



2014 ANNUAL REPORT

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O ENHANCE CUSTOMER LINKING THE FUTURE SERV
WORLDWIDE LEADER IN RENE

Prysmian
Group



2014
ANNUAL
REPORT

Prysmian Group will build the second high voltage submarine power line between Europe and Asia across the Dardanelles strait in Turkey. This link will complement the interconnection that Prysmian Group is currently laying along the same route. It will also ensure reliable and cost-effective power flow from the Asian generation sites to the major consumption centres in European territory, including the congested Istanbul area, thus completing the electricity ring around the Sea of Marmara.



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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 a variety of factors.

LETTER TO STAKEHOLDERS



Our Group's performance in 2014 confirms signs of a slight recovery in sales volumes, accompanied by a generally stable level of profitability. The decisive contributions to this result were from the strategic submarine cables and systems businesses, with strong growth, and from optical cables, with recovering volumes and profitability. This is a particularly significant result, having been achieved in a still difficult scenario, that has seen demand recover for some businesses, like optical cables and renewables, contrasting with weakness in the more cyclical sectors, like power distribution cables, and a slowdown in the Oil & Gas market. Extraordinary events also had a significant impact on the Group's results, such as the technical problems encountered with the important Western Link project, which we promptly reported to the customer and the market. I am pleased to say that the Group was able to deal with and manage even this crisis situation, the effects of which are in line with previous announcements and whose recovery plan is proceeding according to schedule.

Business performance

Group Sales amounted to Euro 6,840 million, posting organic growth of +1.8% assuming the same group perimeter and excluding metal price and exchange rate effects. Excluding the adverse impact of the Western Link project, organic growth would have been +2.7%. The decisive contribution to this good sales performance came from submarine cables and systems, where the Group had double-digit growth. Telecom cables also posted a solid recovery, while Trade & Installers saw a slight upturn in volumes. Performance by High Voltage cables and the SURF business was broadly in line with 2013, while there were no signs of recovery for Power Distribution and the OEM and Oil & Gas segments of the industrial cables market.

In terms of profitability, Adjusted EBITDA came in at Euro 509 million, compared with Euro 613 million in 2013. Excluding the adverse impact of the Western Link project, Adjusted EBITDA would have been Euro 603 million, basically in line with its

level in 2013. The decisive contribution to this result came from high value-added businesses, in particular submarine cables and systems, along with the significant improvement in profitability posted by the Telecom business. However, pressure on prices continued to impact the profitability of the more cyclical businesses (Trade & Installers and Power Distribution), which nonetheless found a stabilisation point. Within the Industrial cables business, the various segments had widely differing performances, with Renewables and Elevators making a good contribution, while others were less positive, such as Oil & Gas, affected by the fall in oil prices, and some slowing sub-segments of Specialties & OEMs. The Group confirmed its solid financial structure with a net financial position at the end of December 2014 of Euro 802 million (Euro 805 million in 2013), well ahead of initial expectations, achieved thanks to the Group's significant cash-generating capacity. Synergies arising from integration with Draka amounted to Euro 140 million.

Strategy development

Industrial investments

In this context, the Group has relentlessly pursued its growth strategy by focusing on investments in its high value-added businesses, on ongoing actions to reduce costs and improve the efficiency of its organisational structure and manufacturing footprint.

In particular, we are driving forward the process of concentrating high-tech product manufacturing in a smaller number of plants, with the goal of creating centres of excellence with high levels of know-how, where economies of scale can be achieved by improving manufacturing efficiency and reducing capital employed. In the standard businesses, the focus has been on pursuing greater manufacturing efficiency, while nonetheless maintaining a wide geographical presence to minimise distribution costs.

The Group's overall capital expenditure totalled Euro 163 million in 2014, up from 2013. Investments to increase production capacity and improve the mix accounted for around 30% of the total and were particularly focused on the Energy Projects and Telecom segments. In the submarine cables business, investments to increase production capacity and develop additional technological capabilities were made at all three production sites located in Arco Felice (Italy), Pikkala (Finland) and Drammen (Norway). Also of note was the upgrade of the "Cable Enterprise" cable-laying ship which will additionally boost the Group's submarine project execution capabilities. There were two main capex projects in the high voltage underground business: the first in Abbeville (United States) to build a second production line and the second in Slatina (Romania). The Telecom segment's main capital ex-

penditure was to upgrade the optical fibre plant in Sorocaba (Brazil) and to increase production capacity at the plant in Slatina, confirmed as one of Europe's centres of excellence for optical cables. The Energy Products segments made tactical capital investments to support the development of promising markets.

A significant proportion of overall capital expenditure was devoted to improving efficiency in order to reduce fixed and variable costs, with a focus on product design and experimentation with new materials. In the optical fibre field, the investment programme to recover fibre manufacturing competitiveness continued to move ahead.

Lastly, the Research & Development department worked on several projects, particularly in the submarine cables area, with the aim of further strengthening the Group's undisputed technological leadership; projects also focused on Extra High Voltage underground cables and P-Laser cables and on Oil & Gas cable product development and technology transfer between Group factories. The Telecom business introduced innovations to optical fibres to boost their capacity and performance and to optical cables and connectivity to meet the specific requirements of broadband cabling projects.

Human Capital Development

The quality of human resources is confirmed as a strategic factor for the Group's competitiveness. Prysmian carried out several important People Development projects in 2014. The Graduate Program attracted more than 16,000 applicants from all over the world, leading to the selection of 50 high-potential new graduates to join the 130 already recruited. Attention was also given to fostering the value of senior resources under the Experience Counts project. The Prysmian Group Academy, a school of managerial and professional education, saw as many as 600 employees pass through its doors during the year. Equally successful were other projects concerning Talent & Succession Management and performance appraisal. Lastly, the Group employee share purchase plan (YES Plan) reported a strong take-up, with around 5,000 employees signing up in 2014, year one of the plan, confirming their great sense of corporate belonging and their confidence in the Group's future.

Value creation

Among the principles underlying the Prysmian management approach is the ability to satisfy the expectations of our stakeholders and shareholders, through a constant focus on value creation. We are pleased to have achieved the 2014 targets announced to the market and we are able to reward our shareholders, for their continued confidence in our management, with a proposed dividend in line with 2014.



In 2014, the Group received major new orders for submarine power cables for offshore wind farms. The BorWin3 Project, off the north coast of Germany, involves the installation of a cable system through environmentally sensitive natural areas both on land and at sea. Another project, commissioned by the German transmission grid operator 50Hertz Offshore GmbH, involves the construction of a submarine power cable system to connect the offshore wind farms in the German Baltic Sea to electricity grids on the German mainland.



Consolidated Financial Report

DIRECTORS' REPORT

DIRECTORS AND AUDITORS

BOARD OF DIRECTORS ⁽¹⁾

BOARD POSITION	NAME AND SURNAME	OTHER APPOINTMENTS
Chairman	Massimo Tononi (*) ⁽³⁾	Chairman of BoD of Borsa Italiana S.p.A. Chairman of ISA – Istituto Atesino di Sviluppo S.p.A. and of Cassa di Compensazione e Garanzia S.p.A. Director of Italmobiliare S.p.A., Sorin S.p.A., the London Stock Exchange and Castello SGR S.p.A.
Chief Executive Officer & General Manager	Valerio Battista	
Directors	Maria Elena Cappello (*) (**) ⁽²⁾	Director of Sace S.p.A.
	Cesare d'Amico (*) (**)	Deputy Chairman of Tamburi Investment Partners S.p.A. and The Standard Club Europe Ltd. Director of d'Amico International Shipping S.A.
	Claudio De Conto (*) (**) ^{(2) (3)}	Chairman of Star Capital SGR S.p.A. CEO of Artsana Group
	Giulio Del Ninno (*) (**) ⁽³⁾	Deputy Chairman of Italgen S.p.A.
	Massimo Battaini ⁽⁴⁾	
	Pier Francesco Facchini	Chairman of BoD of Prysmian Treasury S.r.l. (***)
	Fritz Wilhelm Fröhlich (*) (**) ⁽²⁾	Chairman of Randstad NV. Director of ASML NV and Rexel SA.
	Fabio Ignazio Romeo	Director of Oman Cables Industry (S.A.O.G.)
	Giovanni Tamburi (*) (**)	Chairman and CEO of Tamburi Investment Partners S.p.A. Director of Amplifon S.p.A., Interpump S.p.A. and Zignago Vetro S.p.A.

(*) Independent directors as per Italy's Unified Financial Act
(**) Independent directors as per Italy's Self-Regulatory Code of
Corporate Governance
(***) Prysmian Group company

(1) Appointed by the Shareholders' Meeting held on 18 April 2012
(2) Members of the Control and Risks Committee
(3) Members of the Compensation and Nominations Committee
(4) Appointed on 16 April 2014
The appointments of the directors listed above refer to the positions
they held as at 31 December 2014 in companies listed on regulated
markets, or in financial, banking and insurance companies.

BOARD OF STATUTORY AUDITORS ⁽⁵⁾

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

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.



FINANCIAL HIGHLIGHTS

MAIN FINANCIAL AND OPERATING DATA (*)

(in millions of Euro)

	2014	2013 (**)	Change %	2012 (**)
Sales	6,840	6,995	-2.2%	7,574
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	466	578	-19.5%	619
Adjusted EBITDA ⁽²⁾	509	613	-17.0%	650
EBITDA ⁽¹⁾	496	563	-12.2%	549
Adjusted operating income ⁽³⁾	365	465	-21.5%	494
Operating income	312	368	-15.6%	373
Profit/(loss) before taxes	172	218	-21.3%	239
Net profit/(loss) for the year	115	153	-24.7%	167

(in millions of Euro)

	31 December 2014	31 December 2013 (**)	Change	31 December 2012 (**)
Net capital employed	2,345	2,296	49	2,379
Employee benefit obligations	360	308	52	344
Equity	1,183	1,183	-	1,147
of which attributable to non-controlling interests	33	36	(3)	35
Net financial position	802	805	(3)	888

(in millions of Euro)

	2014	2013 (**)	Change %	2012 (**)
Capital expenditure ⁽⁴⁾	163	136	19.9%	139
Employees (at period end)	19,436	19,232	1.1%	19,769
Earnings/(loss) per share				
- basic	0.54	0.71		0.79
- diluted	0.54	0.71		0.78

Patents (***)	5,836	5,731		5,644
Number of plants	89	91		91
Percentage of plants certified ISO 14001	93%	86%		82%
Percentage of plants certified OHSAS 18001	59%	49%		42%

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

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

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

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

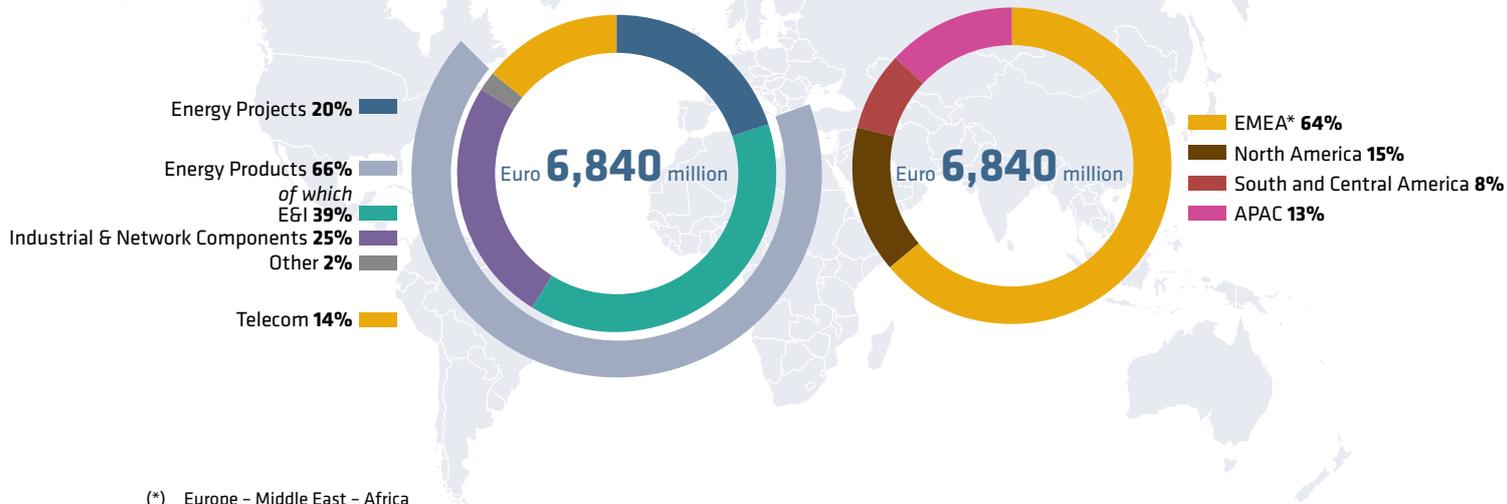
(*) All percentages contained in this report have been calculated with reference to amounts expressed in thousands of Euro.

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

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

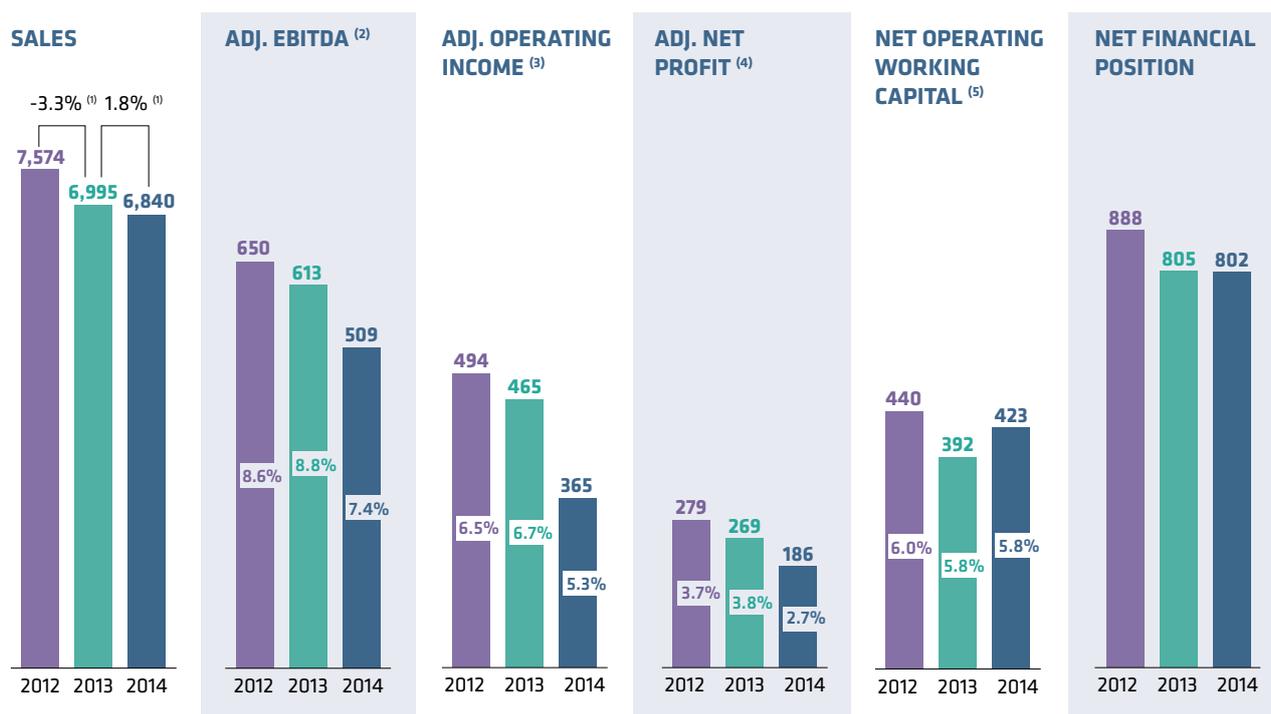
SALES 2014 BY BUSINESS AREA

SALES 2014 BY GEOGRAPHICAL AREA



KEY FINANCIALS (*)

Amounts in millions of Euro - Percentages on sales



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

- 1) Organic growth is defined as growth in sales calculated net of changes in the scope of consolidation, change in metal prices and exchange rates effects.
- 2) Adjusted EBITDA is defined as EBITDA before non-recurring income/(expenses).
- 3) Adjusted Operating Income (loss) is defined as Operating Income before non-recurring income/(expenses) and the fair value change in metal derivatives and in other fair value items.
- 4) Adjusted Net Profit is defined as net profit/(loss) before non-recurring income/(expenses), the effect of derivatives and of other fair value items, exchange rate differences, non-monetary interest on the convertible bond and the related tax effects.
- 5) Net Operating Working Capital means Net Working Capital excluding the effect of derivatives. The percentage is calculated as Net Working Capital/ Annualised last-quarter sales.

PRYSMIAN GROUP

VISION

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

MISSION

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

VALUES

Excellence. Every day we relentlessly pursue excellence in all we do.

Integrity. We uphold the highest standards of integrity in our actions.

Understanding. We listen closely to our customers to really understand their needs.



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

Prysmian Group is the world leader in the energy and telecom cables and systems industry. With over 130 years of experience, sales of around Euro 7 billion in 2014, more than 19,000 employees in 50 countries and 89 production sites, the Group offers the widest possible range of products, services, technology and know-how for every type of industry thanks to an extensive commercial presence and 17 R&D centres in Europe, the United States, South America and China, with more than 500 qualified R&D professionals.

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

The Group is organised into the operating segments of Energy Projects, Energy Products and Telecom, and is active in the design, manufacture, supply and installation of cables for a wide range of applications.

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

For the **telecommunications** industry, the Group manufactures cables and accessories for voice, video and data trans-



mission, offering a comprehensive range of optical fibres, optical and copper cables and connectivity systems.

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

The Prysmian Group has worked for utilities and grid operators on some of the principal **submarine power inter-connection** projects. These include the recent project for the link between some of the Cyclades Islands and the Greek mainland, as well as the record Western Link project in the United Kingdom, which boasts a number of industry firsts for voltage (600 kV) and world records for insulated cable rating (2200 MW) and length of route (more than 400 km). The Trans Bay, Neptune and Hudson projects in the United States are illuminating large areas between San Francisco and New York City with energy from different sources.

The Group is also a world leader in submarine connections for offshore wind farms. In addition to its involvement in major European projects of recent years, Prysmian has just worked on the cable to link several wind farms in the West of Adlergrund cluster in the Baltic Sea with mainland electricity grids in Germany.

In the area of **onshore infrastructure**, the Prysmian 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** by offering solutions for both upstream exploration and production activities, and downstream hydrocarbon processing and storage. These solutions range from power, instrumentation and control cables to SURF products and services, which include umbilical cables for offshore platforms and high-tech flexible pipes used in oil extraction.

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

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

In 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 162 floors with elevator cables and fire-resistant cables the length of which is more than 1,300 times the tower's height.

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

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

The quality of optical fibre and level of innovation used in its cables allow the Group to meet the most difficult and ambitious challenges. In Australia Prysmian is helping the local government to achieve the goal of creating a Fibre-to-the-Premises network that will connect 93% of the country's residential and commercial buildings. This project confirms the Group's central role in the largest infrastructure challenge ever faced in Australia's history.

The **Energy Projects Operating Segment** covers high-tech and high value-added businesses whose focus is on projects and their execution, as well as on product customisation: High Voltage underground, Submarine and SURF (umbilical cables, flexible pipes and special DHT (Downhole Technology) cables for the oil industry).

- Prysmian engineers, manufactures and installs high and extra high voltage cables for *underground and submarine power transmission* directly from power stations to the primary distribution networks. Through Prysmian PowerLink S.r.l., the Group develops the most advanced "turnkey" submarine cable systems for installation at depths of up to 2,000 metres, possible thanks to the "Giulio Verne", one of the largest and most technologically advanced cable-laying ships in the world. Prysmian also offers advanced services for the construction of submarine power lines for offshore wind farms, ranging from project management to cable installation with the assistance of the "Cable Enterprise", its other cable-laying ship. The Group's technological solutions for this business cover wind turbine, inter-array and export cables.
- The Group also offers a full range of SURF (Subsea Umbilical, Riser and Flowline) products and services for offshore exploration activities by the oil industry. The product range includes multipurpose umbilical cables for transporting energy, telecommunications, fluids and chemicals; high-tech flexible pipes and ducting for offshore oil extraction; special DHT cables, which include cables to control downhole instrumentation, power cables and hydraulic fluid cables.

The **Energy Products Operating Segment** covers the businesses offering a complete and innovative product portfolio designed to meet the various and many demands of the market: Energy & Infrastructure, (including Power Distribution and Trade & Installers) and Industrial & Network Components (comprising Specialties & OEM, Oil & Gas, Elevators, Automotive and Network Components).

- In the field of power transmission and distribution, the Group manufactures medium voltage cables and systems to connect industrial and residential buildings to primary distribution grids and low voltage ones for power distribution and the wiring of buildings. Prysmian solutions are developed to support utilities and grid operators, industrial companies, installers and wholesalers in the electricity sector. In particular, the products made for the Trade & Installers market include cables and systems for distributors and installers for the wiring of buildings and distribution of 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 cabling solutions for the Industrial market constitutes the most comprehensive and technologically advanced response to the needs of a wide variety of industries. For the Specialties and OEM business, Prysmian offers cable systems for various specific industrial applications such as trains, aircraft, ships, port systems, cranes, mines, the nuclear industry, defence, the electro-medical sector and renewable energy. Products for the petrochemicals market include power, instrumentation and control cables used in the various activities of exploration, production, processing and storage. Other solutions are produced for the elevator market, such as flexible connectorised cables and hoistway cables, and for the automotive industry, in which the Group collaborates with the sector's leading international manufacturers. The product range is completed with network accessories and components to connect cables and other network elements.

The **Telecom Operating Segment** is engaged in the manufacture of cable systems and connectivity products used in telecommunication networks. The product portfolio includes optical fibre, optical cables, connectivity components and accessories, OPGW (Optical Ground Wire) and copper cables.

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

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

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



GLOBAL PRESENCE

EMEA

Ivory Coast

Abidjian

Denmark

Brøndby

Estonia

Keila

Finland

Pikkala

Oulu

France

Amfreville

Angy

Charvieu

Chavanoz

Gron

Neuf Pré

Paron

Xoulces

Douvrin

Calais

Sainte Genevieve

Germany

Neustadt

Schwerin

Nurnberg

Wuppertal

Berlin

Italy

Arco Felice

Ascoli Piceno

Battipaglia

Giovinazzo

Livorno

Merlino

Pignataro Maggiore

Quattordio

Norway

Drammen

Netherlands

Eindhoven

Delft

Amsterdam

Emmen

Delfzijl

Nieuw Bergen

Czech Republic

Velke Mezirici

Romania

Slatina

Russia

Rybinsk

Slovakia

Presov

Spain

Vilanova y la Geltru (2)

Santander

Santa Perpetua

Sweden

Nassjo

Tunisia

Grombalia

Turkey

Mudanya

U.A.E.

