from the deconsolidation of an investee's net assets, resulting from the difference between the fair value of the equity interest and the corresponding portion of equity, are recognised in "Finance income" and "Finance costs" respectively.

In compliance with IAS 32, put options over non-controlling interests in subsidiary companies are recognised in "Other payables" at their present value. The matching entry differs according to whether:

- A. the minority shareholders have a direct interest in the performance of the subsidiary's business in relation to the transfer of the risks and rewards of the shares subject to the put option. One of the indicators that such interest exists is the fair value measurement of the option exercise price. In addition to the presence of this indicator, the Group will assess on a case-by-case basis the facts and circumstances characterising existing transactions. In these circumstances, the present value of the option is initially deducted from the equity reserves attributable to the Group. Any subsequent changes in the measurement of the option exercise price are recognised through the income statement, as "Other income" or "Other expenses";
- B. the minority shareholders do not have a direct interest in the performance of the business (eg. predetermined option exercise price). The duly discounted option exercise price is deducted from the

corresponding amount of capital and reserves attributable to non-controlling interests. Any subsequent changes in the measurement of the option exercise price follow the same treatment, with no impact on the income statement.

There are currently no such options recorded in the Prysmian Group financial statements. The treatment described would be modified in the event of different interpretations or accounting standards in this regard.

Associates and joint arrangements: joint ventures and joint operations

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

Joint arrangements are arrangements in which two or more parties have joint control. They are classified as either joint ventures or joint operations depending on the rights and obligations of the parties to the arrangement.

Joint ventures are those companies characterised by the presence of an arrangement for joint control whereby the parties are entitled to a share of the net assets or profit or loss arising from the arrangement. Joint ventures are accounted for using the equity method.

Joint operations are arrangements whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The assets, liabilities, revenues and expenses of a joint operation are consolidated according to the rights and obligations under the related arrangement.

Under the equity method, used to account for associates and joint ventures:

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

Translation of foreign company financial statements

The financial statements of subsidiaries, associates and joint ventures are prepared in the currency of the primary economic environment in which they operate (the "functional currency"). The consolidated financial

statements are presented in Euro, which is the Prysmian Group's functional and presentation currency for its consolidated financial reporting.

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

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

Impacts of applying IAS 29 - Financial Reporting in Hyperinflationary Economies

If a foreign entity operates in a hyperinflationary economy, revenues and expenses are translated using the exchange rate current at the reporting date. All amounts in the income statement are restated by applying the change in the general price index between the date when income and expenses were initially recorded in the financial statements and the reporting date.

Companies operating in Argentina and Angola have been treated as belonging to high inflation economies in 2018, therefore requiring the application of *IAS 29 - Financial Reporting in Hyperinflationary Economies*.

Following a long period of observing inflation rates and other indicators in both these countries, a general consensus was reached as to the existence of hyperinflation as defined by international accounting standards.

Argentina reported a steep devaluation in its currency, a hike in interest rates and accelerating inflation during the first half of the year. Based on these parameters and taking into account the guidance of the accounting standard, *IAS 29 - Financial Reporting in Hyperinflationary Economies* has been applied as from 1 July 2018.

In addition, a company operating in Angola entered the scope of consolidation from 1 June 2018 following the acquisition of General Cable. The country was already treated as a hyperinflationary economy at December 2017, a situation confirmed by the trend in the relevant parameters in 2018 resulting in the continued application of IAS 29.

The Group's consolidated results at 31 December 2018 therefore include the effects of applying this accounting standard, with effect from 1 July 2018 for the Argentine company and from 1 June 2018 for the Angolan company.

In accordance with IAS 29, the restatement of financial statements as a whole requires the application of certain procedures as well as judgement.

With reference to the income statement, income and expenses have been restated by applying the change in the general price index, in order to reflect the loss of the local currency's purchasing power at 31 December 2018. The income statements thus restated have been translated into Euro at the closing rates at 31 December 2018 instead of at the average rates for the reporting period. The effects of applying the standard, all of which attributable to the Argentine company, have added Euro 7 million to net sales with no impact on net profit.

With reference to the statement of financial position, monetary items have not been restated because they are already expressed in terms of the monetary unit current at the end of the reporting period; non-monetary assets and liabilities have been restated to reflect the loss in the local currency's purchasing power from the date the assets and liabilities were originally recorded to the end of the reporting period;

The effect arising in 2018 on the net monetary position is a net expense of Euro 6 million (all of which attributable to the Argentine company). This amount has been recorded in the income statement under Net finance income (costs), while the effects of the standard's first-time application at 1 January 2018 have been recorded directly in equity (Euro 14 million, all of which attributable to the Argentine company).

The exchange rates applied are as follows:

	Closing rates at		Average rates in	
	31 December 2018	31 December 2017	2018	2017
Europe				
British Pound	0.895	0.887	0.885	0.877
Swiss Franc	1.127	1.17	1.155	1.112
Hungarian Forint	320.98	310.33	318.89	309.193
Norwegian Krone	9.948	9.84	9.597	9.327
Swedish Krona	10.255	9.844	10.258	9.635
Czech Koruna	25.724	25.535	25.647	26.326
Danish Krone	7.467	7.445	7.453	7.439
Romanian Leu	4.664	4.659	4.654	4.569
Turkish Lira	6.039	4.524	5.689	4.123
Polish Zloty	4.301	4.177	4.261	4.257
Russian Rouble	79.715	69.392	74.042	65.938
North America				
US Dollar ⁽¹⁾	1.145	1.199	1.181	1.13
Canadian Dollar	1.561	1.504	1.529	1.465
Central/ South America				
Colombian Peso ⁽²⁾	3,721.81	n.a	3,486.741	n.a
Brazilian Real ⁽³⁾	4.437	3.967	4.316	3.607
Argentine Peso	43.167	22.366	33.203	18.721
Chilean Peso ⁽⁴⁾	794.37	737.29	756.941	732.607
Mexican Peso ⁽⁵⁾	22.492	23.661	22.705	21.329
Oceania				
Australian Dollar	1.622	1.535	1.58	1.473
New Zealand Dollar	1.706	1.685	1.706	1.59
Africa				
CFA Franc	655.957	655.957	655.957	655.957
Tunisian Dinar	3.43	2.974	3.111	2.731
Asia				
Chinese Renminbi (Yuan)	7.875	7.804	7.808	7.629
United Arab Emirates Dirham	4.205	4.404	4.337	4.148
Hong Kong Dollar	8.968	9.372	9.256	8.805
Singapore Dollar	1.559	1.602	1.593	1.559
Indian Rupee	79.73	76.606	80.733	73.532
Indonesian Rupiah	16,500	16,239.12	16,803	15,118
Japanese Yen	125.85	135.01	130.396	126.711
Thai Baht	37.052	39.121	38.164	38.296
Philippine Peso	60.113	59.795	62.21	56.973
Omani Rial	0.44	0.461	0.454	0.434
Malaysian Ringgit	4.732	4.854	4.763	4.853
Qatari Riyal	4.168	4.366	4.299	4.112
Saudi Riyal	4.294	4.497	4.429	4.237

⁽¹⁾ The consolidation of General Cable has used the EUR/USD rate at 31 December 2018 as the period-end exchange rate, and the average rate of 1.154 for the months from June to December 2018 as the period-average rate.

⁽²⁾ The consolidation of General Cable has used the EUR/Colombian Peso rate at 31 December 2018 as the period-end exchange rate, and the average rate of 3,481.411 for the months from June to December 2018 as the period-average rate.

⁽³⁾ The consolidation of General Cable has used the EUR/Brazilian Real rate at 31 December 2018 as the period-end exchange rate, and the average rate of 4.468 for the months from June to December 2018 as the period-average rate.

⁽⁴⁾ The consolidation of General Cable has used the EUR/Chilean Peso rate at 31 December 2018 as the period-end exchange rate, and the average rate of 767.806 for the months from June to December 2018 as the period-average rate.

⁽⁵⁾ The consolidation of General Cable has used the EUR/Mexican Peso rate at 31 December 2018 as the period-end exchange rate, and the average rate of 22.475 for the months from June to December 2018 as the period-average rate.

Changes in the scope of consolidation

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

The following changes in the scope of consolidation took place during 2018:

Acquisitions

As described in Section A.1 Significant events, the Group completed the acquisition of all the ordinary shares of General Cable on 6 June 2018. The acquisition was completed through merging Alisea Corp. (a Delaware corporation and wholly-owned indirect subsidiary of Prysmian S.p.A.) with General Cable Corporation.

This has led to a significant enlargement of the scope of consolidation, which as from 1 June 2018 includes all the assets, liabilities, revenues and expenses of subsidiaries and investees of General Cable Corporation. More details can be found in Section F. Business Combinations.

Liquidations

On 8 May 2018, the liquidation of the Swiss company Prysmian Cables and Systems S.A. in liquidation was completed with its removal from the local company registry.

On 31 July 2018, the liquidation of the Russian company Neva Cables Ltd was completed with its removal from the local company registry.

On 2 August 2018, the liquidation of the New Zealand companies GCNZ India Cable 1 Limited, GCNZ India Cable 2 Limited and General Cable Superconductors Investments Limited was completed with their removal from the local company registry.

On 15 September 2018, the liquidation of the Australian company General Cable Australia Pty. Ltd. was completed with its removal from the local company registry.

On 20 December 2018, the liquidation of the Dutch company NK China Investments B.V. was completed with its removal from the local company registry.

New company formations

P.O.R. S.A.S. was formed on 13 April 2018 and is wholly owned by Draka France S.A.S..

Mergers

On 1 May 2018, the US companies Draka Cableteq USA Inc. and Gulf Coast Downhole Technologies LLC completed their merger into Prysmian Cables and Systems USA LLC.

On 1 November 2018, the Slovak company Draka Comteq Slovakia s.r.o. completed its merger into Prysmian Kablo s.r.o.

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

Name changes

On 25 January 2018, the Finnish company Prysmian Finland OY changed its name to Prysmian Group Finland OY.

On 30 May 2018, the Danish company Prysmian Denmark A/S changed its name to Prysmian Group Denmark A/S.

On 26 June 2018, the Swedish company Draka Sweden AB changed its name to Prysmian Group North Europe AB.

On 2 July 2018, the Estonian company AS Draka Keila Cables changed its name to Prysmian Group Baltics AS.

On 6 July 2018, the Norwegian company Draka Norsk Kabel AS changed its name to Prysmian Group Norge AS.

Appendix A to these notes contains a list of the companies included in the scope of consolidation at 31 December 2018.

B.3 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED IN 2018

The basis of consolidation, the methods applied for translating foreign company financial statements into the presentation currency, the accounting standards as well as the accounting estimates adopted are the same as those used for the consolidated financial statements at 31 December 2017, except for the accounting standards and amendments described below and obligatorily applied with effect from 1 January 2018 after being endorsed by the competent authorities.

On 28 May 2014, the IASB published the new standard *IFRS 15 - Revenue from Contracts with Customers* which has replaced *IAS 11 - Construction Contracts*, *IAS 18 - Revenue* and the related interpretations. The standard has introduced a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has elected to apply IFRS 15 using the full retrospective method of adoption. As a result of adopting IFRS 15, the Group

has accounted for the effects of extended non-standard warranties given to certain customers in the *Projects* operating segment.

On 24 July 2014, IASB published the new standard *IFRS 9 - Financial Instruments* which replaced *IAS 39 - Financial Instruments: Recognition and Measurement*. The standard brings together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. Following the adoption of IFRS 9, the Group has not only recorded effects for the time value component of option contracts designated as hedging instruments, but has also made some reclassifications.

More details about the effects of applying IFRS 15 and IFRS 9 can be found in Section C. Restatement of comparative figures.

On 14 December 2016, the IASB published a number of amendments to *IFRS 2 - Share-based Payments*. The document clarifies:

- the accounting treatment of vesting conditions;
- the measurement of cash-settled share-based payment transactions;
- the treatment of share-based payment transactions with net settlement features for withholding tax obligations.

On first-time adoption of this amendment, the reporting entity must apply the changes without restating prior periods, although retrospective application is permitted only if this election is made for all three of the above amendments. The adoption of these amendments has not had any material effects for the Group.

On 8 February 2018 the IASB issued *Annual Improvements to IFRS Standards 2014-2016 Cycle* which includes amendments to *IAS 28 - Investments in associates and joint ventures*, applicable from 1 January 2018. The amendments clarify and correct the related standards and remove redundant provisions.

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

On 11 September 2014, the IASB published amendments to *IFRS 10 - Consolidated Financial Statements* and to *IAS 28 - Investments in Associates and Joint Ventures*. The purpose is to clarify how to account for the results of a sale or contribution of assets between group companies and their associates and joint ventures. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of these amendments which is deferred until completion of the IASB project on the equity method. These amendments have no impact on the consolidated financial statements of the Group.

On 13 January 2016, the IASB published the new standard *IFRS 16 - Leases* which will replace IAS 17. The new accounting standard requires lessees to adopt a uniform accounting treatment for both operating and finance leases. In fact, IFRS 16 requires the lessee to recognise assets and liabilities for both operating and finance leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The standard allows two exemptions from lease accounting: leases with a term of 12 months or less and leases of low value assets.

This standard will apply to annual reporting periods beginning on or after 1 January 2019.

The Group will apply the new standard using the modified retrospective approach and is finalising its implementation and analysis of the impact of its introduction. In short, the introduction of the new standard is expected to increase the amount of Property, plant and equipment and lease liabilities by around Euro 140 million at 1 January 2019, as shown below:

(in millions of Euro)

Operating lease obligations at 31 December 2018	126
Minimum lease payments (notional amount) for finance lease liabilities	13
Relief option for short-term leases	(9)
Relief option for leases of low-value assets	-
Exercise of renewal option for operating leases	49
Gross lease liabilities at 1 January 2019	179
Discounting	(27)
Lease liabilities at 1 January 2019	152
Present value of finance lease liabilities at 31 December 2018	(12)
Lease liabilities as a result of the first-time adoption of IFRS 16 as at 1 January 2019	140

The impact on the Group's net result will be immaterial, with Other expenses decreasing by around Euro 37 million, matched by a corresponding increase in Depreciation and Finance costs; as a result, Cash flow provided by operating activities will increase, while Cash flow from financing activities will decrease. The financial liability that will be recognised on 1 January 2019 will not include leases with a term of less than 12 months, as permitted by the accounting standard.

On 12 October 2017, the IASB published *Amendments to IFRS 9: Prepayment Features with Negative Compensation*. Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the

contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019. These amendments have no impact on the consolidated financial statements of the Group.

On 12 October 2017, the IASB published *Amendments to IAS 28: Long-term interests in associates and joint ventures*. The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests).

This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarify that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying *IAS 28 - Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from 1 January 2019. Since the Group does not have such long-term interests in its associates and joint ventures, the amendments will not have an impact on its consolidated financial statements.

On 7 February 2018, the IASB published *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement* in which it clarifies how to determine pension costs when a defined benefit plan is amended. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.

These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

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

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

P.T. Prysmian Cables Indonesia (Indonesia), Draka NK Cables (Asia) Pte Ltd (Singapore), Draka Philippines Inc. (Philippines), Draka Durango S. de R.L. de C.V., Draka Mexico Holdings S.A. de C.V. and NK Mexico Holdings S.A. de C.V. (Mexico) present their financial statements in a currency other than that of the country they operate in, as their main transactions are not conducted in the local currency but in the reporting currency.

Foreign currency exchange gains and losses arising on completion of transactions or on the year-end translation of assets and liabilities denominated in foreign currencies are recognised in the income statement. Exchange differences arising on loans between group companies that form part of the reporting entity's net investment in a foreign operation are recognised in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

B.6 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

Property, plant and equipment acquired through finance leases, whereby the risks and rewards of the assets are substantially transferred to the Group, are capitalised at their fair value or, if lower, at the present value of the minimum lease payments, including any sum payable to exercise a purchase option. The corresponding lease liability is recorded under financial payables. The assets are depreciated using the method and rates described earlier for "Property, plant and equipment", unless the lease term is less than the useful life represented by such rates and ownership of the leased asset is not reasonably certain to be transferred at the end of the lease; in this case the depreciation period will be the lease term. Any capital gains realised on the disposal of assets which are leased back under finance leases are recorded under liabilities as deferred income and released to profit or loss over the lease term. Leases where the lessor substantially retains all the risks and rewards of ownership of the assets are treated as operating leases, payments for which are recognised as an expense on a straight-line basis over the lease term.

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

B.7 INTANGIBLE ASSETS

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

(a) Goodwill

Goodwill represents the difference between the cost incurred for acquiring a controlling interest (in a business) and the fair value of the assets and liabilities identified at the acquisition date. Goodwill is not amortised, but is tested for impairment at least annually to identify any impairment losses. This test is carried

out with reference to the cash-generating unit ("CGU") or group of CGUs to which goodwill is allocated and at which level it is monitored. An impairment loss is recognised if the recoverable amount of goodwill is less than its carrying amount. Recoverable amount is defined as the higher of the fair value of the CGU or group of CGUs, less costs to sell, and the related value in use (see Note B.8 Impairment of property, plant and equipment and finite-life intangible assets, for more details about how value in use is calculated). An impairment loss recognised against goodwill cannot be reversed in a subsequent period.

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

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

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

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

These assets are amortised on a straight-line basis over their useful lives.

(c) Computer software

Software licence costs are capitalised on the basis of purchase costs and costs to make the software ready for use. These costs are amortised on a straight-line basis over the useful life of the software. Costs relating to the development of software programs are capitalised, in accordance with IAS 38, when it is likely that the asset's use will generate future economic benefits and when the conditions described below are met (see paragraph (d) on Research and development costs).

(d) Research and development costs

Research and development costs are recognised as an expense when they are incurred, except for development costs which are recorded as intangible assets when all the following conditions are met:

- the project is clearly identified and the related costs can be reliably identified and measured;
- the technical feasibility of the project can be demonstrated;
- the intention to complete the project and to sell its output can be demonstrated;
- there is a potential market for the output of the intangible asset or, if the intangible asset is to be used internally, its usefulness can be demonstrated;
- there are sufficient technical and financial resources to complete the project.

Development costs capitalised as intangible assets start to be amortised once the output of the project is marketable.

B.8 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND FINITE-LIFE INTANGIBLE ASSETS

Property, plant and equipment and finite-life intangible assets are analysed at each reporting date for any evidence of impairment. If such evidence is identified, the recoverable amount of these assets is estimated and any impairment loss relative to carrying amount is recognised in profit or loss. The recoverable amount is the higher of the fair value of an asset, less costs to sell, and its value in use, where the latter is the present value of the estimated future cash flows of the asset. The recoverable amount of an asset which does not generate largely independent cash flows is determined in relation to the cash-generating unit to which the asset belongs. In calculating an asset's value in use, the expected future cash flows are discounted using a discount rate reflecting current market assessments of the time value of money, in relation to the period of the investment and the specific risks associated with the asset. An impairment loss is recognised in profit or loss when the asset's carrying amount exceeds its recoverable amount. If the reasons for impairment cease to exist, the asset's carrying amount is restored with the resulting increase recognised through profit or loss; however, the increased carrying amount shall not exceed the net carrying amount that this asset would have had if no impairment had been recognised and it had been depreciated/amortised instead.

Following the acquisition of General Cable, the Group has embarked on a reorganisation under which it has identified the following new operating segments:

- *Energy*, whose smallest identifiable CGU is the Region; this segment encompasses the former Energy Products segment as well as the Core Oil&Gas and DHT businesses included until the last quarter in the OIL&GAS segment no longer significant for the Group.
- *Projects*, whose smallest identifiable CGUs are the High Voltage, Submarine Power, Submarine Telecom and Offshore Specialties businesses; this segment encompasses the former Energy Projects segment, the Offshore Specialties business (previously included in the OIL&GAS segment no longer significant for the Group) and the Submarine Telecom business, new to the Group following the acquisition of General Cable;
- *Telecom*, whose smallest CGU continues to be the operating segment itself. This segment has not undergone any changes as a result of the above reorganisation.

B.9 FINANCIAL ASSETS

Financial assets are initially recorded at fair value and classified in one of the following categories on the basis of their nature and the purpose for which they were acquired:

- (a) Financial assets at amortised cost;
- (b) Financial assets at fair value through profit or loss;
- (c) Financial assets at fair value through other comprehensive income (OCI).

Financial assets are derecognised when the right to receive cash flows from the instrument expires and the Group has substantially transferred all the risks and rewards relating to the instrument and its control.

(a) Financial assets at amortised cost

Financial assets are classified in this category if they are held within a business model with the objective of holding them in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include loans and receivables. Assets at amortised cost are classified in the statement of financial position as "Financial assets at amortised cost" and presented as current or non-current assets depending on whether their contractual maturity is less or more than twelve months from the reporting date.

The process of identifying any loss allowances for expected credit losses on trade and other receivables is described in Note B.11.

(b) Financial assets at fair value through profit or loss

Financial assets classified in this category are represented by securities held for trading, having been acquired for the purpose of selling in the near term. Derivatives are treated as securities held for trading, unless they are designated as hedging instruments and are therefore classified as "Derivatives".

Financial assets at fair value through profit or loss are initially recognised at fair value and the related transaction costs are recognised immediately as an expense.

Subsequently, financial assets at fair value through profit or loss are measured at fair value. Assets in this category are classified as current assets (except for Derivatives maturing more than twelve months from the reporting date). Gains and losses from changes in the fair value of financial assets at fair value through profit or loss are reported in the income statement as "Finance income" and "Finance costs", in the period in which they arise. This does not apply to metal derivatives, whose fair value changes are reported in "Fair value change in metal derivatives". Any dividends from financial assets at fair value through profit or loss are recognised as income when the Group's right to receive payment is established and are presented in the income statement under "Share of net profit/(loss) of equity-accounted companies".

(c) Financial assets at fair value through other comprehensive income (OCI)

Financial assets are classified in this category if they are held within a business model with the objective of both holding to collect contractual cash flows and selling. In addition, the contractual terms of the financial asset must give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All the financial assets in this category are initially recorded at fair value, changes in which are recognised in an equity reserve; the cumulative fair value gain or loss is taken to the income statement as "Finance income" or "Finance costs" only when the financial asset is derecognised.

The fair value of listed financial instruments is based on the current bid price; such instruments belong to Level 1 of the fair value hierarchy.

If the market for a financial asset is not active (or refers to unlisted securities), the Group measures fair value using valuation techniques whose inputs are based on observable market-based data (Level 2) or unobservable data (Level 3). More details can be found in Section D.2 Fair value.

When performing such valuations, the Group gives preference to market data rather than to internal data specifically connected to the nature of the business in which the Group operates.

Any dividends arising from investments recorded as financial assets at fair value through other comprehensive income (OCI) are recognised as income when the Group's right to receive payment is established.

When evaluating financial assets at fair value through OCI, the Group applies the simplified approach permitted for assets with low credit risk. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group continuously tracks the credit rating of the debt instrument. If there is evidence of deterioration in the counterparty's credit rating, the Group will recognise an allowance for the credit losses expected over the remaining life of the exposure.

In some cases, the Group may consider that a financial asset is no longer recoverable when internal or external information indicates that the contractual flows are unlikely to be recovered in full, also taking into account any credit enhancements held by the Group. Therefore, the financial asset is eliminated when there is no reasonable expectation of recovering the contractual cash flows.

In the case of investments in other companies not held for trading purposes, previously classified as "Available-for-sale" (IAS 39), the Group has elected to classify them at fair value through OCI.

B.10 DERIVATIVES

Derivative instruments are accounted for at fair value at the contract inception date and, unless accounted for as hedging instruments, any changes in the fair value following initial recognition are recorded as finance income or costs for the period, except for fair value changes in metal derivatives. If derivatives satisfy the requirements for classification as hedging instruments, the subsequent changes in fair value are accounted for using the specific criteria set out below.

The Group designates some derivatives as hedging instruments for particular risks associated with highly probable transactions ("cash flow hedges"). Each derivative financial instrument that qualifies for hedge accounting must be supported by documentation of the hedging relationship, including the risk management objective, the hedging strategy and the methods for checking the hedge's effectiveness. The effectiveness of

each hedge is reviewed both at the derivative's inception and during its life cycle. In general, a cash flow hedge is considered highly "effective" if, both at its inception and during its life cycle, the changes in the cash flows expected in the future from the hedged item are largely offset by changes in the fair value of the hedging instrument.

The fair values of the various derivative financial instruments used as hedges are presented in Note 8. Derivatives. Movements in the "Cash flow hedge reserve" forming part of equity are reported in Note 11. Share capital and reserves.

The fair value of a hedging derivative is classified as a non-current asset or liability if the hedged item has a maturity of more than twelve months; if the maturity of the hedged item is less than twelve months, the fair value of the hedge is classified as a current asset or liability.

Derivatives not designated as hedging instruments are classified as current or non-current assets or liabilities according to their contractual maturities.

Cash flow hedges

In the case of hedges intended to neutralise the risk of changes in cash flows arising from the future execution of contractual obligations existing at the reporting date ("cash flow hedges"), changes in the fair value of the derivative following initial recognition are recorded in equity under the "Cash flow hedge reserve", but only to the extent that they relate to the effective portion of the hedge. When the effects of the hedged item are reported in profit or loss, the reserve is transferred to the income statement and classified in the same line items that report the effects of the hedged item. If a hedge is not fully effective, the change in fair value of its ineffective portion is immediately recognised in the income statement as "Finance income" or "Finance costs". If, during the life of a derivative instrument, the hedged forecast cash flows are no longer considered to be highly probable, the portion of the "Cash flow hedge reserve" relating to such instrument is taken to the period's income statement and treated as "Finance income" or "Finance costs". Conversely, if the derivative instrument is disposed of or no longer qualifies as an effective hedge, the portion of the "Cash flow hedge reserve" representing the changes in the instrument's fair value recorded up to then remains in equity until the original hedged transaction occurs, at which point it is then taken to the income statement, where it is classified on the basis described above.

At 31 December 2018, the Group had designated derivative instruments to hedge the following risks:

- **exchange rate risk on contracts or orders:** these hedges aim to reduce the volatility of cash flows due to changes in exchange rates on future transactions. In particular, the hedged item is the value in the company's unit of account of a cash flow expressed in another currency that is expected to be received/paid under a contract or an order whose amount exceeds the minimum thresholds set by the Group Finance Committee: all cash flows thus identified are therefore designated as hedged items in the hedging relationship. The reserve originating from changes in the fair value of derivative

instruments is transferred to the income statement according to the stage of completion of the contract itself, where it is classified as contract revenue/costs;

- **interest rate risk:** these hedges aim to reduce the volatility of cash flows relating to finance costs arising on variable rate debt.

When the economic effects of the hedged items occur, the gains and losses from the hedging instruments are taken to the following lines in the income statement:

	Sales of goods and services/ Raw materials, consumables used and goods for resale	Finance income/ (costs)
Exchange rate risk on construction contracts or orders	●	
Interest rate risk		●

B.11 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, net of the allowance for doubtful accounts. Impairment of receivables is recognised on the basis of Expected Credit Loss (ECL). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages.

- For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).
- For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group makes use of without-recourse factoring of trade receivables. These receivables are derecognised because such transactions transfer substantially all the related risks and rewards of the receivables to the factor.

B.12 INVENTORIES

Inventories are recorded at the lower of purchase or production cost and net realisable value, represented by the amount which the Group expects to obtain from their sale in the normal course of business, net of selling costs. The cost of inventories of raw materials, ancillaries and consumables, as well as finished products and goods is determined using the FIFO (first-in, first-out) method.

The exception is inventories of non-ferrous metals (copper, aluminium and lead) and quantities of such metals contained in semi-finished and finished products, which are valued using the weighted average cost method.

The cost of finished and semi-finished products includes design costs, raw materials, direct labour costs and other production costs (calculated on the basis of normal operating capacity). Borrowing costs are not included in the valuation of inventories but are recognised as an expense when incurred because inventories are not qualifying assets that take a substantial period of time to get ready for use or sale.

B.13 CONTRACT WORK IN PROGRESS

Contract work in progress (hereafter also "contracts") is recognised at the value agreed in the contract, in accordance with the percentage of completion method, taking into account the progress of the project and the expected contractual risks. The progress of a project is measured by reference to the contract costs incurred at the reporting date in relation to the total estimated costs for each contract. When the outcome of a contract cannot be estimated reliably, the contract revenue is recognised only to the extent that the costs incurred are likely to be recovered. When the outcome of a contract can be estimated reliably, and it is probable that the contract will be profitable, contract revenue is recognised over the term of the contract. When it is probable that total contract costs will exceed total contract revenue, the potential loss is recognised immediately as an expense.

If the contract contains a warranty constituting a performance obligation that is distinct from the standard customer warranties concerning product conformity with agreed specifications, the consideration for this obligation is allocated over the term of such obligation.

The Group reports as assets the gross amount due from customers for contracts in progress, where the costs incurred, plus recognised profits (less recognised losses), exceed the billing of work-in-progress; such assets are reported in "Other receivables". Amounts invoiced but not yet paid by customers are reported under "Trade receivables".

The Group reports as liabilities the gross amount due to customers for all contracts in progress where billing exceeds the costs incurred plus recognised profits (less recognised losses). Such liabilities are reported in "Other payables".

B.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, demand bank deposits and other short-term investments, with a maturity of three months or less. Current account overdrafts are classified as financial payables under current liabilities in the statement of financial position.

B.15 ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale are classified as such if the carrying amount will be recovered principally through a sale transaction; for this to be the case, the sale must be highly probable and the related assets/liabilities must be available for immediate sale in their present condition. Assets/Liabilities held for sale are measured at the lower of carrying amount and fair value less costs to sell.

B.16 TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost.

B.17 BORROWINGS FROM BANKS AND OTHER LENDERS

Borrowings from banks and other lenders are initially recognised at fair value, less directly attributable costs. Subsequently, they are measured at amortised cost, using the effective interest method. If the estimated expected cash flows should change, the value of the liabilities is recalculated to reflect this change using the present value of the expected new cash flows and the effective internal rate originally established. Borrowings from banks and other lenders are classified as current liabilities, except where the Group has an unconditional right to defer their payment for at least twelve months after the reporting date.

Borrowings from banks and other lenders are derecognised when they are extinguished and when the Group has transferred all the risks and costs relating to such instruments.

B.18 EMPLOYEE BENEFITS

The Group operates both defined contribution plans and defined benefit plans.

Defined contribution plans

A defined contribution plan is a plan under which the Group pays fixed contributions to third-party fund managers and to which there are no legal or other obligations to pay further contributions should the fund not have sufficient assets to meet the obligations to employees for current and prior periods. In the case of defined contribution plans, the Group pays contributions, voluntarily or as established by contract, to public and private pension insurance funds. The Group has no obligations subsequent to payment of such

contributions, which are recognised as personnel costs on an accrual basis. Prepaid contributions are recognised as an asset which will be repaid or used to offset future payments, should they be due.

Defined benefit plans

In defined benefit plans, the total benefit payable to the employee can be quantified only after the employment relationship ceases, and is linked to one or more factors, such as age, years of service and remuneration; the related cost is therefore charged to the period's income statement on the basis of an actuarial calculation. The liability recognised for defined benefit plans corresponds to the present value of the obligation at the reporting date, less the fair value of the plan assets, where applicable. Obligations for defined benefit plans are determined annually by an independent actuary using the projected unit credit method. The present value of a defined benefit plan is determined by discounting the future cash flows at an interest rate equal to that of high-quality corporate bonds issued in the liability's settlement currency and which reflects the duration of the related pension plan. Actuarial gains and losses arising from the above adjustments and the changes in actuarial assumptions are recorded directly in equity.

Past service costs resulting from a plan amendment are recognised immediately as an expense in the period the plan amendment occurs.

Other post-employment obligations

Some Group companies provide medical benefit plans for retired employees. The expected cost of these benefits is accrued over the period of employment using the same accounting method as for defined benefit plans. Actuarial gains and losses arising from the valuation and the effects of changes in the actuarial assumptions are accounted for in equity. These liabilities are valued annually by a qualified independent actuary.

Termination benefits

The Group recognises termination benefits when it can be shown that the termination of employment complies with a formal plan communicated to the parties concerned that establishes termination of employment, or when payment of the benefit is the result of voluntary redundancy incentives. Termination benefits payable more than twelve months after the reporting date are discounted to present value.

Equity-settled share-based payments

Stock options are valued on the basis of the fair value determined on their grant date. This value is charged to the income statement on a straight-line basis over the option vesting period with a matching entry in equity. This recognition is based on an estimate of the number of stock options that will effectively vest in favour of eligible employees, taking into consideration any vesting conditions, irrespective of the market value of the shares.

B.19 PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised for losses and charges of a definite nature, whose existence is certain or probable, but the amount and/or timing of which cannot be determined reliably. A provision is recognised only when there is a current (legal or constructive) obligation for a future outflow of economic resources as the result of past events and it is likely that this outflow is required to settle the obligation. Such amount is the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material and the obligation settlement date can be estimated reliably, the provisions are stated at the present value of the expected outlay, using a rate that reflects market conditions, the variation in the cost of money over time, and the specific risk attached to the obligation.

Increases in the provision due to changes in the time value of money are accounted for as interest expense. Risks for which the emergence of a liability is only possible but not remote are indicated in the disclosures about commitments and contingencies and no provision is recognised.

Any contingent liabilities accounted for separately when allocating the cost of a business combination, are valued at the higher of the amount obtained using the method described above for provisions for risks and charges and the liability's originally determined present value.

Further details can be found in Note 29. Contingent liabilities.

The provisions for risks and charges include the estimated legal costs to be incurred if such costs are incidental to the extinguishment of the provision to which they refer.

B.20 REVENUE RECOGNITION

Revenue is recognised at the fair value of the consideration received for the sale of goods and services in the ordinary course of the Group's business. Revenue is recognised net of value-added tax, expected returns, rebates and discounts.

Revenue is accounted for as follows:

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on dispatch or delivery to the customer who has accepted it. The Group considers whether there are other conditions in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties), and the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and is recognised only when it is highly probable. When contracts provide a customer with a right to return the goods within a specified period, the Group uses the expected value method to account for revenue. The Group provides retrospective discounts to certain customers once the quantity of products purchased during the period exceeds a threshold

specified in the contract. Discounts are offset against amounts payable by the customer. To estimate the variable consideration for the expected future discounts, the Group applies the "most likely amount" method for contracts with a single-volume threshold and the "expected value" method for contracts with more than one volume threshold. Generally, the Group receives short-term advances from its customers. The Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(b) Sale of services

The sale of services is recognised in the accounting period in which the services are rendered, with reference to progress towards complete satisfaction of the service, given that the customer simultaneously receives and consumes the benefits arising from the services provided by the Group.

In both cases, revenue recognition depends on there being reasonable assurance that the related consideration will be received.

The method of recognising revenue for contract work in progress is outlined in Note B.13 Contract work in progress.

B.21 GOVERNMENT GRANTS

Government grants are recognised on an accrual basis in direct relation to the costs incurred when there is a formal resolution approving the allocation and, when the right to the grant is assured since it is reasonably certain that the Group will comply with the conditions attaching to its receipt and that the grant will be received.

(a) Grants related to assets

Government grants relating to investments in property, plant and equipment are recorded as deferred income in "Other payables", classified under current and non-current liabilities for the respective long-term and short-term portion of such grants. Deferred income is recognised in "Other income" in the income statement on a straight-line basis over the useful life of the asset to which the grant refers.

(b) Grants related to income

Grants other than those related to assets are credited to the income statement as "Other income".

B.22 COST RECOGNITION

Costs are recognised for goods and services acquired or consumed during the reporting period or to make a systematic allocation to match costs with revenues.

B.23 TAXATION

Current taxes are calculated on the basis of the taxable income for the year, applying the tax rates effective at the reporting date.

Deferred taxes are calculated on all the differences emerging between the taxable base of an asset or liability and the related carrying amount, except for goodwill and those differences arising from investments in subsidiaries, where the timing of the reversal of such differences is controlled by the Group and it is likely they will not reverse in a reasonably foreseeable future. Deferred tax assets, including those relating to past tax losses, not offset by deferred tax liabilities, are recognised to the extent it is likely that future taxable profit will be available against which they can be recovered.

Deferred taxes are determined using tax rates that are expected to apply in the years when the differences are realised or extinguished, on the basis of tax rates that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised in the income statement with the exception of those relating to items recognised directly in equity; such taxes are also accounted for directly in equity. Income taxes are offset if they are levied by the same taxation authority, if there is a legally enforceable right to offset them and if the net balance is expected to be settled.

Other taxes not related to income, such as property tax, are reported in "Other expenses".

B.24 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the reporting period, excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the reporting period, excluding treasury shares. For the purposes of calculating diluted earnings per share, the weighted average number of outstanding shares is adjusted so as to include the exercise, by all those entitled, of rights with a potentially dilutive effect, while the profit attributable to owners of the parent is adjusted to account for any post-tax effects of exercising such rights.

B.25 TREASURY SHARES

Treasury shares are reported as a deduction from equity. The original cost of treasury shares and revenue arising from any subsequent sales are treated as movements in equity.

C. RESTATEMENT OF COMPARATIVE FIGURES

The prior year figures presented for comparative purposes in the consolidated income statement, forming part of the consolidated financial statements, have undergone a number of reclassifications with respect to the previously published ones for the sake of consistency with the current year presentation.

The consolidated financial statements at 1 January 2017 and at 31 December 2017, presented in this report for comparative purposes, have been amended compared with the previously published figures.

Adoption of IFRS 15 and IFRS 9

Following adoption of IFRS 15, the Group has elected to apply it retrospectively, with restatement of its consolidated figures from 1 January 2017. In particular:

- "Other receivables" reported in the statement of financial position have been decreased by Euro 53 million at 1 January 2017 and by Euro 29 million at 31 December 2017, while "Other payables" have been increased by Euro 21 million at 31 December 2017;
- "Deferred tax assets" have been increased by Euro 16 million at 1 January 2017 and by Euro 14 million at 31 December 2017;
- "Sales of goods and services" at 31 December 2017 have been increased by around Euro 3 million, while "Taxes" have been increased by around Euro 2 million.

There have been no effects on either net financial debt or cash flow provided by operating activities for 2017. The above effects are due to the extended warranties given by the Group to its customers, compared with those that are standard in the *Projects* operating segment.

Following the adoption of IFRS 9, the Group has made the following adjustments:

- other comprehensive income (OCI) for financial year 2017 has been decreased by Euro 13 million, net of the related tax; net profit has therefore been increased by the same amount;
- "Finance costs" have been decreased by Euro 17 million and "Taxes" increased by Euro 4 million in financial year 2017.

There have been no effects on either net financial debt or cash flow provided by operating activities.

The above effects are due to the time value component of option contracts designated as hedging instruments. Following the adoption of IFRS 9, the Group has also made the following reclassifications:

- non-current "Available-for-sale financial assets" have been reclassified in "Other investments at fair value through other comprehensive income";
- "Held-to-maturity financial assets" have been reclassified in "Financial assets at amortised cost";
- "Financial assets held for trading" have been reclassified in "Financial assets at fair value through profit or loss";
- current "Available-for-sale financial assets" have been reclassified in "Financial assets at fair value through other comprehensive income".

Lastly, no significant effects have emerged as a result of applying the new model of credit impairment envisaged by IFRS 9.

Consolidated Statement of Financial Position at 1 January 2017

(in millions of Euro)

	1 January 2017 published	Effect of IFRS 15 application	Effect of IFRS 9 application	1 January 2017 restated
Non-current assets				
Property, plant and equipment	1,631			1,631
Intangible assets	792			792
Equity-accounted investments	195			195
Available-for-sale financial assets	12		(12)	-
Other investments at fair value through other comprehensive income			12	12
Financial assets held to maturity	2		(2)	-
Financial assets at amortised cost			2	2
Derivatives	3			3
Deferred tax assets	130	16		146
Other receivables	21			21
Total non-current assets	2,786	16	-	2,802
Current assets				
Inventories	906			906
Trade receivables	1,088			1,088
Other receivables	788	(53)		735
Financial assets held for trading	57		(57)	-
Financial assets at fair value through profit or loss			57	57
Derivatives	40			40
Cash and cash equivalents	646			646
Total current assets	3,525	(53)	-	3,472
Total assets	6,311	(37)	-	6,274
Equity attributable to the Group:	1,448	(37)	-	1,411
Share capital	22			22
Reserves	1,180	(37)		1,143
Net profit/(loss) for the year	246	-		246
Equity attributable to non-controlling interests:	227	-	-	227
Share capital and reserves	211			211
Net profit/(loss) for the year	16			16
Total equity	1,675	(37)	-	1,638
Non-current liabilities				
Borrowings from banks and other lenders	1,114			1,114
Other payables	18			18
Provisions for risks and charges	40			40
Derivatives	12			12
Deferred tax liabilities	111			111
Employee benefit obligations	383			383
Total non-current liabilities	1,678	-	-	1,678
Current liabilities				
Borrowings from banks and other lenders	172			172
Trade payables	1,498			1,498
Other payables	875			875
Derivatives	24			24
Provisions for risks and charges	339			339
Current tax payables	50			50
Total current liabilities	2,958	-	-	2,958
Total liabilities	4,636	-	-	4,636
Total equity and liabilities	6,311	(37)	-	6,274

Consolidated Statement of Financial Position at 31 December 2017

(in millions of Euro)

	31 December 2017 published	Effect of IFRS 15 application	Effect of IFRS 9 application	31 December 2017 restated
Non-current assets				
Property, plant and equipment	1,646			1,646
Intangible assets	735			735
Equity-accounted investments	217			217
Available-for-sale financial assets	12		(12)	-
Other investments at fair value through other comprehensive income			12	12
Financial assets held to maturity	2		(2)	-
Financial assets at amortised cost			2	2
Derivatives	14			14
Deferred tax assets	135	14		149
Other receivables	18			18
Total non-current assets	2,779	14	-	2,793
Current assets				
Inventories	954			954
Trade receivables	1,131			1,131
Other receivables	448	(29)		419
Financial assets held for trading	40		(40)	-
Financial assets at fair value through profit or loss			40	40
Derivatives	45			45
Available-for-sale financial assets	11		(11)	-
Financial assets at fair value through other comprehensive income			11	11
Cash and cash equivalents	1,335			1,335
Total current assets	3,964	(29)	-	3,935
Total assets	6,743	(15)	-	6,728
Equity attributable to the Group:	1,487	(36)	-	1,451
Share capital	22			22
Reserves	1,238	(36)	(13)	1,189
Net profit/(loss) for the year	227	-	13	240
Equity attributable to non-controlling interests:	188	-	-	188
Share capital and reserves	192			192
Net profit/(loss) for the year	(4)			(4)
Total equity	1,675	(36)	-	1,639
Non-current liabilities				
Borrowings from banks and other lenders	1,466			1,466
Other payables	8			8
Provisions for risks and charges	33			33
Derivatives	2			2
Deferred tax liabilities	103			103
Employee benefit obligations	355			355
Total non-current liabilities	1,967	-	-	1,967
Current liabilities				
Borrowings from banks and other lenders	370			370
Trade payables	1,686			1,686
Other payables	671	21		692
Derivatives	35			35
Provisions for risks and charges	321			321
Current tax payables	18			18
Total current liabilities	3,101	21	-	3,122
Total liabilities	5,068	21	-	5,089
Total equity and liabilities	6,743	(15)	-	6,728

Consolidated Income Statement at 31 December 2017

(in millions of Euro)

	2017 published	Effect of IFRS 15 application	Effect of IFRS 9 application	2017 restated
Sales of goods and services	7,901	3		7,904
Change in inventories of work in progress, semi-finished and finished goods	57			57
Other income	81			81
Raw materials, consumables used and goods for resale	(4,912)			(4,912)
Fair value change in metal derivatives	12			12
Personnel costs	(1,086)			(1,086)
<i>of which personnel costs for company reorganisation</i>	(24)			(24)
<i>of which personnel costs for stock option fair value</i>	(49)			(49)
Amortisation, depreciation, impairment and impairment reversals	(199)			(199)
<i>of which impairment related to company reorganisation</i>	(4)			(4)
<i>of which other impairment</i>	(18)			(18)
Other expenses	(1,475)			(1,475)
<i>of which non-recurring (other expenses) and releases</i>	(18)			(18)
<i>of which (other expenses) for company reorganisation</i>	(6)			(6)
Share of net profit/(loss) of equity-accounted companies	42			42
Operating income	421	3	-	424
Finance costs	(366)		17	(349)
<i>of which non-recurring finance costs</i>	(2)			(2)
Finance income	250			250
<i>of which non-recurring finance income</i>	-			-
Profit/(loss) before taxes	305	3	17	325
Taxes	(82)	(2)	(4)	(88)
Net profit/(loss) for the year	223	1	13	237
Attributable to:				-
Owners of the parent	227			241
Non-controlling interests	(4)			(4)
Basic earnings/(loss) per share (in Euro)	1.07			1.14
Diluted earnings/(loss) per share (in Euro)	1.05			1.11

Consolidated Statement of Comprehensive Income at 31 December 2017

(in millions of Euro)

	2017 published	Effect of IFRS 15 application	Effect of IFRS 9 application	2017 restated
Net profit/(loss) for the year	223	1	13	237
Comprehensive income/(loss) for the year:				
- items that may be reclassified subsequently to profit or loss:				
Fair value gains/(losses) on cash flow hedges - gross of tax	28		(17)	11
Fair value gains/(losses) on cash flow hedges - tax effect	(9)		4	(5)
Currency translation differences	(169)			(169)
Total items that may be reclassified, net of tax	(150)	-	(13)	(163)
- items that will NOT be reclassified subsequently to profit or loss:				
Actuarial gains/(losses) on employee benefits - gross of tax	17			17
Actuarial gains/(losses) on employee benefits - tax effect	(3)			(3)
Total items that will NOT be reclassified, net of tax	14	-	-	14
Total comprehensive income/(loss) for the year	87	1	-	88
Attributable to:				
Owners of the parent	119			120
Non-controlling interests	(32)			(32)

D. FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to various forms of risk: market risk (including exchange rate, interest rate and price risks), credit risk and liquidity risk. The Group's risk management strategy focuses on the unpredictability of markets and aims to minimise the potentially negative impact on the Group's results. Certain types of risk are mitigated using derivative instruments.

Monitoring of key financial risks is centrally coordinated by the Group Finance Department, and by the Purchasing Department where price risk is concerned, in close cooperation with the Group's operating companies. Risk management policies are approved by the Group Finance, Administration and Control Department, which provides written guidelines on managing the above risks and on using (derivative and non-derivative) financial instruments.

The impact on profit and equity presented in the following sensitivity analyses has been determined net of tax, calculated using the Group's weighted average theoretical tax rate.

[a] Exchange rate risk

The Group operates worldwide and is therefore exposed to exchange rate risk caused by changes in the value of trade and financial flows expressed in a currency other than the unit of account of individual Group companies.

The principal exchange rates affecting the Group are:

- Euro/US Dollar: in relation to trade and financial transactions in US dollars by Eurozone companies on the North American and Middle Eastern markets, and similar transactions in Euro by North American companies on the European market;
- Euro/Canadian Dollar: in relation to trade and financial transactions by Eurozone companies on the Canadian market and vice versa;
- Euro/British Pound: in relation to trade and financial transactions by Eurozone companies on the British market and vice versa;
- Bahraini Dinar/Euro: in relation to trade and financial transactions by Eurozone companies on the Bahrain market;
- Euro/Hungarian Forint: in relation to trade and financial transactions by Hungarian companies on the Eurozone market and vice versa;
- United Arab Emirates Dirham/Euro: in relation to trade and financial transactions by Eurozone companies on the United Arab Emirates market;
- Australian Dollar/Euro: in relation to trade and financial transactions by Eurozone companies on the Australian market and vice versa;
- Brazilian Real/US Dollar: in relation to trade and financial transactions in US dollars by Brazilian companies on foreign markets;
- Euro/Romanian Leu: in relation to trade and financial transactions by Eurozone companies on the Romanian market and vice versa;

- Indonesian Rupiah/US Dollar: in relation to trade and financial transactions in Indonesia Rupiah by companies operating in Indonesia on the local market;
- Czech Koruna/Euro: in relation to trade and financial transactions by Eurozone companies on the Czech market and vice versa;
- Euro/Qatari Riyal: in relation to trade and financial transactions by Eurozone companies on the Qatari market;
- Turkish Lira/US Dollar: in relation to trade and financial transactions in US dollars by Turkish companies on foreign markets;
- Euro/Norwegian Krone: in relation to trade and financial transactions by Eurozone companies on the Norwegian market and vice versa;
- Renminbi/US Dollar: in relation to trade and financial transactions in US dollars by Chinese companies on foreign markets and vice versa;
- Euro/Swedish Krona: in relation to trade and financial transactions by Eurozone companies on the Swedish market and vice versa;
- Euro/Singapore Dollar: in relation to trade and financial transactions by Eurozone companies on the Singapore market and vice versa;
- Costa Rican Colon/US Dollar: in relation to trade and financial transactions in US dollars by Costa Rican companies on foreign markets.

In 2018, trade and financial flows exposed to the above exchange rates accounted for around 86.5% of the total exposure to exchange rate risk arising from trade and financial transactions.

The Group is also exposed to appreciable exchange rate risks on the following exchange rates: Euro/Hong Kong Dollar, Renminbi/Euro, UAE Dirham/Omani Rial, Omani Rial/Qatari Riyal; none of these exposures, taken individually, accounted for more than 1.4% of the overall exposure to transactional exchange rate risk in 2018.

It is the Group's policy to hedge, where possible, exposures in currencies other than the unit of account of its individual companies. In particular, the Group hedges:

- firm cash flows: invoiced trade flows and exposures arising from loans and borrowings;
- projected cash flows: trade and financial flows arising from firm or highly probable contractual commitments.

Such hedges are arranged using derivative contracts.

The following sensitivity analysis shows the effects on net profit of a 5% and 10% increase/decrease in exchange rates versus closing exchange rates at 31 December 2018 and 31 December 2017.

(in millions of Euro)

	2018		2017	
	-5%	+5%	-5%	+5%
Euro	(0.75)	0.67	(0.97)	0.88
US Dollar	(3.33)	3.01	(0.76)	0.69
Other currencies	(4.39)	3.97	(3.49)	3.16
Total	(8.47)	7.65	(5.22)	4.73

(in millions of Euro)

	2018		2017	
	-10%	+10%	-10%	+10%
Euro	(1.57)	1.29	(2.05)	1.67
US Dollar	(7.02)	5.75	(1.61)	1.32
Other currencies	(9.26)	7.58	(6.27)	6.03
Total	(17.85)	14.62	(9.93)	9.02

When assessing the potential impact of the above, the assets and liabilities of each Group company in currencies other than their unit of account were considered, net of any derivatives hedging the above-stated cash flows.

The following sensitivity analysis shows the post-tax effects on equity reserves of an increase/decrease in the fair value of designated cash flow hedges following a 5% and 10% increase/decrease in exchange rates versus closing exchange rates at 31 December 2018 and 31 December 2017.

(in millions of Euro)

	2018		2017	
	-5%	+5%	-5%	+5%
US Dollar	3.29	(3.63)	6.31	(6.97)
United Arab Emirates Dirham	1.26	(1.39)	0.67	(0.75)
Qatari Riyal	1.18	(1.30)	1.29	(1.43)
Euro	0.00	0.00	0.32	(0.36)
Other currencies	3.12	(3.45)	3.62	(4.00)
Total	8.85	(9.77)	12.21	(13.51)

(in millions of Euro)

	2018		2017	
	-10%	+10%	-10%	+10%
US Dollar	6.27	(7.67)	12.04	(14.71)
United Arab Emirates Dirham	2.41	(2.94)	1.29	(1.57)
Qatari Riyal	2.24	(2.74)	2.47	(3.02)
Euro	0.00	0.00	0.62	(0.75)
Other currencies	5.95	(7.27)	6.92	(9.56)
Total	16.87	(20.62)	23.34	(29.61)

The above analysis ignores the effects of translating the equity of Group companies whose functional currency is not the Euro.

Further details can be found in the individual notes to the financial statements.

[b] Interest rate risk

The interest rate risk to which the Group is exposed is mainly on long-term financial liabilities, carrying both fixed and variable rates.

Fixed rate debt exposes the Group to a fair value risk. The Group does not operate any particular hedging policies in relation to the risk arising from such contracts.

Variable rate debt exposes the Group to a rate volatility risk (cash flow risk). In order to hedge this risk, the Group can use derivative contracts that limit the impact of interest rate changes on the income statement. The Group Finance Department monitors the exposure to interest rate risk and adopts appropriate hedging strategies to keep the exposure within the limits defined by the Group Administration, Finance and Control Department, arranging derivative contracts, if necessary.

The following sensitivity analysis shows the effects on consolidated net profit of an increase/decrease of 25 basis points in interest rates on the interest rates at 31 December 2018 and 31 December 2017, assuming that all other variables remain equal.

The potential effects shown below refer to net liabilities representing the bulk of Group debt at the reporting date and are determined by calculating the effect on net finance costs following a change in annual interest rates.

The net liabilities considered for sensitivity analysis include variable rate financial receivables and payables, cash and cash equivalents and derivatives whose value is influenced by rate volatility.

(in millions of Euro)

	2018		2017	
	-0.25%	+0.25%	-0.25%	+0.25%
Euro	0.00	0.00	(1.34)	1.34
US Dollar	(0.26)	0.26	(0.08)	0.08
British Pound	(0.21)	0.21	(0.27)	0.27
Other currencies	(0.36)	0.36	(0.36)	0.36
Total	(0.83)	0.83	(2.05)	2.05

At 31 December 2018, the Group had interest rate swap agreements in place that transform the variable rate into a fixed one. These agreements have been accounted for as cash flow hedges.

[c] Price risk

The Group is exposed to price risk in relation to purchases and sales of strategic materials, whose purchase price is subject to market volatility. The main raw materials used by the Group in its own production processes consist of strategic metals such as copper, aluminium and lead. The cost of purchasing such strategic materials accounted for approximately 53.4% of the Group's total cost of materials in 2018 (53.3% in 2017), forming part of its overall production costs.

In order to manage the price risk on future trade transactions, the Group negotiates derivative contracts on strategic metals, setting the price of expected future purchases.

Although the ultimate aim of the Group is to hedge risks to which it is exposed, these contracts do not qualify as hedging instruments for accounting purposes.

The derivative contracts entered into by the Group are negotiated with major financial counterparties on the basis of strategic metal prices quoted on the London Metal Exchange ("LME"), the New York market ("COMEX") and the Shanghai Futures Exchange ("SFE").

The following sensitivity analysis shows the effect on net profit and consolidated equity of a 10% increase/decrease in strategic material prices versus prices at 31 December 2018 and 31 December 2017, assuming that all other variables remain equal.

(in millions of Euro)

	2018		2017	
	-10%	+10%	-10%	+10%
LME	(13.93)	13.93	(18.03)	18.04
COMEX	(0.42)	0.42	0.76	(0.76)
SME	(2.73)	2.73	(1.48)	1.48
Total	(17.08)	17.08	(18.76)	18.76

The potential impact shown above is solely attributable to increases and decreases in the fair value of derivatives on strategic material prices which are directly attributable to changes in the prices themselves. It does not refer to the impact on the income statement of the purchase cost of strategic materials.

[d] Credit risk

Credit risk is connected with trade receivables, cash and cash equivalents, financial instruments, and deposits with banks and other financial institutions.

Customer-related credit risk is managed by the individual subsidiaries and monitored centrally by the Group Finance Department. The Group does not have excessive concentrations of credit risk. It nonetheless has procedures aimed at ensuring that sales of products and services are made to reliable customers, taking account of their financial situation, track record and other factors. Credit limits for major customers are based on internal and external assessments within ceilings approved by local country management. The utilisation of credit limits is periodically monitored at local level.

During 2018 the Group had a global insurance policy in place to provide coverage for part of its trade receivables against any credit losses, net of the deductible.

As for credit risk relating to the management of financial and cash resources, this risk is monitored by the Group Finance Department, which implements procedures intended to ensure that Group companies deal with independent, high standing, reliable counterparties. In fact, at 31 December 2018 (like at 31 December 2017) almost all the Group's financial and cash resources were held with investment grade counterparties. Credit limits relating to the principal financial counterparties are based on internal and external assessments, within ceilings set by the Group Finance Department.