Fujairah

UK

Aberdare

Bishopstoke

Wrexham

Washington

Hungary

Balassagyarmat

Kistelek

SOUTH AMERICA

Argentina

La Rosa

Quilmes

Brazil

Joinville

Sorocaba (2)

Santo André

Vila Velha

APAC

Australia

Dee Why

Liverpool

China

Baoying

Tianjin

Wuxi

Wuhan (2)

Haixun

Shanghai

Suzhou

Zhongyao

Philippines

Cebu

India

Pune

Chiplun

Indonesia

Cikampek

Malaysia

Kuala Lumpur

Melaka

New Zealand

Auckland

Thailand

Rayong

NORTH AMERICA

Canada

Prescott

Mexico

Durango

USA

Abbeville

Lexington

North Dighton

Bridgewater

Rocky Mount

Claremont

Schuylkill Haven

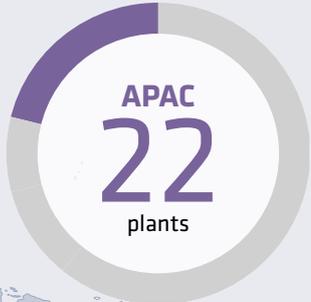
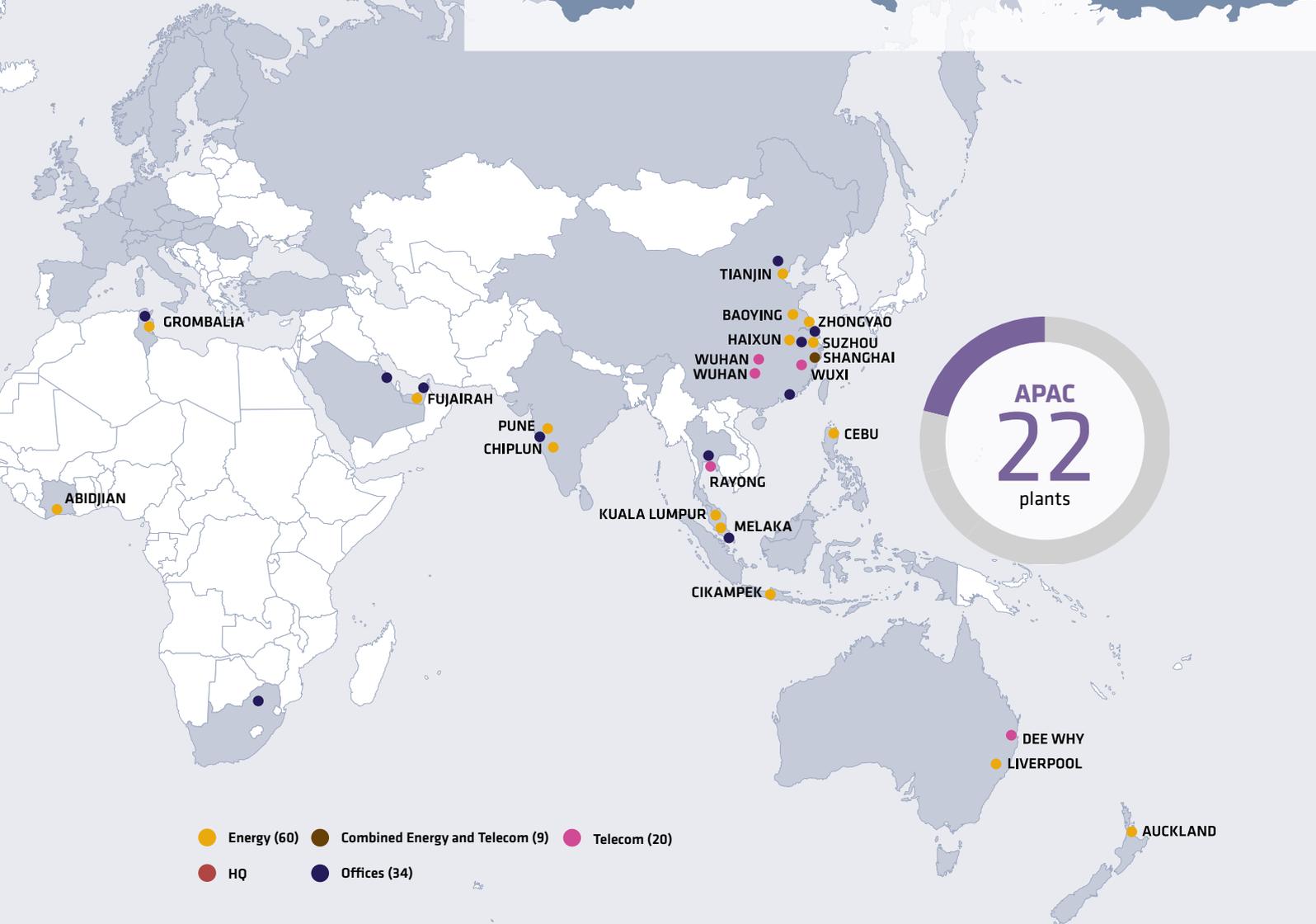
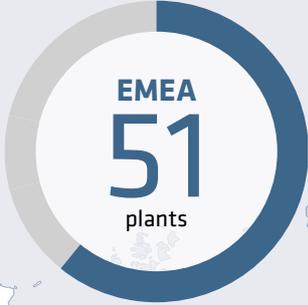
 50 COUNTRIES

 89 PLANTS

 17 R&D CENTRES

 19,000 EMPLOYEES





- Energy (60)
- Combined Energy and Telecom (9)
- Telecom (20)
- HQ
- Offices (34)

DEVELOPMENT OBJECTIVES AND STRATEGIES

Fundamentals of our growth strategy

As world leader in the energy and telecom cables and systems industry, Prysmian aims to serve as an "enabler" for the economic and social development of the countries in which it operates.

The Group's medium-term growth strategy is based above all on the shared principles of the corporate Mission and Vision. Prysmian states in its Vision that it believes in "the efficient, effective and sustainable supply of energy and information as the principal driver for the development of communities". In accordance with its mission, the Group is therefore committed to developing and applying advanced technological solutions to provide its "customers worldwide with cables and systems for energy and telecommunications" that represent effective, efficient and sustainable solutions to their needs.

In short, Prysmian aims to play a role as an "enabler", in partnership with its customers, for the economic and social development of the countries in which it operates. Its position as world leader in the energy and telecom cables and systems industry also sees the Group in the prime role as a promoter of growth and of continuous improvement in the entire industry, both in terms of the technologies used and

the ability to develop suitable solutions with customers for the new sources of power generation and data transmission. The ability to produce constant innovations and to promote awareness of the cable industry's strategic role are the key to Prysmian's market approach.

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

- **Customer Centricity**, meaning provision of innovative products and cable systems, truly inspired by a solution-driven rationale;
- **Creating Value for Shareholders**, in terms of return on investment and profitability in the short run, but above all in the medium to long term.

The critical success factors for the Prysmian Group can be represented as follows:



Ability to anticipate/satisfy customer needs.

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



Balanced and sustainable growth.

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



"Healthy" management and financial discipline.

The Group aims to implement "healthy" and prudent principles in its financial management. In particular, it pays great attention to operating profitability and cash generation, with a particular focus on working capital management and the reduction of fixed costs and capital employed in order to maximise cash flow generation and the return on investment. The Group also aims to maintain adequate financial leverage for its strategy of organic and acquisition-led growth.



Transparency, corporate governance and market and investor confidence

The Group pays particular attention to its relations with financial markets, shareholders and investors, also because of its public company status. Its focus in this sense is on ensuring precise maintenance of commitments and delivery of target results. Transparency and credibility are also expressed in a system of corporate governance based on strict interpretation and application of the relevant regulations and the adoption of principles and decisions 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 pursues both organic growth of the business, based on a selective investment policy and development of commercial and production synergies, and acquisition-led growth. The search for growth opportunities is primarily focused on higher value-added high-tech businesses while in terms of geographical expansion, the Group mainly invests in countries and markets capable of ensuring high rates of growth and profitability.



Rationalisation and efficiency of industrial and commercial processes.

Prysmian has consolidated over time the ability to optimise its industrial processes, including by integrating and rationalising acquired companies. In fact, the Group has been successfully conducting the process of integration with Draka started in 2011 and is on track with its targets. It intends to push ahead with the plan to extract synergies from rationalising its organisation and industrial footprint, as well as from procurement activities. The development of synergies with Draka also covers the commercial sphere, involving the integration of product ranges and enhancement of customer service.

MARKET APPROACH

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

At the heart of this approach is "**Customer Centricity**", which expresses itself in the ability to anticipate and satisfy customer needs through its constant presence, from product design through to delivery, and its provision of a level of service that is monitored against specific, agreed parameters. The Prysmian Group is able to develop solutions that not only meet specific standards but also satisfy precise customer needs. In particular, the Group is able to serve very different segments and markets thanks to its ad hoc matrix organisational structure that lets it have a local presence even for major global projects. This means that markets with high local specificity are served by country commercial and development teams, and that markets with global products and customers are followed by integrated business unit teams, while other segments requiring a local presence and cooperation between countries draw on the matrix structure's potential.

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

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

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

CORPORATE GOVERNANCE

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

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

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

During 2014, with a view to continuous improvement of its corporate governance system, Prysmian Group undertook several initiatives to implement the recommendations of

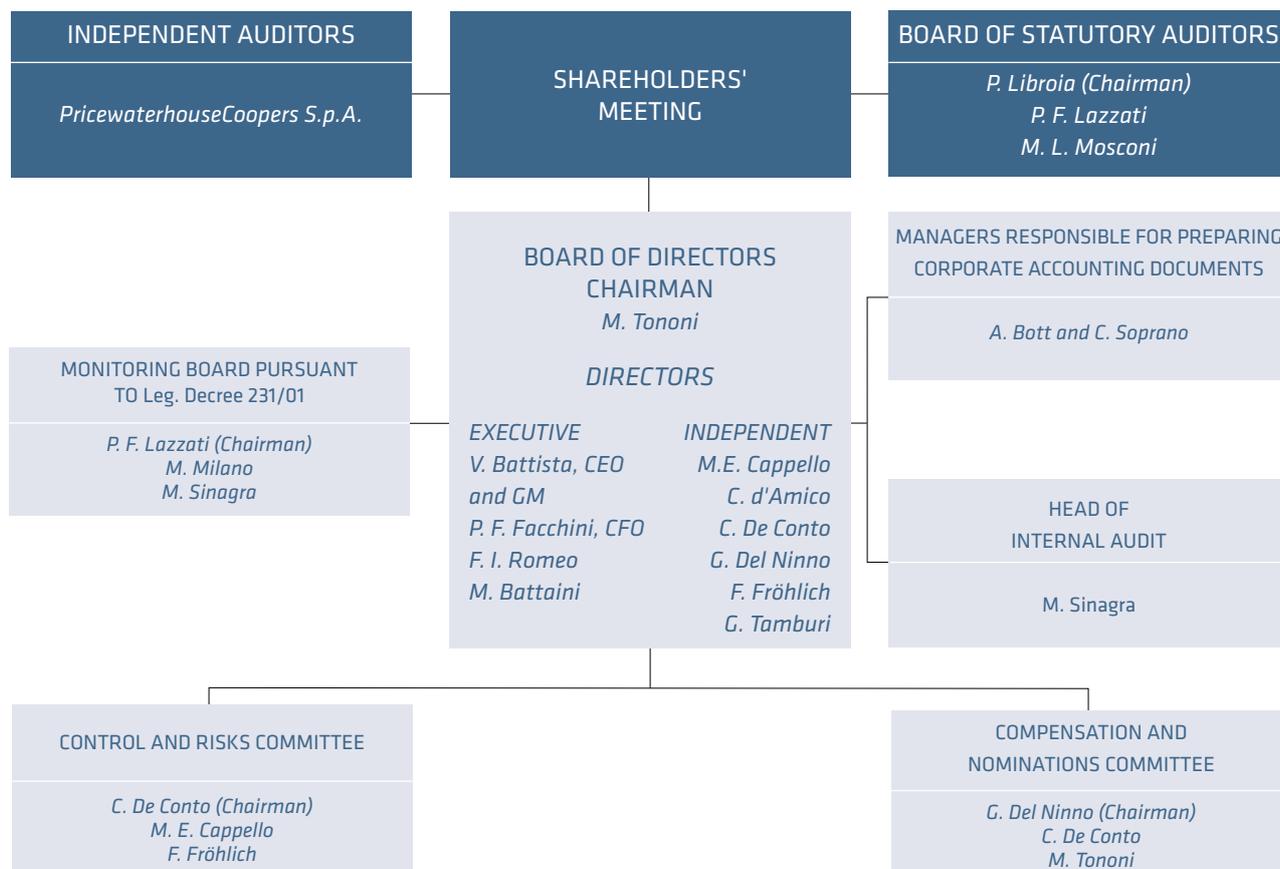
the Self-Regulatory Code⁽¹⁾, adopted by the Group, and to strengthen the principles of transparency and integrity.

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

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

(1) "Italian Stock Exchange Self-Regulatory Code for Listed Companies - Ed. 2014" drawn up by the Corporate Governance Committee of Borsa Italiana S.p.A.

GOVERNANCE STRUCTURE



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

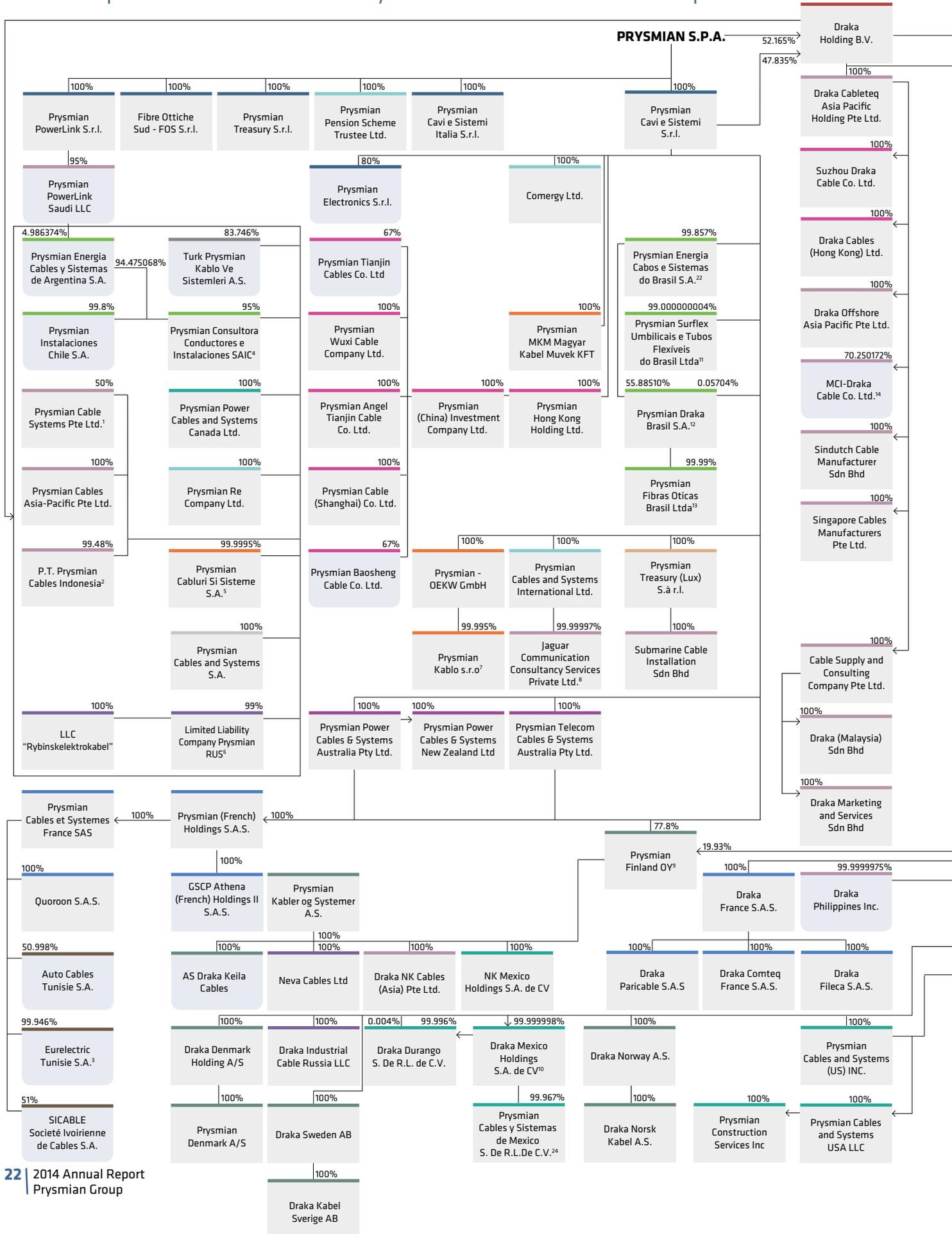
Management of the Company is the sole responsibility of the

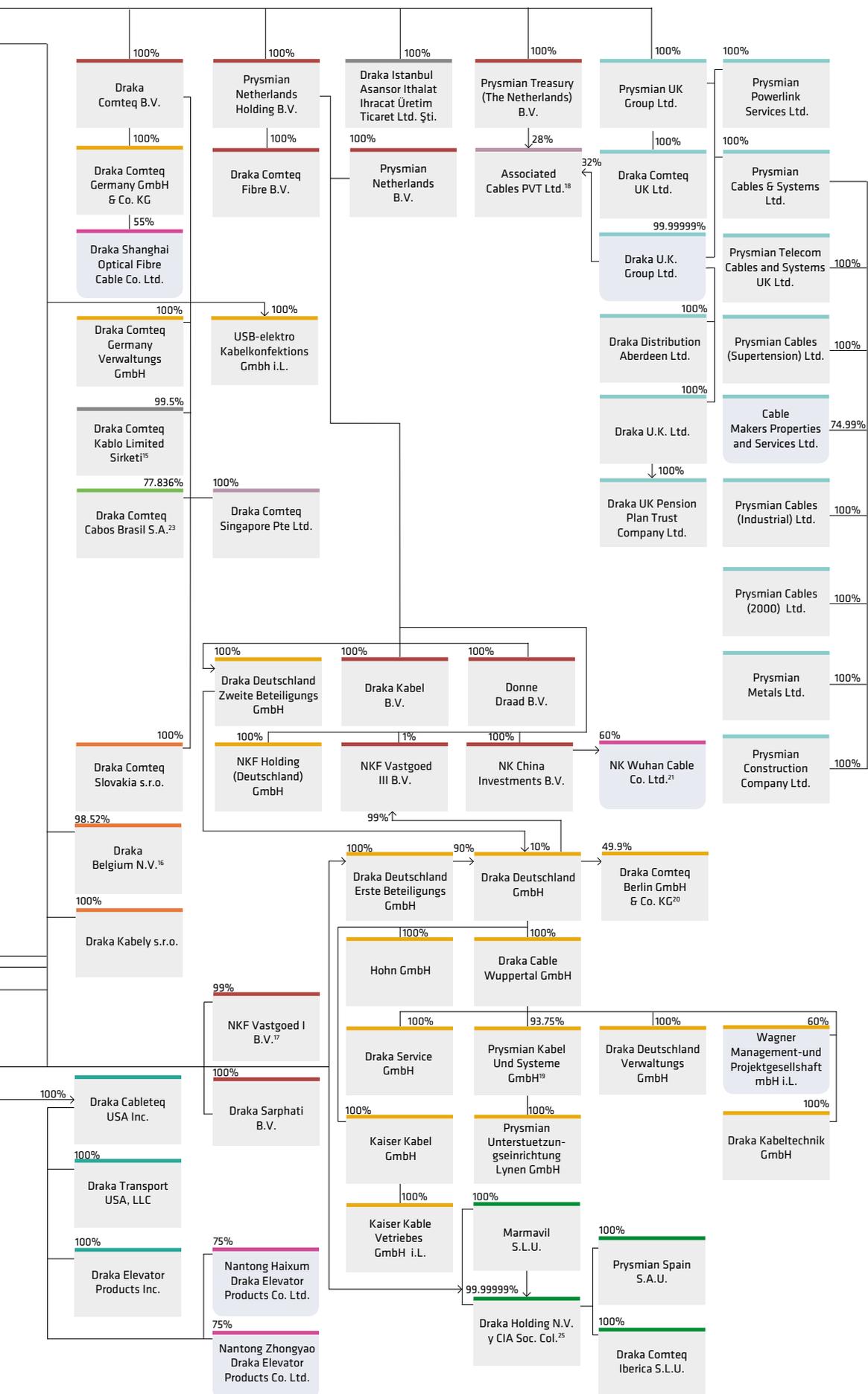
directors, who take the necessary actions to implement its business purpose. The Board of Directors is also responsible for the Group's internal control and risk management system and is therefore required to verify its adequacy and to adopt specific guidelines for this system, with the support of the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

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

CORPORATE STRUCTURE

The companies consolidated on a line-by-line basis at 31 December 2014 are presented below:





- Wholly owned
- Third-party ownership
- Italy
- UK - Ireland
- France
- Netherlands
- Nordics
- Germany
- Spain
- Danubian Area
- Switzerland
- Oceania
- Asia Pacific
- China
- Russia
- South America
- North America
- Turkey
- Africa
- Luxembourg

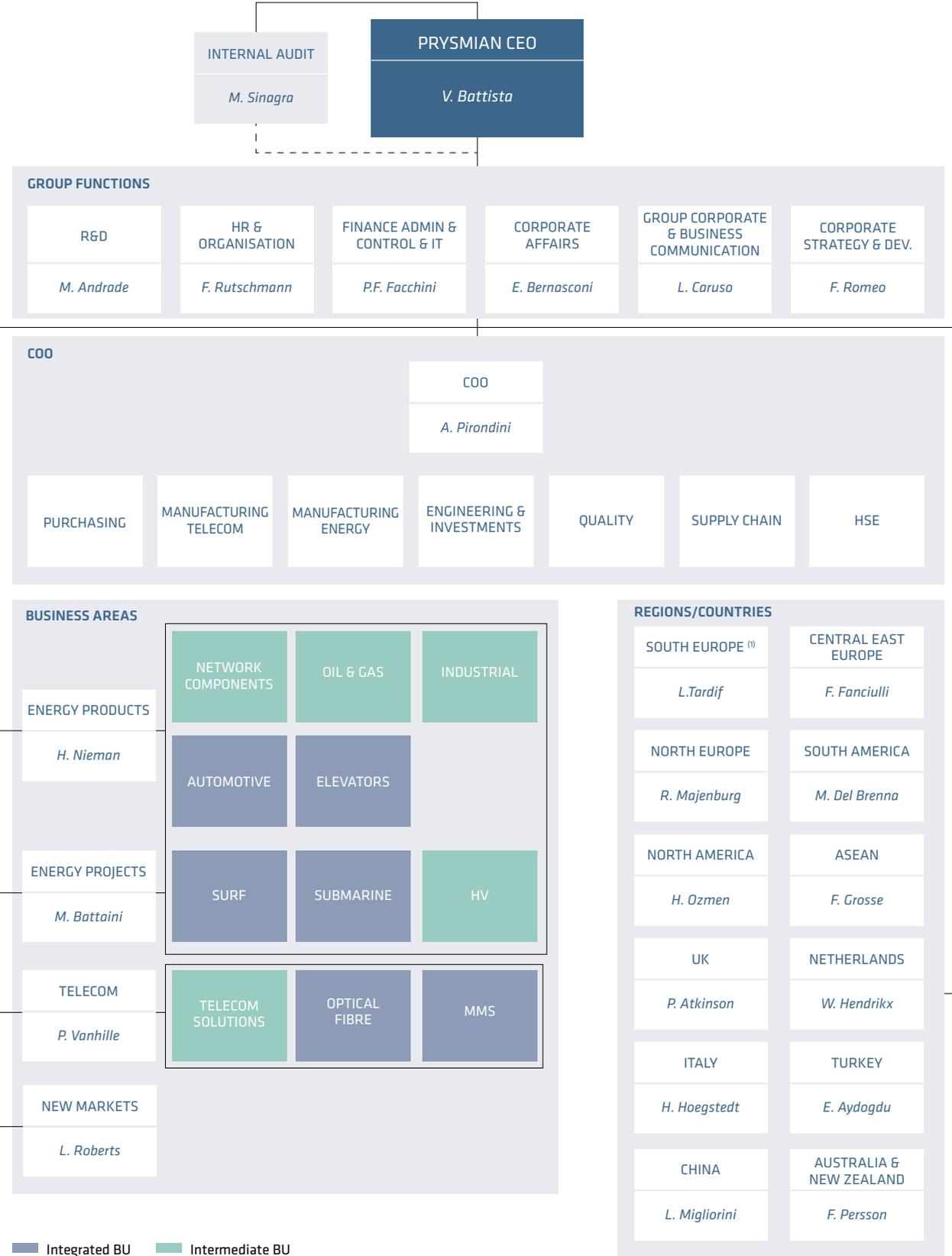
1. Prysmian Cables & Systems Ltd. 50%
2. Prysmian Cavi e Sistemi S.r.l. 0.52%
3. Prysmian (French) Holdings S.A.S. 0.009%, Prysmian Cavi e Sistemi S.r.l. 0.009%
4. Prysmian Cavi e Sistemi S.r.l. 5%
5. Prysmian Cavi e Sistemi S.r.l. 0.0005%
6. Prysmian Cavi e Sistemi S.r.l. 1%
7. Prysmian S.p.A. 0.005%
8. Prysmian S.p.A. 0.00003%
9. Draka Holding B.V. 2.27%, Draka Holding B.V. 19.93%
10. Draka Comteq B.V. 0.000002%
11. Prysmian S.p.A. 0.99999999%
12. Draka Comteq B.V. 34.84990%, Draka Holding B.V. 9.20681%, Prysmian Cavi e Sistemi S.r.l. 0.057040%, Prysmian Netherlands B.V. 0.000630%, Draka Kabel B.V. 0.000120%
13. Prysmian Energia Cabos e Sistemas do Brasil S.A. 0.01%
14. Draka (Malaysia) Sdn Bhd 0.000023%, Sindutch Cable Manufacturer Sdn Bhd 0.000023%, Singapore Cables Manufacturers Pte Ltd 0.000023%
15. Prysmian Netherlands B.V. 0.5%
16. Draka Kabel B.V. 1.48%
17. Prysmian Netherlands B.V. 1%
18. Oman Cables Industry (SAOG) 40%
19. Prysmian S.p.A. 6.25%
20. Prysmian Netherlands B.V. 50.10%
21. Yangtze Optical Fibre and Cable Joint Stock Limited Co. 5.62%
22. Prysmian S.p.A. 0.143%
23. Prysmian Energia Cabos e Sistemas do Brasil S.A. 22.164%
24. Draka Holding B.V. 0.033%
25. Marmavil S.L.U. 0.00001%



**Excellence. Integrity.
Understanding.**

Linking people, places,
projects and passion.

ORGANISATIONAL STRUCTURE (*)



(*) The organisation chart reflects the organisational structure as from 1 January 2015.

(1) France delegated for Aerospace, Spain for OPGW.

TOP MANAGERS



VALERIO BATTISTA

Chief Executive Officer

A graduate in Mechanical Engineering from Florence University, Valerio Battista is a manager with extensive knowledge and understanding of the industrial sector after more than 20 years of experience, initially with the Pirelli Group and then with the Prysmian Group, which he has headed since 2005. He held positions of increasing responsibility within the Pirelli Group, including for the restructuring and reor-

ganisation of Pirelli Cavi, which in the period 2002-2004 was transformed into one of the most profitable and competitive companies in its industry. In 2005 he played a key part in the creation of the Prysmian Group, leading to its flotation in 2007. The Group of which he is currently CEO is world leader in the energy and telecom cables industry, with approximately 19,000 employees and 89 plants around the world.



FABIO ROMEO

Chief Strategy Officer

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



PIER FRANCESCO FACCHINI

Chief Strategy Officer

Pier Francesco Facchini became CFO of the Prysmian Group in January 2007. He graduated in Business Economics in 1991 from the "Luigi Bocconi" University in Milan. His first professional experience was with Nestlè Italia, where he held different positions in the Accounting and Finance department between 1991 and 1995. From 1995 to 2001, he worked for the Panalpina Group where he held the position of Regional Financial Controller for the Asia-Pacific region. During his career with the Panalpina Group he was also appointed CFO of Panalpina Korea (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.



**ANDREA
PIRONDINI**

Chief Operating
Officer

Andrea Pirondini has been Chief Operating Officer of Prysmian Group since January 2014. He has a degree in Business Administration from the "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 system for energy cables. In 2012 he was appointed Chief Commercial Officer of Pirelli Tyre S.p.A, a position he held until December 2013.



**MASSIMO
BATTAINI**

Senior Vice President
Energy Projects

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



**HANS
NIEMAN**

Senior Vice President
Energy Products

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



**PHILIPPE
VANHILLE**

Senior Vice President
Telecom

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. He moved to the cable industry in 1991 with Alcatel Cable. Over the past 20 years he has held a number of senior Operations and General Management positions within the cable industry for Alcatel and Draka, and subsequently in the energy, copper telecom and optical fibre sectors. He was head of Draka's Optical Fibre Business Unit at the time of the Prysmian merger, holding the same position in Prysmian Group until his appointment as Senior VP Telecom.

PRYSMIAN AND THE FINANCIAL MARKETS

OWNERSHIP STRUCTURE

Prysmian Group is a genuinely Public Company: its free float is equal to 100% of the shares, with nearly 80% of its capital held by institutional investors.

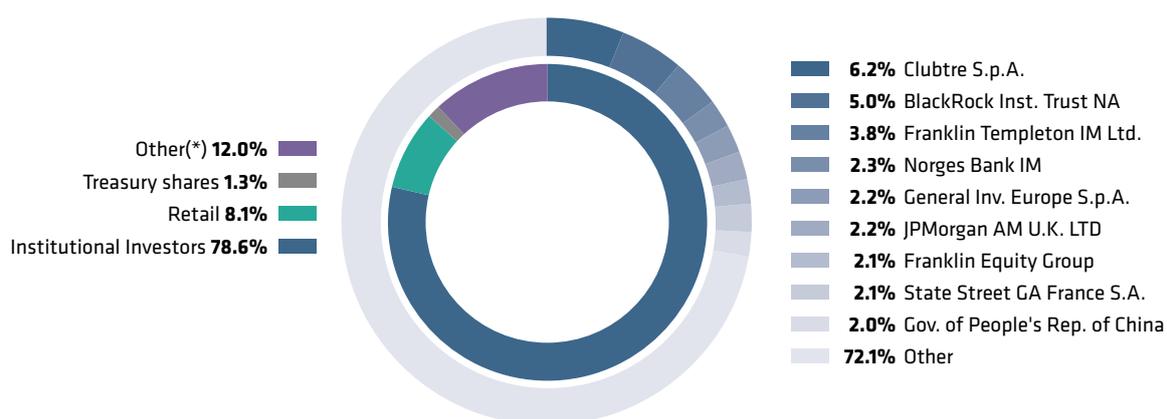
The listing of Prysmian's ordinary shares, resulting from the sale of 46% of the shares held by the Goldman Sachs Group Inc., took place on 3 May 2007 at a price of Euro 15.0 per share, corresponding to a capitalisation of Euro 2.7 billion. Subsequent to the listing, the Goldman Sachs Group Inc. gradually 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 raised to approximately 1.5% during the course of subsequent years.

At 31 December 2014, the Company's free float was equal to 100% of the outstanding shares and major shareholdings (in excess of 2%) accounted for approximately 28% of total share capital, meaning there were no majority or controlling interests. Prysmian is now one of Italy's few globally present industrial companies to have achieved Public Company status in recent years.

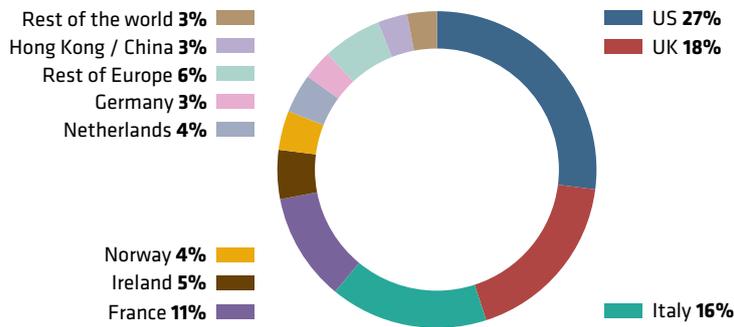
At 31 December 2014, the share capital of Prysmian S.p.A. amounted to Euro 21,671,397.70, comprising 216,712,397 ordinary shares with a nominal value of Euro 0.10 each. The ownership structure at this date is shown below.

OWNERSHIP STRUCTURE BY TYPE AND MAJOR SHAREHOLDERS

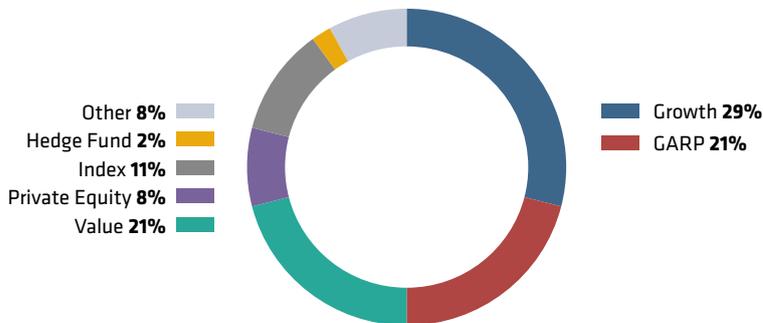


Source: Nasdaq OMX, December 2014 (Ownership structure by type); Thomson One public sources, December 2014 (Major shareholders with over 2%).
 (*) Mainly includes shares held by non-institutional investors and shares with third-party custodians held for trading.

INSTITUTIONAL INVESTORS BY GEOGRAPHICAL AREA



INSTITUTIONAL INVESTORS BY INVESTMENT APPROACH



Source: Nasdaq OMX

The ownership structure by geographical area confirms the predominant presence of US and British investors, who at the end of 2014 accounted for around 45% of the capital held by institutional investors. They were followed by Italian institutional investors with 16% and by the French with 11%, both higher than the previous year. The proportion of Asian investors was stable. Approximately 71% 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 stable compared with the prior year as was the share of Private Equity fund investors, represented by a single Italian fund with a long-term investment horizon and one of the Company's shareholders for several years.

ANNUAL GENERAL MEETING

Record attendance at the Annual General Meeting: more than 59% of share capital represented.

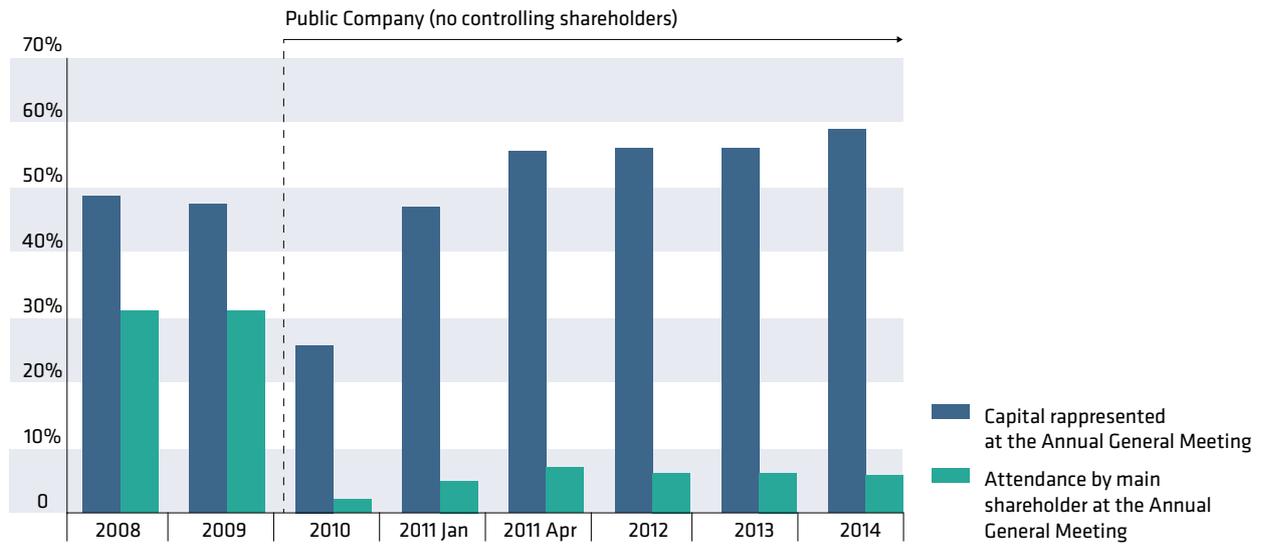
The Annual General Meeting of shareholders of Prysmian S.p.A. was held on 16 April 2014 in single call to vote on several agenda items, including the approval of the 2013 financial statements, the appointment of a Director, the authorisation of a share buy-back and disposal programme, the approval of an incentive plan for Group employees, the authorisation of a bonus capital increase serving the incentive plan and the approval of the Remuneration Report. The meeting, which was attended by over one thousand two hundred shareholders, in person or by proxy, representing more than 59% of the share capital (the highest attendance

since Prysmian's listing), approved all items on the agenda by a large majority (more than 95%). In particular, the motions regarding the Group employee incentive plan and the bonus capital increase were adopted with a more than 97% vote in favour, thus confirming the shareholders' full support for these decisions taken by the Board of Directors.

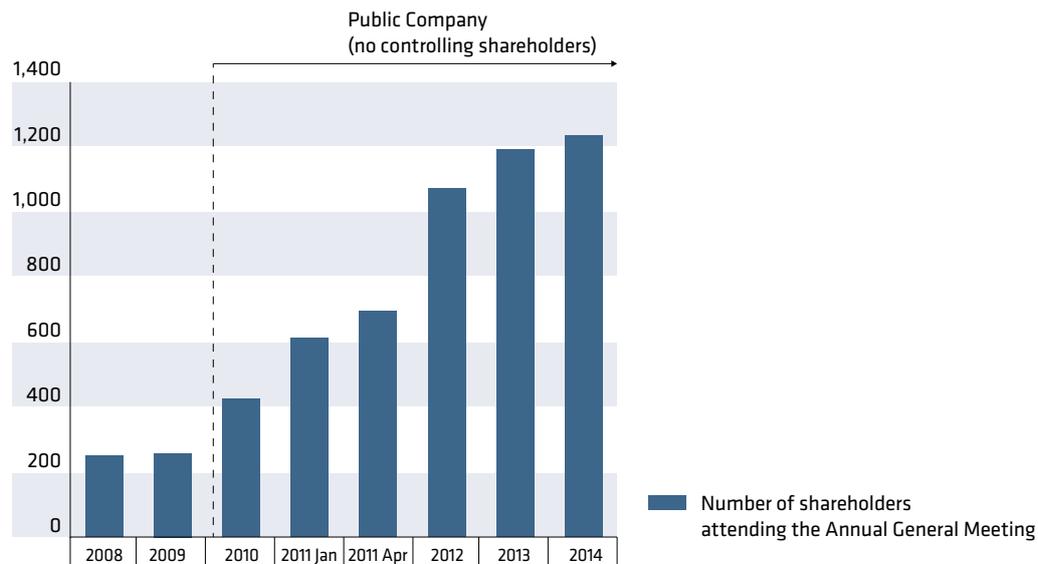
The Annual General Meeting also approved the distribution of a dividend of Euro 0.42 per share, in line with the amount distributed the previous year. The dividend was paid on 25 April 2014, involving a total pay-out of approximately Euro 89 million.



ANNUAL GENERAL MEETING: SHARE CAPITAL



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



FINANCIAL CALENDAR 2015

25 February 2015	Group Annual Report and draft Annual Report of Prysmian S.p.A. at 31 December 2014
16 April 2015	Annual General Meeting to approve Annual Report at 31 December 2014
7 May 2015	First-Quarter Report at 31 March 2015
30 July 2015	Half-Year Report at 30 June 2015
5 November 2015	Third-Quarter Report at 30 September 2015

FINANCIAL MARKET PERFORMANCE

The macro environment in 2014 was marked by a gradual strengthening of the US economy but continued overall weakness in Europe, despite tentative signs of recovery, especially in the first part of the year.

Prysmian S.p.A. has been listed on the Italian Stock Exchange since 3 May 2007 and has been included since September 2007 in the FTSE MIB index, comprising the top 40 Italian companies by capitalisation and stock liquidity. The Prysmian stock has since 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 FTSE ECPI Italia SRI Leaders, composed of a select basket of stocks of Italian companies that demonstrate excellent Environmental, Social and Governance (ESG) practice.

World economic growth in 2014 was rather limited, like in the previous two years, reflecting persistent weakness in the Eurozone and further slowdown by emerging market economies, partly offset by a solid recovery in both the United States and United Kingdom. In particular, the weakening of emerging market economies was mainly due to the geopolitical problems in Russia, as well as the sharp slowdown by the Brazilian economy, faced with high inflation, collapse of the local currency and declining investment. In the United States, the combination of important monetary and fiscal expansionary policies resulted in an acceleration of growth during the year, with a steady fall in unemployment to the lowest levels since 2009, increased consumer confidence and consumer spending, and new record highs for US equity markets. In Europe, economic recovery gradually lost momentum after the first quarter of the year, exacerbated by the extreme rigidity of the deficit-cutting measures in several Eurozone countries and by the limited impact of intervention by the European Central Bank, as well as by renewed uncertainty over the political and financial situation in Greece. Despite the partial improvement in competitiveness and gradual recovery in exports, also thanks to a weaker Euro against the Dollar, Europe continued to display significant structural weakness in many countries, especially with regard to the lack of recovery in domestic demand and continued high unemployment in countries like Spain, Greece, Portugal and Italy.

The main world equity markets generally reflected the uncertainties arising from wide disparities in global economic performance, in turn also impacted by rising geopolitical tensions in different parts of the world (Middle East, Russia-Ukraine, Hong Kong), and related consequences for oil prices, which halved from over USD 110 a barrel in June to USD 57 in late December. In fact, while US indexes performed well, with rises of between 8% (Dow Jones, to new record highs) and 13% (Nasdaq), European exchanges presented a

mixed performance: weakly positive in Germany (+3%) and Spain (+4%), stable in Italy and negative in France (-1%) and Britain (-3%). Asian and emerging market indexes also had a mixed performance: sharp rebound in China (+64%) after a negative 2013, strong progress in India (+37%), positive in Japan (+7%) and Hong Kong (+1%), negative in Brazil (-3%) and Korea (-5%).

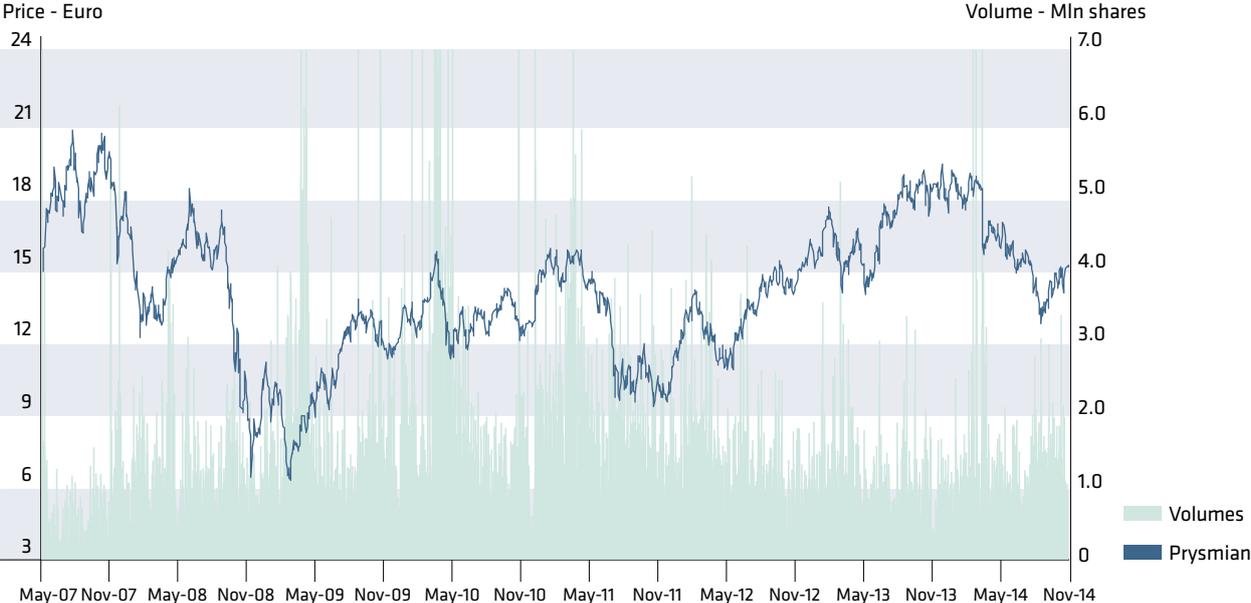
In this context, the Prysmian stock lost approximately 19% of its value over the course of the year, going from Euro 18.71 at the end of 2013 to Euro 15.15 at the end of 2014. The stock's negative performance was almost entirely due to the technical problems encountered in executing the Western HVDC Link contract which, as explained later, had a negative impact on the share price of almost Euro 3, equating to more than Euro 600 million in capitalisation. Despite this extraordinary event, the Prysmian stock nonetheless continued to outperform its main cable industry competitors, who were faced with stagnant demand and major restructuring processes. The stock's performance, including dividend pay-outs (total shareholder return), was -17% over the course of 2014 and +17% since its listing date. Among Prysmian's benchmark indexes, the Euro Stoxx Industrial posted a fall of 2% over the year, confirming the general weakness of the capital goods market in Europe, and of 11% since Prysmian's listing date, while the FTSE MIB was stable in 2014 but down -57% since the Company's IPO, thus confirming the stock's good performance over the medium to long term.

In particular, the first four months of 2014 saw a general stable Prysmian share price, in the wake of a solid set of results for 2013 and in line with analyst expectations, moving in a range between Euro 17.50 and Euro 19.50, that also reflected trends in the sector indexes and the major European markets. At the time of publishing the first-quarter results in early May, Prysmian announced that in the previous few days it had encountered some technical problems in the manufacture of submarine cables for the Western HVDC Link project in the United Kingdom. The stock was initially affected by the uncertainty prevailing until the company had all the facts to estimate the impact of this technical problem more accurately and so fell by 14% in the three days following publication of the results to a price of Euro 15.70 per share. Subsequently, from June to mid-October, the major international markets headed slowly downwards, affected by continuing geopolitical tensions and slower growth by emerging market countries. Recovery in the Eurozone also lost momentum, abetted by fears linked to the political and financial situation in Greece. The

Prysmian stock was affected by this downward trend, as well as by profit warnings by its main competitors, reaching a low for the year of Euro 12.80 in mid-October. Conditions on international financial markets and in the Eurozone slowly improved in the last two months of 2014, thanks to growing expectations of an imminent quantitative easing in Europe by the ECB and to GDP growth in the United States, back to +5% in the third quarter, a rate not seen since 2003. In this context, the stock entered a bullish phase, supported

by publication of the Group's nine-month results for 2014, confirmation of the full-year guidance and the ability to manage the Western Link problem, as well as by a gradual improvement in the recommendations of financial analysts, 67% of whom expressed Positive recommendations (the remaining 33% maintained a Neutral rating and no one gave a Negative rating). The Prysmian stock therefore closed 2014 at a price of Euro 15.15, down 19% from Euro 18.71 at the end of 2013, but nonetheless higher than its original IPO price.

PERFORMANCE OF PRYSMIAN STOCK SINCE IPO



PERFORMANCE OF PRYSMIAN STOCK VERSUS BENCHMARKS SINCE IPO



During 2014, the stock's liquidity held steady at average daily trading volumes of approximately 1.4 million shares, with an average daily turnover of Euro 23 million, well up on the previous year.

PRYSMIAN STOCK: PRINCIPAL DATA

(in millions of Euro)

	2014	2013	2012	2011	2010	2009	2008	2007 (*)
Price at 31 December	15.15 €	18.71 €	15.01 €	9.60 €	12.75 €	12.19 €	11.10 €	16.89 €
Change over period	-19.0%	24.7%	56.4%	-24.7%	4.6%	9.8%	-34.3%	12.6%
Average price	16.38 €	16.68 €	13.00 €	12.90 €	13.13 €	10.60 €	13.76 €	18.36 €
Maximum price	19.54 €	19.30 €	15.43 €	15.95 €	15.81 €	13.84 €	18.54 €	21.00 €
Minimum price	12.78 €	14.03 €	9.77 €	9.25 €	11.27 €	6.10 €	6.21 €	15.34 €
Market capitalisation at period end	3,283 Mil €	4,015 Mil €	3,220 Mil €	2,057 Mil €	2,321 Mil €	2,209 Mil €	2,004 Mil €	3,004 Mil €
Average capitalisation	3,512 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	1.4 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	23 Mil €	20 Mil €	20 Mil €	28 Mil €	30 Mil €	19 Mil €	18 Mil €	17 Mil €
Number of shares at 31 December	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: data processing Nasdaq OMX.



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. The Group's actions and procedures are designed to provide the market with credible information, with the goal of boosting market confidence in the company 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, the Group organises conference calls with institutional investors and financial analysts and also invites industry press representatives to take part. In addition, the Group promptly informs existing and potential shareholders of any action or decision that could have a material impact on their investment.

There was intense contact with the financial market during 2014, particularly after the technical problems emerging with the Western HVDC Link project, with more than 400 encounters involving conference calls and one-to-one or group meetings at the Company's offices. The Company 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 see its production facilities and R&D centres in Europe, the United States and Asia, in order to give them more detailed knowledge of its products and production processes.

Coverage of the Prysmian stock remained very high and geographically diversified. There are 23 independent analysts who regularly cover the Prysmian stock: Banca Akros, Banca Aletti, Banca IMI, Banca Profilo, Barclays Capital, Berenberg, BofA Merrill Lynch, Citi, Credit Suisse, Equita, Spirito Santo, Exane BNP Paribas, Fidentiis, Goldman Sachs, Hammer Partners, HSBC, Intermonte, JP Morgan, Kepler Cheuvreux, Mediobanca, Morgan Stanley, Natixis and UBS.