[e] Liquidity risk

Prudent management of the liquidity risk arising from the Group's normal operations involves the maintenance of adequate levels of cash and cash equivalents and short-term securities as well as ensuring the availability of funds by having an adequate amount of committed credit lines.

The Group Finance Department uses cash flow forecasts to monitor the projected level of the Group's liquidity reserves.

The amount of liquidity reserves at the reporting date is as follows:

(in millions of Euro)

	31 December 2018	31 December 2017
Cash and cash equivalents	1,001	1,335
Financial assets at fair value through profit or loss	25	40
Financial assets at fair value through other comprehensive income	10	11
Undrawn committed lines of credit	1,000	1,000
Total	2,036	2,386

Undrawn committed lines of credit at 31 December 2018 refer to the Syndicated Revolving Credit Facility 2014 (Euro 1,000 million), like at 31 December 2017. The following table includes an analysis, by due date, of payables, other liabilities, and derivatives settled on a net basis; the various due date categories refer to the period between the reporting date and the contractual maturity of the obligations.

(in millions of Euro)

	31 December 2018			
	Due within 1 year	Due between 1 - 2 years	Due between 2 - 5 years	Due after 5 years
Borrowings from banks and other lenders	137	669	2,507	119
Finance lease obligations	1	1	3	7
Derivatives	41	6	2	-
Trade and other payables	3,053	9	3	-
Total	3,232	685	2,515	126

(in millions of Euro)

	31 December 2017			
	Due within 1 year	Due between 1 - 2 years	Due between 2 - 5 years	Due after 5 years
Borrowings from banks and other lenders	403	71	1,375	111
Finance lease obligations	1	2	3	7
Derivatives	35	2	-	-
Trade and other payables	2,357	2	3	3
Total	2,796	77	1,381	121

In completion of the disclosures about financial risks, the following is a reconciliation between the classes of financial assets and liabilities reported in the Group's consolidated statement of financial position and the categories used by IFRS 7 to identify financial assets and liabilities:

(in millions of Euro)

						31 December 2018
	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortised cost	Hedging derivatives
Other investments at fair value through other comprehensive income	-	-	13	-	-	-
Financial assets at fair value through other comprehensive income			10			
Trade receivables	-	1,635	-	-	-	-
Other receivables	-	699	-	-	-	-
Financial assets at fair value through profit or loss	25	-	-	-	-	-
Derivatives (assets)	18	-	-	-	-	3
Cash and cash equivalents	-	1,001	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	3,259	-
Trade payables	-	-	-	-	2,132	-
Other payables	-	-	-	-	933	-
Derivatives (liabilities)	-	-	-	26	-	24

(in millions of Euro)

						31 December 2017(*)
	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortised cost	Hedging derivatives
Other investments at fair value through other comprehensive income	-	-	12	-	-	-
Financial assets at fair value through other comprehensive income			11			
Trade receivables	-	1,131	-	-	-	-
Other receivables	-	466	-	-	-	-
Financial assets at fair value through profit or loss	40	-	-	-	-	-
Derivatives (assets)	46	-	-	-	-	13
Cash and cash equivalents	-	1,335	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	1,836	-
Trade payables	-	-	-	-	1,686	-
Other payables	-	-	-	-	679	-
Derivatives (liabilities)	-	-	-	17	-	20

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

D.1 CAPITAL RISK MANAGEMENT

The Group's objective in capital risk management is mainly to safeguard business continuity in order to guarantee returns for shareholders and benefits for other stakeholders. The Group also aims to maintain an optimal capital structure in order to reduce the cost of debt and to comply with a series of covenants required by the various Credit Agreements (Note 32. Financial covenants).

The Group also monitors capital using a gearing ratio (i.e. the ratio between net financial debt and capital). Details of how net financial debt is determined can be found in Note 12. Borrowings from banks and other lenders. Capital is equal to the sum of equity, as reported in the Group consolidated financial statements, and net financial debt.

The gearing ratios at 31 December 2018 and 31 December 2017 are shown below:

(in millions of Euro)

	2018	2017 (*)
Net financial debt	2,222	436
Equity	2,446	1,639
Total capital	4,668	2,111
Gearing ratio	47.60%	20.65%

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9.

D.2 FAIR VALUE MEASUREMENT

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

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

Level 1: Fair value is determined with reference to quoted prices (unadjusted) in active markets for identical financial instruments. Therefore, the emphasis within Level 1 is on determining both of the following:

- (a) the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability; and
- (b) whether the entity can enter into a transaction for the asset or liability at the price in that market at the measurement date.

Level 2: Fair value is determined using valuation techniques where the input is based on observable market data. The inputs for this level include:

- (a) quoted prices for similar assets or liabilities in active markets;
- (b) quoted prices for identical or similar assets or liabilities in markets that are not active;
- (c) inputs other than quoted prices that are observable for the asset or liability, for example:
 - i. interest rate and yield curves observable at commonly quoted intervals;
 - ii. implied volatilities;
 - iii. credit spreads;
- (d) market-corroborated inputs.

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

The following tables present, on recurring basis, the assets and liabilities that are measured at fair value:

(in millions of Euro)

31 December 2018				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value				
Derivatives through profit or loss	-	18	-	18
Financial assets at fair value through profit or loss	19	6	-	25
Hedging derivatives	-	3	-	3
Other investments at fair value through other comprehensive income	-	-	13	13
Financial assets at fair value through other comprehensive income	10	-	-	10
Total assets	29	27	13	69
Liabilities				
Financial liabilities at fair value				
Derivatives through profit or loss	-	25	-	25
Hedging derivatives	-	24	-	24
Total liabilities	-	49	-	49

(in millions of Euro)

31 December 2017				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value				
Derivatives through profit or loss	-	46	-	46
Financial assets at fair value through profit or loss	39	1	-	40
Hedging derivatives	-	13	-	13
Other investments at fair value through other comprehensive income	-	-	12	12
Financial assets at fair value through other comprehensive income	11	-	-	11
Total assets	50	60	12	122
Liabilities				
Financial liabilities at fair value				
Derivatives through profit or loss	-	17	-	17
Hedging derivatives	-	20	-	20
Total liabilities	-	57	-	57

Financial assets classified in fair value Level 3 have reported no significant movements in either 2018 or 2017.

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

During 2018 there were no transfers of financial assets and liabilities between the different levels of the fair value hierarchy.

VALUATION TECHNIQUES

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

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

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

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

An increase/decrease in the Group's credit rating at 31 December 2018 would not have had significant effects on net profit at that date.

E. ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to apply accounting policies and methods which, at times, rely on judgements and estimates based on past experience and assumptions deemed to be reasonable and realistic according to the related circumstances. The application of these estimates and assumptions influences the amounts reported in the financial statements, meaning the statement of financial position, the income statement, the statement of comprehensive income and the statement of cash flows, as well as the accompanying disclosures. Ultimate amounts, previously reported on the basis of estimates and assumptions, may differ from original estimates because of the uncertain nature of the assumptions and conditions on which the estimates were based.

The following is a brief description of the accounting policies that require the Prysmian Group's management to exercise most subjectivity of judgement when preparing estimates and a change in whose underlying assumptions could have a material impact on the consolidated financial statements.

(a) Provisions for risks and charges

Provisions are recognised for legal and tax risks and reflect the risk of a negative outcome. The value of the provisions recorded in the financial statements against such risks represents the best estimate by management at that date. This estimate requires the use of assumptions depending on factors which may change over time and which could, therefore, materially impact the current estimates made by management to prepare the Group consolidated financial statements.

(b) Impairment of assets

Goodwill

The Group's activities are organised in three operating segments: *Projects*, *Energy* and *Telecom*. The *Projects* segment consists of the High Voltage, Submarine Power, Submarine Telecom and Offshore Specialties CGUs; the *Energy* segment consists of a number of CGUs corresponding to the Regions or Countries in keeping with the new organisation structure; lastly, the *Telecom* segment consists of a single CGU that coincides with the operating segment itself. Goodwill, acquired on the occasion of business combinations, has been allocated to groups of CGUs, corresponding to the operating segments, which are expected to benefit from the synergies of such combinations and which represent the lowest level at which management monitors business performance. In accordance with the accounting standards adopted and related impairment testing procedures, the Group tests annually whether Goodwill has suffered an impairment loss. The recoverable amount has been determined by calculating value in use. This calculation requires the use of estimates.

More details about the impairment test for Goodwill can be found in Note 2. Intangible assets.

Property, plant and equipment and finite-life intangible assets

In accordance with the Group's adopted accounting standards and impairment testing procedures, property, plant and equipment and intangible assets with finite useful lives are tested for impairment. Any impairment loss is recognised by means of a write-down, when indicators suggest it will be difficult to recover the related

net book value through use of the assets. To verify the existence of these indicators management has to make subjective judgements based on information available within the Group and from the market, as well as on past experience. If an impairment loss is identified, the Group will determine the amount of such impairment using suitable valuation techniques. Correct identification of indicators of potential impairment, as well as its very measurement, depend on factors which can vary over time, thus influencing the judgements and estimates made by management.

Prysmian Group has assessed during the course of 2018 whether there was any evidence that its CGUs might be impaired and has consequently tested for impairment those CGUs potentially at "risk". The Group has not written down any assets because no impairment losses were identified as a result of these tests. The Group has nonetheless written down some specific assets.

The outcome of impairment tests at 31 December 2018 does not mean that future results will be the same, especially in the event of currently unforeseeable developments in the business environment.

Further information can be found in Note 1. Property, plant and equipment.

(c) Depreciation and amortisation

The cost of property, plant and equipment and intangible assets is depreciated/amortised on a straight-line basis over the estimated useful lives of the assets concerned. The useful economic life of Group property, plant and equipment and intangible assets is determined by management when the asset is acquired. This is based on past experience for similar assets, market conditions and expectations regarding future events that could impact useful life, including developments in technology. Therefore, actual economic life may differ from estimated useful life. The Group periodically reviews technological and industry developments to update residual useful lives. This periodic update may lead to a variation in the depreciation/amortisation period and therefore also in the depreciation/amortisation charge for future years.

(d) Recognition of revenues and costs from contract work in progress

The Group uses the percentage of completion method to account for long-term contracts. The margins recognised in the income statement depend on the progress of the contract and its estimated margins upon completion. This means that if work-in-progress and margins on as yet incomplete work are to be correctly recognised, management must have correctly estimated contract revenue and completion costs, including any contract variations and any cost overruns and penalties that might reduce the expected margin. The percentage of completion method requires the Group to estimate contract completion costs and involves making estimates dependent on factors that could potentially change over time and so could have a significant impact on the recognition of revenue and margins in the process of formation.

(e) Taxes

Consolidated companies are subject to different tax jurisdictions. A significant degree of estimation is needed to establish the expected global tax charge. There are many transactions for which the relevant taxes are difficult to estimate at year end. The Group records liabilities for tax risks on the basis of estimates, possibly made with the assistance of outside experts.

(f) Inventory valuation

Inventories are recorded at the lower of purchase cost (measured using the weighted average cost formula for non-ferrous metals and the FIFO formula for all others) and net realisable value, net of selling costs. Net realisable value is in turn represented by the value of firm orders in the order book, or otherwise by the replacement cost of supplies or raw materials. If significant reductions in the price of non-ferrous metals are followed by order cancellations, the loss in the value of inventories may not be fully offset by the penalties charged to customers for cancelling their orders.

(g) Employee benefit obligations

The present value of the pension plans reported in the financial statements depends on an independent actuarial calculation and on a number of different assumptions. Any changes in assumptions and in the discount rate used are duly reflected in the present value calculation and may have a significant impact on the consolidated figures. The assumptions used for the actuarial calculation are examined by the Group annually.

Present value is calculated by discounting future cash flows at an interest rate equal to that on high-quality corporate bonds issued in the currency in which the liability will be settled and which takes account of the duration of the related pension plan.

Further information can be found in Note 15. Employee benefit obligations and Note 21. Personnel costs.

(h) Incentive and share purchase plans

The employee share purchase plan, directed at almost all the Group's employees, provides an opportunity for them to obtain shares on preferential terms and conditions. The operation of this plan is described in Note 21. Personnel costs.

The grant of shares is subject to continued employment with the Group in the months between signing up to one of the plan's purchase windows and the purchase of the shares themselves on the equity market. The plan's financial and economic impact has therefore been estimated on the basis of the best possible estimates and information currently available.

The incentive plan for 2018-2020 involves granting options to some of the Group's employees and co-investing part of their annual bonuses. These benefits are awarded subject to the achievement of operating and financial performance objectives and a continued employment relationship for the three-year period 2018-2020. The plan's financial and economic impact has therefore been estimated on the basis of the best possible estimates and information available at the valuation date. More details can be found in Note 21. Personnel costs.

F. BUSINESS COMBINATIONS

As described in Section A. Significant events, Prysmian Group acquired control of General Cable Corporation on 6 June 2018. The acquisition date has been backdated to the end of May 2018 for accounting purposes.

The total consideration paid for the acquisition is approximately Euro 1,290 million.

Acquisition-related costs amount to around Euro 19 million, before tax effects of some Euro 5 million. These costs have been expensed to income as "Non-operating expenses", of which Euro 15 million accounted for in 2017 and Euro 4 million in 2018.

The assets and liabilities of General Cable have been determined on a provisional basis, since the main acquisition accounting processes were still being finalised at the current reporting date.

In compliance with IFRS 3, the fair value of the assets, liabilities and contingent liabilities will be finalised within twelve months of the acquisition date.

The excess of the purchase consideration over the provisional fair value of net assets acquired has been recognised as goodwill, quantified as Euro 1,084 million.

Such goodwill is primarily justified by the expected future income from integrating the two groups, including the benefits of run-rate synergies. The allocation of the acquisition purchase price is currently being finalised, as permitted by the relevant accounting standard.

Details of the assets and goodwill are as follows:

(in millions of Euro)

Cash out	1,303
Derivatives (collar) for acquisition	(13)
Acquisition price (A)	1,290
Fair value of net assets acquired (B)	208
Non-controlling interest	2
Goodwill (A-B)	1,084
Purchase consideration	1,290
Cash and cash equivalents held by acquiree	(82)
Acquisition cash flow	1,208

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

(in millions of Euro)

Property, plant and equipment	890
Intangible assets	323
Assets held for sale	3
Financial assets at amortised cost	3
Derivatives	16
Deferred taxes	(140)
Inventories	646
Trade and other receivables	697
Trade and other payables	(692)
Borrowings from banks and other lenders	(1,315)
Employee benefit obligations and Provisions for risks and charges	(305)
Cash and cash equivalents	82
Net assets acquired (B)	208

There now follow some brief comments about the fair value measurement forming part of the purchase price allocation process performed thus far.

Property, plant and equipment

The fair value measurement has increased book value by Euro 464 million.

Intangible assets

The fair value measurement has identified the following higher values of intangible assets:

- Customer relationships: Euro 232 million (amortised over a useful life of between 3 and 20 years);
- Trademarks: Euro 51 million (amortised over a useful life of 10 years);
- Technology: Euro 39 million (amortised over a useful life of between 4 and 5 years);
- Order book: Euro 2 million (amortised over a useful life of 1 year);

"Goodwill" and other pre-existing intangible assets recorded in the General Cable financial statements, amounting to Euro 27 million, will be cancelled against the above higher values.

Trade and other receivables, Trade and other payables

Trade and other receivables and trade and other payables have been measured at fair value.

Inventories

The fair value measurement of inventories has involved an increase of Euro 16 million in book value to recognise the inventory step-up for production profit margins.

Provisions for risks

The fair value measurement has increased book value by Euro 88 million in connection with contingent liabilities.

Deferred taxes

The variation reflects recognition of the tax effect of all the above differences against book value.

General Cable accounted for Euro 2,117 million of the Prysmian Group's total sales of goods and services in 2018, while making a negative contribution of Euro 13 million to net profit for the year. If General Cable had been consolidated from 1 January 2018, it would have contributed Euro 3,536 million to sales of goods and services and a negative Euro 8 million to net profit for the year.

G. SEGMENT INFORMATION

Following the acquisition of General Cable, since June 2018 the Group has embarked on a reorganisation, as a result of which it has redesigned its operating segments and therefore its segment reporting to reflect the new model adopted by the Group.

These changes have caused the operating segments to be redesigned as follows:

- *Energy*, whose smallest identifiable CGU is the Region; this segment encompasses the former Energy Products segment as well as the Core Oil&Gas and DHT businesses included until the last quarter in the OIL&GAS segment no longer significant for the Group.
- *Projects*, whose smallest identifiable CGUs are the High Voltage, Submarine Power, Submarine Telecom and Offshore Specialties businesses; this segment encompasses the former Energy Projects segment, the Offshore Specialties business (previously included in the OIL&GAS segment no longer significant for the Group) and the Submarine Telecom business, new to the Group following the acquisition of General Cable;
- *Telecom*, whose smallest CGU continues to be the operating segment itself. This segment has not undergone any changes as a result of the above reorganisation.

The new operating segments are: *Energy*, *Projects* and *Telecom*.

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

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

- A) *Projects* operating segment: encompassing the following high-tech and high value-added businesses whose focus is on projects and their execution, as well as on product customisation: High Voltage, Submarine Power, Submarine Telecom and Offshore Specialties.
- B) *Energy* operating segment: encompassing the businesses offering a complete and innovative product portfolio designed to meet the various and many needs of the market, namely:
1. Energy & Infrastructure (E&I): this includes Trade and Installers, Power Distribution and Overhead lines;

2. Industrial & Network Components: this comprises Specialties and OEM, Elevators, Automotive, Network Components, core Oil & Gas and DHT;
3. Other: occasional sales of residual products.

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

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

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

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

It should be noted that the previously published comparative figures have been restated to reflect the redefinition of the operating segments described above.

G.1 OPERATING SEGMENTS

The following tables present information by operating segment.

(in millions of Euro)

								2018 (*)
	Projects	Energy				Telecom	Corporate	Group total
		E&I	Industrial & NWC	Other	Total Energy			
Sales ⁽¹⁾	1,689	4,636	2,103	236	6,975	1,494	-	10,158
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	159	168	150	(2)	316	229	-	704
% of sales	9.4%	3.6%	7.1%		4.5%	15.4%		6.9%
Adjusted EBITDA (A)	159	171	151	(2)	320	284	-	763
% of sales	9.4%	3.7%	7.2%		4.6%	19.0%		7.5%
EBITDA (B)	79	121	130	(2)	249	306	(38)	596
% of sales	4.7%	2.6%	6.2%		3.6%	20.5%		5.9%
Amortisation and depreciation (C)	(54)	(86)	(38)	(2)	(126)	(47)	-	(227)
Adjusted operating income (A+C)	105	85	113	(4)	194	237	-	536
% of sales	6.2%	1.8%	5.4%		2.8%	15.9%		5.3%
Fair value change in metal derivatives (D)								(48)
Fair value stock options (E)								(6)
Asset (impairment) and impairment reversal (F)	(1)				(4)		-	(5)
Operating income (B+C+D+E+F)								310
% of sales								3.0%
Finance income								302
Finance costs								(414)
Taxes								(68)
Net profit/(loss) for the year								130
% of sales								1.3%
Attributable to:								
Owners of the parent								130
Non-controlling interests								-
RECONCILIATION BETWEEN EBITDA AND ADJUSTED EBITDA								
EBITDA (A)	79	121	130	(2)	249	306	(38)	596
Adjustments:								
Company reorganisation	10	29	16	-	45	8	3	66
<i>of which General Cable integration costs</i>	9	21	9	-	30	7	3	49
Non-recurring expenses/(income):	69	-	-	-	-	-	-	69
<i>of which Antitrust</i>	69	-	-	-	-	-	-	69
Other non-operating expenses/(income)	1	21	5	-	26	(30)	35	32
<i>of which General Cable acquisition-related costs</i>	-	-	-	-	-	-	4	4
<i>of which General Cable integration costs</i>	-	-	-	-	-	-	31	31
<i>of which release of General Cable inventory step-up ⁽²⁾</i>	1	8	4	-	12	3	-	16
<i>of which income from YOFC listing</i>	-	-	-	-	-	(36)	-	(36)
Total adjustments (B)	80	50	21	-	71	(22)	38	167
Adjusted EBITDA (A+B)	159	171	151	(2)	320	284	-	763

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

⁽²⁾ Reflects the higher cost of using finished goods and raw materials measured at General Cable's acquisition-date fair value.

^(*) The results of General Cable have been consolidated for the period 1 June - 31 December 2018.

(in millions of Euro)

(in millions of Euro)

								2017 (*)
	Projects	Energy				Telecom	Corporate	Group total
		E&I	Industrial & NWC	Other	Total Energy			
Sales ⁽¹⁾	1,533	3,271	1,693	149	5,113	1,258	-	7,904
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	277	128	113	(1)	240	177	-	694
% of sales	18.0%	3.9%	6.7%		4.7%	14.0%		8.8%
Adjusted EBITDA (A)	278	130	115	(1)	244	214	-	736
% of sales	18.0%	4.0%	6.8%		4.8%	17.0%		9.3%
EBITDA (B)	258	116	107	(2)	221	206	(25)	660
% of sales	16.6%	3.6%	6.3%		4.3%	16.4%		8.4%
Amortisation and depreciation (C)	(50)	(57)	(27)	(2)	(86)	(41)	-	(177)
Adjusted operating income (A+C)	228	73	88	(3)	158	173	-	559
% of sales	14.7%	2.2%	5.2%		3.1%	13.8%		7.0%
Fair value change in metal derivatives (D)								12
Fair value stock options (E)								(49)
Asset (impairment) and impairment reversal (F)	(19)				(3)		-	(22)
Operating income (B+C+D+E+F)								424
% of sales								5.4%
Finance income								250
Finance costs								(349)
Taxes								(88)
Net profit/(loss)								237
% of sales								3.0%
Attributable to:								
Owners of the parent								241
Non-controlling interests								(4)
RECONCILIATION BETWEEN EBITDA AND ADJUSTED EBITDA								
EBITDA (A)	258	116	107	(2)	221	206	(25)	660
Adjustments:								
Company reorganisation	1	10	9	1	20	6	3	30
Non-recurring expenses/(income)	18	-	-	-	-	-	-	18
<i>of which Antitrust</i>	18	-	-	-	-	-	-	18
Other non-operating expenses/(income)	1	4	(1)	-	3	2	22	28
<i>of which General Cable acquisition-related costs</i>	-	-	-	-	-	-	16	16
Total adjustments (B)	20	14	8	1	23	8	25	76
Adjusted EBITDA (A+B)	278	130	115	(1)	244	214	-	736

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

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

G.2 GEOGRAPHICAL AREAS

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

(in millions of Euro)

	2018 (**)	2017 (***)
Sales of goods and services	10,158	7,904
EMEA*	5,941	5,324
(of which Italy)	1,314	1,335
North America	2,457	1,179
Latin America	779	442
Asia Pacific	981	959

*EMEA: Europe, Middle East and Africa.

** The results of General Cable have been consolidated for the period 1 June - 31 December 2018.

*** The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

No individual customer accounted for more than 10% of the Group's total sales in either 2018 or 2017.

1. PROPERTY, PLANT AND EQUIPMENT

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

(in millions of Euro)

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2017	232	528	576	42	61	207	1,646
Movements in 2018:							
- Business combinations	71	195	601	3	3	17	890
- Investments	1	13	32	6	6	209	267
- Disposals	-	-	(1)	-	-	-	(1)
- Depreciation	-	(34)	(109)	(12)	(13)	-	(168)
- Impairment	(3)	(1)	(1)	-	-	-	(5)
- Monetary revaluation for hyperinflation	2	2	2	-	-	2	8
- Currency translation differences	(4)	(1)	4	1	(2)	(1)	(3)
- Reclassifications (to)/from Assets held for sale	(3)	(2)	-	-	-	-	(5)
- Other	(2)	21	87	10	6	(122)	-
Total movements	62	193	615	8	-	105	983
Balance at 31 December 2018	294	721	1,191	50	61	312	2,629
Of which:							
- Historical cost	301	1,035	2,080	142	150	315	4,023
- Accumulated depreciation and impairment	(7)	(314)	(889)	(92)	(89)	(3)	(1,394)
Net book value	294	721	1,191	50	61	312	2,629

(in millions of Euro)

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2016	239	533	573	39	64	183	1,631
Movements in 2017:							
- Investments	-	16	49	3	4	165	237
- Disposals	(1)	-	(1)	-	-	-	(2)
- Depreciation	-	(30)	(80)	(11)	(11)	-	(132)
- Impairment	(1)	(6)	(15)	-	-	-	(22)
- Currency translation differences	(6)	(18)	(27)	(3)	(1)	(11)	(66)
- Other	1	33	77	14	5	(130)	-
Total movements	(7)	(5)	4	3	(4)	22	15
Balance at 31 December 2017	232	528	576	42	61	207	1,646
Of which:							
- Historical cost	238	818	1,413	126	146	210	2,951
- Accumulated depreciation and impairment	(6)	(290)	(837)	(84)	(85)	(3)	(1,305)
Net book value	232	528	576	42	61	207	1,646

"Business combinations" at 31 December 2018 refer to the General Cable acquisition, details of which can be found in Section F. Business Combinations.

In 2018, gross capital expenditure on property, plant and equipment came to Euro 267 million.

Such expenditure during the course of 2018 referred to:

- Projects to increase and technologically upgrade production capacity and develop new products/markets: Euro 163 million (61% of the total). Within the *Projects* operating segment, the most significant investment was the advance payment for the construction of a new cable-laying vessel, for a total estimated cost in excess of Euro 170 million, of which Euro 31 million capitalised during the year. This new vessel is intended to support long-term growth prospects in the submarine cable business, strengthening the Group's installation and execution capabilities for interconnection and offshore wind projects. The new cable-laying vessel is scheduled to enter into operation in 2021.

Still within the *Projects* segment, during 2018 work was completed on upgrading the Yixing factory (previously owned by ShenHuan Cable Technologies), forming part of the High Voltage business, to comply with the Group's procedures in order to offer customers every available high-voltage cable technology by creating a centre of excellence in China serving the entire Far East region. The High Voltage business also saw investments to boost production capacity at the Montereau plant in France for cables up to 2 km long in order to meet ever growing demand for long-distance direct current power lines.

Global investments in the *Energy* segment were able to fulfil growing demand in certain value-added sectors. In China, the investment to increase production capacity for Trade & Installer, Rolling Stock and Automotive cables was completed at the Suzhou plant. The entire Far East region received great attention in general, with completion of an additional catenary line for medium voltage cable extrusion in Indonesia, which has already started to produce for the local and export markets. In fact, these investments aim to make sure the Group is ready to exploit the growth opportunities presented by this region in every area of its business. Lastly, it was decided to make the most of the opportunities arising from the General Cable acquisition, by investing in increased production capacity at medium voltage plants in the United States (mainly in Marshall, Texas) to serve a business displaying strong growth on the back of a healthy US economy. Capex by the subsidiary Oman Cables Industry was concentrated mainly in the low and medium voltage cables business, serving both local utilities and the large engineering procurement and construction companies active in the Arabian Peninsula.

In the *Telecom* operating segment, the investments started in 2017 to create a verticalised production platform were almost completed at the optical fibre plant in Claremont, North Carolina, which also increased its spinning capacity to satisfy fibre demand for optical cable manufacturing purposes. For the same reason, the Group is also boosting ribbon cable production capacity at the plant in Lexington, South Carolina, also in the wake of a major supply agreement with US telecom customers to support expansion of the telecom carrier's optical network that will promote development of 5G services, while improving the 4G LTE capacity of the broadband network. Confirming its role as a centre of excellence in the United States for the production of optical cables for the Telecom segment, Lexington is also benefiting from a new series of investments to produce cables with a new state-of-the-art technology

called FlexRibbon that compacts the maximum fibre count into the smallest cable possible by using extremely flexible fibre ribbons that can be rolled up for high packing densities or laid flat for ribbon splicing.

Apart from the USA, other investment projects were commenced in Europe, at the plants in Douvrin (France) and Battipaglia (Italy), with the purpose of developing single-mode fibre production, serving the continent's optical telecom cables market. Both projects are due to be completed in the first half of 2020. In Europe, optical fibre production has been accompanied by growth in the optical cable business, and in particular at the Slatina plant, where the second phase of the project to expand optical telecom cable production capacity is reaching completion.