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

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Italian Prime Minister Matteo Renzi visiting the Dee Why plant, Australia, on the occasion of the 2014 G20 summit.

SIGNIFICANT EVENTS DURING THE YEAR

NEW INDUSTRIAL PROJECTS AND INITIATIVES

Numerous contracts in the Energy Projects segment, both for submarine and onshore connections. Intense activity not only commercially but also on the technological innovation front.

During 2014, the Prysmian Group entered into numerous contracts, many of which in the *Energy Projects* operating segment.

In the **submarine interconnections** business, the Group concluded agreements for the construction of cable systems for major new projects in different parts of the world. In April, Prysmian was awarded a contract worth approximately Euro 30 million by Emirates Holding, a UAE-based construction company for the supply of around 200 km of medium voltage submarine cable to replace power lines supplying the *Zakum* offshore oil field in Abu Dhabi.

In the same month, a contract was signed worth approximately Euro 40 million with ESB (Ireland) for the "*Shannon River Crossing*" project to install a power line between Kilpaddoge and Moneypoint on opposite banks of the River Shannon. The project involves the supply and installation of high voltage double-circuit cable, comprising 21 km of submarine cable complete with integrated optical fibre system.

Early in August, the Group announced it had won a new contract worth approximately Euro 95 million from IPTO (Independent Power Transmission Operator), the transmission system operator of the Greek electricity grid, for the interconnection between Syros, one of the *Cyclades islands*, and the mainland Greek power transmission system at Lavrion. The project involves supplying a "turnkey" high voltage cable system for an overall distance of more than 110 km, allowing the island of Syros to be connected to Greece's national grid and paving the way for future extension to the other Cyclades islands (Paros, Mykonos, Tinos).

Another contract, worth approximately Euro 64 million, was awarded in December by TEIAS, a Turkish power transmission utility, for the construction of a second high voltage submarine power line between Europe and Asia across the *Dardanelles* strait in Turkey. This second link across the *Dardanelles* will complement the interconnector that Prysmian Group is currently laying along the same route, under the first contract awarded by TEIAS in September 2012, and will play a strategic role in completing Turkey's power transmission grid. The project will ensure a reliable and cost-competi-

tive power flow from generation sites in Asia to the major consumption centres in European territory, including the congested Istanbul area, by completing the electricity ring around the Sea of Marmara.

Lastly, just before Christmas the Group announced another contract in the high-potential, strategic Asia Pacific market, with the award by NGCP (National Grid Corporation of the Philippines) of a project worth around Euro 90 million for a submarine power line between the islands of Negros and Panay. This interconnection is the first stage of a larger development programme by NGCP intended to connect the islands of Cebu, *Negros and Panay* to each other and to strengthen the country's power transmission network.

During the year the Group also won new orders in the business of submarine connections for **offshore wind farms**. In April, Prysmian was awarded a contract worth more than Euro 250 million by TenneT, the Dutch-German grid operator, for the connection of offshore wind farms in the North Sea to the German mainland. The project, known as *BorWin3*, involves the construction of a high voltage direct current (HVDC) cable along a route running 29 km onshore and 130 km underwater. The system, which will connect Emden Ost in Lower Saxony to BorWin Gamma, the offshore converter platform in the "BorWin" cluster, about 120 km north of the German coast, will be installed in natural areas of great environmental importance, both onshore and at sea, including along the Ems estuary. This is the second DC interconnection commissioned by TenneT along this same route (which runs in parallel with that of the *DolWin3* project awarded to the Group the year before).

In May, 50Hertz Offshore GmbH, a grid operator in Germany, awarded Prysmian a contract worth up to some Euro 730 million (including options for grid connections for approximately Euro 250 million). The project involves the construction of high voltage submarine cables to connect the *West of Adlergrund* offshore wind farm cluster in the German Baltic Sea to electricity grids on the German mainland. The cable, running along a route of about 90 km, will connect wind farms some 40 km north-east of Rügen Island with north-east Germany. Marine installation will be performed

using the Cable Enterprise DP2 cable-laying ship, specifically equipped to make the most of her particular experience in offshore wind farm installations and to better serve the growing markets in Northern Europe by providing solutions for highly complex installations.

To serve the numerous submarine projects in which it is involved, Prysmian announced new investments in 2014 worth more than Euro 40 million to expand production capacity at its plants in Pikkala (Finland) and Arco Felice (Italy). These plants are already the Group's two centres of excellence for the manufacture of high voltage and submarine cables. As a result of these new investments, these two production units will have the capability to manufacture and test high cross-section three-core cables with voltages up to 400 kV AC.

In the **underground power transmission** business, the Group won two important contracts in Australia and the Middle East. In fact, in May, Prysmian was awarded a new contract worth approximately Euro 30 million by Ausgrid, a public utility company in the state of New South Wales (Australia), which manages power distribution and transmission grids. This contract, for high voltage underground cables for the "North Shore cable upgrade" project, comes on the back of the separate smaller "Engadine" contract, worth approximately Euro 5 million, awarded in September 2013. These projects form part of Ausgrid's network upgrade programme, under which it plans to replace cables and equipment installed about 40 years ago. There are two areas involved in these projects: the Willoughby-Lindfield-Castle Cove area on Sydney's north

shore and the Engadine area, just south of Sydney. In June, the Group announced a new contract, worth approximately Euro 80 million, with KAHRAMAA, the Qatar General Electricity and Water Corporation, for projects to expand the transmission network. The contract involves the construction of 220 kV extra high voltage underground cable systems over a distance of 173 km and related network components, as part of stage 2 of *Phase XI* of the project to expand the power transmission system in Qatar. The project will be managed by the Group's offices in Qatar, using cables manufactured at the plants in Gron (France) and Livorno (Italy).

In the **SURF** business, 2014 saw the award of a contract worth approximately USD 24 million from Petrobras, Brazil's national oil company. The contract involved the supply of special Downhole Technology (DHT) cable systems for the offshore oil & gas industry, manufactured at the plants in Bridgewater, NJ (USA) and Cariacica (Brazil) using Brazilian-sourced materials like steel.

With regard to the *Energy Products* operating segment, Prysmian was awarded several contracts during the year in connection with rail infrastructure projects. The most important was the framework agreement with SBB CFF FFS - *Swiss Federal Railways* - worth approximately Euro 26 million. The contract involves the supply of approximately 2,800 km of signalling cables to upgrade the entire Swiss rail network's infrastructure. In 2014, the Group also won contracts for other rail infrastructure projects in Italy, France and Denmark.



The Trade & Installers business saw Prysmian's fire safety cables at the centre of a large number of projects. These included the *MOSE* flood barrier in Venice (Italy), and two projects in the United Kingdom: the new *Leeds Arena* and the intriguing *Sky Garden* skyscraper in London.

Lastly, the *Telecom* operating segment has seen the execution of many interesting projects and the renewal of ongoing partnerships with all the industry's major global players, as well as intense technological innovation, leading

to the introduction of several new products. The FTTH Council Europe Conference, the world's largest event for Fibre-to-the-Home (FTTH), held in Stockholm in February, was the occasion for the Group to present its *Flextube*® technology in response to ever increasing needs for cable miniaturisation; September's ECOC Conference in Cannes (France) saw Prysmian present its innovative *WideCap-DM4* multimode fibre whose ability to operate at particularly long wavelengths responds to ever growing demand by data centres.

ANTITRUST INVESTIGATION

On 2 April 2014, the European Commission concluded the investigations started in January 2009 by adopting a decision under which it found that, between 18 February 1999 and 28 January 2009, the world's largest cable producers, including Prysmian Cavi e Sistemi S.r.l. 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 from 18 February 1999 to 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and the Goldman Sachs Group Inc. for the alleged infringement in the period from 29 July 2005 to 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has appealed against this decision to the General Court of the European Union and has submitted an application to intervene in the appeals respectively lodged by Pirelli & C. S.p.A. and the Goldman Sachs Group Inc. against the same decision. Both Pirelli & C. S.p.A. and the Goldman Sachs Group Inc. have in turn submitted applications to intervene in the appeal brought by Prysmian against the European Commission's decision. Prysmian has not incurred any financial outlay as a result of this decision having elected, pending the outcome of the appeals, to provide bank guarantees as security against payment of 50% of the fine imposed by the European Commission (amounting to approximately Euro 52 million) for the alleged infringement in both periods. As far as Prysmian is aware, Pirelli & C. S.p.A. has provided or is nonetheless preparing to provide 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. Pirelli & C. S.p.A.

has also filed a civil action against Prysmian Cavi e Sistemi S.r.l. 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. Following a detailed and careful analysis of the European Commission's ruling, and nonetheless considering this has been appealed and so could be submitted to second-instance judgement, as well as the fact that the investigations initiated by the Canadian Antitrust Authority have ended without any sanctions for Prysmian, it has been decided to release part of the existing provision.

Prysmian has also learned from several sources, including in the public domain, that some British operators have filed actions in the High Court in London against certain cable manufacturers, including the Prysmian Group, to obtain compensation for damages allegedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in the decision adopted in April 2014. The above events have led to the recognition in the 2014 income statement of a net release of Euro 31 million, classified as non-recurring items.

A detailed analysis can be found in Note 14. Provisions for risks and charges within the Explanatory Notes.

FINANCE AND M&A ACTIVITIES

In 2014, Prysmian signed an agreement under which a syndicate of premier banks made available a long-term credit facility for Euro 1,000 million.

On 18 December 2013, Prysmian S.p.A. entered into a loan agreement with the European Investment Bank (EIB) for Euro 100 million, to fund the Group's European Research & Development (R&D) programmes over the period 2013-2016. The EIB Loan is particularly intended to support projects developed in the Group's R&D centres in six countries (France, Great Britain, the Netherlands, Spain, Germany and Italy) and represents about 50% of the Prysmian Group's planned investment expenditure in Europe during the period concerned. The EIB Loan was received on 5 February 2014; it will be repaid in 12 equal half-yearly instalments starting on 5 August 2015 and ending on 5 February 2021.

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

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

On 27 June 2014, Prysmian S.p.A. signed an agreement (the "Credit Agreement 2014") under which a syndicate of premier banks made available a long-term credit facility for Euro 1,000 million (the "Syndicated Revolving Credit Facility 2014"). The facility, which expires on 27 June 2019, can also be used for the issue of guarantees. The new revolving facility is intended to refinance the Revolving Credit Facility 2010 and to finance the Group's other operating activities.

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

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

The purchase price adjustment process relating to the acquisition of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) was completed on 28 March 2014, with a price adjustment of GBP 20 million in the Prysmian Group's favour. Since this process was completed

more than a year from the acquisition date of 15 November 2012, the difference between the adjusted final price and that previously estimated has been accounted for in the income statement with the recognition of Euro 22 million in non-recurring income.

Acquisition of non-controlling interest in AS Draka Keila Cables

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

Stock listing of the joint venture Yangtze Optical Fibre and Cable Joint Stock Limited Company

On 1 August 2014, Yangtze Optical Fibre and Cable Joint Stock Limited Company, based in Wuhan (People's Republic of China) and in which the Group held a 37.5% interest, filed an application to list its shares on the Main Board of the Hong Kong Stock Exchange.

The company is a joint venture between the Prysmian Group and two other partners (China Huaxin Post and Telecommunications Economy Development Center and Wuhan Yangtze Communications Industry Group Co. Ltd., with equity interests of 37.5% and 25% respectively) and specialises in the production of optical fibre and optical cables for telecommunications.

The prospectus for the public offering and the listing of the company's shares was published on 26 November 2014 upon completion of the authorisation process.

Following closure of the offering period, the company's shares commenced trading on the Main Board of the Hong Kong Stock Exchange on 10 December 2014. The offering involved an increase in the company's share capital, with a consequent dilution of the Prysmian Group's holding to 28.12%. This dilution has resulted in the recognition of a non-recurring gain of Euro 8 million.

Share buy-back

Under the share buy-back and disposal programme authorised by the shareholders at their meeting on 16 April 2014, Prysmian S.p.A. purchased a total of 1,390,000 treasury shares during the months of November and December 2014 at a cost of approximately Euro 20 million.

OTHER SIGNIFICANT EVENTS

Western HVDC Link Contract (UK)

During the last few days of April 2014, the manufacture of the cables for the Western HVDC Link project in the United Kingdom encountered some technical problems, which were duly placed under detailed technical investigation.

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

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

Including non-recognition of the margin originally expected on this project in the period, the overall negative impact of the Western HVDC Link (UK) project on the 2014 results is Euro 94 million.

Plant closures

On 6 July 2014, the Management Board of Prysmian Netherlands informed trade union representatives of the intention to close the plant in Amsterdam - 78 employees - and transfer production to the plants in Delft and Emmen. Agreements for the plant's closure have been reached, with the process of shutdown currently in progress and due to last for part of 2015. On 16 July 2014, Draka Paricable (France) initiated a consultation process with the trade unions for the closure of the Aubevoye plant - 92 employees - and the transfer of production to the Group's plants in Amfreville and Gron. The process of discussions with the unions and the related agreements was completed by the end of 2014, as well as the plant's closure.

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

Consequent impairment testing of the assets of the plants involved in this restructuring has not resulted in the recognition of any impairment losses. Other restructuring costs have been estimated based on the outcome of negotiations with the trade unions; at 31 December 2014, these costs were recognised as far as could be reasonably estimated. Further details can be found in Note 14. Provisions for risks and charges.

AMT Explorer cable barge

On 3 July 2014, the AMT Explorer cable barge, chartered to transport power cables for the Deutsche Bucht and Butendiek offshore wind farms in Germany, capsized while under tow in transit from Arco Felice (Naples) to Bremenhaven (Germany). The rotating platform owned by the Prysmian Group and its load sank as a result. The value of the cables transported, unrecoverable given the depth of the water in the area of the sinking, amounted to approximately Euro 28 million. The lost cables were fully insured and as at 31 December 2014 Prysmian PowerLink S.r.l. had collected the full amount of the loss claimed from the insurers. At 31 December 2014, the value of the rotating platform has been written off in full (Euro 5 million) and an insurance reimbursement for the same amount has been recognised.

Prysmian and TenneT, the partner in the wind farm projects, are working to avoid any consequences that could affect the project execution timetable.

Second cycle of Group employee share purchase plan (YES Plan)

During the month of December 2014, employees were informed of the opening of the plan's second cycle in 2015. Employees had until the third week of February 2015 to sign up for the second cycle and to communicate the amount they intended to invest. The total amount collected will be used to make purchases of the Company's shares on the Milan Stock Exchange (MTA) during the month of July 2015.

REFERENCE SCENARIO

MACROECONOMIC SCENARIO

In the face of an uncertain geopolitical environment with growing tensions in various areas of the globe, the macroeconomic scenario in 2014 was marked by a slowdown in emerging market economies (China, Brazil and Russia) offset by robust recovery in the United States, United Kingdom and India. Europe was still weak, although with signs of a slight recovery.

The economic environment in 2014 was characterised by uncertainty and rising geopolitical tensions in several areas of the world, with a further slowdown in emerging market economies (China, Brazil and Russia in particular) and in Japan but a gradual recovery in North America (USA and Canada), the United Kingdom and Germany. The economies of several European countries such as Italy and Greece continued to be stagnant or in decline.

Economic activity carried on expanding in the first part of the year, despite some signs of weakness in emerging market countries: in China because of the growing level of private debt, in Russia because of the political and diplomatic crisis with neighbouring Ukraine, and in Brazil because of sharp economic slowdown. The macroeconomy gradually recovered force in the United States and United Kingdom, but weakened in some emerging market countries (Brazil, Russia) and in Japan. Growth in the Eurozone remained subdued, with asymmetries and disparities between the various countries, despite the economic support measures implemented by the European Central Bank such as the introduction of negative rates on deposit facilities and several refinancing operations to ease monetary conditions and support the provision of credit to households and businesses. The European recovery's loss of momentum was also affected by growing uncertainties about the political and financial situation in Greece. Meanwhile, globally, geopolitical tensions steadily increased in some oil-producing nations (Iraq and the Middle East), thereby augmenting the risks of further economic slowdown. In the last part of the year, economic activity accelerated significantly in the United States, rebounding ahead of expectations. The short and medium-term outlook for the global economy has nonetheless remained uncertain

because of persistent weakness in the Eurozone and Japan, the prolonged slowdown in China and the sharp downturn in Russia, hit by economic sanctions imposed by the international community. The sharp fall in oil prices, triggered by both greater supply and weaker demand, could help sustain growth in the coming quarters, but not without risks for the financial stability of the oil exporting nations.

The major international research institutes progressively revised down their growth estimates for 2014 and 2015 over the course of the year, confirming the growing uncertainties around the globe. Despite the difficult political and macroeconomic scenario, global demand in 2014 nonetheless reported an overall increase: in fact, global GDP grew by +3.3%* on the previous year (compared with growth of +3.3%* and +3.4%* in 2013 and 2012 respectively), driven by the significant growth achieved by Asia's emerging market economies.

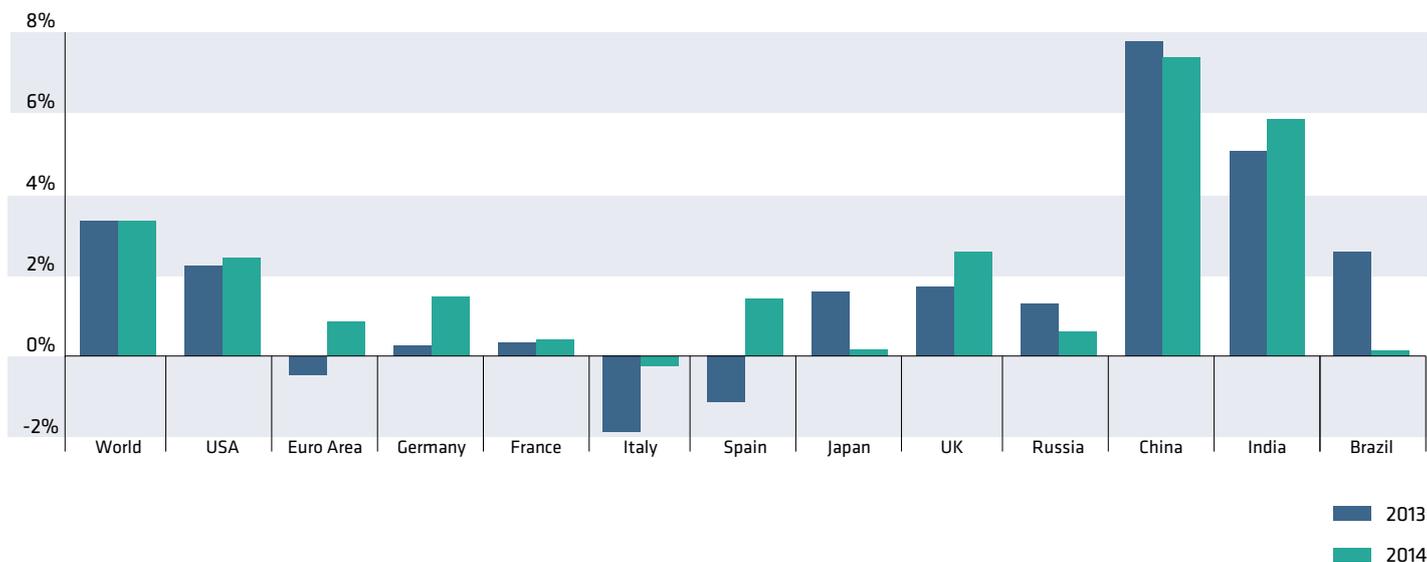
China, in particular, has confirmed a high growth rate (+7.4%*), even if down from the previous year (+7.8%*) but still a far cry from that in the recent past (+11.2% average annual growth in the period 2006-2010), reflecting some difficulties in its domestic market. India too, after two years of modest performance, returned to growth of more than 5%.

In the United States, positive signs on the domestic demand front and a gradual decline in unemployment contributed to an acceleration in growth on the previous year: GDP grew by +2.4%* in 2014, up from +2.2%* the previous year.

Europe saw a slight improvement in economic activity, albeit with specific idiosyncrasies in the different countries. Eurozone GDP grew by +0.8%* on 2013, compared with -0.5%* in the previous year, returning to expansionary mode after two consecutive years of recession.

* Source: IMF, World Economic Outlook Update – January 2015

GDP GROWTH BY COUNTRY 2013-2014



CABLE INDUSTRY TRENDS

Global demand for cables grew slightly in 2014, especially in some market segments like optical cables and those for renewable energy.

In 2014 the world cable market reversed the slowing trend in operation from 2011 to 2013, mainly thanks to growing demand by markets in China, the United States and, albeit partially, in Europe. However, there were major differences within the industry both geographically and between the various market segments. Geographically, the increase in global cable demand was driven by high-growth regions, such as the Middle East, China and Asia in general, as well as by strongly recovering countries like the United Kingdom and Eastern Europe (except Russia). In fact, these regions saw continued investment to expand and upgrade infrastructure and buildings in response to growing demand by industrial operators and local communities. In the United States, the steady economic upturn was reflected in a slight growth in demand. In Europe demand regained momentum in the United Kingdom and Eastern Europe; this trend more than offset ongoing market stagnation in countries like Italy, France and Germany, exacerbated not only by a construction sector still struggling with the absence of infrastructure investments but also by persistently weak energy consumption, resulting in generally flat demand for energy cables and systems.

Even the various market segments displayed considerable disparities in 2014.

On the one hand, performance by higher value-added businesses was stable or marginally better; this was the case for high and extra high voltage submarine cables for interconnections and offshore wind farm connections in Europe, where the Prysmian Group confirmed its market leadership after being awarded new projects worth a total of more than Euro 1 billion during the course of the year. Demand for renewable energy cables was also significantly higher, particularly thanks to extension of government incentives to other countries, as was demand for optical fibre cables, especially in the United States and Europe (France, Spain, Italy, United Kingdom). There was also a slight recovery in demand for building wires, particularly in Northern Europe and Asia Pacific. On the other hand, demand declined for power distribution cables, especially in Europe, and for special cables for OEMs; lastly, demand for copper telecom cables continued to fall, in line with the trend underway since 2004 to the benefit of optical fibre cables.

GROUP PERFORMANCE AND RESULTS

INTRODUCTION

Adoption of IFRS 10-11

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

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

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

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

Change in segment reporting

From 1 January 2014 the Group embarked on a process of organisational change, which has involved redefining its segment information, in keeping with the new management model adopted by the Group.

Under the new organisational structure, the Energy segment has been divided into two Operating Segments: Energy Projects and Energy Products. However, the structure of the Telecom Operating Segment has remained unchanged.

The Energy Projects Operating Segment covers high-tech and high value-added businesses whose focus is on projects and their execution, as well as on product customisation, namely: High Voltage underground, Submarine and SURF (comprising umbilical cables, flexible pipes and special DHT (Downhole Technology) cables).

The Energy Products Operating Segment covers the businesses offering a complete and innovative product portfolio designed to meet the various and many demands of the market, namely: Energy & Infrastructure (including Trade & Installers and Power Distribution) and Industrial & Network Components (comprising Specialties & OEM, Oil & Gas, Elevators, Automotive and Network Components).

Reporting systems in support of the new model were fully implemented in 2014 and have been used 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 23 January 2015.

More details can be found in the section on Alternative Performance Indicators contained in the present Directors' Report.