- Multiple projects to improve industrial efficiency and rationalise production capacity: Euro 54 million (20% of the total). The Group has continued to invest in cost optimisation throughout the Telecom segment's production chain. In particular, the European optical fibre manufacturing facilities in Battipaglia (Italy) and Douvrin (France) carried on investing in measures to boost efficiency by significantly reducing fibre manufacturing costs, with particular attention to increased preform size, the length of production batches and spinning speed.

The project to create a new Centre of Excellence for South America in Brazil, within the existing facility in Sorocaba (São Paulo), is reaching completion: this centre will house all of the production unit currently located in Santo André (São Paulo) and will be one of the Group's most modern complexes in the world. This project confirms the Group's confidence in the potential of this country, where it has been present for nearly 100 years, while ensuring its readiness for recovery of the energy and telecom markets in Brazil and South America.

- Structural work: Euro 50 million (19% of the total). A large part of this expenditure related to continued activities to remove all asbestos from the Group's facilities around the world.

There are Euro 4.4 million in liens on machinery as security against long-term loans (Euro 3 million at 31 December 2017).

During the reporting period just ended, the Prysmian Group reviewed whether there was any evidence that its CGUs might be impaired, and then tested for impairment those CGUs potentially at "risk".

Such impairment testing has not resulted in the recognition of any impairment.

The Group has nonetheless recognised impairment against other assets which, although belonging to larger CGUs for which there was no specific evidence of impairment, presented evidence of impairment due to particular market circumstances. This has led to the recognition of Euro 5 million in impairment losses in 2018, mainly to write down the site in Delfzijl (Netherlands).

"Buildings" include assets under finance lease with a net book value of Euro 18 million at 31 December 2018 (Euro 20 million at 31 December 2017). The maturity dates of finance leases are reported in Note 12. Borrowings from banks and other lenders; such leases generally include purchase options.

2. INTANGIBLE ASSETS

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

(in millions of Euro)

	Patents	Concessions, licences, trademarks and similar rights	Goodwill	Software	Other intangible assets	Intangibles in progress and advances	Total
Balance at 31 December 2017	7	27	438	31	216	16	735
Movements in 2018:							
- Business combinations	-	88	1,084	-	235	-	1,407
- Investments	-	-	-	4	-	14	18
- Amortisation	(3)	(10)	-	(9)	(37)	-	(59)
- Currency translation differences	1	2	19	(1)	9	1	31
- Other	1	6	-	10	(6)	(11)	-
Total movements	(1)	86	1,103	4	201	4	1,397
Balance at 31 December 2018	6	113	1,541	35	417	20	2,132
Of which:							
- Historical cost	59	185	1,561	115	606	41	2,567
- Accumulated amortisation and impairment	(53)	(72)	(20)	(80)	(189)	(21)	(435)
Net book value	6	113	1,541	35	417	20	2,132

(in millions of Euro)

	Patents	Concessions, licences, trademarks and similar rights	Goodwill	Software	Other intangible assets	Intangibles in progress and advances	Total
Balance at 31 December 2016	9	35	448	31	256	13	792
Movements 2017:							
- Investments	1	-	-	1	7	11	20
- Disposals	-	-	-	-	-	(1)	(1)
- Amortisation	(4)	(5)	-	(7)	(29)	-	(45)
- Currency translation differences	(1)	(3)	(10)	-	(18)	1	(31)
- Other	2	1	-	6	1	(8)	-
Total movements	(2)	(8)	(10)	-	(40)	3	(57)
Balance at 31 December 2017	7	27	438	31	216	16	735
Of which:							
- Historical cost	57	89	458	102	368	37	1,111
- Accumulated amortisation and impairment	(50)	(62)	(20)	(71)	(152)	(21)	(331)
Net book value	7	27	438	31	216	16	735

The amount of "Business combinations" at 31 December 2018 refers to the General Cable acquisition, details of which can be found in Section F. Business Combinations.

In 2018, gross capital expenditure on intangible assets came to Euro 18 million, most of which attributable to ongoing enhancement of information systems and research and development. A large part of the expenditure went on developing the Group's information systems and on "Digital Transformation" projects. Work continued in 2018 on completing the "SAP Consolidation (1C)" program, based on the innovative SAP HANA infrastructure and intended to standardise back office processes, involving the platform's roll-out to China, APAC and part of the United States. In addition, a project was started in Slatina to develop Fasttrack,

the Group's first Global Manufacturing Execution System, with the aim of boosting the efficiency and efficacy of industrial processes and of improving customer service, by ensuring complete traceability of the components used in the production cycles. During the year a project got underway to upgrade the Group's wide area network, due to be completed in 2019, by significantly boosting capacity and improving the performance of inter-office communication infrastructure.

As at 31 December 2018, the Prysmian Group had capitalised Euro 1,540 million in Goodwill, of which Euro 1,084 million for the General Cable acquisition, details of which can be found in Section F. Business Combinations.

As described in Note 1. Property, plant and equipment, at 31 December 2018 the Prysmian Group has reviewed whether there was any evidence that its CGUs might be impaired, and has then tested for impairment those CGUs potentially at "risk".

Goodwill impairment test

As reported earlier in note B.8 Impairment of property, plant and equipment and finite-life intangible assets, the Group's activities are organised in three operating segments: *Projects*, *Energy* and *Telecom*. The *Projects* segment consists of the High Voltage, Submarine Power, Submarine Telecom and Offshore Specialties CGUs; the *Energy* segment consists of a number of CGUs corresponding to the Regions or Countries in keeping with the new organisation structure; lastly, the *Telecom* segment consists of a single CGU that coincides with the operating segment itself. Goodwill, acquired on the occasion of business combinations, has been allocated to groups of CGUs, corresponding to the operating segments, which are expected to benefit from the synergies of such combinations and which represent the lowest level at which management monitors business performance.

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

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

(in millions of Euro)

	31 December 2017	Reclassifications	Additions	Currency translation differences	31 December 2018
Energy goodwill	258	23	728	14	1,023
OIL & GAS goodwill	23	(23)			-
Projects goodwill	71		156	2	229
Telecom goodwill	86		200	3	289
Total goodwill	438	-	1,084	19	1,541

The cash flow projection has been determined, for 2019, using the post-tax cash flow derived from the Group's 2019 budget, approved by the Board of Directors on 19 February 2019 and taking account of subsequent effects of the Western Link contract. The operating segment cash flow forecasts have been extended to the period 2020-2021 assuming expected annual growth rates of between 2.0% and 2.2% (consistent with the growth rates of the countries concerned). A terminal value has been estimated to reflect operating segment value after this period; this value has been determined assuming a 2% perpetuity growth

rate, considered prudent compared with growth rates observed around the world. The rate used to discount cash flows has been determined on the basis of market information about the cost of money and asset-specific risks (Weighted Average Cost of Capital, WACC). The outcome of the test has shown that the recoverable amount of the individual operating segments is higher than their net invested capital (including the allocation of goodwill). In particular, recoverable amount is significantly above carrying amount for the *Projects* operating segment (270%), and higher for both the *Energy* operating segment (52%) and the *Telecom* operating segment (124%).

The WACC used for the *Projects* operating segment was 7.3% while the theoretical WACC, making recoverable amount equal to carrying amount, would be 25.1%. In the case of the *Energy* segment, the WACC used was 6.6% while the theoretical WACC, making recoverable amount equal to carrying amount, would be 8.92%. In the case of the *Telecom* segment, the WACC used was 6.7% while the theoretical WACC, making recoverable amount equal to carrying amount, would be 12.4%.

In the case of growth rates, for recoverable amount to be equal to carrying amount, the growth rate would have to be negative for all segments.

3. EQUITY-ACCOUNTED INVESTMENTS

These are detailed as follows:

(in millions of Euro)

	31 December 2018	31 December 2017
Investments in associates	289	212
Investments in joint ventures	5	5
Total equity-accounted investments	294	217

Movements over the period are as follows:

(in millions of Euro)

	31 December 2018		
	Investments in associates	Investments in joint ventures	Total
Opening balance	212	5	217
Movements:			
- Currency translation differences	(2)	-	(2)
- Investments	-	-	-
- Share of net profit/(loss)	59	-	59
- Dividends	(16)	-	(16)
- Other movements	36	-	36
Total movements	77	-	77
Closing balance	289	5	294

(in millions of Euro)

31 December 2017

	Investments in associates	Investments in joint ventures	Total
Opening balance	191	4	195
Movements:			
- Business combinations	-	-	-
- Currency translation differences	(11)	-	(11)
- Investments	-	1	1
- Share of net profit/(loss)	41	1	42
- Dividends	(9)	(1)	(10)
Total movements	21	1	22
Closing balance	212	5	217

Details of investments in equity-accounted companies are as follows:

(in millions of Euro)

31 December 2018

31 December 2017

	31 December 2018	31 December 2017
Yangtze Optical Fibre and Cable Joint Stock Limited Company	246	168
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd.	26	26
Kabeltrommel GmbH & Co.K.G.	6	6
Elkat Ltd.	6	7
Rodco Ltd.	2	2
Eksa Sp.Zo.o	3	3
Total investments in associates	289	212
Precision Fibre Optics Ltd.	-	-
Power Cables Malaysia Sdn Bhd	5	5
Total investments in joint ventures	5	5
Total investments in equity-accounted companies	294	217

The value of investments includes Euro 59 million for the share of net profit (loss) of equity-accounted companies .

Investments in associates

Information about the nature of the main investments in associates:

Company name	Registered office	% owned
Yangtze Optical Fibre and Cable Joint Stock Limited Company	China	23.73%
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd	China	44.78%
Kabeltrommel GmbH & Co.K.G.	Germany	43.18%
Elkat Ltd.	Russia	40.00%

Yangtze Optical Fibre and Cable Joint Stock Limited Company is a Chinese company formed in 1988 whose main shareholders are: China Huaxin Post and Telecommunication Economy Development Center, Wuhan Yangtze Communications Industry Group Company Ltd. and Prysmian Group. The company is one of the

industry's most important manufacturers of optical fibre and cables. Its products and solutions are sold in more than 50 countries, including the United States, Japan, the Middle East and Africa.

The company was listed on the Main Board of the Hong Kong Stock Exchange in December 2014 and in July 2018 it was also listed on the Shanghai Stock Exchange.

The Shanghai listing has increased the number of shares from a previous total of 682,114,598 to 757,905,108. Since Draka Comteq B.V. has kept its holding (of 179,827,794 shares) unchanged, its stake in this company has gone from 26.37% to 23.73%. The Group recorded a gain of Euro 36 million in the third quarter of 2018 due to this share dilution.

At 31 December 2018, the fair value of the investment in Yangtze Optical Fibre and Cable Joint Stock Limited Company was Euro 429 million (based on the price quoted on the Hong Kong market), compared with a carrying amount of Euro 246 million.

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

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

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

The following table reports key financial figures for the principal investments in associates:

(in millions of Euro)

	Kabeltrommel GmbH & Co.K.G.		Yangtze Optical Fibre and Cable Joint Stock Limited Company		Elkat Ltd.		Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd	
	31 December 2018	31 December 2017	30 September 2018 (*)	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Non-current assets	n.a	9	606	505	n.a	5	11	12
Current assets	n.a	20	1,026	670	n.a	17	68	60
Total assets	n.a	29	1,632	1,175	n.a	22	79	72
Equity	n.a	11	1,068	703	n.a	21	43	40
Non-current liabilities	n.a	1	170	94	n.a	-	4	4
Current liabilities	n.a	17	394	378	n.a	1	32	28
Total equity and liabilities	n.a	29	1,632	1,175	n.a	22	79	72
	2018	2017	2018	2017	2018	2017	2018	2017
Sales of goods and services	n.a	35	1,096	1,359	n.a	143	122	112
Net profit/(loss) for the year	n.a	7	159	162	n.a	1	5	5
Comprehensive income/(loss) for the year	n.a	7	152	159	n.a	1	5	5
Dividends received	3	3	12	6	n.a	-	1	-

(*) The figures for Yangtze Optical Fibre and Cable Joint Stock Limited Company, a company listed on the Hong Kong Stock Exchange, refer to its latest published financial results for the first nine months of 2018.

Investments in joint ventures

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

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

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

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

The following table reports key financial figures for the investments in joint ventures:

(in millions of Euro)

	Power Cables Malaysia Sdn Bhd		Precision Fiber Optics Ltd.	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Non-current assets	11	10	-	-
Current assets	15	15	1	1
of which Cash and cash equivalents	4	2	1	1
Equity	12	11	1	1
Non-current liabilities	2	2	-	-
of which Financial liabilities	-	-	-	-
Current liabilities	12	13	-	-
of which Financial liabilities	3	4	-	-
	2018	2017	2018	2017
Sales of goods and services	31	42	1	2
Amortisation, depreciation and impairment	(1)	(1)	-	-
Profit/(loss) before taxes	1	2	-	-
Taxes	-	(1)	-	-
Net profit/(loss) for the year	1	2	-	-
Other comprehensive income	-	-	-	-
Comprehensive income/(loss) for the year	1	2	-	-
Dividends received	1	-	-	-

4. OTHER INVESTMENTS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

These are detailed as follows:

(in millions of Euro)

	31 December 2018	31 December 2017
Other investments at fair value through other comprehensive income - non current	13	12
Financial assets at fair value through other comprehensive income - current	10	11
Total	23	23

Other investments at fair value through other comprehensive income report shareholdings considered instrumental to the Group's business that are not intended for sale in the near term.

Financial assets at fair value through other comprehensive income (current) report securities that either mature within 12 months of the reporting date or could possibly be sold in the near term.

Other investments at fair value through other comprehensive income are analysed as follows:

(in millions of Euro)

	Type of financial asset	% owned by the Group	31 December 2018	31 December 2017
Ravin Cables Limited	unlisted shares	51%	9.00	9.00
Tunisie Cables S.A.	unlisted shares	7.55%	0.91	0.91
Cesi Motta S.p.A.	unlisted shares	6.48%	0.59	0.59
Voltimum S.A.	unlisted shares	13.71%	0.27	0.27
Other			1.81	1.73
Total non-current			12.58	12.50

Other investments and financial assets at fair value through other comprehensive income are denominated in the following currencies:

(in millions of Euro)

	31 December 2018	31 December 2017
Euro	13	13
Tunisian Dinar	1	1
Indian Rupee	9	9
Total	23	23

Other investments at fair value through other comprehensive income are classified in Level 3 of the fair value hierarchy, while financial assets at fair value through other comprehensive income fall under Level 1 of the fair value hierarchy.

5. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in millions of Euro)

	31 December 2018		
	Non-current	Current	Total
Trade receivables	-	1,723	1,723
Allowance for doubtful accounts	-	(88)	(88)
Total trade receivables	-	1,635	1,635
Other receivables:			
Tax receivables	6	155	161
Financial receivables	2	7	9
Prepaid finance costs	-	1	1
Receivables from employees	2	2	4
Pension plan receivables	-	1	1
Construction contracts	-	362	362
Advances to suppliers	4	23	27
Other	19	115	134
Total other receivables	33	666	699
Total	33	2,301	2,334

(in millions of Euro)

			31 December 2017 (*)
	Non-current	Current	Total
Trade receivables	-	1,196	1,196
Allowance for doubtful accounts	-	(65)	(65)
Total trade receivables	-	1,131	1,131
Other receivables:			
Tax receivables	3	115	118
Financial receivables	2	7	9
Prepaid finance costs	1	2	3
Receivables from employees	1	2	3
Pension plan receivables	-	1	1
Construction contracts	-	186	186
Advances to suppliers	-	15	15
Other	11	91	102
Total other receivables	18	419	437
Total	18	1,550	1,568

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

Trade receivables

The increase of Euro 504 million in trade receivables mostly refers to the first-time consolidation of General Cable.

The gross amount of past due receivables that are totally or partially impaired is Euro 308 million at 31 December 2018 (Euro 196 million at 31 December 2017).

The ageing of past due impaired receivables is as follows:

(in millions of Euro)

	31 December 2018	31 December 2017
1 to 30 days past due	129	90
31 to 90 days past due	59	28
91 to 180 days past due	33	17
181 to 365 days past due	43	13
More than 365 days past due	43	48
Total	308	196

The value of trade receivables past due but not impaired is Euro 141 million at 31 December 2018 (Euro 113 million at 31 December 2017). These receivables mainly relate to customers in the *Projects* operating segment, which, given the nature of the counterparties, are not considered necessary to impair.

The ageing of receivables that are past due but not impaired is as follows:

(in millions of Euro)		
	31 December 2018	31 December 2017
1 to 30 days past due	45	20
31 to 90 days past due	14	3
91 to 180 days past due	1	8
181 to 365 days past due	80	82
More than 365 days past due	3	-
Total	141	113

The value of trade receivables not past due is Euro 1,274 million at 31 December 2018 (Euro 887 million at 31 December 2017). There are no particular problems with the quality of these receivables and there are no material amounts that would otherwise be past due if their original due dates had not been renegotiated.

The following table breaks down trade and other receivables according to the currency in which they are expressed:

(in millions of Euro)		
	31 December 2018	31 December 2017 (*)
Euro	996	602
US Dollar	533	268
Omani Rial	143	137
Chinese Renminbi (Yuan)	129	109
Brazilian Real	108	80
Indonesian Rupiah	72	49
British Pound	48	96
Canadian Dollar	59	12
Turkish Lira	38	37
Swedish Krona	33	29
Australian Dollar	20	22
United Arab Emirates Dirham	18	19
Romanian Leu	17	16
Chilean Peso	15	-
Singapore Dollar	-	16
Other currencies	103	76
Total	2,334	1,568

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

The allowance for doubtful accounts amounts to Euro 88 million at 31 December 2018 (Euro 65 million at 31 December 2017). Movements in this allowance are shown in the following table:

(in millions of Euro)		
	31 December 2018	31 December 2017
Opening balance	65	65
Movements:		
- Business combinations	20	-
- Increases in allowance	10	6
- Releases	(8)	(2)
- Bad debt write-offs	(2)	(1)
- Currency translation differences and other movements	3	(3)
Total movements	23	-
Closing balance	88	65

Increases in and releases from the allowance for doubtful accounts are reported in "Other expenses" in the income statement.

Other receivables

Other receivables include "Prepaid finance costs" of Euro 1 million at 31 December 2018, primarily relating to arrangement costs for the Syndicated Revolving Credit Facility 2014 agreed with a syndicate of leading banks on 27 June 2014.

At 31 December 2017, the corresponding figure for prepaid finance costs of this Revolving Credit Facility was Euro 3 million.

"Contract work in progress" represents the value of contracts in progress, determined as the difference between the costs incurred plus the related profit margin, net of recognised losses, and the amount invoiced by the Group.

The following table shows how these amounts are reported between assets and liabilities:

(in millions of Euro)		
	31 December 2018	31 December 2017 (*)
Construction contract revenue to date	9,186	7,347
Amounts invoiced	(9,046)	(7,255)
Net amount due from/(to) customers for construction contracts	139	92
Of which:		
Other receivables for construction contracts	362	215
Other payables for construction contracts	(223)	(123)

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

The following table shows the revenue recognised and costs incurred in 2018 and 2017:

(in millions of Euro)		
	2018	2017 (*)
Revenue	249	1,254
Costs	(1,093)	(1,029)
Gross margin	156	225

6. INVENTORIES

These are detailed as follows:

(in millions of Euro)		
	31 December 2018	31 December 2017
Raw materials	442	284
<i>of which allowance for obsolete and slow-moving raw materials</i>	<i>(39)</i>	<i>(33)</i>
Work in progress and semi-finished goods	356	230
<i>of which allowance for obsolete and slow-moving work in progress and semi-finished goods</i>	<i>(13)</i>	<i>(8)</i>
Finished goods (*)	717	440
<i>of which allowance for obsolete and slow-moving finished goods</i>	<i>(67)</i>	<i>(50)</i>
Total	1,515	954

(*) Finished goods also include goods for resale.

The increase in inventories since the previous year is principally due to the acquisition of General Cable.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

These are detailed as follows:

(in millions of Euro)		
	31 December 2018	31 December 2017
Listed securities	19	40
Unlisted securities	6	-
Total	25	40

Financial assets at fair value through profit or loss basically refer to units in funds that mainly invest in short and medium-term government securities. These assets are mostly held by subsidiaries in Brazil and Argentina which invest temporarily available liquidity in such funds.

Movements in these assets are analysed as follows:

(in millions of Euro)

	31 December 2018	31 December 2017
Opening balance	40	57
Movements:		
- Currency translation differences	(5)	(8)
- Purchase of securities	7	2
- Disposal of securities	(17)	(11)
- Other movements	-	-
Total movements	(15)	(17)
Closing balance	25	40

8. DERIVATIVES

These are detailed as follows:

(in millions of Euro)

	31 December 2018	
	Asset	Liability
Non-current		
Interest rate derivatives (cash flow hedges)	-	8
Total hedging derivatives	-	8
Metal derivatives	2	-
Total other derivatives	2	-
Total non-current	2	8
Current		
Interest rate derivatives (cash flow hedges)	-	6
Forward currency contracts on commercial transactions (cash flow hedges)	3	10
Total hedging derivatives	3	16
Forward currency contracts on commercial transactions	4	8
Forward currency contracts on financial transactions	2	2
Metal derivatives	10	15
Total other derivatives	16	25
Total current	19	41
Total	21	49

(in millions of Euro)

31 December 2017

	Asset	Liability
Non-current		
Forward currency contracts on commercial transactions (cash flow hedges)	6	-
Total hedging derivatives	6	-
Metal derivatives	8	2
Total other derivatives	8	2
Total non-current	14	2
Current		
Zero cost collar on General Cable acquisition (cash flow hedges)	-	17
Forward currency contracts on commercial transactions (cash flow hedges)	7	3
Total hedging derivatives	7	20
Forward currency contracts on commercial transactions	2	3
Forward currency contracts on financial transactions	1	1
Metal derivatives	35	11
Total other derivatives	38	15
Total current	45	35
Total	59	37

Forward currency contracts have a notional value of Euro 1,787 million at 31 December 2018 (Euro 1,461 million at 31 December 2017); total notional value at 31 December 2018 includes Euro 438 million in derivatives designated as cash flow hedges (Euro 543 million at 31 December 2017).

Interest rate derivatives designated as cash flow hedges refer to:

- interest rate swaps, for an overall notional value of Euro 1,000 million, with the objective of hedging variable rate interest rate flows for the period 2018-2023 on financing contracted by the Group to acquire General Cable;
- interest rate swaps, for an overall notional value of Euro 300 million, with the objective of hedging variable rate interest rate flows for the period 2018-2020 on financing contracted by the Group to acquire General Cable;
- interest rate swaps for an overall notional value of Euro 110 million, with the objective of hedging variable interest rate flows over the period 2018-2024 on an existing loan.

At 31 December 2018, like at 31 December 2017, almost all the derivative contracts had been entered into with major financial institutions.

Metal derivatives have a notional value of Euro 691 million at 31 December 2018 (Euro 566 million at 31 December 2017).

The following tables show the impact of offsetting assets and liabilities for derivative instruments, done on the basis of master netting arrangements (ISDA and similar agreements). They also show the effect of potential offsetting in the event of currently unforeseen default events:

(in millions of Euro)

(in millions of Euro)

31 December 2018					
	Gross derivatives	Amounts offset	Derivatives recognised in statement of financial position	Amounts not offset ⁽¹⁾	Net derivatives
Assets					
Forward currency contracts	9	-	9	(7)	2
Interest rate derivatives	-	-	-	-	-
Metal derivatives	12	-	12	(5)	7
Total assets	21	-	21	(12)	9
Liabilities					
Forward currency contracts	20	-	20	(7)	13
Interest rate derivatives	14	-	14	-	14
Metal derivatives	15	-	15	(5)	10
Total liabilities	49	-	48	(12)	37

(in millions of Euro)

(in millions of Euro)

31 December 2017					
	Gross derivatives	Amounts offset	Derivatives recognised in statement of financial position	Amounts not offset ⁽¹⁾	Net derivatives
Assets					
Forward currency contracts	16	-	16	(6)	10
Interest rate derivatives	-	-	-	-	-
Metal derivatives	43	-	43	(10)	33
Total assets	59	-	59	(16)	43
Liabilities					
Forward currency contracts	24	-	24	(6)	18
Interest rate derivatives	-	-	-	-	-
Metal derivatives	13	-	13	(10)	3
Total liabilities	37	-	37	(16)	21

⁽¹⁾ Derivatives potentially offsettable in the event of default events under master netting arrangements.

The following table shows movements in both reporting periods in the cash flow hedge reserve for designated hedging derivatives:

(in millions of Euro)

	2018		2017(*)	
	Gross reserve	Tax effect	Gross reserve	Tax effect
Opening balance	(6)	2	(17)	7
Changes in fair value	(10)	3	18	(7)
Reserve for other finance costs/(income)	(3)	1	-	-
Reserve for exchange losses/(gains)	-	-	-	-
Reclassification	-	-	-	-
Release to finance costs/(income)	-	-	1	-
Discontinued hedge accounting for interest rate swaps	-	-	-	-
Release to construction contract costs/(revenues)	(1)	-	(8)	2
Closing balance	(20)	6	(6)	2

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

9. CASH AND CASH EQUIVALENTS

These are detailed as follows:

(in millions of Euro)

	31 December 2018	31 December 2017
Cash and cheques	-	2
Bank and postal deposits	1,001	1,333
Total	1,001	1,335

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

Cash and cash equivalents managed by the Group's treasury company amount to Euro 630 million at 31 December 2018, compared with Euro 1,066 million at 31 December 2017.

The change in cash and cash equivalents is commented on in Note 37. Statement of cash flows.

10. ASSETS AND LIABILITIES HELD FOR SALE

These are detailed as follows:

(in millions of Euro)

	31 December 2018	31 December 2017
Assets held for sale:		
Lands	2	-
Buildings	1	-
Total	3	-

Movements in Assets held for sale are reported below:

(in millions of Euro)

	31 December 2018	31 December 2017
Opening Balance	-	-
- Business combinations	3	-
- Disposals	(5)	-
- Reclassification	5	-
Total movements	3	-
Closing balance	3	-

At 31 December 2018 assets held for sale primarily refer to the Delfzijl plant for which a potential buyer has been identified and negotiations are at an advanced stage, meaning that management expects to sell these assets within the next 12 months.

The disposals of Euro 5 million refer to the Ascoli Piceno site sold in July 2018 and to disposals of General Cable assets, namely the site in Malvern (USA) and a piece of land in Brazil.

Assets held for sale are classified in Level 3 of the fair value hierarchy.

11. SHARE CAPITAL AND RESERVES

Consolidated equity has recorded a positive change of Euro 807 million since 31 December 2017, mainly reflecting the net effect of:

- negative currency translation differences of Euro 6 million;
- the negative post-tax change of Euro 10 million in the fair value of derivatives designated as cash flow hedges;
- the positive change of Euro 6 million in the share-based compensation reserve linked to stock option plans;
- the distribution of Euro 105 million in dividends;
- an increase of Euro 283 million following conversion of the Convertible Bond 2013;
- a decrease of Euro 2 million in the reserve for actuarial gains and losses on employee benefits;
- a reduction of Euro 1 million for the movement in other reserves due to the effect of measuring financial assets at fair value through other comprehensive income;
- the net profit for the year of Euro 130 million;
- an increase of Euro 14 million for the effects of hyperinflation;
- the addition of Euro 496 million from the capital increase;
- the increase of Euro 2 million in non-controlling interests arising from the acquisition of General Cable.

At 31 December 2018, the share capital of Prysmian S.p.A. comprises 268,144,246 shares, each of nominal value Euro 0.10 for a total of Euro 26,814,424.60.

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

	Ordinary shares	Treasury shares	Total
Balance at 31 December 2016	216,720,922	(2,618,317)	214,102,605
Capital increase ⁽¹⁾	761,832	-	761,832
Share buybacks	-	(4,003,943)	(4,003,943)
Allotments and sales ⁽²⁾	-	127,379	127,379
Balance at 31 December 2017	217,482,754	(6,494,881)	210,987,873
	Ordinary shares	Treasury shares	Total
Balance at 31 December 2017	217,482,754	(6,494,881)	210,987,873
Capital increase ⁽³⁾	50,661,492	-	50,661,492
Allotments and sales ⁽⁴⁾	-	1,397,668	1,397,668
Balance at 31 December 2018	268,144,246	(5,097,213)	263,047,033

⁽¹⁾ Issue of new shares following partial conversion of the Convertible Bond 2013.

⁽²⁾ Allotment of 92,271 treasury shares under the Group employee share purchase plan (YES Plan) and sale of 35,108 shares.

⁽³⁾ Issue of new shares serving the capital increase (32,652,314 shares), the conversion of the Convertible Bond 2013 (12,677,769 shares) and the long-term incentive plan (LTI Plan) for Group employees (5,331,409 shares).

⁽⁴⁾ Allotment of treasury shares to serve the long-term incentive plan (LTI Plan) for Group employees (1,278,001 shares) and the share purchase plan (YES Plan) for Group employees (87,540 shares) and sale of 32,127 shares.

Capital increase

On 12 April 2018, the shareholders of Prysmian S.p.A. approved a capital increase, in cash, for a maximum amount of Euro 500,000,000.00, including any share premium, to be implemented by issuing ordinary shares with normal dividend rights.

On 27 June 2018, the Board of Directors of Prysmian S.p.A. approved the final terms and conditions of the capital increase, approved by the Shareholders' Meeting on 12 April 2018. In particular, it was decided that the capital increase would take place through the issue of up to 32,652,314 ordinary shares with a nominal value of Euro 0.10 each, to be offered pre-emptively to all shareholders and holders of the Company's convertible bonds, namely the convertible bond known as "Prysmian S.p.A. €500,000,000 Zero Coupon Linked Bonds due 2022", in the ratio of 2 new shares for every 15 option rights held, at an issue price of Euro 15.31 per new share, for a total amount of Euro 499,906,927.34, of which Euro 496,641,695.94 by way of share premium.

The rights offering of up to 32,652,314 new shares closed on 27 July 2018. During the option rights offering period (2 July 2018 - 19 July 2018, the "Option Period"), 239,533,800 option rights were exercised and 31,937,840 New Shares were subscribed, for an aggregate amount of Euro 488,968,330.40. The 5,358,555 option rights not exercised during the Option Period were then offered on the Italian Stock Exchange. All these rights were sold by the end of the first trading session on 24 July 2018 and were subsequently exercised, resulting in the issue of 714,474 new shares, with an aggregate value of Euro 10,938,596.94. The offering therefore concluded with the complete subscription of the 32,652,314 new shares with an aggregate value of Euro 499,906,927.34.

The offering also involved the payment of Euro 8,753,836 in related expenses and the receipt of Euro 4,455,461 in unsubscribed cancelled rights.

Treasury shares

Movements in treasury shares during 2018 refer to the allotment and sale of treasury shares serving the long-term incentive plan and the employee share purchase plan.

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

	Number of shares	Total nominal value (in Euro)	% of share capital	Average unit value (in Euro)	Total carrying value (in Euro)
Balance at 31 December 2016	2,618,317	261,832	1.25%	12.02	33,610,906
- Allotments and sales	(127,379)	(12,738)	-	1.928	(2,455,867)
- Share buyback	4,003,943	400,394	-	25.03	100,232,035
Balance at 31 December 2017	6,494,881	649,488	2.99%	20.23	131,387,074
- Allotments and sales	(1,397,668)	(139,767)	-	19.92	(27,841,547)
Balance at 31 December 2018	5,097,213	509,722	1.90%	20.31	103,545,528

Authorisation to buy and dispose of treasury shares

The Shareholders' Meeting of Prysmian S.p.A. held on 12 April 2018 authorised a buyback and disposal of treasury shares, revoking at the same time the previous authorisation under the shareholder resolution dated

12 April 2017. The authorisation provides the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total must not exceed, at any one time, 10% of share capital. Purchases may not exceed the amount of undistributed earnings and available reserves reported in the most recently approved annual financial statements. The authorisation to buy back treasury shares lasts for 18 months commencing from the date of the Shareholders' Meeting, while the authorisation to dispose of treasury shares has no time limit. Further details can be found in Note 21. Personnel costs.

12. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

(in millions of Euro)

			31 December 2018
	Non-current	Current	Total
Borrowings from banks and other lenders	246	82	328
Term Loan	993	1	994
Bridge Loan	500	-	500
Unicredit Loan	199	-	199
Non-convertible bond	745	14	759
Convertible Bond 2013	-	-	-
Convertible Bond 2017	467	-	467
Finance lease obligations	11	1	12
Total	3,161	98	3,259

(in millions of Euro)

			31 December 2017
	Non-current	Current	Total
Borrowings from banks and other lenders	255	72	327
Non-convertible bond	743	14	757
Convertible Bond 2013	-	283	283
Convertible Bond 2017	456	-	456
Finance lease obligations	12	1	13
Total	1,466	370	1,836

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

(in millions of Euro)		
	31 December 2018	31 December 2017
CDP Loan	100	100
EIB Loans	152	169
Term Loan	994	-
Bridge Loan	500	-
Unicredit Loan	199	-
Other borrowings	76	58
Borrowings from banks and other lenders	2,021	327
Non-convertible bond	759	757
Convertible Bond 2013	-	283
Convertible Bond 2017	467	456
Total	3,247	1,823

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

Syndicated Revolving Credit Facility 2014

On 27 June 2014, Prysmian S.p.A. signed an agreement (the "Credit Agreement 2014") under which a syndicate of premier banks made available a long-term credit facility for Euro 1,000 million (the "Syndicated Revolving Credit Facility 2014"). The facility, which expires on 27 June 2019, can also be used for the issue of guarantees. This revolving facility was intended to refinance the existing facilities and the Group's other operating activities. At 30 June 2018, the facility had been drawn down by Euro 500 million to help refinance the debt of General Cable, as well as to meet the Prysmian Group's post-acquisition current financial needs. This drawdown was repaid during the third quarter of 2018. At 31 December 2018, this facility was not being used.

EIB Loans

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

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

The EIB Loan, received on 5 February 2014, is repayable in 12 equal half-yearly instalments commencing 5 August 2015 and ending 5 February 2021.

On 10 November 2017, Prysmian S.p.A. entered into a second loan agreement with the EIB for Euro 110 million to support the Group's R&D programmes in Europe over the period 2017-2020. The loan was received on 29 November 2017 and involves a bullet repayment at maturity on 29 November 2024. Interest

rate swaps have been arranged in respect of this loan, for an overall notional value of Euro 110 million, with the objective of hedging variable interest rate flows over the period 2018-2024.

This second loan, following on from the first, and also in support of R&D in Europe, is a sign of the confidence and excellent credit standing that the Group enjoys with the EIB.

At 31 December 2018, the fair value of the EIB Loans approximates the related carrying amount. Fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

After repayments against the EIB Loan 2013, the outstanding balance on the EIB loans as at 31 December 2018 was Euro 152 million.

Loan from Cassa Depositi e Prestiti (CDP)

On 25 September 2017, Prysmian S.p.A. entered into an agreement with Cassa Depositi e Prestiti S.p.A. for a medium/long-term cash loan for a maximum total amount of Euro 100 million. This loan, maturing on 30 September 2020, was drawn down in its entirety on 29 September 2017. It will be used solely for the Group's general purposes, including capital expenditure, expenditure on research, development and innovation, as well as on energy efficiency and environmental stewardship. At 31 December 2018, the fair value of the CDP Loan approximates the related carrying amount.

Financing for the General Cable acquisition

On 2 March 2018, Prysmian S.p.A. entered into a credit agreement (the Acquisition Financing Agreement) with the object of obtaining the financial resources needed to pay the consideration for the acquisition of General Cable, to refinance the existing debt of General Cable Corporation and its subsidiaries and to finance the fees, commissions, costs and expenses surrounding the acquisition.

This financing consists of two lines of credit:

- "Term Loan": a term loan for Euro 1 billion, repayable on the fifth anniversary of the acquisition closing date (6 June 2023);
- "Bridge Loan": a term loan for Euro 700 million, repayable with a bullet payment within 2 years of the acquisition closing date (8 June 2020).

The interest rates applied to the new loans are indexed to 6M and 3M Euribor.

As at 31 December 2018, both lines were drawn down in full.

In December 2018, the Group repaid Euro 200 million against the Bridge Loan in advance of its contractual maturity.

At 31 December 2018, the fair value of these two loans approximates their carrying amount.

Unicredit Loan

On 15 November 2018, Prysmian S.p.A. entered into an agreement with Unicredit for a medium-term cash loan for a maximum amount of Euro 200 million for 5 years from the date of signing. The agreement envisages a bullet repayment at maturity. The interest rate applied is indexed to 6M and 3M Euribor.

As at 31 December 2018, this loan was drawn down in full.

At 31 December 2018, the fair value of this loan approximates its carrying amount.

The following tables summarise the committed lines available to the Group at 31 December 2018 and 31 December 2017:

(in millions of Euro)

(in millions of Euro)

31 December 2018			
	Total lines	Drawn	Undrawn
Syndicated Revolving Credit Facility 2014	1,000	-	1,000
CDP Loan	100	(100)	-
Term Loan	1,000	(1,000)	-
Bridge Loan	500	(500)	-
EIB Loans	152	(152)	-
Unicredit Loan	200	(200)	-
Total	2,952	(1,952)	1,000

(in millions of Euro)

(in millions of Euro)			
31 December 2017			
	Total lines	Drawn	Undrawn
Syndicated Revolving Credit Facility 2014	1,000	-	1,000
CDP Loan	100	(100)	-
EIB Loans	169	(169)	-
Total	1,269	(269)	1,000

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

Bonds

Convertible Bond 2013

On 4 March 2013, the Board of Directors had 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. During 2018 the entire bond was converted into shares.

Non-convertible bond issued in 2015

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

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

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

At 31 December 2018, the fair value of the non-convertible bond is Euro 735 million. Fair value has been determined with reference to the quoted price in the relevant market (Level 1 of the fair value hierarchy).

Convertible Bond 2017

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

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

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

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

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

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

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

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

(in millions of Euro)	
Issue value of convertible bond	500
Equity reserve for convertible bond	(48)
Issue date net balance	452
Interest - non-monetary	19
Related costs	(4)
Balance at 31 December 2018	467

At 31 December 2018, the fair value of the Convertible Bond 2017 (equity component and debt component) is Euro 457 million, of which the fair value of the debt component is Euro 429 million. In the absence of trading on the relevant market, fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

General Cable convertible bond

This bond, originating from the acquisition of General Cable, was issued on 18 December 2009 for an amount of USD 429.5 million; it allowed bondholders the option, in the event of an acquisition, to request repayment of the nominal value plus a premium. The Bond was extinguished in the two months following the acquisition, leaving a remaining debt of USD 0.4 million at 31 December 2018.

Other borrowings from banks and other lenders and Finance lease obligations

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

(in millions of Euro)

	CDP Loan	EIB Loans	Conv. Bonds	Non-Conv. bonds	Loans for acquisition	Unicredit Loan	Other borrowings (including ex General Cable borrowings) / Finance lease obligations	Total
Balance at 31 December 2017	100	169	739	757	-	-	71	1,836
Business combinations	-	-	396	-	-	-	919	1,315
Currency translation differences	-	-	-	-	-	-	12	12
New funds	-	-	-	-	1,700	200	29	1,929
Repayments	-	(17)	(396)	-	(200)	-	(943)	(1,556)
Amortisation of bank and financial fees and other expenses	-	-	1	2	(7)	(1)	-	(5)
Conversion of Convertible Bond 2013	-	-	(283)	-	-	-	-	(283)
Interest and other movements	-	-	10	-	1	-	-	11
Total movements	-	(17)	(272)	2	1,494	199	17	1,423
Balance at 31 December 2018	100	152	467	759	1,494	199	88	3,259

(in millions of Euro)

	CDP Loan	EIB Loans	Conv. Bonds	Non-Conv. bonds	Loans for acquisition	Unicredit Loan	Other borrowings/ Finance lease obligations ⁽¹⁾	Total
Balance at 31 December 2016	-	75	289	755	-	-	167	1,286
Currency translation differences	-	-	-	-	-	-	(7)	(7)
New funds	100	110	446	-	-	-	14	670
Repayments	-	(16)	-	-	-	-	(103)	(119)
Amortisation of bank and financial fees and other expenses	-	-	3	2	-	-	-	5
Conversion of Convertible Bond 2013	-	-	(17)	-	-	-	-	(17)
Interest and other movements	-	-	18	-	-	-	-	18
Total movements	100	94	450	2	-	-	(96)	550
Balance at 31 December 2017	100	169	739	757	-	-	71	1,836

⁽¹⁾ Includes the Revolving Credit Facility 2014.

Finance lease obligations represent the liability arising as a result of entering into finance leases.

Finance lease obligations are reconciled with outstanding payments as follows:

(in millions of Euro)

	31 December 2018	31 December 2017
Due within 1 year	1	1
Due between 1 and 5 years	4	4
Due after more than 5 years	8	9
Minimum finance lease payments	13	14
Future interest costs	(1)	(1)
Finance lease obligations	12	13

The following tables provide a breakdown of borrowings from banks and other lenders by maturity and currency at 31 December 2018 and 2017:

(in millions of Euro)

	31 December 2018						
	Variable interest rate			Fixed interest rate			Total
	Euro	USD	Other currencies	Euro	USD	Other currencies	
Due within 1 year	31	16	22	23	2	4	98
Due between 1 and 2 years	617	-	-	2	-	-	619
Due between 2 and 3 years	9	-	-	1	1	-	11
Due between 3 and 4 years	-	-	-	1,212	-	-	1,212
Due between 4 and 5 years	1,193	-	-	-	-	-	1,193
Due after more than 5 years	117	8	-	1	-	-	126
Total	1,967	24	22	1,239	3	4	3,259
Average interest rate in period, as per contract	0.9%	3.1%	5.0%	2.1%	9.4%	4.6%	1.4%
Average interest rate in period, including IRS effect (a)	1.3%	3.1%	5.0%	2.1%	9.4%	4.6%	1.7%

- a) Interest rate swaps have been put in place to hedge interest rate risk on variable rate loans in Euro. At 31 December 2018, the total hedged amount equates to 71.7% of Euro-denominated debt at that date. Interest rate hedges consist of interest rate swaps which exchange a variable rate (3 or 6-month Euribor for loans in Euro) with an average fixed rate (fixed rate + spread) of 1.4% for Euro-denominated debt. The percentages representing the average fixed rate refer to 31 December 2018.

(in millions of Euro)

	31 December 2017						
	Variable interest rate			Fixed interest rate			Total
	Euro	USD	Other currencies	Euro	USD	Other currencies	
Due within 1 year	22	18	16	302	3	9	370
Due between 1 and 2 years	17	-	-	1	-	2	20
Due between 2 and 3 years	117	-	-	-	1	-	118
Due between 3 and 4 years	9	-	-	1	-	-	10
Due between 4 and 5 years	-	-	-	1,201	-	-	1,201
Due after more than 5 years	117	-	-	-	-	-	117
Total	282	18	16	1,505	4	11	1,836
Average interest rate in period, as per contract	0.4%	3.1%	6.2%	2.5%	10.7%	13.9%	2.3%

Risks relating to sources of finance and to financial investments/receivables are discussed in the section entitled "Risks factors and uncertainties" forming part of the Directors' Report.

NET FINANCIAL DEBT

(in millions of Euro)

	Note	31 December 2018	31 December 2017
Long-term financial payables			
CDP Loan	12	100	100
EIB Loans	12	135	152
Non-convertible bond	12	745	743
Convertible Bond 2017	12	467	456
Term Loan	12	993	-
Bridge Loan	12	500	-
Unicredit Loan	12	199	-
Finance leases	12	11	12
Interest rate swaps	5	8	-
Other financial payables	12	11	3
Total long-term financial payables		3,169	1,466
Short-term financial payables			
EIB Loans	12	17	17
Non-convertible bond	12	14	14
Convertible Bond 2013	12	-	283
Term Loan	12	1	-
Finance leases	12	1	1
Interest rate swaps	8	6	-
Forward currency contracts on financial transactions	8	2	1
Other financial payables	12	65	55
Total short-term financial payables		106	371
Total financial liabilities		3,275	1,837
Long-term financial receivables	5	2	2
Long-term bank fees	8	-	1
Financial assets at amortised cost		5	2
Forward currency contracts on financial transactions (current)	8	2	1
Short-term financial receivables	5	7	7
Short-term bank fees	5	1	2
Financial assets at fair value through profit or loss	7	25	40
Financial assets at fair value through other comprehensive income	4	10	11
Cash and cash equivalents	9	1,001	1,335
Net financial debt		2,222	436

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

(in millions of Euro)

	Note	31 December 2018	31 December 2017
Net financial debt - as reported above		2,222	436
Long-term financial receivables and other assets		7	4
Long-term bank fees	8	-	1
Net forward currency contracts on commercial transactions	8	11	(9)
Forward currency contracts for General Cable acquisition (cash flow hedge)	8	-	17
Net metal derivatives	8	3	(30)
Recalculated net financial debt		2,243	419

13. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in millions of Euro)

	31 December 2018		
	Non-current	Current	Total
Trade payables	-	2,132	2,132
Total trade payables	-	2,132	2,132
Other payables:			
Tax and social security payables	3	163	166
Advances from customers	-	263	263
Payables to employees	-	176	176
Accrued expenses	-	140	140
Other	9	179	189
Total other payables	12	921	934
Total	12	3,053	3,065

(in millions of Euro)

	31 December 2017 (*)		
	Non-current	Current	Total
Trade payables	-	1,686	1,686
Total trade payables	-	1,686	1,686
Other payables:			
Tax and social security payables	3	161	164
Advances from customers	-	177	177
Payables to employees	-	92	92
Accrued expenses	-	107	107
Other	5	155	160
Total other payables	8	692	700
Total	8	2,378	2,386

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

Trade payables include around Euro 218 million (Euro 180 million at 31 December 2017) 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 include the liability for contract work in progress, amounting to Euro 223 million at 31 December 2018 compared with Euro 123 million at 31 December 2017. This liability represents the excess of amounts invoiced over costs incurred plus accumulated profits (or losses), recognised using the percentage of completion method.

The following table breaks down trade and other payables according to the currency in which they are expressed:

(in millions of Euro)

	31 December 2018	31 December 2017 (*)
Euro	1,403	1,161
US Dollar	660	421
British Pound	238	190
Chinese Renminbi (Yuan)	190	167
Brazilian Real	114	88
Canadian Dollar	57	20
Omani Rial	51	53
Romanian Leu	49	39
United Arab Emirates Dirham	48	-
Bahraini Dinar	38	-
Indonesian Rupiah	34	-
Australian Dollar	32	30
Malaysian Ringgit	14	13
Other currencies	137	204
Total	3,065	2,386

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

14. PROVISIONS FOR RISKS AND CHARGES

These are detailed as follows:

(in millions of Euro)

31 December 2018			
	Non-current	Current	Total
Restructuring costs	1	38	39
Contractual and legal risks	13	289	302
Environmental risks	2	8	10
Tax inspections	22	65	87
Contingent liabilities	3	90	93
Other risks and charges	10	43	53
Total	51	533	584

(in millions of Euro)

31 December 2017			
	Non-current	Current	Total
Restructuring costs	1	25	26
Contractual and legal risks	14	239	253
Environmental risks	-	7	7
Tax inspections	5	18	23
Contingent liabilities	3	2	5
Other risks and charges	10	30	40
Total	33	321	354

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

(in millions of Euro)

	Restructuring costs	Contractual and legal risks	Environmental risks	Tax risks	Contingent liabilities	Other risks and charges	Total
Balance at 31 December 2017	26	253	7	23	5	40	354
Business combinations	-	4	3	70	88	28	193
Increases	38	91	1	1	-	2	133
Utilisations	(16)	(20)	(1)	(2)	-	(18)	(57)
Releases	(8)	(24)	-	(1)	-	(1)	(34)
Currency translation differences	-	(2)	-	-	-	1	(1)
Other	(1)	-	-	(4)	-	1	(4)
Total movements	13	49	3	64	88	13	230
Balance at 31 December 2018	39	302	10	87	93	53	584

The provision for contractual and legal risks amounts to Euro 302 million at 31 December 2018 compared with Euro 253 million at 31 December 2017.

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

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

The European Commission started an investigation in late January 2009 into several European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive practices in the high voltage underground and submarine cables markets. On 2 April 2014, the European Commission adopted a decision under which it found that, between 18 February 1999 and 28 January 2009, the world's largest cable producers, including Prysmian Cavi e Sistemi S.r.l., adopted anti-competitive practices in the European market for high voltage submarine and underground power cables. The European Commission held Prysmian Cavi e Sistemi S.r.l. jointly liable with Pirelli & C. S.p.A. for the alleged infringement in the period 18 February 1999 - 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and The Goldman Sachs Group Inc. for the alleged infringement in the period 29 July 2005 - 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian filed an appeal against this decision with the General Court of the European Union along with an application to intervene in the appeals respectively lodged by Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. against the same decision. Both Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. in turn submitted applications to intervene in the appeal brought by Prysmian against the European Commission's decision. The applications to intervene presented by Prysmian, Pirelli and The Goldman Sachs Group Inc. were accepted by the General Court of the European Union. Prysmian did not incur any financial outlay as a result of this decision having elected, pending the outcome of the appeals, to provide bank guarantees as security against payment of 50% of the fine imposed by the European Commission (amounting to approximately Euro 52 million) for the alleged infringement in both periods. As far as Prysmian is aware, Pirelli & C. S.p.A. also provided the European Commission with a bank guarantee for 50% of the value of the fine imposed for the alleged infringement in the period 18 February 1999 - 28 July 2005. The hearing of oral arguments in the appeal brought by Prysmian against the European Commission's decision of April 2014 took place on 20 March 2017, while the hearings of oral arguments in the appeals brought by Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. against the same decision of the European Commission in April 2014 took place on 22 and 28 March 2017 respectively.

On 12 July 2018, the General Court of the European Union issued rulings on the appeals lodged by the Prysmian Group, including General Cable. These rulings have dismissed the appeals and confirmed the previously imposed fines. The Prysmian Group, including General Cable, does not agree with the conclusions reached by the General Court of the European Union and has appealed to the Court of Justice of the European Union.

Pirelli & C. S.p.A. has also brought a civil action against Prysmian Cavi e Sistemi S.r.l. in the Milan Courts, in which it demands to be held harmless for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. Prysmian Cavi e Sistemi S.r.l. started legal proceedings in February 2015, requesting that the claims brought by Pirelli & C. S.p.A. be rejected in full and that it should be Pirelli & C. S.p.A. which holds harmless Prysmian Cavi e Sistemi S.r.l., with reference to the alleged infringement in the period 18 February 1999 - 28 July 2005, for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. The proceedings have since been stayed by order of the court concerned in April 2015, pending the outcome of

the appeals made against the European Commission's decision by both Prysmian and Pirelli in the European Courts. Pirelli has challenged this decision before the Court of Cassation, Italy's highest court of appeal, which has confirmed the stay of execution ordered by the Milan Courts. In view of the circumstances described and also with the support of the Group's legal advisors and consistent with the accounting policies, the directors have recognised a level of provisions deemed appropriate to cover the potential liabilities associated with the events in question.

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

In Australia, the ACCC 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. A ruling issued in July 2016 held the company liable for violation of Australian antitrust law with regard to this project, without however quantifying the applicable penalty, which would be determined upon completion of the second stage of these proceedings. On 1 December 2016 the hearing of oral arguments took place to quantify the amount of the penalty to impose on Prysmian Cavi e Sistemi S.r.l. and on 28 July 2017, the Federal Court in Adelaide finally issued a ruling sentencing Prysmian Cavi e Sistemi S.r.l. to pay a fine of AUD 3.5 million. Prysmian Cavi e Sistemi S.r.l. lodged an appeal against this decision with the Australian Federal Court of Appeals, while no such appeal was filed by the Australian competition authority. The court concerned issued a ruling on 13 March 2018, dismissing the appeal filed by Prysmian Cavi e Sistemi S.r.l. and consequently confirming the decision by the court of first instance. Prysmian Cavi e Sistemi S.r.l. challenged this ruling. On 8 August 2018, the Australian High Court dismissed the appeal filed by the company against the decision by the court of second instance, thereby definitively closing proceedings.

In Brazil, the local antitrust authority started an investigation into several manufacturers of high voltage underground and submarine cables, amongst whom Prysmian, notified of this investigation in 2011. Prysmian's preliminary defence was rejected by the local competition authority in a statement issued in February 2015. On 3 January 2019, the authority informed Prysmian that the investigative stage had been completed and gave it 10 working days for the submission of briefs, duly filed by Prysmian on 18 January 2019. The general superintendence of the Brazilian antitrust authority (Administrative Council for Economic Defense – "CADE") published a Technical Note in the Brazilian Federal Official Gazette on 11 February 2019. The Technical Note sets out the conclusions of CADE's investigations which lean towards the imposition of a fine on Prysmian. The Technical Note contains the recommendation that the amount the CADE Tribunal could fine Prysmian be between 15% and 20% of its turnover in Brazil in 2009. In any case, this recommendation is not binding. The Tribunal's decision, which will be issued at the end of a public hearing, will be provisionally enforceable but can be challenged before the Brazilian courts.

In view of the circumstances described, the directors, assisted by the Group's legal advisors, have decided to recognise a provision of Euro 68 million.

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

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

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

By an order dated 8 August 2018, the Court dismissed the statements of objection filed, among others, by the defendant Prysmian Group companies, which in turn appealed against this order to the relevant court. In a ruling dated 17 December 2018, the appeal presented by the Prysmian Group companies was dismissed, like for the other defendants. The judgment will now address the merits of the dispute.

Prysmian S.p.a. and Prysmian Cavi e Sistemi S.r.l. have been summoned by Nexans France SAS and Nexans SA to appear before the Court of Dortmund (Germany) in notifications dated 24 and 25 May 2018 respectively. The plaintiffs have asked the Court concerned to ascertain the existence of joint and several liability between Prysmian S.p.a. and Prysmian Cavi e Sistemi S.r.l., on the one hand, and Nexans France SAS and Nexans SA, on the other, for any damages suffered by third parties in Germany as a result of the alleged cartel in the market for high voltage underground and submarine power cables fined in the European Commission's decision dated 2 April 2014. On 7 June 2018, Prysmian S.p.a. and Prysmian Cavi e Sistemi S.r.l. filed a notice with the Court concerned in which they declared their intention to appear and defend themselves in this action and requested an 8-month deadline within which to file their defence, a term which the Court has granted. Prysmian filed its response on 20 February 2019.

At present, Prysmian S.p.a. and Prysmian Cavi e Sistemi S.r.l. have not yet been able to assess in detail the merits of this litigation, except to express their intention to defend themselves.

In view of the circumstances described and also with the support of the Group's legal advisors, the directors have recognised, consistent with the accounting policies, a level of provisions deemed appropriate to cover the potential liabilities associated with the events in question.

Antitrust – Other investigations

At the end of February 2016, the Spanish antitrust authorities initiated proceedings to verify the existence of anti-competitive practices by local low voltage cable manufacturers and distributors, including the Group's local subsidiaries. The Spanish competition authority then sent a statement of objections to some of the Group's local subsidiaries in January 2017.

On 24 November 2017, the local competition authority notified the Group's Spanish subsidiaries of a decision under which they were held liable for the alleged infringements in the period from June 2002 to June 2015 and were jointly and severally sentenced to pay a fine of Euro 15.6 million. The Group's Spanish subsidiaries have appealed against this decision. The appeal decision is still pending.

The decision of 24 November 2017 also held the Spanish subsidiaries of General Cable liable for breach of local antitrust law. However, they have obtained immunity from paying the related fine (quantified at about Euro 12.6 million) having filed for leniency and collaborated with the local competition authority in its investigations. The Spanish subsidiaries of General Cable have also appealed against the decision of the local competition authority; the appeal decision is still pending.

In view of the circumstances described and also with the support of the Group's legal advisors and consistent with the accounting policies, the directors have adjusted the related provisions for risks deemed appropriate to cover the potential liabilities associated with the events in question.

As at 31 December 2018, the provision for the above antitrust matters amounts to approximately Euro 233 million.

Despite the uncertainty of the outcome of the investigations and legal action in progress, the amount of this provision is considered to represent the best estimate of the liability based on the information now available.

15. EMPLOYEE BENEFIT OBLIGATIONS

The Group provides a number of post-employment benefits through programmes that include defined benefit plans and defined contribution plans.