FINANCIAL PERFORMANCE

(in millions of Euro)

	2014	2013 (*)	Change %	2012 (*)
Sales	6,840	6,995	-2.2%	7,574
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	466	578	-19.5%	619
% of sales	6.8%	8.3%		8.2%
Adjusted EBITDA	509	613	-17.0%	650
% of sales	7.4%	8.8%		8.6%
EBITDA	496	563	-12.2%	549
% of sales	7.2%	8.1%		7.2%
Fair value change in metal derivatives	7	(8)		14
Remeasurement of minority put option liability	-	-		7
Fair value stock options	(3)	(14)		(17)
Amortisation, depreciation, impairment & impairment reversal	(188)	(173)		(180)
Operating income	312	368	-15.6%	373
% of sales	4.5%	5.3%		4.9%
Net finance income/(costs)	(140)	(150)		(134)
Profit/(loss) before taxes	172	218	-21.3%	239
% of sales	2.5%	3.1%		3.2%
Taxes	(57)	(65)		(72)
Net profit/(loss) for the year	115	153	-24.7%	167
% of sales	1.7%	2.2%		2.2%
Attributable to:				
Owners of the parent	115	149		166
Non-controlling interests	-	4		1
Reconciliation of Operating Income / EBITDA to Adjusted Operating Income / Adjusted EBITDA				
Operating income (A)	312	368	-15.6%	373
EBITDA (B)	496	563	-12.2%	549
Non-recurring expenses/(income):				
Company reorganisation	48	50		74
Antitrust	(31)	(6)		1
Draka integration costs	-	-		9
Tax inspections	-	-		3
Environmental remediation and other costs	-	(3)		3
Italian pensions reform	-	-		1
Gains on asset disposals	-	(5)		(3)
Effect of YOFC dilution	(8)	-		-
Acquisition price adjustment ⁽¹⁾	(22)	-		-
Other net non-recurring expenses	26	14		13
Total non-recurring expenses/(income) (C)	13	50		101
Fair value change in metal derivatives (D)	(7)	8		(14)
Fair value stock options (E)	3	14		17
Remeasurement of minority put option liability (F)	-	-		(7)
Impairment and impairment reversal of assets (G)	44	25		24
Adjusted operating income (A+C+D+E+F+G)	365	465	-21.5%	494
Adjusted EBITDA (B+C)	509	613	-17.0%	650

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

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

During 2014, the Group's profitability was largely stable while sales volumes recovered; in particular, the Energy Products segment reported a slight recovery for the Trade & Installers business, offset by a downturn for Power Distribution and some sectors of the Industrial business; the Energy Projects segment enjoyed a positive trend mainly thanks to the performance of the Submarine business (excluding the adjustments for the Western HVDC Link project), as offset by weakness in the High Voltage business; growth by the Telecom segment was mainly due to increased demand for optical fibre cables, which offset the deteriorating performance of copper cables.

During the last few days of April 2014, some technical problems were uncovered in relation to the manufacture of the cables for the Western HVDC Link project, which have affected the full-year results. In this Annual Financial Report, the effects of the Western HVDC Link project have been determined with respect to the results forecast prior to discovering the above technical problems; such effects amount to Euro 61 million on sales and Euro 94 million on operating income.

The Group's sales in 2014 came to Euro 6,840 million, compared with Euro 6,995 million in the prior year, posting a negative change of Euro 155 million (-2.2%). Excluding the negative impact on expected revenue from the Western HVDC Link project, the Group's sales would have been Euro 6,901 million (-1.3%). The decrease in sales was attributable to the following factors:

- increase of Euro 127 million (+1.8%) from organic growth; excluding adjustments for the Western HVDC Link project, organic growth would have been Euro 188 million (+2.7%);
- reduction of Euro 178 million (-2.5%) due to negative exchange rate effects;

- reduction of Euro 104 million (-1.5%) in sales prices following fluctuations in metal prices (copper, aluminium and lead).

The organic growth in sales of +1.8%, is analysed between the three operating segments as follows:

Energy Projects	+1.7%; (+6.1% excluding adjustments for the Western HVDC Link project);
Energy Products	+1.4%;
Telecom	+ 4.0%.

Group Adjusted EBITDA (before Euro 13 million in non-recurring expenses) came to Euro 509 million, posting a decrease of Euro 104 million on the corresponding figure in 2013 of Euro 613 million (-17.0%). Excluding the negative impact of the Western HVDC Link project, Adjusted EBITDA would have been Euro 603 million.

The full-year result for 2014 reflects the negative impact of Euro 14 million in higher exchange rate effects than in the prior year, arising from the depreciation of the Brazilian Real, the US Dollar, Australian Dollar, the Turkish Lira, certain North European currencies (Swedish Krona and Norwegian Krone) and the Argentine Peso.

EBITDA includes Euro 13 million in net non-recurring expenses (Euro 50 million in 2013). Such net non-recurring expenses in 2014 mainly include Euro 22 million in income from the purchase price adjustment against the acquisition of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd.), Euro 31 million in income from the net release from the antitrust provision, Euro 48 million in expenses for reorganisation and improving industrial efficiency, Euro 8 million in income from the dilution

of the shareholding in Yangtze Optical Fibre and Cable Joint Stock Limited Company, Euro 8 million in expenses for restructuring the pension plan of certain Dutch companies and Euro 9 million to write down an unrecoverable tax credit of a Brazilian company.

Group operating income was Euro 312 million for 2014, compared with Euro 368 million in the prior year, posting a decrease of Euro 56 million. This reduction is mainly attributable to the adjustments against the Western HVDC Link project, and to higher impairment losses recognised against assets; this reduction has been partially offset by lower net non-recurring expenses and by the positive change in the fair value of metal derivatives. Excluding the negative impact on expected profit margin for the Western HVDC Link project, operating income would have been Euro 406 million.

Net finance costs came to Euro 140 million for 2014, down from Euro 150 million (-6.6%) in the prior year.

The reduction of Euro 10 million is mainly attributable to the reduction in finance costs relating to the Group's borrowings.

Taxes came to Euro 57 million, representing an effective tax rate of around 33.1%.

Net profit for 2014 was Euro 115 million, compared with Euro 153 million in 2013. Excluding the adjustments for the Western HVDC Link project, net profit for 2014 would have been Euro 178 million.

Adjusted net profit¹ was Euro 186 million, versus Euro 269 million the year before. Excluding the adjustments for the Western HVDC Link project, adjusted net profit for 2014 would have been Euro 252 million.

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

REVIEW OF ENERGY PROJECTS OPERATING SEGMENT



INTERVIEW WITH MASSIMO BATTAINI, Senior Vice President Energy Projects

Energy Projects is one of the two Operating Segments into which the Energy business has been divided: what is its perimeter?

It covers high-tech and high value-added businesses focused on projects and their execution, as well as on product customisation, in other words, the High Voltage underground business, Submarine systems and SURF (comprising umbilical cables, flexible pipes and special Downhole Technology cables for the oil industry). These are businesses with high technology content and high value-added: we engineer, manufacture and install high and extra high voltage cables for underground and submarine power transmission directly from power stations to the primary distribution networks. Through Prysmian PowerLink Services S.r.l., we develop the most advanced turnkey submarine systems, including for installation at depths of up to 2,000 metres with the assistance of our cable-laying ship, the "Giulio Verne".

What does it mean for a global leader like Prysmian to offer turnkey solutions?

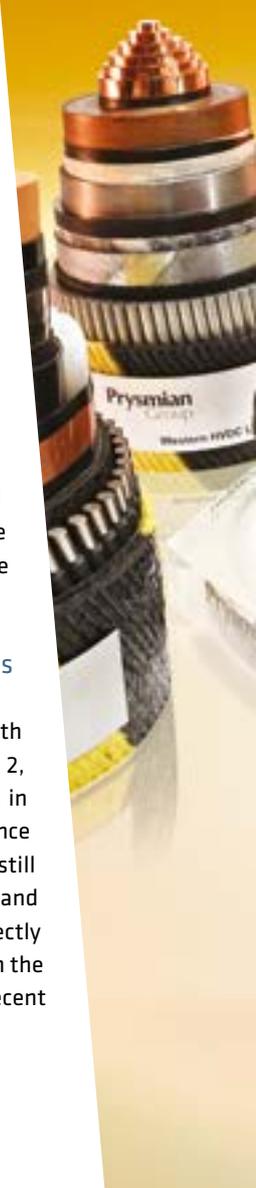
It means being able to act as a strategic partner for country-systems, and in so doing, to strengthen its leadership and dictate new standards for the entire industry. Take the case of Germany, Europe's largest and strongest economy. Germany has a very ambitious goal where energy is concerned: to shift from fossil fuels to renewables. Prysmian is a genuine strategic partner to Germany in this strategic project: its ultra high-tech solutions are allowing the grid to be fed with increasing amounts of energy generated by offshore wind farms, while its turnkey cables and systems solutions are able to respond to ever more technically difficult and complex challenges. A glance at the connections maps for the North Sea gives an immediate idea of the scale of our activities and the importance of our contribution.

The frontier of innovation and technology is moving ever further ahead ...

Yes, we saw this in 2014, a year in which we consolidated our leadership but also faced new challenges, like the Western HVDC Link project, with its unprecedented levels of work and complexity, in which we encountered some technical difficulties that were later fully overcome thanks to our trademark technological excellence. In such a complex business we managed to achieve organic growth once again in 2014, which would have been higher but for the Western Link problems, subsequently resolved in full. This growth reflects a combination of equivocal factors: on the one hand, we had a positive trend for submarine systems and the SURF business, while on the other, we had to cope with weakness in the High Voltage business over the past year.

What are the prospects for the Energy Projects Operating Segment in the future?

Submarine sales grew in 2014 compared with 2013, with work still in progress on major projects, like Helwin 2, Sylwin 1 and Borwin 2 and 3 for offshore wind farms in Germany. While it's true that High Voltage performance has been generally negative in Europe, demand is still showing a positive trend in the Middle and Far East and in some North European markets. Prysmian is perfectly equipped to cope with increased demand, especially in the high value-added market segment, also thanks to recent investments in our European plants.





REVIEW OF ENERGY PROJECTS OPERATING SEGMENT

(in millions of Euro)

	2014	2013 (*)	Change %	2012 (*)
Sales	1,355	1,360	-0.3%	1,250
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	154	232	-33.6%	197
% of sales	11.4%	17.0%		15.8%
Adjusted EBITDA	154	231	-33.5%	197
% of sales	11.3%	17.0%		15.8%
EBITDA	195	234	-16.7%	196
% of sales	14.4%	17.2%		15.7%
Amortisation and depreciation	(40)	(39)		(37)
Adjusted operating income	114	192	-40.9%	162
% of sales	8.4%	14.1%		13.0%
Reconciliation of Operating Income / EBITDA to Adjusted Operating Income / Adjusted EBITDA				
EBITDA (A)	195	234	-16.7%	196
Non-recurring expenses/(income):				
Company reorganisation	1	4		3
Antitrust	(31)	(6)		1
Gains on asset disposals	-	(2)		(2)
Acquisition price adjustment ⁽¹⁾	(22)	-		-
Other net non-recurring expenses/(income)	11	1		(1)
Total non-recurring expenses/(income) (B)	(41)	(3)		1
Adjusted EBITDA (A+B)	154	231	-33.5%	197

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

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

The Energy Projects Operating Segment covers high-tech businesses whose focus is on projects and their execution, as well as on product customisation: High Voltage underground, Submarine and SURF (umbilicals, flexible pipes and special DHT (Downhole Technology) solutions for the oil industry).

The Group engineers, produces and installs high and extra high voltage cables for electricity transmission both from power stations and within transmission and primary distri-

bution grids. These highly specialised, high-tech products include cables insulated with oil or fluid-impregnated paper for voltages up to 1100 kV and extruded polymer insulated cables for voltages up to 500 kV. 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 500 kV; cables insulated with extruded polymer for AC transmission up to 400 kV and DC transmission up to 300 kV). The Group offers specific technological solutions for power transmission and distribution in underwater environments, which also satisfy the strictest international standards. The range of products for the offshore oil industry includes not only submarine cables to link offshore platforms to mainland

power grids but also solutions for use in the extraction and storage of hydrocarbons. The wide portfolio includes all the SURF (Subsea Umbilical, Riser and Flowline) products and services: multifunction umbilicals for transmitting energy and telecommunications and for hydraulic powering of wellheads by offshore platforms and/or by FPSOs (Floating, Production, Storage and Offloading vessels); high-tech flexible pipes for oil extraction; special DHT (Downhole Technology) solutions, which include cables encased in insulated tubing to control and power systems inside extraction machinery below the seabed's surface and for the flow of hydraulic power fluids to such machinery.

Market Overview

Stable demand in the submarine cables business, like in mature markets for the high voltage underground business. Positive trend for umbilicals confirmed in Brazil.

The submarine cable business faced an essentially stable market in 2014 compared with the previous year. Demand for offshore wind farm projects confirmed the stabilising trend commencing late in 2013 (after the boom in 2011, 2012 and part of 2013), the consequence of the high overall implementation costs of such projects and their subsequent transfer to the end consumer. Once again in 2014, the market was dominated by a few large global players who were awarded almost all of the projects up for tender. The much more fragmented medium voltage segment of the market underwent a slowdown, with every supplier exposed to the weakness in the market for inter-array connections.

Demand in the high voltage underground business was essentially stable in the mature markets of Europe and North America. The imbalance between high production capacity

and limited demand continued to exert pressure on prices in these markets. By contrast, demand continued to grow in the Middle and Far East, where prices and profitability nonetheless remained well below those in mature markets due to competition from local manufacturers and importers.

The SURF business reported a positive market trend for umbilicals in Brazil, as well as a strong demand for flexible pipes used in pre-salt fields, in which, however, the Group is not yet present. By contrast, there was limited demand for the post-salt products in which Prysmian competes. The Downhole Technology product segment enjoyed a positive market trend, thanks to growth in demand by global operators for projects in both the United States and other geographical areas, such as Central and South America, Europe, Far East and Middle East.

Financial Performance

Sales to third parties by the Energy Projects segment amounted to Euro 1,355 million in 2014, compared with Euro 1,360 million in 2013, posting a negative change of Euro 5 million (-0.3%). Excluding the negative impact of the Western HVDC Link project, sales to third parties would have been Euro 1,416 million.

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

- positive organic growth of Euro 22 million (+1.7%); excluding adjustments for the Western HVDC Link project, organic growth would have been a positive Euro 83 million (+6.1%);
- reduction of Euro 22 million (-1.7%) for exchange rate fluctuations;
- sales price reduction of Euro 5 million (-0.3%) for metal price fluctuations.

Positive organic growth in 2014 reflects a combination of opposing factors, such as the positive trends in the Submarine and SURF businesses, as partially offset by weakness in the High Voltage business.

The High Voltage business performed poorly in some of the major European markets (Italy and North European countries) in the wake of lower demand for energy infrastructure. The Group increased its exposure to markets in the Middle and Far East, characterised by growing demand for energy infrastructure but also by lower profitability. Demand in Russia continued to be limited due to the uncertain local political situation causing delays in the implementation of previously planned major projects.

Sales by the Submarine business were up on 2013, despite the delay in the Western HVDC Link (UK). The main projects on which work was performed in the year were the Helwin 2, Sylwin 1 and Borwin 2 and 3 offshore wind farms in Germany. With regard to execution of the Western HVDC Link (UK) project, initiated in the third quarter of 2012, some technical

problems were encountered with the cable manufacturing process, resulting in a downward revision of Euro 61 million to expected sales.

The value of the Group's Submarine order book was in excess of Euro 2.3 billion at the end of 2014, providing sales visibility for a period of about three years. The order book mainly consists of the following contracts: the interconnector between Greece and the Cyclades islands, the interconnectors in the Balearic Islands (Mallorca-Ibiza) and over the Dardanelles Strait, the link between Montenegro and Italy (Monita), the contracts for offshore wind platform connections (DoWin3, Deutsche Bucht, 50Hertz), the link between offshore wind farms in the North Sea and the German mainland (BorWin3), the interconnection of the Philippine islands of Panay and Negros, the Shannon River crossing in Ireland, the interconnector between the UK and Scotland (WesternLink) and the contract for the supply and installation of submarine cables for part of the offshore operations of ExxonMobil Corporation in the United States. In order to satisfy these contracts, investments have been made to upgrade production capacity at the Pikkala plant in Finland, already operational since the end of 2011, and at the Arco Felice plant in Italy.

The SURF business reported a good performance for DHT cables in the North American market, in the face of a weak result in the flexible pipes segment. Performance in the umbilical cables segment was basically stable.

As a result of the events described in the Submarine business, an impoverished geographical mix of projects in the High Voltage underground business and stability in the SURF business, Adjusted EBITDA for the Energy Projects operating segment came to Euro 154 million (Euro 248 million without the negative impact of the Western HVDC Link project). This is a decrease of Euro 77 million from Euro 231 million in 2013, of which Euro 94 million is the adverse impact of the Western HVDC Link project; excluding this effect, Adjusted EBITDA would have reported an increase of Euro 17 million.



REVIEW OF ENERGY PRODUCTS OPERATING SEGMENT



INTERVIEW WITH HANS NIEMAN, Senior Vice President Energy Products

What is the perimeter of the Energy Products operating segment, one of the two segments into which the Energy business has been divided?

The Energy Products Operating Segment is able to offer a broad portfolio of products for two lines of business: the first is Energy & Infrastructure, which in turn includes Trade & Installers and Power Distribution; the second is Industrial & Network Components, which comprises Specialties & OEM, Oil & Gas, Elevators, Automotive and Network Components. In practice, the segment aims to cover the needs of different industries and has a customer base consisting of top companies the world over.

What does it mean to be a leader and remain a leader in energy cables?

It means setting the standards for the global cable industry at ever higher levels of quality, efficiency and safety, and opening up ever new frontiers of technological innovation. Even in low voltage, which is mistakenly seen as a commodity, our Group aims to stand out by making top quality its hallmark. The planet's construction industry landmarks, real symbols of design and engineering materialising into increasingly bold and spectacular buildings, are made safe thanks to Prysmian fire-resistant cables, able to save lives in the event of fire. These products are constantly being improved by our research and development labs, helping raise industry standards ever higher.

Why has Prysmian been selected for these world leading projects?

For its ability to put the customer first, to anticipate their needs, to have an ever-ready response to the challenge of quality and excellence, to act as a one-stop-shop

where customers can find all the answers to their questions, even those they haven't yet asked. Obviously there aren't just buildings: our customers are also in the transportation industry, from the sea to the skies, in the Oil & Gas industry, and the elevators and renewable energy industries, always positioned at the very top end of the market. It's obvious that safety plays a critical role in all these industries, not only because extensive asset management services help get the best out of all components over their life cycle, but also because higher quality cables can minimise risks and make infrastructure safer. Like in the case of mid-ocean oil platforms, the Airbus 380, or the historic London Tube that transports millions of people every day.

What are the prospects for the Energy Products Operating Segment?

We closed 2014 with slightly lower revenues mainly because of the economic situation in some areas of the global market, like South America. Our focus on the high end of the market, i.e. that of high value-added products, and our ongoing commitment to research and innovation, culminating in the introduction of ever new products, allow us to take a positive medium-term view. We're optimistic about 2015 and confident that investments in power distribution networks will regain momentum in several parts of the world, as anticipated by Jean-Claude Juncker for Europe. If this is the case, we'll be ready.





REVIEW OF ENERGY PRODUCTS OPERATING SEGMENT

(in millions of Euro)

	2014	2013 (*)	Change %	2012 (*)
Sales	4,491	4,649	-3.4%	5,122
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	221	259	-15.0%	289
% of sales	4.9%	5.6%		5.6%
Adjusted EBITDA	239	276	-13.6%	304
% of sales	5.3%	5.9%		5.9%
EBITDA	195	250	-22.0%	235
% of sales	4.3%	5.4%		4.6%
Amortisation and depreciation	(62)	(66)		(72)
Adjusted operating income	177	210	-16.2%	232
% of sales	3.9%	4.5%		4.5%
Reconciliation of Operating Income / EBITDA to Adjusted Operating Income / Adjusted EBITDA				
EBITDA (A)	195	250	-22.0%	235
Non-recurring expenses/(income):				
Company reorganisation	38	29		50
Draka integration costs	-	-		4
Tax inspections	-	-		1
Environmental remediation and other costs	-	(3)		3
Gains on asset disposals	-	(2)		(1)
Other net non-recurring expenses	6	2		11
Total non-recurring expenses/(income) (B)	44	26		69
Adjusted EBITDA (A+B)	239	276	-13.6%	304

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

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

Sales to third parties by the Energy Products operating segment amounted to Euro 4,491 million in 2014, compared with Euro 4,649 million in 2013, posting a negative change of Euro 158 million (-3.4%), due to the combined effect of the following main factors:

- increase of Euro 65 million (+1.4%) due to organic sales growth, reflecting volume recovery in Northern and Eastern Europe and growth in Asian countries, as partially offset by negative organic growth in South America;
- reduction of Euro 130 million (-2.0%) for exchange rate fluctuations;
- sales price reduction of Euro 93 million (-2.8%) for metal price fluctuations.

Adjusted EBITDA for 2014 came to Euro 239 million, down Euro 37 million (-13.6%) from Euro 276 million in 2013.

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

ENERGY & INFRASTRUCTURE

(in millions of Euro)

	2014	2013 (*)	Change %	% organic sales change	2012 (*)
Sales	2,677	2,747	-2.6%	2.7%	3,139
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	91	113	-20.4%		134
% of sales	3.4%	4.1%			4.3%
Adjusted EBITDA	108	127	-16.8%		144
% of sales	4.1%	4.6%			4.6%
Adjusted operating income	74	90	-19.4%		103
% of sales	2.8%	3.3%			3.3%

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

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 commer-

cial structures. 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.

UK Deputy Prime Minister Nick Clegg visiting Bishopstoke plant in November 2014.



Market Overview

Uncertainty about the construction industry's future prospects prevailed over the positive effects of lower metal and commodity prices. Demand for the Power Distribution business line slowed, confirming and reinforcing the downward trend already seen in 2013.

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.

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

As noted in the nine-month report, countries in Europe, such as Spain and Italy, were particularly hard hit because of the negative impact on the property market of severe restrictions on bank credit. Even Germany and the Netherlands were affected by a stationary trend in demand for new build; this led to growing price pressure, also due to ever increasing competition by small foreign operators from Southern Europe and North Africa seeking outlets for their surplus capacity in the richer markets of Central and Northern Europe.

The North American market, already affected by largely flat demand for products serving infrastructure construction, was partly affected in 2014 by the delay in defining tax incentives for energy-efficient buildings. Nonetheless, Canada saw good growth in demand in the renewables sector (for wind farms).

Markets in South America reversed the previous year's volume gains after reporting a downturn in demand caused by slowdown in the industrial and residential construction sectors.

Lastly, despite the Australian dollar's depreciation during the year, demand continued to stagnate on the Australian construction market, defined by strong competitive pressures from Asian operators.

Demand for the Power Distribution business line slowed in 2014, confirming and reinforcing the downward trend already seen in 2013.

This trend reflected generally stagnant energy consumption in the principal European countries, which in turn adversely affected demand by the major utilities. The latter, operating in a recessionary economic environment, either maintained an extremely cautious approach given the difficulties in forecasting future growth, or else they concentrated on restructuring to improve efficiency and reduce supply-side costs. As a result, the competitive environment in terms of price and mix remained extremely challenging almost everywhere.

Markets in the Americas showed signs of general stability in 2014 compared with the previous year.

Financial Performance

Sales to third parties by the E&I business area amounted to Euro 2,677 million in 2014, compared with Euro 2,747 million in 2013, posting a negative change of Euro 70 million (-2.6%) due to the combined effect of the following main factors:

- positive organic growth of Euro 75 million (+2.7%);
- reduction of Euro 89 million (-3.3%) for exchange rate fluctuations;
- sales price reduction of Euro 56 million (-2.0%) for metal price fluctuations.

Prysmian Group continued its strategy in this business area of focusing on commercial relationships with top international customers and its development of tactical actions to avoid losing sales opportunities, by differentiating its offer in the various markets and by increasing its market share in specific

geographical areas. This has led to a very complex commercial strategy, not only focused where possible on improving the sales mix, but also aimed at regaining market share while seeking to minimise the impact on sales margins.

The general precariousness of demand for infrastructure, combined with the state of energy consumption in most European markets, certainly affected the performance of the Group, which was nonetheless able to benefit from growth opportunities in Asian and North American markets.

By contrast, Prysmian Group's sales suffered in South America, where the trend in demand remained negative and where pressure on prices started to be felt.

Given the factors described above, Adjusted EBITDA for 2014 came to Euro 108 million, down from Euro 127 million in the previous year.

INDUSTRIAL & NETWORK COMPONENTS

(in millions of Euro)

	2014	2013 (*)	Change %	% organic sales change	2012 (*)
Sales	1,708	1,788	-4.4%	-0.3%	1,849
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	125	141	-11.1%		154
% of sales	7.4%	7.9%			8.3%
EBITDA Adjusted	126	141	-11.1%		154
% of sales	7.4%	7.9%			8.3%
Adjusted operating income	100	116	-14.8%		126
% of sales	5.9%	6.5%			6.7%

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

The extensive 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.

The range of products for the Oil & Gas industry includes low and medium voltage power cables, and instrumentation and control cables for use in the oil and petrochemicals industry (offshore platforms, onshore extraction facilities, refineries, chemical plants for fertilizer production, and so on). Lastly, the Group produces accessories and network components, such as joints and terminations for low, medium, high and extra high voltage cables and submarine systems, to connect cables with one another and/or connect them with other network devices, suitable for industrial, construction and infrastructure applications and for use within power transmission and distribution grids.