The defined contribution plans require the Group to pay, under legal or contractual obligations, contributions into public or private insurance institutions. The Group fulfils its obligations through payment of the contributions. At the financial reporting date, any amounts accrued but not yet paid to the above institutions are recorded in "Other payables", while the related costs, accrued on the basis of employee service, are recognised in "Personnel costs".

The defined benefit plans mainly refer to Pension plans, Employee indemnity liability (for Italian companies), Medical benefit plans and other benefits such as seniority bonuses.

The liabilities arising from these plans, net of any assets serving such plans, are recognised in Employee benefit obligations and are measured using actuarial techniques.

Employee benefit obligations are analysed as follows:

(in millions of Euro)

	31 December 2018	31 December 2017
Pension plans	379	269
Employee indemnity liability (Italian TFR)	15	17
Medical benefit plans	30	27
Termination and other benefits	39	42
Total	463	355

Pension plan amendments in 2018

There were no amendments to existing pension plans in 2018, but new plans were added as a result of acquiring General Cable.

PENSION PLANS

Pension plans relate to defined benefit pension schemes that can be "Funded" and "Unfunded".

Pension plan liabilities are generally calculated according to employee length of service with the company and the remuneration paid in the period preceding cessation of employment.

Liabilities for "Funded pension plans" are funded by contributions paid by the employer and, in some cases, by employees, into a separately managed pension fund. The fund independently manages and administers the amounts received, investing in financial assets and paying benefits directly to employees. The Group's contributions to such funds are defined according to the legal requirements established in individual countries.

Liabilities for "Unfunded pension plans" are managed directly by the employer who sees to paying the benefits to employees. These plans have no assets to cover the liabilities.

At 31 December 2018, the most significant plans in terms of accrued employee benefit obligations are those managed in the following countries:

- Germany;
- Great Britain;
- France;
- United States.

Pension plans in the above countries account for more than 90% of the related liability. The principal risks to which they are exposed are described below:

Germany

There are fifteen pension plans in Germany. These are mostly final salary plans in which the retirement age is generally set at 65. Although most plans are closed to new members, additional costs may need to be recognised in the future. As at 31 December 2018, the plans had an average duration of 14.0 years (14.9 years at 31 December 2017).

Total plan membership is made up as follows:

	31 December 2018	31 December 2017
	Number of participants	Number of participants
Active	1,403	992
Deferred	1,042	915
Pensioners	2,120	1,916
Total membership	4,565	3,823

The German plans do not have any assets that fund the liabilities, in line with the practice in this country; the Prysmian Group pays these benefits directly.

The benefits payable in 2019 will amount to Euro 9 million (Euro 7 million at 31 December 2017 for 2018).

The increase in benefits, and so in the recorded liability and in service costs, mainly depend on inflation, salary growth and the life expectancy of plan members. Another variable to consider when determining the amount of the liability and of service costs is the discount rate, identified by reference to market yields of AA corporate bonds denominated in Euro.

Great Britain

Two defined benefit plans were in operation at 31 December 2018: the Draka pension fund and the Prysmian pension fund. Both are final salary plans, in which the retirement age is generally set at 65 for the majority of plan participants. Neither plan has admitted any new members or accrued any new liabilities since 2013. Currently all employees participate in defined contribution plans.

As at 31 December 2018, the plans had an average duration of approximately 21.1 years (approximately 19.8 years at 31 December 2017).

Total plan membership is made up as follows:

	31 December 2018			31 December 2017		
	Draka pension fund	Prysmian pension fund	Total	Draka pension fund	Prysmian pension fund	Total
	Number of participants	Number of participants	Number of participants	Number of participants	Number of participants	Number of participants
Active	-	-	-	-	-	-
Deferred	492	547	1,039	492	547	1,039
Pensioners	458	379	837	458	379	837
Total membership	950	926	1,876	950	926	1,876

Both plans operate under trust law and are managed and administered by a Board of Trustees on behalf of members and in accordance with the terms of the Trust Deed and Rules and current legislation. The assets that fund the liabilities are held by the Trust, for both plans.

For the purposes of determining the level of funding, the Trustees appoint an actuary to value the plans every three years, with annual updates. The latest valuations of the Draka pension fund and the Prysmian

pension fund were conducted as at 31 March 2015 and 31 December 2017 respectively. Even the contribution levels are set every three years at the time of performing the valuation to determine the level of plan funding. Currently, the contribution levels are set at Euro 7.3 million a year for the Draka pension fund (Euro 3.3 million at 31 December 2017) and Euro 0.8 million a year for the Prysmian pension fund (Euro 0.2 million at 31 December 2017).

The Trustees decide on the investment strategy in agreement with the company. The strategies differ for both plans. In particular, the Draka pension fund has invested its assets as follows: 17% in equities, 38% in bonds and 45% in other financial instruments. The Prysmian pension fund has invested its assets as follows: 35% in bonds and the remaining 65% in other financial instruments.

The main risk for the Prysmian Group in Great Britain is that mismatches between the expected return and the actual return on plan assets would require contribution levels to be revised.

The liabilities and service costs are sensitive to the following variables: life expectancy of plan participants and future growth in benefit levels. Another variable to consider when determining the amount of the liability is the discount rate, identified by reference to market yields of AA corporate bonds denominated in GB pounds.

France

There were five pension plans in operation in France at 31 December 2018, of which four are unfunded retirement benefit plans and one is a partially funded pension plan.

All the plans generally set the retirement age at 63. They are all open to new members, except for the funded plan which does not admit new members or accrue new liabilities. As at 31 December 2018, the plans had an average duration of approximately 11.1 years (10.6 years at 31 December 2017).

Total plan membership is made up as follows:

	31 December 2018	31 December 2017
	Number of participants	Number of participants
Active	2,689	1,673
Deferred	N/A	N/A
Pensioners	25	25
Total membership	2,714	1,698

In the case of the unfunded plans, the company pays the amount accrued when employees leave the company upon retirement.

The principal risk for the Prysmian Group in France is salary growth, which affects the benefits that the company has to pay the employee. In the case of the retirement benefit plans, the benefits vest only upon attaining retirement age; consequently, the cost to the company will depend on the probability that an employee does not leave the company before that date. There are no life expectancy risks relating to these plans. The liabilities and service costs are sensitive to the following variables: inflation, salary growth, life expectancy of plan participants and the discount rate, identified by reference to market yields of AA corporate bonds denominated in Euro.

The main risks for the funded plan are connected to inflation and life expectancy, both of which affect contribution levels. The plan's assets are entirely invested in insurance funds, whose main risk is that a mismatch between the expected return and the actual return on plan assets would require contribution levels to be revised.

United States

There were four pension plans in operation in the United States at 31 December 2018, of which two are funded plans that pay an income upon retirement; one is a supplementary unfunded plan and another is an unfunded deferred compensation plan.

All the plans generally set the retirement age at 65. They are all open to new members, except for the funded plans which does not admit new members or accrue new liabilities. As at 31 December 2018, the plans had an average duration of approximately 8.6 years (12.2 years at 31 December 2017).

Total plan membership is made up as follows:

	31 December 2018	31 December 2017
	Number of participants	Number of participants
Active	532	188
Deferred	677	258
Pensioners	2,990	372
Total membership	4,199	818

Pension plan obligations and assets are analysed as follows at 31 December 2018 and 31 December 2017:

(in millions of Euro)

	31 December 2018					
	Germany	Great Britain	France	United States	Other countries	Total
Funded pension obligations:						
Present value of obligation	-	179	3	142	81	405
Fair value of plan assets	-	(113)	(2)	(112)	(71)	(298)
Asset ceiling		-	-		-	-
Unfunded pension obligations:						
Present value of obligations	218	-	31	9	14	272
Total	218	66	32	39	24	379

(in millions of Euro)

	31 December 2017					
	Germany	Great Britain	France	United States	Other countries	Total
Funded pension obligations:						
Present value of obligation	-	193	3	27	24	247
Fair value of plan assets	-	(123)	(2)	(22)	(26)	(173)
Asset ceiling	-	-	-		-	-
Unfunded pension obligations:						
Present value of obligations	163	-	21		11	195
Total	163	70	22	5	9	269

At 31 December 2018, "Other countries" mainly refer to:

- Canada: funded pension obligations have a present value of Euro 43 million compared with a fair value of Euro 37 million for plan assets;
- Netherlands: funded pension obligations have a present value of Euro 22 million compared with a fair value of Euro 22 million for plan assets;
- Spain: funded pension obligations have a present value of Euro 11 million compared with a fair value of Euro 9 million for plan assets;
- Sweden: unfunded pension obligations have a present value of Euro 7 million;
- Chile: unfunded pension obligations have a present value of Euro 4 million;
- Norway: unfunded pension obligations have a present value of Euro 2 million.

Changes during the year in pension plan obligations are analysed as follows:

(in millions of Euro)

	2018	2017
Opening defined benefit obligation	442	475
Business combinations	261	-
Current service costs	5	2
Interest costs	15	10
Administrative costs and taxes	2	-
Actuarial (gains)/losses recognised in equity - experience	1	(3)
Actuarial (gains)/losses recognised in equity - demographic assumptions	-	(3)
Actuarial (gains)/losses recognised in equity - financial assumptions	(14)	(7)
Disbursements from plan assets	(20)	(12)
Disbursements paid directly by the employer	(18)	(8)
Currency translation differences	1	(12)
Reclassifications and legislative amendments to existing plans	2	
Total movements	235	(33)
Closing defined benefit obligation	677	442

Changes during the year in pension plan assets are analysed as follows:

(in millions of Euro)

	2018	2017
Opening plan assets	173	177
Business combinations	148	-
Interest income on plan assets	7	4
Actuarial gains/(losses) recognised in equity	(20)	4
Contributions paid in by the employer	27	13
Contributions paid in by plan participants	-	-
Disbursements	(39)	(20)
Plan settlements	-	-
Currency translation differences	2	(5)
Total movements	125	(4)
Closing plan assets	298	173

At 31 December 2018, pension plan assets consisted of equities (36.1% versus 14.6% in 2017), government bonds (11.0% versus 16.8% in 2017), corporate bonds (18.4% versus 18.1% in 2017), and other assets (34.5% versus 50.5% in 2017).

The value of the asset ceiling was zero at 31 December 2018, like at 31 December 2017.

Pension plan costs recognised in the income statement are analysed as follows:

(in millions of Euro)

	2018				
	Germany	Great Britain	France	United States	Other countries
Personnel costs	1	2	1	2	2
Interest costs	3	5	-	4	2
Expected returns on plan assets	-	(3)	-	(3)	(1)
Total pension plan costs	5	3	2	1	3

(in millions of Euro)

	2017				
	Germany	Great Britain	France	United States	Other countries
Personnel costs	1	-	1	-	-
Interest costs	3	5	-	-	2
Expected returns on plan assets	-	(3)	-	-	(1)
Total pension plan costs	4	2	1	-	1

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

The weighted average actuarial assumptions used to value the pension plans are as follows:

31 December 2018								
	Germany		Great Britain		France		United States	
Interest rate	1.75%		3.00%		1.50%		4.20%	
Expected future salary increase	2.20%		N/A		1.83%		2.50%	
Expected increase in pensions	1.75%		3.11%		1.00%		0.00%	
Inflation rate	1.75%		3.60%		1.82%		3.00%	
Life expectancy at age 65:	Male	Female	Male	Female	Male	Female	Male	Female
People currently aged 65	20.05	23.56	21.80	23.70	24.16	27.63	20.07	22.38
People currently aged 50	22.16	25.91	22.60	24.60	26.23	29.84	21.33	23.64

31 December 2017								
	Germany		Great Britain		France		United States	
Interest rate	1.75%		2.70%		1.25%		3.60%	
Expected future salary increase	1.75%		N/A		1.75%		N/A	
Expected increase in pensions	1.75%		3.40%		1.75%		N/A	
Inflation rate	2.75%		N/A		N/A		N/A	
Life expectancy at age 65:	Male	Female	Male	Female	Male	Female	Male	Female
People currently aged 65	19.90	23.95	22.10	23.90	24.16	27.63	22.15	23.64
People currently aged 50	21.88	25.84	23.10	25.10	26.23	29.84	23.66	25.35

The following table presents a sensitivity analysis of the effects of an increase/decrease in the most significant actuarial assumptions used to determine the present value of benefit obligations, namely the interest rate, inflation rate and life expectancy.

Inflation rate sensitivity includes those effects relating to assumptions about salary increases and increases in benefits.

31 December 2018								
	Germany		Great Britain		France		United States	
Interest rate	- 0.50%	+ 0.50%	- 0.50%	+ 0.50%	- 0.50%	+ 0.50%	- 0.50%	+ 0.50%
Change in pension plans	7.15%	-6.41%	10.16%	-9.07%	5.66%	-5.21%	4.22%	-3.92%
Inflation rate	- 0.25%	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%	+ 0.25%
Change in pension plans	-2.59%	2.51%	-3.55%	3.73%	-2.83%	2.94%	-0.04%	0.04%

31 December 2018				
	Germany		Great Britain	United States
1-year increase in life expectancy	4.87%		3.53%	2.52%

31 December 2017								
	Germany		Great Britain		France		United States	
Interest rate	- 0.50%	+ 0.50%	- 0.50%	+ 0.50%	- 0.50%	+ 0.50%	- 0.50%	+ 0.50%
Change in pension plans	7.61%	-6.79%	10.16%	-9.07%	5.38%	-4.98%	6.10%	-5.61%
Inflation rate	- 0.25%	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%	+ 0.25%
Change in pension plans	-2.93%	2.85%	-3.54%	3.72%	-2.79%	2.89%	N/A	N/A

31 December 2017				
	Germany		Great Britain	United States
1-year increase in life expectancy	5.19%		3.53%	2.86%

EMPLOYEE INDEMNITY LIABILITY

Employee indemnity liability refers to Italian companies only and is analysed as follows:

(in millions of Euro)

	2018	2017
Opening balance	17	19
Personnel costs	-	-
Interest costs	-	-
Actuarial (gains)/losses recognised in equity	-	(1)
Disbursements	(2)	(1)
Total movements	(2)	(2)
Closing balance	15	17

Net actuarial gains recognised at 31 December 2018 were less than Euro 1 million (Euro 1 million at 31 December 2017) and mainly relate to the change in the associated economic parameters (the discount and inflation rates).

Under Italian law, the amount due to each employee accrues with service and is paid when the employee leaves the company. The amount due upon termination of employment is calculated on the basis of the length of service and the taxable remuneration of each employee. The liability is adjusted annually for the official cost of living index and statutory interest, and is not subject to any vesting conditions or periods, or any funding obligation; there are therefore no assets that fund this liability.

The benefits relating to this plan are paid to participants in the form of capital, in accordance with the related rules. The plan also allows partial advances to be paid against the full amount of the accrued benefit in specific circumstances.

The main risk is the volatility of the inflation rate and the interest rate, as determined by the market yield on AA corporate bonds denominated in Euro.

The actuarial assumptions used to value employee indemnity liability are as follows:

	31 December 2018	31 December 2017
Interest rate	1.50%	1.25%
Expected future salary increase	1.50%	1.50%
Inflation rate	1.50%	1.50%

The following table presents a sensitivity analysis of the effects of an increase/decrease in the most significant actuarial assumptions used to determine the present value of benefit obligations, namely the interest rate and inflation rate:

	31 December 2018		31 December 2017	
Interest rate	- 0.50%	+ 0.50%	- 0.50%	+ 0.50%
Change in employee indemnity liability	4.93%	-4.63%	4.78%	-4.44%
Inflation rate	- 0.25%	+ 0.25%	- 0.25%	+ 0.25%
Change in employee indemnity liability	-1.50%	1.54%	-1.44%	1.48%

MEDICAL BENEFIT PLANS

Some Group companies provide medical benefit plans for retired employees. In particular, the Group finances medical benefit plans in Brazil, Canada and the United States. The plans in the United States account for more than 90% of the total obligation for medical benefit plans.

Apart from interest rate and life expectancy risks, medical benefit plans are particularly susceptible to increases in the cost of meeting claims. None of the medical benefit plans has any assets to fund the associated obligations, with benefits paid directly by the employer.

As noted earlier, the US medical benefit plans account for the majority of the benefit obligation. These plans are not subject to the same level of legal protection as pension plans. Currently the latest reform has had no impact on liabilities and costs.

The obligation in respect of medical benefit plans is analysed as follows:

(in millions of Euro)

	2018	2017
Opening balance	27	29
Business combinations	3	-
Personnel costs	2	1
Interest costs	-	1
Plan settlements	-	-
Actuarial (gains)/losses recognised in equity - experience	(3)	(1)
Actuarial (gains)/losses recognised in equity - demographic assumptions	-	-
Actuarial (gains)/losses recognised in equity - financial assumptions	-	2
Reclassifications	-	-
Disbursements	(1)	(1)
Currency translation differences	2	(4)
Total movements	3	(2)
Closing balance	30	27

The actuarial assumptions used to value medical benefit plans are as follows:

	31 December 2018		31 December 2017	
Interest rate	4.34%		3.83%	
Expected future salary increase	N/A		N/A	
Increase in claims	5.09%		5.17%	
Life expectancy at age 65:	Male	Female	Male	Female
People currently aged 65	21.21	23.16	21.39	23.26
People currently aged 50	22.53	24.69	22.75	24.84

The following table presents a sensitivity analysis of the effects of an increase/decrease in the most significant actuarial assumptions used to determine the present value of benefit obligations, such as the interest rate, inflation rate/growth in medical care costs and life expectancy.

	31 December 2018		31 December 2017	
Interest rate	- 0.50%	+ 0.50%	- 0.50%	+ 0.50%
Change in medical benefit plans	7.89%	-6.73%	8.91%	7.93%
Medical inflation rate	- 0.25%	+ 0.25%	- 0.25%	+ 0.25%
Change in medical benefit plans	-4.40%	4.69%	4.75%	5.02%
	31 December 2018		31 December 2017	
1-year increase in life expectancy	4.08%		4.35%	

OTHER INFORMATION

Contributions to and payments of employee benefit obligations in 2019 will respectively amount to Euro 19 million (of which Euro 11 million in Germany and Euro 3 million in the United States) and Euro 9 million (of which Euro 4 million in Great Britain and Euro 3 million in the United States).

Headcount

Average headcount in the period is reported below, compared with closing headcount at the end of each period:

2018				
	Average (*)	%	Closing	%
Blue collar	16,019	75%	21,051	72%
White collar and management	5,439	25%	8,109	28%
Total	21,458	100%	29,159	100%

2017				
	Average	%	Closing	%
Blue collar	15,856	75%	15,927	76%
White collar and management	5,173	25%	5,123	24%
Total	21,029	100%	21,050	100%

(*) The period average reflects the average number of employees for the whole of 2018 of Prysmian Group companies prior to the acquisition of General Cable. The average number of employees including General Cable is available for the last 5 months of 2018 and is as follows: 21,301 blue-collar and 8,290 white-collar and management.

16. DEFERRED TAXES

The balance of deferred tax assets at 31 December 2018 is Euro 161 million (Euro 135 million at 31 December 2017) while that of deferred tax liabilities is Euro 238 million (Euro 103 million at 31 December 2017).

Movements in deferred taxes are analysed as follows:

(in millions of Euro)

	Fixed assets	Provisions ⁽¹⁾	Tax losses	Other	Total
Balance at 31 December 2016 (*)	(128)	117	54	(8)	35
Business combinations	-	-	-	-	-
Currency translation differences	8	(2)	-	7	13
Impact on income statement	21	(2)	(6)	(1)	12
Impact on equity	-	(3)	-	(13)	(16)
Other and reclassifications	-	(1)	-	3	2
Balance at 31 December 2017 (*)	(99)	109	48	(12)	46
Business combinations	(207)	48	1	17	(141)
Currency translation differences	(3)	1	1	(5)	(6)
Impact on income statement	29	(10)	5	2	26
Impact on equity	-	(1)	-	(5)	(6)
Other and reclassifications	-	-	-	4	4
Balance at 31 December 2018	(280)	147	55	2	(77)

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

⁽¹⁾ These comprise Provisions for risks and charges (current and non-current) and Employee benefit obligations.

Although the Group has not recognised any deferred tax assets on Euro 1,158 million in carryforward tax losses at 31 December 2018 (Euro 599 million at 31 December 2017), it has recognised deferred tax assets on Euro 98 million in tax losses at this same date (Euro 121 million at 31 December 2017). Unrecognised deferred tax assets relating to the above carryforward tax losses and to deductible temporary differences amount to Euro 197 million at 31 December 2018 (Euro 167 million at 31 December 2017).

The following table presents details of carryforward tax losses:

(in millions of Euro)

	31 December 2018	31 December 2017
Carryforward tax losses	1,256	720
of which recognised as deferred tax assets	98	121
Carryforward expires within 1 year	12	3
Carryforward expires between 2-5 years	74	85
Carryforward expires beyond 5 years	140	15
Unlimited carryforward	1,030	617

17. SALES OF GOODS AND SERVICES

These are detailed as follows:

(in millions of Euro)

	2018	2017 (*)
Finished goods	8,483	6,134
Construction contracts	1,249	1,179
Services	124	91
Other	302	500
Total	10,158	7,904

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

18. CHANGE IN INVENTORIES OF WORK IN PROGRESS, SEMI-FINISHED AND FINISHED GOODS

This is detailed as follows:

(in millions of Euro)

	2018	2017
Finished goods	(98)	33
Work in progress	13	24
Total	(85)	57

19. OTHER INCOME

This is detailed as follows:

(in millions of Euro)

	2018	2017
Rental income	1	1
Insurance reimbursements and indemnities	41	12
Gains on disposal of property	2	2
Other income	95	66
Total	139	81

20. RAW MATERIALS, CONSUMABLES USED AND GOODS FOR RESALE

These are detailed as follows:

(in millions of Euro)

	2018	2017
Raw materials	6,565	4,955
Change in inventories	(23)	(43)
Total	6,542	4,912

21. PERSONNEL COSTS

Personnel costs are detailed as follows:

(in millions of Euro)

	2018	2017
Wages and salaries and social security	1,144	952
Fair value - stock options	6	49
Pension plans	9	2
Medical benefit costs	1	1
Termination and other benefits	3	3
Other personnel costs	40	55
Company reorganisation	57	24
Total	1,260	1,086

Share-based payments

At 31 December 2018, the Prysmian Group had share-based compensation plans in place for managers and employees of Group companies and for members of the Parent Company's Board of Directors. These plans are described below.

Employee share purchase plan (2016-2021) – YES 2.0

The Shareholders' Meeting of 12 April 2018 amended the YES 2.0 plan, approved by the same on 13 April 2016. In fact, anticipating the completion of the General Cable acquisition, the number of plan participants was expected to increase considerably, as a result of which the Shareholders' Meeting approved an extension of the plan's validity for another two years until 2021 and an increase in the number of shares serving it.

The Plan is based on financial instruments reserved for employees of Prysmian S.p.A. and/or of its subsidiaries, including some of the Company's Directors; the Board of Directors has been granted the relevant powers to establish and implement this plan.

The main objectives of the Plan and the 2018 amendments are:

- to strengthen the sense of belonging to the Group by offering employees an opportunity to share in its successes, through equity ownership, especially in view of the process of integration with General Cable Corporation;
- to align the interests of the Prysmian Group's stakeholders, employees and shareholders, by identifying a common goal of creating long-term value.

The Plan offers the opportunity to purchase Prysmian's ordinary shares on preferential terms, with a maximum discount of 25% on the stock price, given in the form of treasury shares, except for certain managers, for whom the discount is 15%, and the executive Directors and key management personnel, for whom the discount is 1% on the stock price.

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

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

All those who have signed up for the plan have also received an entry bonus of six free shares, taken from the Company's portfolio of treasury shares, only available at the time of first purchase. If an employee had already participated in the 2013 plan, they received eight shares as an entry bonus to the new plan. For those who already purchased shares in a 2017 purchase window, the entry bonus is three shares.

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

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

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

Costs of Euro 2 million have been recognised as "Personnel costs" in the income statement at 31 December 2018 for the fair value of options granted under this plan.

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

	31 December 2018
	Number of options
Options at start of year	180,737
Granted	-
Change in expected participations	214,385
Cancelled	-
Exercised	(87,784)
Options at end of year	307,338

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

Long-term incentive plan 2018-2020

The Shareholders' Meeting of Prysmian S.p.A. held on 12 April 2018 approved an incentive plan for employees of the Prysmian Group, including members of the Board of Directors of Prysmian S.p.A., and granted the Board of Directors the necessary powers to establish and implement this plan.

The reasons behind the introduction of the Plan are:

- generation of a strong commitment by the Group's management to achieving the targets for additional growth in profits and return on capital employed;
- alignment of the interests of management with those of shareholders by using share-based incentives, and promoting stable share ownership of the Company;
- to support synergies and the development of a one-company identity by defining a common performance objective and introducing a retention mechanism, also further to the acquisition of General Cable Corporation.

The Plan covers around 600 employees of Group companies and involves the grant of options, the number of which depended on the achievement of common business and financial performance objectives for all participants.

The Plan consists of two parts:

- Co-investment;
- Performance Shares.

The Co-investment part allows each participant to defer and co-invest a variable portion of their annual bonus for the years 2018, 2019 and 2020; if the Target is achieved, this portion will be returned to the participant in the form of company shares with a higher value, depending on the type of co-investment profile selected and the amount co-invested.

The Performance Shares part involves the prior establishment of a minimum and maximum number of shares for each participant, according to their company position and salary level. The number of shares actually awarded will depend on the extent to which the Performance Conditions are achieved. Both parts of

the plan are contingent upon achieving the Group's aggregate Adjusted EBITDA for the three years 2018-2020, while the number of shares awarded for the Performance Share part will depend on the level of:

- aggregate Adjusted EBITDA (60%);
- net financial debt at 31 December 2020 (40%).

Total Shareholders Return acts as a multiplier and demultiplier of the total shares awarded for both parts of the plan (+12.5% and -25%).

The employee incentive plan (LTI 2018-2020), introduced to support the integration with General Cable, which got off to a rapid start after the mid-year closing, has been significantly affected in the short-term by unexpected problems encountered in the Projects business during 2018. In fact, although the integration has continued to be implemented in line with the roadmap for its completion and achievement of the related synergies by 2021, the operating issues, particularly involving the Western Link project, have led management to believe that the above incentive plan is at risk in target terms and nonetheless off track with the new medium-term outlook. Also in light of the General Cable integration plan, currently in progress and due for completion at the end of 2021, management has deemed it appropriate to bring the term of the LTI into line with that of this integration plan, also to lend additional support to the latter's effective pursuit.

Therefore, the Company will submit for approval by the forthcoming Shareholders' Meeting a proposal to adopt several amendments to the Plan, aimed at strengthening its retention and motivational mechanism for management (including the very high number of General Cable participants), who represent the Group's key asset for delivering the ultimate strategy, staying constantly on track with shareholder interests.

The main amendments to the Plan, made for the benefit of participants, concern the period and the performance conditions; the period will be extended to include 2021, making it a four-year plan, in line with the integration roadmap. The revised term of the Plan will better measure the Group's medium-term growth in value.

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

	Number options	Exercise price
Options at start of year	-	-
Granted	4,588,930	-
Variation for target remeasurement	(4,044,853)	-
Cancelled	-	-
Exercised	-	-
Options at end of year	544,077	-
of which vested at end of year	544,077	-
of which exercisable	-	-
of which not vested at end of year	-	-

Costs of Euro 4 million have been recognised as "Personnel costs" in the income statement at 31 December 2018 for the fair value of options granted under this plan.

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

Grant date	12 April 2018
Residual life at grant date (in years)	2.76
Exercise price (Euro)	-
Risk-free interest rate	0.49%
Expected dividend %	2.25%
Option fair value at grant date (Euro)	21.67

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

As at 31 December 2018, there are no outstanding loans or guarantees by the Parent Company or its subsidiaries to any of the directors, senior managers or statutory auditors.

22. AMORTISATION, DEPRECIATION, IMPAIRMENT AND IMPAIRMENT REVERSALS

These are detailed as follows:

(in millions of Euro)		
	2018	2017
Depreciation of buildings, plant, machinery and equipment	155	121
Depreciation of other property, plant and equipment	13	11
Amortisation of intangible assets	59	45
Net other impairment of property, plant and equipment	5	18
Net impairment of intangible assets involved in company reorganisations	-	1
Net impairment of property, plant and equipment involved in company reorganisations	-	3
Total	232	199

The impairment losses of Euro 5 million mainly refer to the site in Delfzijl (Netherlands).

23. OTHER EXPENSES

These are detailed as follows:

(in millions of Euro)

	2018	2017
Professional services	59	41
Insurance	51	47
Maintenance costs	110	72
Selling costs	56	47
Utilities	166	138
Travel costs	48	44
Vessel charter	113	88
Increases in/(releases of) provisions for risks	30	32
Losses on disposal of assets	1	-
Sundry expenses	173	129
Other costs	994	813
Company reorganisation	9	6
Non-recurring other expenses	69	18
Total	1,879	1,475

The Group expensed Euro 98 million in research and development costs in 2018 (Euro 73 million in 2017), insofar as no criteria existed for their capitalisation.

24. SHARE OF NET PROFIT/(LOSS) OF EQUITY-ACCOUNTED COMPANIES

This is detailed as follows:

(in millions of Euro)

	2018	2017
Share of net profit/(loss) of associates	59	42
Total	59	42

Further information can be found in Note 3. Equity-accounted investments.

25. FINANCE COSTS

These are detailed as follows:

(in millions of Euro)

	2018	2017 (*)
Interest on EIB loans	1	1
Interest on Term Loan	7	-
Interest on Bridge Loan	3	-
Interest on non-convertible bond	18	19
Interest on convertible bond 2013 - non-monetary component	2	9
Interest on convertible bond 2013 - monetary component	2	4
Interest on convertible bond 2017 - non-monetary component	10	9
Interest Rate Swaps	4	-
Amortisation of bank and financial fees and other expenses	9	6
Employee benefit interest costs net of interest on plan assets	8	8
Other bank interest	10	7
Costs for undrawn credit lines	4	4
Sundry bank fees	14	12
Non-recurring other finance costs	2	2
Finance costs for hyperinflation	6	-
Other	12	7
Finance costs	106	88
Net losses on forward currency contracts	1	10
Losses on derivatives	1	10
Foreign currency exchange losses	307	249
Other non-operating finance costs	-	2
Total finance costs	414	349

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

26. FINANCE INCOME

This is detailed as follows:

(in millions of Euro)

	2018	2017
Interest income from banks and other financial institutions	5	6
Other finance income	4	5
Finance income	9	11
Net gains on forward currency contracts	-	-
Gains on derivatives	-	-
Foreign currency exchange gains	293	239
Total finance income	302	250

27. TAXES

These are detailed as follows:

(in millions of Euro)

	2018	2017 (*)
Current income taxes	94	98
Deferred income taxes	(26)	(10)
Total	68	88

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

The following table reconciles the effective tax rate with the Parent Company's theoretical tax rate:

(in millions of Euro)

	2018	Tax rate	2017 (*)	Tax rate
Profit/(loss) before taxes	198		325	
Theoretical tax expense at Parent Company's nominal tax rate	48	24.0%	78	24.0%
Differences in nominal tax rates of foreign subsidiaries	5	2.5%	5	1.5%
Deferred tax assets not recognised or released in prior years	2	1.0%	(4)	-1.2%
Net increase (release) of provision for tax disputes	1	0.5%	(1)	-0.3%
IRAP (Italian regional business tax)	7	3.5%	7	2.2%
Current taxes for prior years	2	1.0%	5	1.5%
Taxes on distributable reserves	(2)	-1.0%	2	0.6%
Release of prior year credit for taxes paid abroad	-	0.0%	(1)	-0.3%
Antitrust provision	16	8.1%	-	0.0%
Asset impairment	-	0.0%	7	2.2%
Non-deductible costs/ (non-taxable income) and other	(11)	-5.6%	(10)	-3.1%
Effective income taxes	68	34.1%	88	27.0%

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

28. EARNINGS/(LOSS) AND DIVIDENDS PER SHARE

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

Diluted earnings/(loss) per share have been affected by the options under the employee share purchase plan (YES Plan). Diluted earnings/(loss) per share have not been affected by the Convertible Bond 2017, whose conversion is currently "out of the money", or by the options under the long-term incentive plan 2018-2020 which, based on the amount of aggregate EBITDA to 31 December 2018, are not yet vested.

(in millions of Euro)

	2018	2017
Net profit/(loss) attributable to owners of the parent	130	241
Weighted average number of ordinary shares (thousands)	244,957	211,684
Basic earnings per share (in Euro)	0.53	1.14
Net profit/(loss) attributable to owners of the parent for purposes of diluted earnings per share	130	251
Weighted average number of ordinary shares (thousands)	244,957	211,684
Adjustments for:		
New shares from conversion of bonds into shares (thousands)	-	13,375
Dilution from incremental shares arising from exercise of stock options (thousands)	-	97
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	244,957	225,156
Diluted earnings per share (in Euro)	0.53	1.11

The dividend paid in 2018 amounted to approximately Euro 96 million (Euro 0.43 per share). A dividend of Euro 0.43 per share for the year ended 31 December 2018 will be proposed at the annual general meeting to be held on 17 April 2019 in a single call; based on the number of outstanding shares, the above dividend per share equates to a total dividend pay-out of approximately Euro 113 million. The current financial statements do not reflect any liability for the proposed dividend.

29. CONTINGENT LIABILITIES

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

As at 31 December 2018, the contingent liabilities for which the Group has not recognised any provision for risks and charges, on the grounds that an outflow of resources is unlikely, but which can nonetheless be estimated reliably, amount to approximately Euro 44 million.

30. COMMITMENTS

(a) Commitments to purchase property, plant and equipment and intangible assets

Contractual commitments already entered into with third parties as at 31 December 2018 and not yet reflected in the financial statements amount to Euro 222 million for investments in property, plant and equipment (Euro 85 million at the end of 2017); there were no commitments to third parties at 31 December 2018 for investments in intangible assets (like at the end of 2017).

(b) Operating lease commitments

Future commitments relating to operating leases are as follows:

(in millions of Euro)

	2018	2017
Due within 1 year	38	20
Due between 1 and 5 years	28	49
Due after more than 5 years	61	16
Total	126	85

31. RECEIVABLES FACTORING

With reference to factoring programmes, the Group has made use of without-recourse factoring of trade receivables. The amount of receivables factored but not yet paid by customers was Euro 336 million at 31 December 2018 (Euro 363 million at 31 December 2017).

32. FINANCIAL COVENANTS

The credit agreements in place at 31 December 2018, details of which are presented in Note 12, require the Group to comply with a series of covenants on a consolidated basis. The main covenants, classified by type, are listed below:

a) Financial covenants

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

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

EBITDA/Net finance costs ⁽¹⁾ not less than	Net financial debt / EBITDA ⁽¹⁾ not more than
4.00x	3.00x

⁽¹⁾ The ratios are calculated on the basis of the definitions contained in the relevant credit agreements. The Net Financial Debt-EBITDA ratio can go as high as 3.5 following extraordinary transactions like acquisitions, no more than three times, including on non-consecutive occasions.

b) Non-financial covenants

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

Default events

The main default events are as follows:

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

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

Actual financial ratios reported at period end are as follows:

	31 December 2018	31 December 2017
EBITDA / Net finance costs ⁽¹⁾	10.08x	15.37x
Net financial debt / EBITDA ⁽¹⁾	2.57x	0.58x

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

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

33. RELATED PARTY TRANSACTIONS

Transactions between Prysmian S.p.A. and subsidiaries with associates mainly refer to:

- trade relations involving purchases and sales of raw materials and finished goods;
- services (technical, organisational and general) provided by head office for the benefit of Group companies;
- recharge of royalties for the use of trademarks, patents and technological know-how by Group companies.

The related party disclosures also include the compensation paid to Directors, Statutory Auditors and Key Management Personnel.

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

The following tables provide a summary of related party transactions and balances for the years ended 31 December 2018 and 31 December 2017:

(in millions of Euro)

31 December 2018					
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total
Equity-accounted investments	294	-	294	294	100.0%
Trade receivables	3	-	3	1,635	0.2%
Other receivables	5	-	5	698	0.7%
Trade payables	5	-	5	2,132	0.2%
Other payables	-	1	1	932	0.1%
Provisions for risks and charges		4	4	584	0.7%

(in millions of Euro)

31 December 2017 (*)					
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total
Equity-accounted investments	217	-	217	217	100.2%
Trade receivables	6	-	6	1,131	0.5%
Other receivables	5	-	5	437	1.1%
Trade payables	4	-	4	1,686	0.2%
Other payables	-	5	5	700	0.7%
Provisions for risks and charges		4	4	354	1.1%

(in millions of Euro)

					2018
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total
Sales of goods and services	29	-	29	10,158	0.3%
Other income	5	-	5	136	3.7%
Raw materials, consumables used and goods for resale	(20)	-	(20)	(6,542)	0.3%
Personnel costs	-	(11)	(11)	(1,260)	0.9%
Other expenses	-	(1)	(1)	(1,876)	0.0%
Share of net profit/(loss) of equity-accounted companies	59	-	59	59	100%

(in millions of Euro)

					2017 (*)
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total
Sales of goods and services	34	-	34	7,904	0.4%
Other income	5	-	5	81	6.2%
Raw materials, consumables used and goods for resale	(15)	-	(15)	(4,912)	0.3%
Personnel costs	-	(26)	(26)	(1,086)	2.4%
Other expenses	-	(1)	(1)	(1,475)	0.1%
Share of net profit/(loss) of equity-accounted companies	42	-	42	42	100.0%

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 15 and IFRS 9. Further details can be found in Section C. Restatement of comparative figures.

Transactions with associates

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

Key management compensation

Key management compensation is analysed as follows:

(in thousands of Euro)

	2018	2017
Salaries and other short-term benefits - fixed part	7,736	6,671
Salaries and other short-term benefits - variable part	2,504	4,901
Other benefits	853	255
Share-based payments	232	12,294
Total	11,325	24,121
of which Directors	4,924	15,015

At 31 December 2018, payables for key management compensation amount to Euro 0.6 million, while employee benefit obligations for key management compensation are Euro 0.4 million.

34. COMPENSATION OF DIRECTORS AND STATUTORY AUDITORS

The compensation of the executive and non-executive Directors of Prysmian S.p.A. came to Euro 5.52 million in 2018 (Euro 15.54 million in 2017). The compensation of the Statutory Auditors of Prysmian S.p.A. came to Euro 0.2 million in 2018, the same as the year before. Compensation includes emoluments, and any other types of remuneration, pension and medical benefits, received for their service as Directors or Statutory Auditors of Prysmian S.p.A. and other companies included in the scope of consolidation, and that have constituted a cost for Prysmian.

35. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions took place during 2018.

36. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

As required by Consob Communication DEM/6064293 dated 28 July 2006 and in accordance with the ESMA Guidelines/2015/1415, the following table presents the effects of non-recurring events and transactions on the income statement:

(in millions of Euro)

	2018	2017
Non-recurring other income/(expenses):		
Antitrust investigations	(69)	(18)
Non-recurring other finance income/(costs):		
Non-recurring other finance costs	(2)	(2)
Total	(71)	(20)

37. STATEMENT OF CASH FLOWS

After accounting for a positive change of Euro 4 million in working capital during the year, Euro 110 million in tax payments and Euro 16 million in dividend receipts from associates and joint ventures, net cash flow from operating activities in 2018 was a positive Euro 462 million.

Acquisitions and disposals during the year involved a net outflow of Euro 1,208 million, mainly attributable to the acquisition of General Cable.

Net operating capital expenditure came to Euro 267 million in 2018, a large part of which relating to projects to increase, rationalise and upgrade production capacity and to develop new products. More details can be found in Note 1. Property, plant and equipment of these Explanatory Notes.

Cash flows provided by financing activities were influenced by the distribution of Euro 105 million in dividends. Finance costs paid, net of finance income received, came to Euro 84 million.

38. INFORMATION PURSUANT TO ART.149-DUODECIES OF THE CONSOB ISSUER REGULATIONS

Pursuant to art. 149-duodecies of the Consob Issuer Regulations, the following table shows the fees in 2018 for audit work and other services provided by the independent auditors Ernst & Young and companies in the Ernst & Young network:

(in thousands of Euro)

	Recipient	Supplier of services	Fees relating to 2018	Fees relating to 2017
Audit services	Parent Company - Prysmian S.p.A.	Ernst & Young Italia	651	518
	Italian subsidiaries	Ernst & Young Italia	418	407
	Foreign subsidiaries	Ernst & Young Italia	168	159
	Foreign subsidiaries	Ernst & Young Network	3,075	1,424
Certification services	Parent Company - Prysmian S.p.A.	Ernst & Young Italia	55	-
	Italian subsidiaries	Ernst & Young Italia	-	7
	Foreign subsidiaries	Rete Ernst & Young	-	-
Other services	Parent Company - Prysmian S.p.A.	Ernst & Young Italia	-	55
	Italian subsidiaries	Ernst & Young Italia	10	2
	Foreign subsidiaries ⁽¹⁾	Rete Ernst & Young	73	261
Total			4,449	2,833

⁽¹⁾ Tax and other services.

The increase in fees is due to growth in the scope of the audit after the General Cable acquisition.

39. SUBSEQUENT EVENTS

Antitrust Brazil

On 3 January 2019, the Brazilian antitrust authority informed Prysmian that the investigations, notified to the Company in 2011, had been completed and gave it 10 working days for the submission of briefs, duly filed by Prysmian on 18 January 2019. The general superintendence of the Brazilian antitrust authority (Administrative Council for Economic Defense – "CADE") published a Technical Note in the Brazilian Federal Official Gazette on 11 February 2019. The Technical Note sets out the conclusions of CADE's investigations which lean towards the imposition of a fine on Prysmian. The Technical Note contains the recommendation that the amount the CADE Tribunal could fine Prysmian be between 15% and 20% of its turnover in Brazil in 2009. In any case, this recommendation is not binding for the CADE Tribunal. The Tribunal's decision, which will be issued at the end of a public hearing, will be provisionally enforceable but can be challenged before the Brazilian courts.

In view of the circumstances described, the directors, assisted by the Group's legal advisors, have decided to recognise a provision of Euro 68 million.

Development of power transmission grid in Washington D.C.

On 6 February 2019, the Group signed an agreement to participate in a project to upgrade the US capital district's power transmission system. The multi-stage project is worth approximately USD 190 million and is scheduled to run between 2019 and 2026. The first batch of cables worth USD 13 million will be delivered by the end of 2019.

Cables will be manufactured at Prysmian's state-of-the-art factory in Abbeville (South Carolina, USA).

Contract to develop a new submarine cable system in Canada (Fundy Isles)

On 11 February 2019, the Group was awarded a new contract worth Euro 17 million by New Brunswick Power Corporation (NB Power), the largest electric utility in Canada, based in the province of New Brunswick. The Fundy Isles project involves the development of a new submarine cable link to upgrade the capacity of the existing transmission system in the Passamaquoddy Region of the Bay of Fundy. The new submarine power cable will connect Deer Island, Campobello Island and Grand Manan Island to the Canadian province's mainland power grid.

The submarine cable cores will be produced at Prysmian's centre of excellence in Montereau (France), while the cable armouring will be manufactured at its state-of-the-art factory in Nordenham (Germany), part of the Group after the General Cable acquisition. Completion of the project is scheduled for October 2019.

Western Link

On 19 February 2019, a problem was detected in the Western Link interconnector, leading to its temporary switch-off.

The tests and investigations carried out so far have located the problem necessitating the temporary switch-off within the southern land cable section.

Prysmian has already started mobilising specialised teams on site to investigate the nature of the problem further. In parallel, the Group is taking every necessary step to carry out the repairs in the shortest possible time with the least logistical and environmental impact.

As a result of these events, the Group's management has assessed the need for a provision of Euro 25 million. This provision is against contractual penalties, accruing over the period needed for the repair in question, and against costs of producing an additional length of cable for any future repairs or other needs that might arise.

Mediobanca loan and partial repayment of the Bridge Loan

On 20 February 2019, the Group entered into an agreement with Mediobanca for a Euro 100 million medium-term loan for 5 years from the date of signing, with a bullet repayment at maturity. In parallel, a partial repayment of Euro 100 million against the Bridge Loan was instructed on 25 February 2019 for execution on 6 March 2019.

Amendments to the long-term incentive plan 2018-2020

The employee incentive plan (LTI 2018-2020), introduced to support the integration with General Cable, which got off to a rapid start after the mid-year closing, has been significantly affected in the short-term by unexpected problems encountered in the *Projects* business during 2018. In fact, although the integration has continued to be implemented in line with the roadmap for its completion and achievement of the related synergies by 2021, the operating issues, particularly involving the Western Link project, have led management to believe that the above incentive plan is at risk in target terms and nonetheless off track with the new medium-term outlook. Also in light of the General Cable integration plan, currently in progress and due for completion at the end of 2021, management has deemed it appropriate to bring the term of the LTI into line with that of this integration plan, also to lend additional support to the latter's effective pursuit.

Therefore, the Company will submit for approval by the forthcoming Shareholders' Meeting a proposal to adopt several amendments to the Plan, aimed at strengthening its retention and motivational mechanism for management (including the very high number of General Cable participants), who represent the Group's key asset for delivering the ultimate strategy, staying constantly on track with shareholder interests.

The main amendments to the Plan, made for the benefit of participants, concern the period and the performance conditions; the period will be extended to include 2021, making it a four-year plan, in line with the integration roadmap. The revised term of the Plan will better measure the Group's medium-term growth in value.

Milan, 5 March 2019

ON BEHALF OF THE BOARD OF DIRECTORS

THE CHAIRMAN

Claudio De Conto

SCOPE OF CONSOLIDATION – APPENDIX A

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

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

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Europe					
Austria					
Prysmian OEKW GmbH	Wien	Euro	2,053,007.56	100.00%	Prysmian Cavi e Sistemi S.r.l.
Belgium					
Draka Belgium N.V.	Antwerpen	Euro	61,973.38	98.52%	Draka Holding B.V.
				1.48%	Draka Kabel B.V.
Denmark					
Prysmian Group Denmark A/S	Albertslund	Danish Krone	40,001,000	100.00%	Draka Holding B.V.
Estonia					
Prysmian Group Baltics AS	Keila	Euro	1,664,000	100.00%	Prysmian Group Finland OY
Finland					
Prysmian Group Finland OY	Kirkkonummi	Euro	100,000	77.7972%	Prysmian Cavi e Sistemi S.r.l.
				19.9301%	Draka Holding B.V.
				2.2727%	Draka Comteq B.V.
France					
Prysmian (French) Holdings S.A.S.	Paron	Euro	129,026,210	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Cables et Systèmes France S.A.S.	Sens	Euro	136,800,000	100.00%	Prysmian (French) Holdings S.A.S.
Draka Comteq France S.A.S.	Paron	Euro	246,554,316	100.00%	Draka France S.A.S.
Draka Fileca S.A.S.	Sainte Geneviève	Euro	5,439,700	100.00%	Draka France S.A.S.
Draka Paricable S.A.S.	Sainte Geneviève	Euro	5,177,985	100.00%	Draka France S.A.S.
Draka France S.A.S.	Mame La Vallée	Euro	261,551,700	100.00%	Draka Holding B.V.
P.O.R. S.A.S.	Mame La Vallée	Euro	100,000	100.00%	Draka France S.A.S.
Silec Cable, S. A. S.	Montreau-Fault-Yonne	Euro	60,037,000	100.00%	Grupo General Cable Sistemas, S.L.
Germany					
Prysmian Kabel und Systeme GmbH	Berlin	Euro	15,000,000	93.75%	Draka Cable Wuppertal GmbH
				6.25%	Prysmian S.p.A.
Prysmian Unterstuetzungseinrichtung Lynen GmbH	Eschweiler	Deutsche Mark	50,000	100.00%	Prysmian Kabel und Systeme GmbH
Draka Cable Wuppertal GmbH	Wuppertal	Euro	25,000	100.00%	Draka Deutschland GmbH
Draka Comteq Berlin GmbH & Co.KG	Berlin	Deutsche Mark	46,000,000	50.10%	Prysmian Netherlands B.V.
		Euro	1	49.90%	Draka Deutschland GmbH
Draka Comteq Germany Verwaltungs GmbH	Köln	Euro	25,000	100.00%	Draka Comteq B.V.
Draka Comteq Germany GmbH & Co.KG	Köln	Euro	5,000,000	100.00%	Draka Comteq B.V.
Draka Deutschland Erste Beteiligungs- GmbH	Wuppertal	Euro	25,000	100.00%	Draka Holding B.V.
Draka Deutschland GmbH	Wuppertal	Euro	25,000	90.00%	Draka Deutschland Erste Beteiligungs GmbH
				10.00%	Draka Deutschland Zweite Beteiligungs GmbH
Draka Deutschland Verwaltungs GmbH	Wuppertal	Deutsche Mark	50,000	100.00%	Draka Cable Wuppertal GmbH
Draka Deutschland Zweite Beteiligungs GmbH	Wuppertal	Euro	25,000	100.00%	Prysmian Netherlands B.V.
Draka Kabeltechnik GmbH	Wuppertal	Euro	25,000	100.00%	Draka Cable Wuppertal GmbH
Draka Service GmbH	Nuremberg	Euro	25,000	100.00%	Draka Cable Wuppertal GmbH
Höhn GmbH	Wuppertal	Deutsche Mark	1,000,000	100.00%	Draka Deutschland GmbH
Kaiser Kabel GmbH	Wuppertal	Deutsche Mark	9,000,000	100.00%	Draka Deutschland GmbH
NKF Holding (Deutschland) GmbH i.L	Wuppertal	Euro	25,000	100.00%	Prysmian Netherlands B.V.
Norddeutsche Seekabelwerke GmbH	Nordenham	Euro	50,025,000	100.00%	Grupo General Cable Sistemas, S.L.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
U.K.					
Prysmian Cables & Systems Ltd.	Eastleigh	British Pound	113,901,120	100.00%	Prysmian UK Group Ltd.
Prysmian Construction Company Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (2000) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables and Systems International Ltd.	Eastleigh	Euro	1	100.00%	Prysmian Cavi e Sistemi S.r.l.
Cable Makers Properties & Services Limited	Esher	British Pound	39.08	75.00%	Prysmian Cables & Systems Ltd.
				25.00%	Third parties
Comergy Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Pension Scheme Trustee Limited	Eastleigh	British Pound	1	100.00%	Prysmian S.p.A.
Prysmian UK Group Ltd.	Eastleigh	British Pound	70,011,000	100.00%	Draka Holding B.V.
Draka Distribution Aberdeen Limited	Eastleigh	British Pound	1	100.00%	Prysmian UK Group Ltd.
Draka Comteq UK Ltd.	Eastleigh	British Pound	14,000,002	100.00%	Prysmian UK Group Ltd.
Draka UK Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian UK Group Ltd.
Draka UK Group Ltd.	Eastleigh	British Pound	2	100.00%	Prysmian UK Group Ltd.
Prysmian Powerlink Services Ltd.	Eastleigh	British Pound	46,000,100	100.00%	Prysmian UK Group Ltd.
General Cable Holdings (UK) Limited	London	British Pound	20,232,054	100.00%	GK Technologies, Incorporated
General Cable Services Europe Limited	London	British Pound	1,178,495	100.00%	General Cable Holdings (UK) Limited
NSW Technology Limited	Aberdeen	British Pound	10,000	100.00%	Norddeutsche Seekabelwerke GmbH
Ireland					
Prysmian Re Company Designated Activity Company	Dublin	Euro	20,000,000	100.00%	Draka Holding B.V.
Italy					
Prysmian Cavi e Sistemi S.r.l.	Milan	Euro	50,000,000	100.00%	Prysmian S.p.A.
Prysmian Cavi e Sistemi Italia S.r.l.	Milan	Euro	77,143,249	100.00%	Prysmian S.p.A.
Prysmian Treasury S.r.l.	Milan	Euro	80,000,000	100.00%	Prysmian S.p.A.
Prysmian PowerLink S.r.l.	Milan	Euro	100,000,000	100.00%	Prysmian S.p.A.
Fibre Ottiche Sud - F.O.S. S.r.l.	Battipaglia	Euro	47,700,000	100.00%	Prysmian S.p.A.
Prysmian Electronics S.r.l.	Milan	Euro	10,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
General Cable Italia S.r.l.	Milan	Euro	10,000	100.00%	Grupo General Cable Sistemas, S.L.
Norway					
Prysmian Group Norge AS	Drammen	Norwegian Krone	22,500,000	100.00%	Draka Holding B.V.
General Cable Nordic A/S	Vestby	Norwegian Krone	1,674,000	100.00%	Grupo General Cable Sistemas, S.L.
The Netherlands					
Draka Comteq B.V.	Amsterdam	Euro	1,000,000	100.00%	Draka Holding B.V.
Draka Comteq Fibre B.V.	Eindhoven	Euro	18,000	100.00%	Prysmian Netherlands Holding B.V.
Draka Holding B.V.	Amsterdam	Euro	52,229,320.50	100.000%	Prysmian S.p.A.
Draka Kabel B.V.	Amsterdam	Euro	2,277,976.68	100.00%	Prysmian Netherlands B.V.
Donne Draad B.V.	Nieuw Bergen	Euro	28,134.37	100.00%	Prysmian Netherlands B.V.
NKF Vastgoed I B.V.	Delft	Euro	18,151.21	99.00%	Draka Holding B.V.
				1.00%	Prysmian Netherlands B.V.
NKF Vastgoed III B.V.	Delft	Euro	18,151.21	99.00%	Draka Deutschland GmbH
				1.00%	Prysmian Netherlands B.V.
Prysmian Netherlands B.V.	Delft	Euro	1	100.00%	Prysmian Netherlands Holding B.V.
Prysmian Netherlands Holding B.V.	Amsterdam	Euro	1	100.00%	Draka Holding B.V.
General Cable Holdings Netherlands C.V.	Amsterdam	Euro	159,319,137	95.50%	GK Technologies, Incorporated
				1.00%	GC Global Holdings, Inc.
				3.50%	Phelps Dodge National Cables Corporation