Market Overview

Considerable inconsistencies between the various business lines and large disparities between the different geographical areas. General recovery in demand for renewables.

Trends on Industrial cable markets in 2014 displayed considerable inconsistencies between the various business lines and large disparities between the different geographical areas. The common tendency was for more fragmented and erratic demand, concentrated on smaller scale but technologically more complex projects than in the past, accompanied by more exacting requirements regarding quality and after-sales service.

Some segments of the Industrial market showed stable or growing demand, like certain top sectors of OEMs (like rolling stock), Oil & Gas (Offshore) and the Elevator market, accompanied by a recovery in demand in the renewable energy market; by contrast, other market segments experienced a contraction in volumes, like the Onshore Oil & Gas segment, affected by delays in investment projects, and the low-end mining and infrastructure ranges for the OEM market, where demand depends on specific geographical factors.

In addition, international demand in the standard segments of the Oil & Gas market (MRO) declined in the second half of the year with the falling price of oil.

Demand in the industrial infrastructure and mining sectors

was weak and below that in 2013, primarily due to falling commodity prices and significant production overcapacity.

As far as applications for the transport sector are concerned, the major European players adopted a cautious stance due to poor visibility as to when to resume investments and to recent deficit-cutting policies in the Eurozone's major economies; demand in other parts of the world remained buoyant, especially in China and the Far East.

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

Lastly, the renewable energy market reported particularly positive demand outside Europe, especially in China and North America. In Europe, however, demand remained weak in the wake of restrictive financial policies adopted by the main governments which either cut special incentives or made it more difficult to access credit for onshore wind projects.

Financial Performance

Sales to third parties by the Industrial & Network Components business area amounted to Euro 1,708 million in 2014, compared with Euro 1,788 million in 2013, posting a negative change of Euro 80 million (-4.4%) due to the combined effect of the following main factors:

- negative organic sales growth of Euro 5 million (-0.3%);
- reduction of Euro 38 million (-2.1%) for exchange rate fluctuations;
- sales price reduction of Euro 37 million (-2.0%) for metal price fluctuations.

Overall performance in 2014 by the industrial applications business was affected by the instability of investment demand in the energy resources business (Mining, Oil & Gas), while still having to maintain the necessary geographical and product differentiation, given the wide range of products developed specially for the market and the highly customised nature of the solutions.

In Europe, Prysmian Group saw its order book slow in the high-end OEM sector (mining cables for European markets, mainly Germany) and in the infrastructure sector (power generation cables, mainly for Central-North European markets). Performance in the Oil & Gas sector was basically in line with the previous year thanks to a recovery in the second half of the year and despite a steep downturn in exports by energy-producing nations in the Middle East, the result of a general slowing in investment in the face of

regional political and economic instability, and a weak oil price.

In the renewables business, demand improved considerably, particularly in Northern Europe, North America and China, while persistent weakness prevailed in Southern Europe.

The strategy of technological specialisation of the solutions offered allowed Prysmian Group to consolidate its Elevator market leadership in North America and to expand into the Chinese and European markets; its exposure to the European market in particular was still marginal although significantly greater than in the previous year.

Asia, Australia and China were the regions offering the Group the main growth opportunities in 2014, thanks to consolidation of its market share in Australia and the development of Offshore projects in Singapore and China.

Lastly, the Network Components business area reported a slight increase in sales volumes in all product segments, allowing the prior year level of profitability to be maintained despite growing pressure on prices. Sales on European markets remained stable, despite weak medium voltage demand, with similar weakness in High Voltage demand in North America; sales of high voltage accessories recovered in the Chinese market, supported by local production by the Suzhou plant.

Given the factors described above, Adjusted EBITDA for 2014 came to Euro 126 million, down from Euro 141 million in the previous year.

OTHER

(in millions of Euro)

	2014	2013 (*)	2012 (*)
Sales	106	114	134
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	5	5	1
Adjusted EBITDA	5	8	6
Adjusted operating income	3	4	3

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

This business area encompasses occasional sales by Prysmian Group operating units of intermediate goods, raw materials or other products forming part of the production

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

REVIEW OF TELECOM OPERATING SEGMENT



**INTERVIEW WITH PHILIPPE VANHILLE,
Senior Vice President Telecom**

What does it mean to be a global leader in telecommunication cables, especially optical fibre ones?

It means being at the forefront of a field, namely digitisation, which, along with electrification, is one of the two most powerful drivers of the planet's industrial and economic growth. The digital economy grows and spreads on optical cables, and the Group is a global leader in the manufacture of the core component of every type of optical cable: optical fibre. We're a global leader because we own one of the world's three optical fibre manufacturing technologies and we're experts in the design of optical cables serving the many needs of telecom networks. But I would add that, if we are leader, it's also because we're convinced that bringing fibre to every home and building in the world is an important goal and a major driving force for communities.

Are we talking about connectivity and FTTx?

And about all the ramifications that allow fibre to be brought to the end user: the home with FTTH, the antenna with FTTA, the building with FTTB ... Increasing bandwidth requirements, by both the business and residential sectors, are having a profound effect upon the performance required of the optical network, which in turn demands high standards of fibre management. This is why we've developed the family 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.

But there isn't just the last mile...

The Group operates with a range of solutions that respond to the demand for wider bandwidth by major network

operators and service providers. Our product portfolio covers every area of the industry, including long-distance and urban systems, and solutions such as optical ground wire (OPGW), Siroccoxs (fibres and cables for blown installation), Flextube® (extremely flexible easy-to-handle cables for indoor or outdoor installations), and many more. A range of products that allows us to undertake major projects, even on a continental scale like the ambitious Fibre-to-the-Premises programme launched by the Australian government; a project that confirms the central role of Prysmian in tackling a challenge of such enormous dimensions, as Matteo Renzi, the Italian Premier, was able to see during a recent visit to our Dee Why production facility in Australia.

What are the prospects for the Telecom Operating Segment?

The size of the global market for optical fibre cables is predicted to grow although with large regional differences. Demand in 2014 reported growth in fast-developing markets, like China, and those with high communication infrastructure needs, like India. This was accompanied by a recovery in volumes in Europe. In Brazil we saw a slight dip in volumes, while North America recorded a recovery after the steep falloff in 2013 with the ending of government incentives. In Europe, in particular, we have won contracts for work on major projects to realise backhauls and FTTH connections for leading operators, such as British Telecom in the United Kingdom, Telefonica and Jazztel in Spain, Orange in France and Telecom Italia in Italy. The high value-added connectivity business has remained generally positive in Europe and North America, thanks to the development of new FTTx networks.





REVIEW OF TELECOM OPERATING SEGMENT

(in millions of Euro)

	2014	2013 (*)	Change %	2012 (*)
Sales	994	986	0.8%	1,202
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	91	87	4.2%	133
% of sales	9.1%	8.8%		11.0%
Adjusted EBITDA	116	106	10.1%	149
% of sales	11.7%	10.8%		12.4%
EBITDA	116	86	31.7%	127
% of sales	11.6%	8.7%		10.5%
Amortisation and depreciation	(42)	(43)		(48)
Adjusted operating income	74	63	19.7%	101
% of sales	7.4%	6.4%		8.4%
Reconciliation of Operating Income / EBITDA to Adjusted Operating Income / Adjusted EBITDA				
EBITDA (A)	116	86	31.7%	127
Non-recurring expenses/(income):				
Company reorganisation	6	13		16
Draka integration costs	-	-		1
Tax inspections	-	-		2
Effect of YOFC Dilution	(8)	-		-
Gains on asset disposals	-	(1)		-
Other net non-recurring expenses	2	8		3
Total non-recurring expenses/(income) (B)	-	20		22
Adjusted EBITDA (A+B)	116	106	10.1%	149

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

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

Optical fibre

Prysmian Group is 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, designed and manufactured to cater to the

broadest possible spectrum of customer applications, such as single-mode, multimode and specialty fibres.

Optical cables

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

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

FTTA (Fibre-To-The-Antenna)

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

Copper cables

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

Multimedia Solutions

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

Market Overview

Although the global optical fibre cables market grew compared with the previous year, there were large regional differences. The year was also marked by the consolidation of wireless technologies (4G, LTE) requiring the installation of optical backbones to power antennae located across the territory.

Although the global optical fibre cables market grew in 2014 there were large regional differences. In fact, demand reported growth in fast-developing markets (China) and those with high communication infrastructure needs (India), along with recovery in Europe. In France and Spain, projects to extend residential broadband access, in accordance with the European Digital Agenda's targets, played a crucial role in this positive turn of events. Even in Central Europe the distribution of bandwidth via xDSL and G.FAST technologies, using the last metres of the existing copper network, entails a modification of the distribution network that requires huge volumes of optical cables. In Brazil, volumes increased slightly in 2014 on the previous year, even though the benefits of the government's fiscal incentives in support of investment were less than expected. North America recorded a recovery in demand after the steep drop in 2013 with the ending of government incentives. The revival in demand also appears to have accelerated a volume recovery in Asia as well.

In parallel with the traditional activities of developing the fixed network, 2014 was marked by the consolidation of wireless technologies (4G, LTE) which require the installation of optical backbones to power antennae located across the territory. Mobile technology is experiencing a period of significant growth both in developing countries, pending highly expensive investments in fixed network infrastructure, and in mature countries where demand for broadband on portable devices is constantly growing.

The Access/Broadband/FTTx market grew in 2014, mainly in Europe and North America, with demand driven by the development of optical fibre communication infrastructure. In addition to cables, this segment comprises a varied portfolio of accessories for fibre connection. However, the still relatively low maturity of these products implies wide market differences between the various geographical areas.

The copper cables market continued to slow not only because of the economic downturn in the past two years, causing some major operators to scale back their larger investment projects,

but also because of product maturity. The decline in this market was increasingly evident in 2014, with high demand for internet access causing major operators to choose to renew their networks using optical fibre, rather than perform maintenance or upgrade work on existing networks.

The MMS cable market posted a slight global growth, with Asia and South America making a larger contribution than Europe in both the copper and optical cable segments. Demand growth is being generated by the demand for ever greater bandwidth capacity in professional and office environments and data centres. Interestingly, this phenomenon occurs both in new buildings, and in projects to renovate existing ones. An important contribution to this growth is coming from industrial applications that require new highly specialised products. Another important channel is represented by HDTV cables used for the broadcast of digital content such as sports events or other events covered by the media.



Financial Performance

Sales to third parties by the Telecom operating segment amounted to Euro 994 million in 2014, compared with Euro 986 million in 2013, posting a positive change of Euro 8 million (+0.8%).

This change is attributable to the following factors:

- organic sales growth of Euro 40 million (+4.0%), thanks to volume recovery for optical fibre cables;
- reduction of Euro 26 million (-2.6%) for exchange rate fluctuations;
- sales price reduction of Euro 6 million (-0.6%) for metal price fluctuations.

The organic growth in sales in 2014 was mainly driven by the recovery in demand for optical fibre cable, which offset lower demand for copper cables and OPGW products, in turn due to the postponement of investment projects in areas affected by geopolitical turmoil, such as Iraq and Libya. Optical cables enjoyed a strong upsurge in demand in all the major markets, while the general price pressure seen in the first part of the year seemed to have stabilised, also

thanks to US dollar appreciation. In Europe, in particular, the Group won contracts for work on major projects to realise backbones and FTTH connections for leading operators, such as British Telecom in the United Kingdom, Telefonica and Jazztel in Spain, Orange in France and Telecom Italia in Italy. Even North America displayed a recovery in domestic demand during the year mainly involving development of 4G LTE infrastructure and new FTTx networks. In South America government tax measures in support of investment did not bring any significant improvements in 2014. Lastly, the Asia Pacific region saw work resume on the NBN project in Australia and demand follow a positive trend in Singapore. The Multimedia Solutions business posted a recovery in profitability thanks to the strategy of focusing on higher value-added products, such as data centres in Europe, and of rationalising its presence in lower margin businesses. The high value-added connectivity business enjoyed a positive trend, thanks to the development of new FTTx networks (for last mile broadband access) in Europe and North America.

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

Adjusted EBITDA for 2014 came to Euro 116 million, reporting an increase of Euro 10 million (+10.1%) from Euro 106 million in 2013, also thanks to the contribution of Yangtze Optical Fibre and Cable Joint Stock Limited Company in China.



GROUP STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	31 December 2014	31 December 2013 (*)	Change	31 December 2012 (*)
Net fixed assets	2,219	2,207	12	2,301
Net working capital	407	386	21	433
Provisions	(281)	(297)	16	(355)
Net capital employed	2,345	2,296	49	2,379
Employee benefit obligations	360	308	52	344
Total equity	1,183	1,183	-	1,147
of which attributable to non-controlling interests	33	36	(3)	35
Net financial position	802	805	(3)	888
Total equity and sources of funds	2,345	2,296	49	2,379

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

NET FIXED ASSETS

(in millions of Euro)

	31 December 2014	31 December 2013 (*)	Change	31 December 2012 (*)
Property, plant and equipment	1,414	1,390	24	1,484
Intangible assets	561	588	(27)	608
Equity-accounted investments	225	205	20	193
Available-for-sale financial assets	12	12	-	12
Assets held for sale	7	12	(5)	4
Net fixed assets	2,219	2,207	12	2,301

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

Net fixed assets amounted to Euro 2,219 million at 31 December 2014, compared with Euro 2,207 million at 31 December 2013, posting an increase of Euro 12 million mainly due to the combined effect of the following factors:

- Euro 163 million in investments in property, plant and equipment and intangible assets;
- Euro 188 million in depreciation, amortisation and impairment charges and reversals for the year;
- Euro 20 million for the net increase in equity-accounted

investments. This increase mainly consists of Euro 43 million for the share of net profit/(loss) of equity-accounted companies, net of Euro 36 million in dividend receipts, and Euro 8 million as the positive effect of the share dilution relating to Yangtze Optical Fibre and Cable Joint Stock Limited Company;

- Euro 6 million in disposals of assets held for sale;
- Euro 24 million in positive currency translation differences.

NET WORKING CAPITAL

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

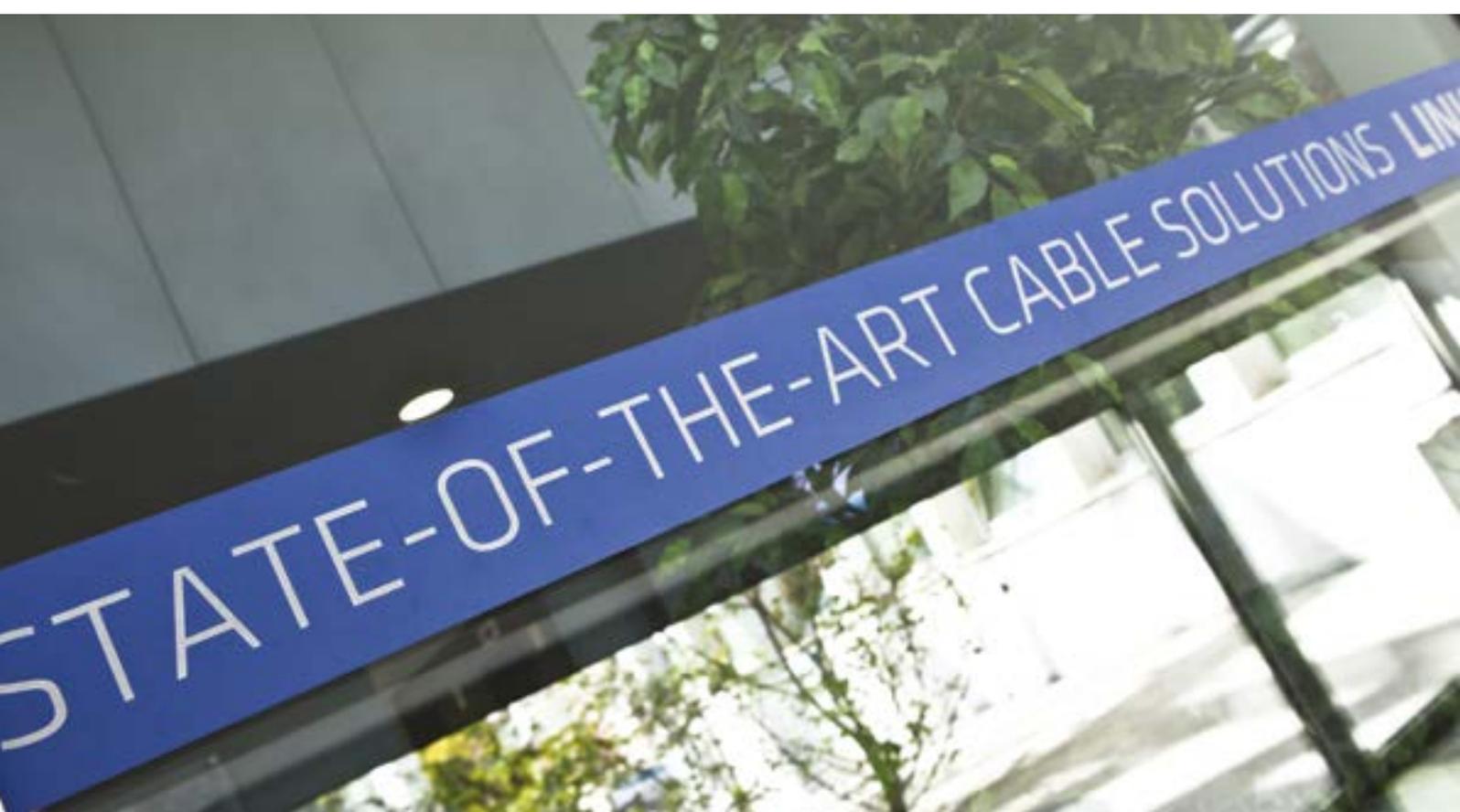
(in millions of Euro)

	31 December 2014	31 December 2013 (*)	Change	31 December 2012 (*)
Inventories	981	881	100	866
Trade receivables	952	933	19	1,083
Trade payables	(1,415)	(1,409)	(6)	(1,416)
Other receivables/(payables)	(95)	(13)	(82)	(93)
Net operating working capital	423	392	31	440
Derivatives	(16)	(6)	(10)	(7)
Net working capital	407	386	21	433

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

Net working capital of Euro 407 million at 31 December 2014 was Euro 21 million higher than the corresponding figure of Euro 386 million at 31 December 2013, or Euro 32 million higher excluding the impact of the fair value change in derivatives. Net operating working capital amounted to Euro 423 million (5.8% of sales) at 31 December 2014, compared with Euro 392 million (5.8% of sales) at 31 December 2013, and was affected by the following factors:

- a significant reduction in working capital employed in multi-year Submarine projects, linked to their stage of completion with respect to contractual deadlines, and to
- the delay and negative economic impact of the Western HVDC Link project;
- an increase following payment of the 2011-2013 long-term incentive plan, classified among payables to employees at 31 December 2013;
- an increase in the level of the level of inventories of finished goods, semi-finished products and raw materials in view of the expectation of growing volumes during the year, which it had not been possible to fully absorb by year end;
- a reduction of Euro 28 million in without-recourse factoring transactions;
- an increase of Euro 13 million for exchange rate differences.



EQUITY

The following table reconciles the Group's equity and net profit/(loss) for 2014 with the corresponding figures reported by Prysmian S.p.A., the Parent Company.

(in millions of Euro)

	Equity 31 December 2014	Net profit/ (loss) for 2014	Equity 31 December 2013 (*)	Net profit/ (loss) for 2013 (*)
Parent Company Financial Statements	1,107	192	1,021	184
Share of equity and net profit of consolidated subsidiaries, net of the carrying amount of the related investments	97	139	188	189
Reversal of dividends distributed to the Parent Company by consolidated subsidiaries	-	(221)	-	(220)
Deferred taxes on earnings/reserves distributable by subsidiaries	(14)	5	(19)	(1)
Elimination of intercompany profits and losses included in inventories	(7)	-	(7)	1
Net effect of other consolidation journals	-	-	-	-
Non-controlling interests	(33)	-	(36)	(4)
Consolidated Financial Statements	1,150	115	1,147	149

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

NET FINANCIAL POSITION

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

(in millions of Euro)

	31 December 2014	31 December 2013 (*)	Change	31 December 2012 (*)
Long-term financial payables				
- Term Loan Facility 2011	400	400	-	947
- Bank fees	(2)	(3)	1	(11)
EIB Loan	92	-	92	-
Non-convertible bond	-	399	(399)	398
Convertible bond	271	263	8	-
Derivatives	3	4	(1)	35
Other financial payables	56	60	(4)	94
Total long-term financial payables	820	1,123	(303)	1,463
Short-term financial payables				
- Term Loan Facility 2010	-	183	(183)	124
- Revolving Facility	-	3	(3)	4
- Revolving Credit Facility 2014 in pool	-	-	-	-
EIB Loan	9	-	9	-
Non-convertible bond	415	15	400	15
Convertible bond	1	1	-	-
Securitization	-	-	-	75
Revolving facility 2014	30	-	30	-
Derivatives	8	19	(11)	7
Other financial payables	113	90	24	93
Total short-term financial payables	576	311	265	318
Total financial liabilities	1,396	1,434	(38)	1,781
Long-term financial receivables	2	4	(2)	9
Long-term bank fees	5	-	5	4
Short-term derivatives	5	5	-	3
Short-term financial receivables	9	12	(3)	7
Short-term bank fees	3	5	(2)	5
Financial assets held for trading	76	93	(17)	78
Cash and cash equivalents	494	510	(16)	787
Total financial assets	594	629	(35)	893
Net financial position	802	805	(3)	888

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

The net financial position of Euro 802 million at 31 December 2014 has decreased by Euro 3 million from Euro 805 million at 31 December 2013. The main factors affecting the year-end balance were:

- generation of Euro 400 million in cash from operating activities (before changes in net working capital);
- substantial stability in net working capital (increase of Euro 1 million);
- payment of Euro 72 million in taxes;
- receipt of Euro 36 million in dividends from investments in equity-accounted companies, up from the previous year following the extraordinary dividend of Euro 21 million distributed by Yangtze Optical Fibre and Cable Joint Stock Limited Company;

- net receipt of Euro 9 million from business combinations (comprising the net receipt of Euro 15 million upon completing the purchase price adjustment process for the acquisition of Global Marine Systems Energy Ltd, and the payment of Euro 6 million to acquire the remaining 34% of the subsidiary AS Draka Keila Cables);
- net operating investments of Euro 155 million;
- payment of Euro 110 million in net finance costs;
- payment of Euro 90 million in dividends;
- purchase of treasury shares for Euro 20 million.

More details about the change in net financial position can be found in the subsequent comments accompanying the statement of cash flows.

STATEMENT OF CASH FLOWS

(in millions of Euro)

	2014	2013 (*)	Change	2012 (*)
EBITDA	496	563	(67)	549
Changes in provisions (including employee benefit obligations)	(23)	(69)	46	13
(Gains)/losses on disposal of property, plant and equipment, intangible assets and non-current assets	(8)	(7)	(1)	(14)
Share of net profit/(loss) of equity-accounted companies	(43)	(35)	(8)	(31)
Acquisition price adjustment ⁽¹⁾	(22)	-	(22)	-
Net cash flow provided by operating activities (before changes in net working capital)	400	452	(52)	517
Changes in net working capital	(1)	(6)	5	69
Taxes paid	(72)	(60)	(12)	(72)
Dividends from investments in equity-accounted companies	36	16	20	16
Net cash flow provided/(used) by operating activities	363	402	(39)	530
Acquisitions	9	-	9	(86)
Net cash flow used in operational investing activities	(155)	(107)	(48)	(129)
Free cash flow (unlevered)	217	295	(78)	317
Net finance costs	(110)	(124)	14	(126)
Free cash flow (levered)	107	171	(64)	191
Increases in share capital and other changes in equity	(20)	-	(20)	1
Dividend distribution	(90)	(92)	2	(44)
Net cash flow provided/(used) in the year	(3)	79	(82)	148
Opening net financial position	(805)	(888)	83	(1.026)
Net cash flow provided/(used) in the year	(3)	79	(82)	148
Convertible bond equity component	-	39	(39)	-
Other changes	6	(35)	41	(10)
Closing net financial position	(802)	(805)	3	(888)

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

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

Net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 400 million at the end of 2014.

The increase of Euro 1 million in working capital described earlier absorbed only a small part of the above cash flow. After Euro 72 million in tax payments and Euro 36 million in dividend receipts, net cash flow from operating activities in the year was therefore a positive Euro 363 million.