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Portugal					
General Cable Investments, SGPS, Sociedade Unipessoal, S.A.	Funchal	Euro	8,500,020	100.00%	GK Technologies, Incorporated
General Cable Celcat, Energia e Telecomunicações SA	Pero Pinheiro	Euro	13,500,000	100.00%	General Cable Investments, SGPS, Sociedade Unipessoal, S.A.
Czech Republic					
Draka Kabely, s.r.o.	Velke Mezirici	Czech Koruna	255,000,000	100.00%	Draka Holding B.V.
Romania					
Prysmian Cabluri Si Sisteme S.A.	Slatina	Romanian Leu	103,850,920	99.9995%	Draka Holding B.V.
				0.0005%	Prysmian Cavi e Sistemi S.r.l.
Russia					
Limited Liability Company Prysmian RUS	Rybinsk city	Russian Rouble	230,000,000	99.00%	Draka Holding B.V.
				1.00%	Prysmian Cavi e Sistemi S.r.l.
Limited Liability Company "Rybinskelektrokabel"	Rybinsk city	Russian Rouble	90,312,000	100.00%	Limited Liability Company Prysmian RUS
Slovakia					
Prysmian Kablo s.r.o.	Bratislava	Euro	21,246,001	99.995%	Prysmian Cavi e Sistemi S.r.l.
				0.005%	Prysmian S.p.A.
Spain					
Prysmian Cables Spain, S.A. (Sociedad Unipersonal)	Vilanova I la Geltrú	Euro	58,178,234.22	100.00%	Draka Holding, S.L.
Marmavil S.L. (Sociedad Unipersonal)	Santa Perpetua de Mogoda	Euro	3,006	100.00%	Draka Holding B.V.
Draka Holding, S.L.	Santa Perpetua de Mogoda	Euro	24,000,000	99.99999%	Draka Holding B.V.
				0.00001%	Marmavil S.L. (Sociedad Unipersonal)
GC Latin America Holdings, S.L.	Barcelona	Euro	151,042,030	100%	General Cable Holdings (Spain), S.L.
General Cable Holdings (Spain), S.L.	Barcelona	Euro	138,304,698.48	99.349%	GK Technologies, Incorporated
				0.6510%	General Cable Overseas Holdings, LLC
Grupo General Cable Sistemas, S.L.	Barcelona	Euro	22,116,018.7	93.75%	General Cable Holdings (Spain), S.L.
				6.25%	GC Latin America Holdings, S.L.
Sweden					
Prysmian Group North Europe AB	Nässjö	Swedish Krona	100,100	100.00%	Draka Holding B.V.
Draka Kabel Sverige AB	Nässjö	Swedish Krona	100,000	100.00%	Prysmian Group North Europe AB
Turkey					
Türk Prysmian Kablo Ve Sistemleri A.S.	Mudanya	Turkish new Lira	141,733,652	83.746%	Draka Holding B.V.
				0.705%	Türk Prysmian Kablo Ve Sistemleri A.S.
				15.549%	Third parties
Tasfiye Halinde Draka İstanbul Asansör İthalat İhracat Üretim Ticaret Ltd. Şti.	Osmangazi-Bursa	Turkish new Lira	2,080,000	100.00%	Draka Holding B.V.
Tasfiye Halinde Draka Comteq Kablo Limited Sirketi	Osmangazi-Bursa	Turkish new Lira	45,818,775	99.99995%	Draka Comteq B.V.
				0.00005%	Prysmian Netherlands B.V.
Hungary					
Prysmian MKM Magyar Kabel Muek Kft.	Budapest	Hungarian Forint	5,000,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
North America					
Canada					
Prysmian Cables and Systems Canada Ltd.	Saint John	Canadian Dollar	1,000,000	100.00%	Draka Holding B.V.
Draka Elevator Products, Incorporated	Saint John	Canadian Dollar	n/a	100.00%	Prysmian Cables and Systems USA, LLC
General Cable Company Ltd.	Brampton	Canadian Dollar	113,052,213	100.00%	General Cable Canada Holdings LLC
Cayman Islands					
Phelps Dodge Yantai China Holdings, Inc.	George Town	US Dollar	99	66.67%	YA Holdings, Ltd.
				33.33%	Third parties
YA Holdings, Ltd.	George Town	US Dollar	50,000	100.00%	General Cable Company Ltd.
Dominican Republic					
General Cable Caribbean, S.R.L.	Santa Domingo Oeste	Dominican Peso	2,100,000	99.995%	GK Technologies, Incorporated
				0.005%	Diversified Contractors, Inc.
Trinidad and Tobago					
General Cable Trinidad Limited	Port of Spain	Trinidadian Dollar	100	100.00%	GK Technologies, Incorporated
U.S.A.					
Prysmian Cables and Systems (US) Inc.	Las Vegas	US Dollar	330,517,608	100.00%	Draka Holding B.V.
Prysmian Cables and Systems USA, LLC	Wilmington	US Dollar	10	100.00%	Prysmian Cables and Systems (US) Inc.
Prysmian Construction Services Inc.	Wilmington	US Dollar	1,000	100.00%	Prysmian Cables and Systems USA, LLC
Draka Elevator Products, Inc.	Boston	US Dollar	1	100.00%	Prysmian Cables and Systems USA, LLC
Draka Transport USA, LLC	Boston	US Dollar	0	100.00%	Prysmian Cables and Systems USA, LLC
Diversified Contractors, Inc.	Highland Heights	US Dollar	1,000	100.00%	General Cable Industries, Inc.
GC Global Holdings, Inc.	Highland Heights	US Dollar	1,000	100.00%	General Cable Overseas Holdings, LLC
General Cable Canada Holdings LLC	Highland Heights	US Dollar	0	100.00%	General Cable Industries, Inc.
General Cable Corporation	Highland Heights	US Dollar	1	100.00%	Prysmian Cables and Systems (US) Inc.
General Cable Industries LLC	Highland Heights	US Dollar	0	100.00%	General Cable Industries, Inc.
General Cable Industries, Inc.	Highland Heights	US Dollar	10	100.00%	GK Technologies, Incorporated
General Cable Overseas Holdings, LLC	Highland Heights	US Dollar	0	100.00%	GK Technologies, Incorporated
General Cable Technologies Corporation	Highland Heights	US Dollar	1,000	100.00%	General Cable Industries, Inc.
Phelps Dodge Enfield Corporation	Doral	US Dollar	800,000	100.00%	General Cable Industries, Inc.
Phelps Dodge International Corporation	Doral	US Dollar	100,000	100.00%	General Cable Industries, Inc.
Phelps Dodge National Cables Corporation	Doral	US Dollar	10	100.00%	General Cable Industries, Inc.
GK Technologies, Incorporated	Highland Heights	US Dollar	1,000	100.00%	General Cable Corporation
Central/South America					
Argentina					
Prysmian Energia Cables y Sistemas de Argentina S.A.	Buenos Aires	Argentine Peso	135,549,900	46.776%	Prysmian Consultora Conductores e Instalaciones SAIC
				52.933%	Draka Holding B.V.
				0.134%	Prysmian Cabos e Sistemas do Brasil S.A.
				0.158%	Third parties
Prysmian Consultora Conductores Instalaciones SAIC	Buenos Aires	Argentine Peso	48,571,242	95.00%	Draka Holding B.V.
				5.00%	Prysmian Cavi e Sistemi S.r.l.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Brazil					
Prysmian Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real	547,630,604.56	91.844%	Prysmian Cavi e Sistemi S.r.l.
				0.040%	Prysmian S.p.A.
				1.687%	Draka Holding B.V.
				6.428%	Draka Comteq B.V.
Draka Comteq Cabos Brasil S.A.	Santa Catarina	Brazilian Real	27,467,522	49.352%	Draka Comteq B.V.
				50.648%	Prysmian Cabos e Sistemas do Brasil S.A.
General Cable Brasil Indústria e Comércio de Condutores Elétricos Ltda	Poços de Caldas	Brazilian Real	536,087,471	99.99%	Grupo General Cable Sistemas, S.L.
				0.01%	General Cable Holdings (Spain) S.L.
Chile					
Prysmian Cables Chile SpA	Santiago	Chile Peso	1,900,000,000	100.00%	Prysmian Cabos e Sistemas do Brasil S.A.
Cobre Cerrillos S.A.	Cerrillos	US Dollar	74,574,400	99.80%	General Cable Holdings (Spain), S.L.
				0.20%	Third parties
Colombia					
PDIC Colombia S.A.	Bogotá	Colombian Peso	594,064,000	95.00%	Conducen, S.R.L.
				5.00%	Alcap Comercial S.A.
Productora de Cables Procables S.A.S.	Bogotá	Colombian Peso	1,902,964,285	99.96%	GC Latin America Holdings, S.L.
				0.04%	GK Technologies, Incorporated
Costa Rica					
Conducen, S.R.L.	Heredia	Costa Rican Colon	1,845,117,800	73.52%	GC Latin America Holdings, SL
				26.48%	Cahosa S.A.
Ecuador					
Cables Electricos Ecuatorianos C.A. CABLEC	Quito	US Dollar	243,957	67.14%	General Cable Holdings (Spain), S.L.
				32.86%	Third parties
El Salvador					
Conducen Phelps Dodge Centroamerica-El Salvador, S.A. de C.V.	Cuscatlan	US Dollar	22,858	99.95%	Conducen, S.R.L.
				0.05%	Third parties
Guatemala					
Proveedora de Cables y Alambres PDCA Guatemala, S.A.	Guatemala City	Guatemalan Quetzal	100,000	99.00%	Conducen, S.R.L.
				1.00%	Third parties
Honduras					
Electroconductores de Honduras, S.A. de C.V.	Tegucigalpa	Honduran Lempira	27,600,000	59.39%	General Cable Holdings (Spain), S.L.
				40.61%	Cahosa S.A.
Mexico					
Draka Durango S. de R.L. de C.V.	Durango	Mexican Peso	163,471,787	99.996%	Draka Mexico Holdings S.A. de C.V.
				0.004%	Draka Holding B.V.
Draka Mexico Holdings S.A. de C.V.	Durango	Mexican Peso	57,036,501	99.999998%	Draka Holding B.V.
				0.000002%	Draka Comteq B.V.
NK Mexico Holdings S.A. de C.V.	Mexico City	Mexican Peso	n/a	100.00%	Prysmian Group Finland OY
Prysmian Cables y Sistemas de Mexico S. de R. L. de C. V.	Durango	Mexican Peso	173,050,500	99.9983%	Draka Holding B.V.
				0.0017%	Draka Mexico Holdings S.A. de C.V.
General Cable de Mexico, S.A de C.V.	Tetla	Mexican Peso	1,329,621,471	80.41733609%	General Cable Industries, Inc.
				19.58266361%	Conducen, S.R.L.
				0.00000015%	General Cable Technologies Corporation
				0.00000015%	GK Technologies, Incorporated
General de Cable de Mexico del Norte, S.A. de C.V.	Piedras Negras	Mexican Peso	10,000	99.80%	GK Technologies, Incorporated
				0.20%	General Cable Industries, Inc.
PDIC Mexico, S.A. de C.V.	San Jose	Mexican Peso	50,000	99.998%	Conducen, S.R.L.
				0.002%	Third parties
Prestolite de Mexico, S.A. de C.V.	Sonora	Mexican Peso	50,000	99.80%	General Cable Industries, Inc.
				0.20%	GK Technologies, Incorporated
Servicios Latinoamericanos GC, S.A. de C.V.	Puebla	Mexican Peso	50,000	99.998%	General Cable de Mexico, S.A de C.V.
				0.002%	General Cable Technologies Corporation

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Nicaragua					
Conducen Nicaragua y Compania de Responsabilidad Limitada	Managua	Nicaraguan Cordoba	n/a	99.00%	Conducen, S.R.L.
				1.00%	GK Technologies, Incorporated
Panama					
Alambres y Cables de Panama, S.A.	Panama	US Dollar	800,000	78.08%	General Cable Industries, Inc.
				21.92%	Cahosa S.A.
Alcap Comercial S.A.	Panama	US Dollar	10,000	100.00%	Conducen, S.R.L.
Cahosa S.A.	Panama	US Dollar	n/a	100.00%	GK Technologies, Incorporated
Peru					
General Cable Peru S.A.C.	Santiago de Surco(Lima)	Peruvian Sol	90,327,867.50	99.99999%	GC Latin America Holdings, S.L.
				0.00001%	Third Parties
Africa					
Angola					
General Cable Condel, Cabos de Energia e Telecomunicações SA	Luanda	Angolan Kwanza	20,000,000	99.80%	General Cable Celcat, Energia e Telecomunicações SA
				0.20%	Third parties
Botswana					
General Cable Botswana (Pty) Ltd.	Gaborone West Industrial	Botswana Pula	100	100%	National Cables (Pty) Ltd.
Ivory Coast					
SICABLE - Société Ivoirienne de Cables S.A.	Abidjan	CFA Franc	740,000,000	51.00%	Prysmian Cables et Systèmes France S.A.S.
				49.00%	Third parties
Mauritius					
GC Specialty & Automotive	Port Louis	US Dollar	200	100%	GK Technologies, Incorporated
General Cable Middle East	Port Louis	US Dollar	2,897,150	100%	GK Technologies, Incorporated
General Cable Trading	Port Louis	US Dollar	31,097,100	100%	GK Technologies, Incorporated
South Africa					
General Cable Phoenix South Africa Pty. Ltd.	Phoenix	South African Rand	1,000	100.00%	GK Technologies, Incorporated
National Cables (Pty) Ltd.	Johannesburg	South African Rand	101	69.30%	Phelps Dodge National Cables Corporation
				30.70%	General Cable Holdings Netherlands C.V.
Tunisia					
Auto Cables Tunisie S.A.	Grombalia	Tunisian Dinar	4,050,000	50.998%	Prysmian Cables et Systèmes France S.A.S.
				49.002%	Third parties
Eurelectric Tunisie S.A.	Menzel Bouzella	Tunisian Dinar	1,850,000	99.97%	Prysmian Cables et Systèmes France S.A.S.
				0.005%	Prysmian (French) Holdings S.A.S.
				0.005%	Prysmian Cavi e Sistemi S.r.l.
				0.020%	Third parties
Oceania					
Australia					
Prysmian Australia Pty Ltd.	Liverpool	Australian Dollar	56,485,736	100.00%	Prysmian Cavi e Sistemi S.r.l.
New Zealand					
Prysmian New Zealand Ltd.	Auckland	New Zealand Dollar	10,000	100.00%	Prysmian Australia Pty Ltd.
General Cable Holdings New Zealand	Christchurch	New Zealand Dollar	160,671,634	86.17%	GK Technologies, Incorporated
				12.96%	General Cable Industries, Inc.
				0.87%	GC Global Holdings, Inc.
General Cable New Zealand Limited	Christchurch	New Zealand Dollar	48,000,100	100.00%	General Cable Holdings New Zealand

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Saudi Arabia					
Prysmian Powerlink Saudi LLC	Al Khoabar	Saudi Arabian Riyal	500,000	95.00%	Prysmian PowerLink S.r.l.
				5.00%	Third parties
China					
Prysmian Tianjin Cables Co. Ltd.	Tianjin	US Dollar	36,790,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Cable (Shanghai) Co.Ltd.	Shanghai	US Dollar	5,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Wuxi Cable Co. Ltd.	Wuxi	US Dollar	29,941,250	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Hong Kong Holding Ltd.	Hong Kong	Euro	72,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian (China) Investment Company Ltd.	Beijing	Euro	72,003,061	100.00%	Prysmian Hong Kong Holding Ltd.
Nantong Haixun Draka Elevator Products Co. LTD	Nantong	US Dollar	2,400,000	75.00%	Draka Elevator Product Inc.
				25.00%	Third parties
Nantong Zhongyao Draka Elevator Products Co. LTD	Nantong	US Dollar	2,000,000	60.00%	Draka Elevator Product Inc.
				40.00%	Third parties
Draka Cables (Hong Kong) Limited	Hong Kong	Hong Kong Dollar	6,500,000	99.9999985%	Draka Cableteq Asia Pacific Holding Pte Ltd.
				0.0000015%	Cable Supply and Consulting Co. Pte Ltd.
Draka Shanghai Optical Fibre Cable Co Ltd.	Shanghai	US Dollar	15,580,000	55.00%	Draka Comteq Germany GmbH & Co.KG
				45.00%	Third parties
Suzhou Draka Cable Co. Ltd	Suzhou	Chinese Renminbi (Yuan)	174,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Prysmian PowerLink Asia Co. Ltd	Suzhou	Euro	0	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Technology Jiangsu Co. Ltd.	Yixing	Euro	51,150,100	100.00%	Prysmian (China) Investment Company Ltd.
Phelps Dodge Yantai Cable Co., Ltd.	Zhaoyuan (Yantai)	US Dollar	18,000,000	60.00%	Phelps Dodge Yantai China Holdings, Inc.
				40.00%	Third parties
Prestolite Wire (Shanghai) Company, Ltd	Shanghai	US Dollar	300,000	100.00%	General Cable Industries, Inc.
Philippines					
Draka Philippines Inc.	Cebu	Philippine Peso	253,652,000	99.9999975%	Draka Holding B.V.
				0.0000025%	Third parties
India					
Associated Cables Pvt. Ltd.	Mumbai	Indian Rupee	61,261,900	100.00%	Oman Cables Industry (SAOG)
Jaguar Communication Consultancy Services Private Ltd.	Mumbai	Indian Rupee	76,027,030	99.99998%	Prysmian Cavi e Sistemi S.r.l.
				0.00002%	Prysmian S.p.A.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Indonesia					
PT.Prysmian Cables Indonesia	Cikampek	US Dollar	67,300,000	99.48%	Draka Holding B.V.
				0.52%	Prysmian Cavi e Sistemi S.r.l.
Malaysia					
Sindutch Cable Manufacturer Sdn Bhd	Melaka	Malaysian Ringgit	500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Marketing and Services Sdn Bhd	Melaka	Malaysian Ringgit	500,000	100.00%	Cable Supply and Consulting Company Pte Ltd
Draka (Malaysia) Sdn Bhd	Melaka	Malaysian Ringgit	8,000,002	100.00%	Cable Supply and Consulting Company Pte Ltd
Oman					
Oman Cables Industry (SAOG)	Al Rusayl	Omani Riyal	8,970,000	51.17%	Draka Holding B.V.
				48.83%	Third parties
Oman Aluminium Processing Industries LLC	Sohar	Omani Riyal	4,366,000	51.00%	Oman Cables Industry (SAOG)
				49.00%	Third parties
Singapore					
Prysmian Cables Asia-Pacific Pte Ltd.	Singapore	Singapore Dollar	213,324,290	100.00%	Draka Holding B.V.
Prysmian Cable Systems Pte Ltd.	Singapore	Singapore Dollar	25,000	50.00%	Draka Holding B.V.
				50.00%	Prysmian Cables & Systems Ltd.
Draka Offshore Asia Pacific Pte Ltd	Singapore	Singapore Dollar	51,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Cableteq Asia Pacific Holding Pte Ltd	Singapore	Singapore Dollar	28,630,503.70	100.00%	Draka Holding B.V.
Singapore Cables Manufacturers Pte Ltd	Singapore	Singapore Dollar	1,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Cable Supply and Consulting Company Private Limited	Singapore	Singapore Dollar	50,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Comteq Singapore Pte Ltd	Singapore	Singapore Dollar	500,000	100.00%	Draka Comteq B.V.
Draka NK Cables (Asia) pte ltd	Singapore	Singapore Dollar	200,000	100.00%	Prysmian Group Finland OY
Thailand					
MCI-Draka Cable Co. Ltd	Bangkok	Thai Baht	435,900,000	70.250172%	Draka Cableteq Asia Pacific Holding Pte Ltd
				0.000023%	Draka (Malaysia) Sdn Bhd
				0.000023%	Sindutch Cable Manufacturer Sdn Bhd
				0.000023%	Singapore Cables Manufacturers Pte Ltd
				29.749759%	Third parties
General Cable Asia Pacific & Middle East Co., Ltd.	Bangkok	Thai Baht	30,000,000	100.00%	GK Technologies, Incorporated

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

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Europe					
Germany					
Kabeltrommel GmbH & Co.KG	Troisdorf	Euro	10,225,837.65	29.68%	Prysmian Kabel und Systeme GmbH
				13.50%	Draka Cable Wuppertal GmbH
				1.75%	Norddeutsche Seekabelwerke GmbH
				55.07%	Third parties
Kabeltrommel GmbH	Troisdorf	Deutsche Mark	51,000	17.65%	Prysmian Kabel und Systeme GmbH
				23.53%	Draka Cable Wuppertal GmbH
				58.82%	Third parties
Nostag GmbH & Co. KG	Oldenburg	Euro	540,000	33.00%	Norddeutsche Seekabelwerke GmbH
				67.00%	Third parties
U.K.					
Rodco Ltd.	Woking	British Pound	5,000,000	40.00%	Prysmian Cables & Systems Ltd.
				60.00%	Third parties
Poland					
Eksa Sp.z o.o	Sokolów	Polish Zloty	394,000	29.949%	Prysmian Cavi e Sistemi S.r.l.
				70.051%	Third parties
Russia					
Elkat Ltd.	Moscow	Russian Rouble	10,000	40.00%	Prysmian Group Finland OY
				60.00%	Third parties
Central/South America					
Chile					
Colada Continua Chilena S.A.	Quilicura (Santiago)	Chile Peso	100	41.00%	Cobre Cerrillos S.A. (41 shares)
				59.00%	Third parties
Asia					
China					
Yangtze Optical Fibre and Cable Joint Stock Limited Co.	Wuhan	Chinese Renminbi (Yuan)	757,905,108	23.73%	Draka Comteq B.V.
				76.27%	Third parties
Yangtze Optical Fibre and Cable (Shanghai) Co. Ltd.	Shanghai	Chinese Renminbi (Yuan)	100,300,000	75.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				25.00%	Draka Comteq B.V.
Japan					
Precision Fiber Opticos Ltd.	Chiba	Japanese Yen	138,000,000	50.00%	Draka Comteq Fibre B.V.
				50.00%	Third parties
Malaysia					
Power Cables Malaysia Sdn Bhd	Selangor Darul Eshan	Malaysian Ringgit	18,000,000	40.00%	Draka Holding B.V.
				60.00%	Third parties

List of other investments not consolidated pursuant to IFRS 10:

Legal name	% ownership	Direct parent company
Asia		
India		
Ravin Cables Limited	51.00%	Prysmian Cavi e Sistemi S.r.l.
	49.00%	Third parties
United Arab Emirates		
Power Plus Cable CO. LLC	49.00%	Ravin Cables Limited
	51.00%	Third parties
Africa		
South Africa		
Pirelli Cables & Systems (Proprietary) Ltd.	100.00%	Prysmian Cavi e Sistemi S.r.l.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION 11971 DATED 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Valerio Battista, as Chief Executive Officer, and Carlo Soprano and Alessandro Brunetti, as managers responsible for preparing the corporate accounting documents of Prysmian S.p.A., certify, also taking account of the provisions of paragraphs 3 and 4, art. 154-bis of Italian Legislative Decree 58 dated 24 February 1998, that during 2018 the accounting and administrative processes for preparing the consolidated financial statements:

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

2. The adequacy of the accounting and administrative processes for preparing the consolidated financial statements at 31 December 2018 has been evaluated on the basis of a procedure established by Prysmian in compliance with the internal control framework published by the Committee of Sponsoring Organizations of the Treadway Commission, which represents the generally accepted standard model internationally.

It is nonetheless reported that:

- the integration of companies in the General Cable Group, acquired in June 2018, is currently in progress. These companies have not yet adopted a system of procedures and controls consistent with that established for the rest of the Prysmian Group;
- during 2018, several of Prysmian Group's companies were involved in the information system changeover project. The process of fine-tuning the new system's operating and accounting functions is still in progress for some of them; in any case, the system of controls in place ensures uniformity with the Group's system of procedures and controls.

3. They also certify that:

3.1 The consolidated financial statements at 31 December 2018:

- a. have been prepared in accordance with applicable international accounting standards recognised by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;
- b. correspond to the underlying accounting records and books of account;

- c. are able to provide a true and fair view of the issuer's statement of financial position and results of operations and of the group of companies included in the consolidation.

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

Milan, 5 March 2019

Valerio Battista

Carlo Soprano

Alessandro Brunetti

Chief Executive Officer

Managers responsible for preparing corporate accounting documents

CONSOLIDATED FINANCIAL REPORT

Audit Report

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014 (Translation from the original Italian text)

To the Shareholders of
Prysmian S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Prysmian Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Prysmian S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
<p>Recognition of revenues and margins from construction contracts</p> <p>The consolidated financial statements include revenues related to the “Projects” segment for Euro 1,689 million.</p> <p>These revenues, and the related margins, are mainly derived from construction contracts and are recognized in the income statement considering the progress of the project, in accordance with the percentage of completion method, which is determined on the basis of actual costs, as compared to expected costs. Processes and method of revenue recognition and evaluation of construction contracts are based on assumptions, sometimes complex, which imply, by their nature, estimates by Group management, especially with regard to forecasted costs to complete each project, including the estimate of risks and penalties where applicable, as well as to contract modifications either expected or under negotiation, and to changes in estimates from prior periods.</p> <p>Considering the complexity of assumptions adopted in forecasting costs to complete the projects and in accounting for contract modifications under negotiation as well as the potential significant impact of changes in estimates on the net result of the fiscal year we assessed this matter as a key audit matter. Financial statements disclosures related to this matter are reported in the notes “B.13 Construction contracts” and “E. Estimates and assumptions” of the consolidated financial statements.</p>	<p>Our audit procedures related to the key audit matter included, among the others, the analysis of the accounting treatment adopted by Prysmian Group, as well as the analysis of the procedures and key controls implemented by management to assess the criteria for recognition of revenues and margins from construction contracts.</p> <p>We performed a detailed analysis of assumptions involving a significant judgment by management, in particular with regard to the estimate of costs to complete significant projects, including expected risks and penalties and contract modifications expected or under negotiation; this analysis has been performed through inquiries with project managers, the analysis of the contracts and project documentation and the analysis of significant events occurred after the reporting period.</p> <p>We performed a comparative analysis of material variances of projects results in comparison with the original budget, and, where applicable, with prior period.</p> <p>We also requested external confirmations to a sample of contractors, in order to test the existence and completeness of specific contract clauses.</p> <p>Finally, we analyzed the disclosures provided in the consolidated financial statements of Prysmian Group as of 31 December 2018.</p>
<p>Business combination</p> <p>On 6 June 2018, Prysmian Group finalized the acquisition of General Cable Group. Following the closing of the transaction, made through the merger of General Cable Corporation with a company (Alisea Corp.) fully owned by Prysmian, all the General Cable Corporation shares outstanding as of 6 June 2018 were cancelled and converted into a right of their respective holders to receive cash consideration of USD 30.00 per share. The total consideration</p>	<p>Our audit procedures related to the key audit matter included, among the others, the analysis of the accounting treatment adopted by Prysmian Group, as well as the analysis of the agreements related to the acquisition of General Cable group.</p> <p>In addition, we analyzed, with the support of our experts in valuation techniques, the documents prepared by the experts engaged by management who supported the Company in</p>

paid for the acquisition is approximately Euro 1,290 million.

The acquisition as well as the first consolidation have been considered significant due to the estimates made by management in the purchase price allocation process with regard to the valuation of the fair value of the assets and liabilities acquired. The excess of the purchase consideration over the provisional fair value of net assets acquired has been recognised as goodwill, quantified as Euro 1,084 million. The management states that such goodwill is primarily justified by the expected future income from integrating the two groups, including the benefits of run-rate synergies. As at the date of the approval of the consolidated financial statements as of 31 December 2018, the allocation of the acquisition purchase price is in progress, as allowed by the relevant accounting standards.

Financial statements disclosures related to this matter are reported in the notes "F. Business combinations" and "2. Intangible assets" of the consolidated financial statements.

the valuation of the fair value of assets and liabilities acquired as part of the purchase price allocation process.

Furthermore, we analyzed, with the support of our experts in valuation techniques, the key assumptions used by management while performing the abovementioned process. Finally, we analyzed the disclosures provided in the consolidated financial statements of Prysmian Group as of 31 December 2018.

Recoverability of goodwill

The goodwill recognized in the consolidated financial statements of Prysmian Group as of 31 December 2018 amounts to Euro 1,541 million compared to Euro 438 million as of 31 December 2017. The increase is mainly due to the acquisition of General Cable Group. Goodwill has been allocated to groups of CGUs, corresponding to the operating segments (Projects, Energy, Telecom), which are expected to benefit from the synergies of business combinations and which represent the lowest level at which management monitors segment business performance.

The process as well as the methods of evaluation and calculation of the recoverable amount of each operating segment are based on assumptions, sometimes complex, which imply, by their nature, estimates by Group management, especially with regard to the forecast of future results, to the identification of long term growth rate and discount rate applied on forecasted future cash flows.

Considering the complexity of assumptions adopted in the estimation of the recoverable amount of goodwill and assets with indefinite

Our audit procedures related to the key audit matter included, among the others, the analysis of the policy adopted by the Company with regard to the impairment testing, the analysis of the adequacy of the allocation to each CGU of the assets and liabilities acquired, the examination of the compliance with the provisions of IAS36, the analysis of the documents prepared by the expert engaged by management who supported the Company in the impairment test and the analysis of future cash flows.

In addition, our procedures included the reconciliation of forecasted cash flows per each segment with the Group budget prepared for the 2019 fiscal year, the analysis of the quality of the forecasts taking into account the historical accuracy of the previous forecasts and the analysis of the calculation of long term growth and discount rates.

Our procedures were performed with the support of our experts in valuation techniques who performed independent calculation and sensitivity analysis on the key assumptions in order to identify the change in the assumptions

useful lives we assessed this matter as a key audit matter. Financial statements disclosures related to this matter are reported in the paragraph "Goodwill impairment test" included in the note "2. Intangible assets" describing the process adopted to assess the recoverable amount of each segment, the valuation assumptions used and the sensitivity analysis performed on the recoverable amount upon the modification of the main assumptions.

that could have a significant impact on the valuation of the recoverable amount. Finally, we analyzed the disclosures provided in the consolidated financial statements of Prysmian Group as of 31 December 2018.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Prysmian S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Prysmian S.p.A., in the general meeting held on 16 April 2015, engaged us to perform the audits of the consolidated financial statements for each of the years ending 31 December 2016 to 31 December 2024.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Prysmian S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Prysmian Group as at 31 December 2018, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Prysmian Group as at 31 December 2018 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Prysmian Group as at 31 December 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Prysmian S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Milan, 19 March 2019

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

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

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