Net operating investments in 2014 amounted to Euro 155 million; investments by the Energy Products segment mainly referred to the conversion of the cable ship owned by Prysmian PowerLink Services Ltd to allow it to perform different types of installation work according to customer needs, to the purchase of the Pikkala site in Finland, and

to production capacity increases at the Arco Felice plant in Naples and the Drammen plant in Norway for the realisation of the Exxon Mobile and Baltic 2 submarine projects; expenditure by the Energy Products segment was mainly to increase production capacity at the Abbeville plant in the United States to cope with the growth in local demand for the E&I business, while expenditure by the Telecom segment was mostly to increase production capacity at the Sorocaba plant in Brazil for the construction of preforms needed in optical fibre manufacturing.

A total of Euro 110 million in net finance costs and Euro 90 million in dividends were also paid during the year, while Euro 20 million was spent on purchasing treasury shares.

ALTERNATIVE PERFORMANCE INDICATORS

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

The alternative indicators used for reviewing the income statement include:

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



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

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



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

RECONCILIATION BETWEEN THE RECLASSIFIED STATEMENT OF FINANCIAL POSITION PRESENTED IN THE DIRECTORS' REPORT AND THE STATEMENT OF FINANCIAL POSITION CONTAINED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES AT 31 DECEMBER 2014

(in millions of Euro)

	Note	Partial amounts from financial statements	31 December 2014 Total amounts from financial statements	31 December 2013 (*) Partial amounts from financial statements	Total amounts from financial statements
Net fixed assets					
Property, plant and equipment			1,414		1,390
Intangible assets			561		588
Equity-accounted investments			225		205
Available-for-sale financial assets			12		12
Assets held for sale			7		12
Total net fixed assets	A		2,219		2,207
Net working capital					
Inventories	B		981		881
Trade receivables	C		952		933
Trade payables	D		(1,415)		(1,409)
Other receivables/payables - net	E		(95)		(13)
of which:					
<i>Other receivables - non-current</i>	5	20		24	
<i>Tax receivables</i>	5	14		13	
<i>Receivables from employees</i>	5	2		2	
<i>Other</i>	5	4		9	
<i>Other receivables - current</i>	5	754		705	
<i>Tax receivables</i>	5	157		109	
<i>Receivables from employees and pension plans</i>	5	5		5	
<i>Advances to suppliers</i>	5	19		17	
<i>Other</i>	5	126		99	
<i>Construction contracts</i>	5	447		475	
<i>Other payables - non-current</i>	13	(13)		(20)	
<i>Tax and social security payables</i>	13	(7)		(12)	
<i>Accrued expenses</i>	13	-		(3)	
<i>Other</i>	13	(6)		(5)	
<i>Other payables - current</i>	13	(827)		(688)	
<i>Tax and social security payables</i>	13	(144)		(99)	
<i>Advances from customers</i>	13	(381)		(241)	
<i>Payables to employees</i>	13	(64)		(98)	
<i>Accrued expenses</i>	13	(100)		(136)	
<i>Other</i>	13	(138)		(114)	
<i>Current tax payables</i>		(29)		(34)	
Total net operating working capital	F = B+C+D+E		423		392
Derivatives	G	(16)		(6)	
of which:					
<i>Forward currency contracts on commercial transactions (cash flow hedges) - non current</i>	8	(2)		-	
<i>Forward currency contracts on commercial transactions (cash flow hedges) - current</i>	8	(7)		1	
<i>Forward currency contracts on commercial transactions - current</i>	8	(2)		6	
<i>Metal derivatives - non-current</i>	8	1		(1)	
<i>Metal derivatives - current</i>	8	(6)		(12)	
Total net working capital	H = F+G		407		386

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

(in millions of Euro)

	Note	31 December 2014		31 December 2013 (*)	
		Partial amounts from financial statements	Total amounts from financial statements	Partial amounts from financial statements	Total amounts from financial statements
Provisions for risks and charges - non-current	14		(74)		(51)
Provisions for risks and charges - current	14		(269)		(279)
Deferred tax assets	16		115		130
Deferred tax liabilities	16		(53)		(97)
Total provisions	I		(281)		(297)
Net capital employed	L = A+H+I		2,345		2,296
Employee benefit obligations	M 15		360		308
Total equity	N 11		1,183		1,183
<i>Equity attributable to non-controlling interests</i>			33		36
Net financial position					
Total long-term financial payables	O		820		1,123
Term loan facility	12	400		400	
Bank fees	12	(2)		(3)	
Credit Agreements	12	398		397	
EIB Loan	12	92		-	
Non-convertible bond	12	-		399	
Convertible bond	12	271		263	
Derivatives		3		4	
of which:					
<i>Interest rate swaps</i>	8	3		4	
Other payables		56		60	
of which:					
<i>Finance lease obligations</i>	12	16		15	
<i>Other financial payables</i>	12	40		45	
Total short-term financial payables	P		576		311
Term loan facility	12	-		184	
Bank fees	12	-		(1)	
EIB Loan	12	9		-	
Non-convertible bond	12	415		15	
Convertible bond	12	1		1	
Revolving Credit Facility 2011	12	-		3	
Revolving Credit Facility 2014	12	30		-	
Derivatives		8		19	
of which:					
<i>Interest rate swaps</i>	8	-		14	
<i>Forward currency contracts on financial transactions</i>	8	8		5	
Other payables		113		90	
of which:					
<i>Finance lease obligations</i>	12	2		2	
<i>Other financial payables</i>	12	111		88	
Total financial liabilities	Q = O+P		1,396		1,434
Long-term financial receivables	R 5	(2)		(4)	
Long-term bank fees	R 5	(5)		-	
Short-term financial receivables	R 5	(9)		(12)	
Short-term derivatives	R	(5)		(5)	
of which:					
<i>Forward currency contracts on financial transactions (current)</i>	8	(5)		(5)	
Short-term bank fees	R 5	(3)		(5)	
Available-for-sale financial assets (current)	S		-		-
Financial assets held for trading	T		(76)		(93)
Cash and cash equivalents	U		(494)		(510)
Total financial assets	V = R+S+T+U		(594)		(629)
Total net financial position	W = Q+V		802		805
Total equity and sources of funds			2,345		2,296

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

RECONCILIATION BETWEEN THE PRINCIPAL INCOME STATEMENT INDICATORS AND THE INCOME STATEMENT CONTAINED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES FOR 2014

(in millions of Euro)

	Note	2014 Amounts from income statement	2013 (*) Amounts from income statement
Sales of goods and services	A	6,840	6,995
Change in inventories of work in progress, semi-finished and finished goods		28	28
Other income		113	62
Raw materials, consumables used and goods for resale		(4,303)	(4,368)
Personnel costs		(948)	(945)
Other expenses		(1,280)	(1,258)
Operating costs	B	(6,390)	(6,481)
Share of net profit/(loss) of equity-accounted companies	C	43	35
Fair value stock options	D	3	14
EBITDA	E = A+B+C+D	496	563
Non-recurring other income	F	37	10
Non-recurring personnel costs	G	(52)	(34)
Non-recurring other expenses and releases	H	2	(26)
Adjusted EBITDA	I = E-F-G-H	509	613
Share of net profit/(loss) of equity-accounted companies	L	43	35
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	M = I-L	466	578

(in millions of Euro)

	Note	2014 Amounts from income statement	2013 (*) Amounts from income statement
Operating income	A	312	368
Non-recurring other income		37	10
Non-recurring personnel costs		(52)	(34)
Non-recurring other expenses and releases		2	(26)
Change in inventories of work in progress, semi-finished and finished goods		-	-
Total non-recurring expenses	B	(13)	(50)
Fair value change in metal derivatives	C	7	(8)
Fair value stock options	D	(3)	(14)
Impairment and impairment reversal of assets	E	(44)	(25)
Adjusted operating income	F=A-B-C-D-E	365	465

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

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

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

been consolidated using the equity method.

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

The alternative performance indicators at 31 December 2012 and at 31 December 2013 have therefore been restated as follows:

Alternative performance indicators at 31 December 2012:

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	31 December 2012 Published (*)	Effects application IFRS 10-11	31 December 2012 Restated
Net fixed assets	2,300	1	2,301
Net working capital	482	(49)	433
Provisions	(361)	6	(355)
Net capital employed	2,421	(42)	2,379
Employee benefit obligations	344	-	344
Total equity	1,159	(12)	1,147
of which attributable to non-controlling interests	47	(12)	35
Net financial position	918	(30)	888
Total equity and sources of funds	2,421	(42)	2,379

(*) Restated following finalisation of the accounting for the business combination of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) which had been accounted for provisionally at 31 December 2012. Further details can be found in the 2013 Annual Report.

NET WORKING CAPITAL

(in millions of Euro)

	31 December 2012 Published (*)	Effects application IFRS 10-11	31 December 2012 Restated
Inventories	897	(31)	866
Trade receivables	1,163	(80)	1,083
Trade payables	(1,450)	34	(1,416)
Other receivables/(payables)	(121)	28	(93)
Net operating working capital	489	(49)	440
Derivatives	(7)	-	(7)
Net working capital	482	(49)	433

(*) Restated following finalisation of the accounting for the business combination of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) which had been accounted for provisionally at 31 December 2012. Further details can be found in the 2013 Annual Report.

INCOME STATEMENT

(in millions of Euro)

	FY 2012 Published	Effects application IFRS 10-11	Other companies/ reclassifications	FY 2012 Restated
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	647	(28)	-	619
Adjusted EBITDA	647	(12)	15	650
EBITDA	546	(12)	15	549
Adjusted operating income	483	(4)	15	494
Adjusted net profit	280	(1)	-	279

Alternative performance indicators at 31 December 2013:

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

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

NET WORKING CAPITAL

(in millions of Euro)

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

INCOME STATEMENT

(in millions of Euro)

	FY 2013 Published	Effects application IFRS 10-11	Other companies/ reclassifications	FY 2013 Restated
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	612	(34)	-	578
Adjusted EBITDA	612	(16)	17	613
EBITDA	562	(16)	17	563
Adjusted operating income	457	(9)	17	465
Adjusted net profit	268	1	-	269

The alternative performance indicators for 2012 and 2013 have been restated following adoption of the new organisational structure as follows:

Alternative performance indicators for 2012

INCOME STATEMENT

(in millions of Euro)

		Published (*)	2012					
			Energy - Products				Restated	
			EGI	Industrial & NWC	Other	Total Products	Total Energy	
Utilities	Sales	2,278	980	147	-	1,127	1,151	2,278
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	269	57	30	-	87	182	269
	Adjusted EBITDA	275	63	30	-	93	182	275
	Adjusted operating income	239	50	28	-	78	161	239
Trade & Installers	Sales	2,159	2,159	-	-	2,159	-	2,159
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	77	77	-	-	77	-	77
	Adjusted EBITDA	81	81	-	-	81	-	81
	Adjusted operating income	53	53	-	-	53	-	53
Industrial	Sales	1,801	-	1,702	-	1,702	99	1,801
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	139	-	124	-	124	15	139
	Adjusted EBITDA	139	-	124	-	124	15	139
	Adjusted operating income	99	-	98	-	98	1	99
Other	Sales	134	-	-	134	134	-	134
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	1	-	-	1	1	-	1
	Adjusted EBITDA	6	-	-	6	6	-	6
	Adjusted operating income	3	-	-	3	3	-	3
Energy	Sales	6,372	3,139	1,849	134	5,122	1,250	6,372
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	486	134	154	1	289	197	486
	Adjusted EBITDA	501	144	154	6	304	197	501
	Adjusted operating income	394	103	126	3	232	162	394

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

Alternative performance indicators for 2013

INCOME STATEMENT

(in millions of Euro)

		2013						
		Published (*)	Energy - Products				Restated	
			EGI	Industrial & NWC	Other	Total Products	Energy - Projects	Total Energy
Utilities	Sales	2,217	833	136	-	969	1,248	2,217
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	282	42	24	-	66	216	282
	Adjusted EBITDA	287	48	24	-	72	215	287
	Adjusted operating income	247	36	21	-	57	190	247
Trade & Installers	Sales	1,914	1,914	-	-	1,914	-	1,914
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	71	71	-	-	71	-	71
	Adjusted EBITDA	79	79	-	-	79	-	79
	Adjusted operating income	54	54	-	-	54	-	54
Industrial	Sales	1,764	-	1,652	-	1,652	112	1,764
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	134	-	117	1	118	16	134
	Adjusted EBITDA	133	-	117	-	117	16	133
	Adjusted operating income	97	-	95	-	95	2	97
Other	Sales	114	-	-	114	114	-	114
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	4	-	-	4	4	-	4
	Adjusted EBITDA	8	-	-	8	8	-	8
	Adjusted operating income	4	-	-	4	4	-	4
Energy	Sales	6,009	2,747	1,788	114	4,649	1,360	6,009
	Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	491	113	141	5	259	232	491
	Adjusted EBITDA	507	127	141	8	276	231	507
	Adjusted operating income	402	90	116	4	210	192	402

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

THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

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

- the Board of Directors, which is responsible for establishing the guidelines and assessing the adequacy and effectiveness of the internal control and risk management system;
- the Control and Risks Committee, with powers to advise and make proposals to the Board of Directors, including to allow the Board to discharge its duties concerning management of the internal control and risk management system;
- the Director in charge of establishing and maintaining the internal control and risk management system, as identified in the person of the Chief Executive Officer, who is responsible for the design, implementation and management of the internal control system, and for keeping its adequacy and effectiveness under constant review;
- the Managers responsible for preparing the corporate accounting documents, as second-level figures of control, are responsible for establishing adequate administrative and accounting procedures for the preparation of financial reports;
- the Head of Internal Audit, who tests - acting in an independent capacity - the operation and suitability of the internal control and risk management system, including the ERM process, in accordance with the annual audit plan approved by the Board of Directors, itself the result of a structured process of analysing and prioritising key risks;
- the Compensation and Nominations Committee, with powers to advise and make proposals to the Board of Directors, including with reference to the remuneration of the directors and top management of Prysmian S.p.A., the appointment/replacement of independent directors, and the size and composition of the Board itself;

- the Board of Statutory Auditors, which is required to monitor the Company's compliance with the law and its memorandum of association, as well as the observance of good management principles in the conduct of its business, and to control the adequacy of the Company's organisational structure, internal control and risk management system and administrative-accounting system;

(1) "Italian Stock Exchange Self-Regulatory Code for Listed Companies - Ed. 2014" drawn up by the Corporate Governance Committee of Borsa Italiana S.p.A..



- the Monitoring Board, with the task of supervising the operation of and compliance with the Organisational Model adopted under Legislative Decree 231/2001, as well as to oversee its updating by presenting the Board of Directors with proposed revisions and amendments.

Furthermore, in light of the increasing complexity of its activities and in response to changes in the legislative environment, in 2012 the Board of Directors decided to step up the Group's attention to the internal control and risk management system, by implementing a dynamic system of Enterprise Risk Management (ERM) and by appointing a specific Internal Risk Management Committee, consisting of the Group's Senior Management, with the mission of identifying, measuring, analysing and evaluating risk situations or events that could affect the achievement of the Group's strategic objectives and priorities. The establishment of the new system was completed during 2013, and a Chief Risk Officer was appointed to manage the ERM process. This person reports to the Internal Risk Management Committee.

More comprehensive information about the system of business risk management can be found in the "Risk Factors and Uncertainties" section of this report.

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

System of internal control over financial reporting

In accordance with Law 262/2005 ("Provisions for the protection of savings and the regulation of financial markets") and under art. 19 of the By-laws, the Board of Directors, after consulting the Board of Statutory Auditors, has appointed Andreas Bott (Head of Planning & Controlling) and Carlo Soprano (Head of Financial Statements & Compliance) as joint managers responsible for preparing corporate accounting documents. In this role, they certify at least every six months, the accuracy of the financial information disclosed to the market, the existence of adequate procedures and internal controls relating to financial reporting and the



consistency of financial data communicated externally through the financial statements. The Board of Directors has also appointed the Head of Internal Audit as responsible for verifying that the system of internal control over financial reporting is always operating adequately and effectively. To this end, the Internal Audit Department draws up an annual audit plan using a structured approach to risk assessment, in line with the Group's ERM model. This plan is first approved by the Control and Risks Committee and then by the Board of Directors. The audit planning activity is not only based on the findings of the ERM process but also takes account of specific risks identified through interviews with Senior Management, and also includes any areas for which remediation actions have been previously recommended. In conducting Internal Audit activities, internal auditors are given complete access to all relevant data and information to enable them to perform each audit. The Head of Internal Audit attends every meeting of the Control and Risks Committee. The results of internal auditing activities are reported to the committee along with key findings and remediation actions. The status of the audit plan is reported during each meeting and any significant deviations or anticipated deviations are discussed and confirmed. The implementation status of previous audit recommendations or remediation actions is also reported to this committee.

For the purposes of ensuring a reliable system of internal control over the financial reporting process, Prysmian Group has adopted a set of administrative and accounting procedures, as well as a series of operating policies, procedures and instructions such as to guarantee an effective flow of information with its operating companies. The

administrative and accounting procedures include the Group Accounting Manual (rules for the use and application of accounting policies), the Administrative Processes Manual, the procedures for creating and publishing financial information and other procedures for the preparation of the consolidated financial statements and interim financial reports (including the chart of accounts, the consolidation procedures and procedures for related party transactions). Prysmian Group Head Office functions are responsible for distributing this documentation to operating companies, which can be accessed through the Group's intranet site. The operating companies also issue local policies, procedures and rules that comply with the Group's guidelines.

The Group has adopted a centrally coordinated evaluation system and attestation process for the purposes of assessing the adequacy and effectiveness of the internal control system, which includes controls over the financial reporting process. This system has been developed using the "COSO Framework⁽²⁾" to identify key risks and thus the required key controls to adopt to mitigate the risks identified and to ensure the internal control system operates effectively.

A scoping exercise is carried out annually to identify the companies, processes and sub-processes to be audited. In fact, the Internal Audit Department, serving in an independent capacity, tests the operation of the controls previously identified for each of the Group's "in-scope" operating companies and processes. The Chief Executive Officer and Chief Financial Officer of every Group operating company, and the Heads of the relevant Head Office Functions and Departments, are responsible for maintaining an adequate system of internal control; this includes periodically testing the key controls, identified and tested by the Internal Audit

(2) "COSO Framework - Committee of Sponsoring Organizations of the Treadway Commission".

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

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

RISK FACTORS AND UNCERTAINTIES



The policy of value creation that motivates the 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 Self-Regulatory Code for Listed Companies - Ed. 2014" (Self-Regulatory 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 practice, allows the Board of Directors and management to consciously evaluate the risk scenarios that could compromise achievement of the 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 is developed in a dynamic way by taking account of changes in the business, of needs and 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. Please refer 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 issued in accordance with the guidelines on the Internal Control and Risk Management System approved by the Board of Directors on 25 February 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 classifies the risks of an internal or external nature characterising the Prysmian business model in five categories:

- **Strategic Risks:** risks arising from external or internal factors such as changes in the market environment, bad and/or improperly implemented corporate decisions and 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 sector-specific legal and regulatory requirements, to unprofessional conduct in conflict with company ethical policies, exposing the Group to possible penalties and undermining its reputation on the market;
- **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	Legal & Compliance	Planning & Reporting
<ul style="list-style-type: none"> • Changes in macroeconomic and competitive environment and in demand • Key customers and business partners Emerging market risk • M&A/JVs and related integration process 	<ul style="list-style-type: none"> • Commodity price fluctuation • Exchange rate fluctuations • Interest rate fluctuation • Financial instruments • Credit risk • Liquidity / Working capital • Availability / Cost of capital • Financial counterparties 	<ul style="list-style-type: none"> • Business interruption / catastrophic events • Contract performance / contractual liability • Product quality / product liability • Environment 	<ul style="list-style-type: none"> • Compliance with laws and regulations • Compliance with Code of Ethics, policy and procedures 	<ul style="list-style-type: none"> • Budget & strategic planning • Tax planning & financial planning • Management reporting • Financial reporting

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 to 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.

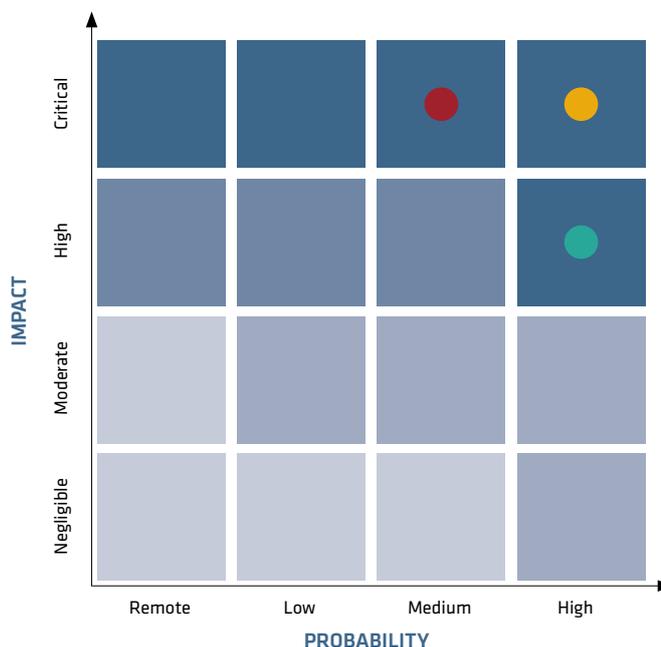
RISK ASSESSMENT CRITERIA

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 comprehensive view 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, meaning the assessment of 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 (eg. 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, being 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 sustainability, and that are updated annually with the involvement of key members of management.

In 2014 this process involved more than 30 business managers, allowing the most significant risk factors to be identified and assessed; the main information emerging from this process, along with the strategies adopted to mitigate the impacts, are reported in the following paragraphs.

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

As stated in the Explanatory Notes to the Consolidated Financial Statements (Section B.1 Basis of preparation), 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 2014, the Directors believe that, barring any unforeseeable extraordinary events, there are no significant uncertainties, such as to cast significant doubts upon the business's ability to continue as a going concern.

STRATEGIC RISKS

Risks associated with the competitive environment

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

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

The strategy of rationalising production facilities currently in progress, the consequent optimisation of the cost structure, the policy of geographical diversification and, last but not least, the ongoing search for 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 changes in GDP and interest rates, the ease of getting credit, the cost of raw materials, and the overall level of energy consumption, significantly affect the energy demand of countries which in turn, faced with continuing economic difficulties, reduce their investments in market development. Similarly, government incentives for alternative energy sources are also reduced. Within the Prysmian Group, the submarine cable business (and to a lesser extent that of high voltage cables) is being affected by the contraction of demand in the European market, in which it is highly concentrated, due to the ongoing local economic downturn.

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

Risks associated with dependence on key customers

In the SURF business, the Prysmian Group has a significant business relationship with Petrobras, a Brazilian oil company, for the supply of umbilical cables and flexible pipes, developed and manufactured at the factory in Vila Velha, Brazil. A possible decline in demand for umbilical cables and/or a change in technological demand for flexible pipes by Petrobras could in the short to medium term have an impact on the partial or other sustainability of the business in Brazil. While committed to maintaining and strengthening its business relationship with this customer over time, the Group has initiated progressive diversification of its customer portfolio by evaluating the possibility of opening up to the export market.

Risk of instability in emerging countries where the Group operates

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

Significant changes in the macroeconomic, political, tax or legislative environment of such countries could have an adverse impact on the Group's business, results of operations and financial condition.

Risks in relation to acquisitions

The Group reviews acquisition targets on an ongoing basis and may from time to time incur additional indebtedness to finance such acquisitions. If the Group completes new acquisitions in the near future, it could also face risks associated with the integration process.

FINANCIAL RISKS

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

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

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

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

Risks associated with availability of financial resources and their cost

The volatility of the international banking and financial system could represent a potential risk factor in terms of raising finance and its associated cost. Prysmian Group believes that it has significantly mitigated such a risk insofar as, in recent years, it has always been able to raise sufficient financial resources, and at a competitive cost. In particular, in June 2014, the Group obtained a five-year revolving credit facility for Euro 1,000 million (Credit Agreement 2014) from a syndicate of premier banks. This agreement is notable not only for the large sum secured thanks to strong interest by the lenders involved, but also for its more competitive cost than existing facilities. The agreement also confirms the more relaxed level of financial covenants already applied to the Group for the facility obtained from Mediobanca - Banca di Credito Finanziario S.p.A. discussed below. On the same date as entering this new agreement, the Group extinguished early the Revolving Credit Facility 2010, originally due to expire on 31 December 2014 and carrying a maximum permitted drawdown of Euro 400 million. The Term Loan Facility 2010, also maturing on 31 December 2014, was extinguished early on 28 February 2014 with repayment of the outstanding balance of Euro 184 million. In February 2014, the Group obtained a five-year revolving facility for Euro

100 million from Mediobanca - Banca di Credito Finanziario S.p.A. and in December 2013 a loan for Euro 100 million from the European Investment Bank (EIB) to fund the Group's European R&D plans over the period 2013-2016. In March 2013, Prysmian completed the placement of a convertible bond with institutional investors for Euro 300 million, with a 1.25% coupon and maturity in March 2018. Before this, in March 2011, the Group had entered into a long-term loan agreement for Euro 800 million (Credit Agreement 2011) with a syndicate of leading banks. This five-year agreement comprises a loan for Euro 400 million (Term Loan Facility 2011) and a revolving facility for Euro 400 million (Revolving Credit Facility 2011). In addition, the placement of an unrated bond with institutional investors on the Eurobond market was completed in March 2010 for a nominal total of Euro 400 million with a 5.25% coupon and maturity in April 2015.

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

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

As at 31 December 2014, the Group's total financial resources, comprising cash and cash equivalents and undrawn committed credit lines, came to in excess of Euro 1 billion.

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

Financial covenants

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

might be unable to repay the amounts demanded early, which in turn would give rise to a liquidity risk.

The financial covenants are measured at the half-year close on 30 June and at the full-year close on 31 December. All covenants, financial or otherwise, were fully observed at 31 December 2014. In particular:

- (i) the ratio between EBITDA and Net finance costs, as defined in the credit agreements, was 5.82x (against a required covenant of not less than 5.50x for the credit agreements signed before December 2013 and 4.00x for those signed in 2014);
- (ii) the ratio between Net Financial Position and EBITDA, as defined in the credit agreements, was 1.50x (against a required covenant of below 2.50x for the credit agreements signed before December 2013 and 3.00x for those signed in 2014).

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

Exchange rate fluctuation

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

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

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

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

Interest rate fluctuation

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

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

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

Credit risk

Credit risk is the Prysmian Group's exposure to potential losses arising from the failure of trade or financial counterparties to discharge their obligations. This risk is monitored centrally by the Group Finance Department, while customer-related credit risk is managed operationally by the individual subsidiaries. The Group does not have significant concentrations of credit risk. It nonetheless has procedures for ensuring that its trade counterparties are of recognised reliability and that its financial counterparties have high credit ratings. In addition, in mitigation of credit risk, the Group has a global trade credit insurance policy covering all its operating units.

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

Liquidity risk

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

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

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

As at 31 December 2014, the Group's total financial resources, comprising cash and cash equivalents and undrawn committed credit lines, came to in excess of Euro 1 billion.

A 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 fluctuations in commodity prices

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 risks of fluctuations in commodity prices.

The Group Purchasing Department performs a central monitoring and coordination of sales transactions requiring the purchase of raw materials and of the related hedging activities carried out by each subsidiary.

In addition, if the oil price were to stabilise at current levels, this could make the extraction market less appealing, which in turn could adversely affect revenues from the SURF and Oil & Gas businesses, although without a significant impact on the Group. In fact, these businesses account for only 5% of the Group's Sales and Adjusted EBITDA.

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

OPERATIONAL RISKS

Responsibility for product quality/defects

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

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

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

The application of such penalties, the obligation to compensate any damages as well as indirect effects on the supply chain in the event of late delivery or production problems, could significantly affect project performance and hence the Group's margins (for example, the Western HVDC Link project). 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 a pool of insurers, able to mitigate exposure to risks arising from production through to delivery.

Moreover, the ERM findings for this particular risk have led the Risk Management department, with the support of the

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

In particular, during the last few days of April, the manufacture of the cables for the Western HVDC Link project in the United Kingdom encountered some technical problems, which were duly placed under technical investigation. As a result, for the purposes of the Quarterly Financial Report at 31 March 2014, the Directors had felt unable to estimate reliably the outcome of this contract, and so its revenues were recognised to the extent of the costs incurred. Following subsequent testing of the quality of the cable produced and analysis of the materials and the manufacturing process, the Directors felt able to make a reliable estimate of the project's revenues and costs. This led to the full elimination of the margins previously recognised on the contract and the recognition of a provision to cover the expected contract loss, with a total impact of Euro 53 million. In addition, the technical problems described above have resulted in the non-recognition of Euro 41 million in margins originally expected in 2014. Consequently, including non-recognition of the margin originally expected on this project in the year, the overall negative impact of the Western HVDC Link (UK) project on the results for 2014 was Euro 94 million.

It is not possible to exclude that in the future, in the face of any further technical problems on the Western HVDC Link contract, the Group may incur additional losses on top of those estimated by the Directors in the current Annual Financial Report.

Risk of business interruption through dependence on key assets

The submarine cables business is heavily dependent on certain key assets, such as the Arco Felice plant in Italy for the production of a particular type of cable and the cable-laying ships, the "Giulio Verne" and the "Cable Enterprise", some of whose technical capabilities are hard to find on the market.

Any loss of one of these assets due to unforeseen natural disasters (eg. earthquakes, storms, etc.) or other accidents (eg. fire, terrorist attacks, etc.) and the consequent prolonged business interruption could have a critical economic impact on the Group's performance.

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

As at 31 December 2014, all of the plants inspected were classified as "Excellent HPR", "Good HPR" or "Good not HPR"; no plant was classified as medium or high risk. In addition, specific disaster recovery plans have been developed that, by predetermining loss scenarios, allow all the appropriate countermeasures to be activated as soon as possible in order to minimise the impact of a catastrophic event.

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

Environmental risks

The Group's production activities in Italy and abroad are subject to specific environmental regulations, of which

particularly important are those on soil and subsoil and on the presence/use of hazardous materials and substances, including for human health. Such regulations are imposing increasingly strict standards on companies, who are therefore forced to incur significant compliance costs.

With more than 89 plants, there is a theoretically high probability of an accident with consequences for the environment, as well as for the continuity of production. The resulting economic and reputational impact would be critical.

The Group's policy of acquisition-led growth could augment its exposure to environmental risks, with the addition of manufacturing facilities that fall short of its standards.

The management of environmental issues is centralised with the Health Safety & Environment (HSE) function that, by coordinating the local HSE functions, 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.

Lastly, it is reported that 93% of the Group's sites are certified under ISO 14001 (for environmental management systems) and 58% for OHSAS 18001 (for safety management).

LEGAL AND COMPLIANCE RISKS

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

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

Risks relating to legal and tax proceedings

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

Risks of non-compliance with Antitrust law

Its strong international presence in more than 50 countries means the Group is subject to antitrust law in Europe and every other country in the world in which it operates, each with more or less strict rules on the civil, administrative and

criminal liability of the perpetrators of anti-competitive practices. In the last decade, local Antitrust Authorities have shown increasing attention to commercial activities by market players, also revealing a tendency for international collaboration between authorities themselves.

The geographical dispersion of its employees, the lack of knowledge at times of local regulations as well as market dynamics, make it difficult to monitor anti-competitive conduct by third parties like suppliers and competitors, exposing the Group to the risk of incurring economic sanctions with extremely high negative repercussions for the reputation and credibility of the Group's system of governance.

In line with the priorities identified by the ERM process, the Legal Department has taken steps, with the support of Group Compliance, to raise awareness of the issues at stake through the adoption of an Antitrust Code of Conduct that all Group employees, directors and managers are required to know and observe in the conduct their duties and in their dealings with third parties. These activities represent a first step in establishing an "antitrust culture" within the Group by stimulating pro-competitive conduct and by heightening individual accountability for professional conduct.

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

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

Prysmian Cavi e Sistemi S.r.l. has filed its objections and presented its defence.

In Brazil, the local antitrust authority has started an investigation into several cable manufacturers, including Prysmian, that operate in the high voltage underground and submarine cables market. Prysmian has presented its preliminary defence, which has been rejected by the local competition authorities in a statement issued during the month of February 2015. The preliminary stage of the proceedings will now ensue, at the end of which the authorities will publish their concluding observations, to which the parties may respond with all their arguments in defence before a final decision is taken. During the month of December 2013, ABB and one of this company's senior managers signed an agreement with the Brazilian antitrust authority, under which they admitted the conduct alleged by the authority and pledged to cooperate with it and to each pay an agreed fine.

On 2 April 2014, the European Commission adopted a decision under which it found that, between 18 February 1999 and 28 January 2009, the world's largest cable producers, including Prysmian Cavi e Sistemi S.r.l., adopted anti-competitive practices in the European market for high voltage submarine and underground power cables. The European Commission held Prysmian Cavi e Sistemi S.r.l. jointly liable with Pirelli & C. S.p.A. for the alleged infringement in the period from 18 February 1999 to 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and the Goldman Sachs Group Inc. for the alleged infringement in the period from 29 July 2005 to 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has appealed against this decision to the General Court of the European Union and has submitted an application to intervene in the appeals respectively lodged by Pirelli & C. S.p.A. and the Goldman Sachs Group Inc. against the same decision. Both Pirelli & C. S.p.A. and the Goldman Sachs Group Inc. have in turn submitted applications to intervene in the appeal brought by Prysmian against the European Commission's decision. Prysmian has not incurred any financial outlay as a result of this decision having elected, pending the outcome of the appeals, to provide bank guarantees as security against payment of 50% of the fine imposed by the European Com-

mission (amounting to approximately Euro 52 million) for the alleged infringement in both periods. As far as Prysmian is aware, Pirelli & C. S.p.A. has provided or is nonetheless preparing to provide 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. Pirelli & C. S.p.A. has also filed a civil action against Prysmian Cavi e Sistemi S.r.l. 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.

Following a detailed and careful analysis of the European Commission's ruling, and nonetheless considering this has been appealed and so could be submitted to second-instance judgement, as well as the fact that the investigations initiated by the Canadian Antitrust Authority have ended without any sanctions for Prysmian, it has been decided to partially release the existing provision.

Prysmian has also learned from several sources, including in the public domain, that some British utilities have filed actions in the High Court in London against certain cable manufacturers, including the Prysmian Group, to obtain compensation for damages allegedly suffered as a result of the alleged anti-competitive conduct condemned by the European Commission in the decision adopted in April 2014.

As at 31 December 2014, the amount of the provision is approximately Euro 170 million. Despite the uncertainty of the outcome of the investigations in progress and potential legal action by customers as a result of the European Commission's decision, the amount of this provision is considered to represent the best estimate of the liability based on the information now available.

PLANNING AND REPORTING RISKS

Planning and reporting risks are related to the adverse effects that irrelevant, untimely or incorrect information might have on the Group's strategic, operational and financial decisions.

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



**Excellence.
Integrity.
Understanding.**

Our values define our business.

A SUSTAINABLE APPROACH TO MANAGING THE BUSINESS

The Prysmian Group has embarked on a path towards sustainability in recent years, allowing it to create value and improve relations with all its stakeholders. Sustainability has now become one of the Group's distinguishing factors and an important competitive advantage for managing its business and future strategies.

In line with its Vision statement, focused on promoting "the efficient, effective and sustainable supply of energy and information as the principal driver for the development of communities", Prysmian's commitment over the years means that sustainability is now an ever more integrated part of the Group's activities. Responsible operation is a conscious policy choice by Prysmian, in the knowledge that this will contribute to long-term value generation.

In constantly seeking to satisfy customer needs, Prysmian holds true to its corporate Mission and develops sustainable, quality products, by investing in technological solutions able to enhance the value of its product offering.

The Group expresses its approach to sustainability on a daily basis, by engaging every business function across the board and directing its growth strategy towards key areas, like the sustainable, technological innovation of its solutions, the environmental responsibility of its production processes, the management of relations with the local communities in which Prysmian operates, as well as attention to safety at work and the development of personnel.

This approach is characterised by the importance given to the many stakeholders with whom the Group interacts globally. Accordingly, Prysmian has a day-by-day commitment to establishing relationships of trust with its stakeholders, based on the principles of transparency, openness and readiness to listen.

The year 2014 saw the launch of several projects and initiatives marking significant steps in the Group's path towards sustainability and which demonstrate the deep, ongoing commitment that has allowed it to achieve significant results.

Aware of the important role of stakeholders in strengthening Prysmian's commitment to corporate responsibility, in 2014 the Group took an important step in its relations with stakeholders, by organising its first Multi-Stakeholder Engagement event in Milan on the subject of sustainabil-

ity. The event provided an opportunity for representatives of various stakeholder categories to participate actively, through open discussions and workshops in which they were free to express and exchange ideas, opinions and perspectives on a range of topics relating to sustainability and corporate social responsibility. These forums led to a long discussion on Prysmian's approach to sustainability, serving to highlight those commitments and issues viewed by stakeholders as priorities for steering the Group towards new and broader future horizons. In addition, during the course of debate, the stakeholders suggested potential sustainability initiatives and targets that the business should adopt in the long term, in order to improve its path towards sustainability.

Prysmian also gave attention to sustainability in its relations with business partners: aware of the effects that its suppliers' activities have on the environment and society, the Group decided in 2014 to adopt a Code of Business Conduct, aimed at disseminating responsible business practices by defining principles of economic, environmental and social responsibility for application throughout the Group's value chain. This Code, which applies to all Group employees and suppliers, will be adopted from 2015.

The Group promotes the development of its employees by providing continuing education and ongoing individual enrichment opportunities within an international working environment. The Prysmian Group Academy, an international school of managerial and professional education whose mission is to consolidate and develop management expertise, carried on its activities during the course of 2014. The Group's socially responsible commitment to the territory in which it operates was also demonstrated by its decision to promote the value of innovative studies on sustainable technologies applicable to its own business, by offering a financial reward and practical training to young people who had excelled in this area. In particular, in collaboration with

Human Foundation, a foundation active in the field of social innovation, Prysmian promoted a degree thesis competition entitled "Technology for human beings", for students on three-year and master's engineering and physics degree courses at Italian universities. The competition was directed at students who had focused on the applicability of new technologies for sustainable development and who had analysed these topics from a technical standpoint and in terms of their application in developing contexts and countries. The awards, made in February 2015, involved cash prizes for the six winning theses, plus a six-month internship in Prysmian for the winners in each category.

Prysmian's steadfast commitment to sustainability is also reflected in transparent, structured communication to all its stakeholders through the annual publication of the Sustainability Report, offering its readers the chance to learn more about the policy promoted by Prysmian and its economic, environmental and social performance. Updating the work of previous years, in 2014 this Report was prepared in accordance with the new "Sustainability Reporting Guidelines G4" published by the Global Reporting Initiative (GRI)

in 2013, and reflecting Prysmian's ongoing commitment to make the reporting process ever more complete and effective, by increasing the breadth and depth of the topics covered. The GRI Reporting Framework is a universally accepted model for sustainability reporting, which includes common practices for different types of entities and contains topics of a general nature as well as industry-specific ones with the aim of communicating an organisation's sustainability performance. The Sustainability Report has also been audited by a recognised external firm to provide all stakeholders with assurance as to the reliability of the information contained therein. Reference should be made to the 2014 Sustainability Report for a complete account of how the Group manages the economic, environmental, and social impacts deemed of importance for itself and its stakeholders and its performance in these areas.

Lastly, in continuity with past practice, Prysmian will participate in the top international assessments of sustainability for 2014, namely the RobecoSAM Assessment for the Dow Jones Sustainability Index (DJSI) and the Carbon Disclosure Project questionnaire.



HUMAN RESOURCES

The HR strategy is rooted in the development and dissemination of a shared common identity: everyone must feel part of the team, contributing to a common project in which they believe.

Over a period spanning more than **130 years**, the Prysmian Group has built its success and achieved important milestones thanks to the skills of its employees who, generation after generation, have been able to pass on to younger colleagues their values, experience and sense of belonging to the Group. The **human capital strategy** of Prysmian seeks to pursue this path: fostering and shaping the passion, motivation and competencies of employees into the real competitive edge over competitors.

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

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

Leadership Alignment / Organisational efficiency

The process of optimising organisational structures carried on in 2014, especially with a view to improving their effec-

tiveness in the business. In particular, the structure of the business units was revised with the creation of the new High Voltage business unit and a reallocation of the activities of the E&I business unit. Another significant action, announced in 2014 but effective from January 2015, was the process of rationalising Country structures in Europe with a view to regionalisation that will improve commercial synergies in an increasingly integrated European market. Lastly, the Group decided to increase its focus on developing new markets by creating a new dedicated business area.

People Development: investing in people

Intellectual capital and talent are strategic assets for achieving Prysmian's goals of profitability and value creation, which is why they must be supported by appropriate actions to develop and enhance them. Robust processes of resource management, incentivisation and individual motivation, along with chances for international exchanges, give Group employees opportunities for personal and professional growth.

Talent Management

The Group's talent management system responds to the need to attract, develop, promote and retain talented people in the business. Prysmian has adopted a series of processes aimed at creating a "people pipeline", meaning a "line-up" of talent ready to enter the field, which can support and nurture the growth of the business, while ensuring leadership continuity. The talent management system is based on a series of processes: Talent Acquisition, Performance Management, Training and Development, Talent Measurement and Succession.

Talent Acquisition

Building the management team of the future begins with selecting the best talents on the market, with particular attention to recent graduates. "Build the Future, the Graduate Program" is the Group's international recruitment programme to place young high-potential graduates in different business functions and geographical locations. Launched in 2012, the programme has resulted in the recruitment of around 130 young people from around the world. Over 16,000 applications were received for the 2014/2015 cohort, out of which 50 recent graduates were selected from every continent; this was the outcome of an intensive campaign of employer

branding in partnership with professional social networks like LinkedIn and Monster as well as local ones (eg. GraduateLand, ChinaJob), the use of online portals, attendance at careers fairs at the world's top engineering and economics universities, and FaceBook, all geared to maximising media exposure and receiving the largest number of applications possible.

Performance Management

To achieve company targets and continue to improve the results, each employee must be able to make their daily contribution by being set clear objectives, agreed with their manager, and having the possibility of receiving continuous feedback on their work and the results achieved. This is why the Prysmian People Performance system (P3) was created in 2012 as a tool to motivate and engage employees through a process of appraising and improving individual performance. Following the pilot project in 2012, in 2013/14 the programme was rolled out to all Group countries and businesses, covering the entire employee population.

Training and Development

Prysmian has also created, in partnership with SDA Bocconi, the Prysmian Group Academy, an international school of managerial and professional education whose mission is to develop and consolidate the technical and professional skills of Group management. The Academy's training activities involved about 600 employees in 2014, with another 600 expected to be involved during 2015.

Talent Measurement and Succession

The Academy introduced a leadership assessment and development process during 2014. Each programme, developed in partnership with the consulting firm CEB, adopts the very latest in career management practices. To date around 250 employees have been involved, including executives, middle managers and technicians. The aim of these programmes is to prepare the future pipeline and to plan succession, through a clear and timely exchange of information based on hard, reliable and consistent evidence of an individual's potential and ability (i.e. their readiness) to cover different positions.

International mobility

At 31 December 2014, the Prysmian Group had an expatriate population of about 175 people from 35 different nationalities (of whom slightly more than 38% were Italian), who had moved to 35 different destination countries; of this total 61% were non-executive staff and 8% women. A total of 82 people embarked on new international assignments during the year. The above numbers demonstrate the importance of international mobility within the Prysmian Group. In fact, this tool is an integral part of the policy of developing and growing talent

within the Group. On the one hand, it allows the culture and values of Prysmian to spread to all its countries and all its subsidiaries, a particularly important requirement after the Draka Group's acquisition in 2011. On the other hand, it allows local organisational needs to be met by allowing the transfer of both managerial and technical know-how from one country to another. International experience is also central to the professional and managerial growth of young talents participating in the "Graduate" program. In 2014, 50 recent graduates from 24 different countries were recruited for a two-year international experience in as many as 19 different countries of destination.

The Prysmian Group's attention to internationalism and the development of transnational resources is matched by the considerable energy it devotes to fostering the cultural diversity of the individual countries in which it operates. Of the Group's senior executives, 45% work in their country of origin.

The focus of international mobility in 2015 will be on ensuring the success of international assignments by measuring their effectiveness in terms of know-how transfer and local team professional development and by improving the career planning for expatriates once they finish their international assignments.

Key to the success of the international mobility policy is that expats manage to share and strengthen the Prysmian sense of identity, its corporate culture and values within the local teams, while leveraging the diversity of talents beyond geographical borders in order to achieve superior results for the organisation.

Remuneration policies

The Compensation & Benefits policies adopted by the Prysmian Group are designed to attract and retain highly professional resources, particularly for key positions, with the right skills for the complexity and specialisation of the business, while also having a view to the sustainability of costs and results over time. The business's growing internationalisation means constantly monitoring the different geographical situations to secure distinctive talents in a competitive market environment.

These policies are defined and implemented centrally for the Executive population (about 300 employees) and for expatriates (about 175 employees), while these activities are delegated to the local level for the rest of the workforce. Over the next few years, centralised management will also extend to the population of experienced employees, meaning those with extensive know-how linked to length of service.

In line with best market practice, executive remuneration packages contain a fixed component as well as short and long-term variable components. All components of remuneration

neration are performance-related and the variable ones in particular account for an important percentage of the overall compensation package offered.

The fixed portion of remuneration is reviewed annually and revised if necessary to take account of competitiveness versus market compensation data, internal equity and individual performance, all of which in compliance with local regulations. This meritocratic approach is based on the P3 global performance appraisal system which is applied uniformly and consistently throughout the Group.

The executive population and 500 other managers of the Group participate annually in the MBO (Management by Objectives) plan under which an annual incentive is paid upon meeting predetermined Group objectives in line with the priorities identified in the business plan. In 2014 these objectives (on-off conditions) were represented by the Group's NFP (Net Financial Position) and EBITDA. The value of the incentive paid depends on the percentage achieved of the predetermined business and/or functional and/or individual objectives, defined with the aim of aligning individual behaviour with the organisation's annual strategic objectives. Where possible, individual sustainability objectives are included. In some cases, a multiplier is applied to the final value of the MBO, depending on the P3 performance appraisal. Also taken into consideration when determining the bonus payable are the employee's qualitative performance and overall conduct. The MBO has very strict rules which are communicated clearly and transparently to all participants.

In a spirit of continuity with the past, and convinced of the importance of linking executive remuneration to business short-term as well as long-term results, the Prysmian Group has started to study a new long-term incentive plan, which will be submitted for shareholder approval.

Group employee share purchase plan (YES Plan)

The Prysmian Group has also launched the YES Plan (Your Employee Shares Plan), open to all Group employees. The Plan was introduced in 28 countries at the end of 2013, after an intense communication campaign and detailed presentations. The YES Plan's regulations allow participating employees to buy Prysmian shares, during specific purchase windows in 2014, 2015 and 2016, on preferential terms and on condition that they retain the shares for at least 36 months from the purchase date. Plan participants can buy Prysmian shares at a discount, that varies from 1% for the CEO and Senior Managers, to 15% for executives and 25% for the

remaining workforce, thereby encouraging employee participation at every level. Moreover, all participants are given 6 shares as a one-off entry bonus.

The objectives pursued in launching this plan are to increase employees' sense of closeness and belonging to the Group as well as their engagement with and understanding of the business, in order to converge the long-term interests of shareholders, customers and employees and to strengthen the internal perception of Prysmian Group as one, single company, a real "One Company". In brief, the Group's intent is to have its employees become stable shareholders, thus making them owners of a small part of the Group in which they work.

Plan participation in the launch year confirmed the expectations: around 5,000 employees, or 32% of the total (of whom about 55% were BC personnel) signed up to the Plan in 2014, confirming their great sense of corporate belonging and their confidence in Prysmian's people and in its future.

Plan participation in certain countries was very high, with for example, nearly all employees signing up in Romania, about 83% at the headquarters in Milan and 74% in Turkey.

Social and internal relations

The Group maintains constant and positive relations with employee representatives and trade unions based on mutual respect and fair discussion, in the belief that, with due respect for each other's roles, common interests can be pursued through constructive dialogue.

Employee and trade union representatives therefore operate freely in compliance with local laws and practices.

During 2014 a number of industrial restructurings in France and the Netherlands were the subject of discussions with the unions, leading to agreements for the definition of the relevant social plans.

Meetings of Prysmian's European Works Council were held in May and October and were attended by the body's delegate members. Both meetings were prepared beforehand by the Select Committee which decided the content in terms of information about the business, its most significant initiatives, and information about the shareholders, with ample room left for further questions.

For a more detailed understanding of the Prysmian Group's commitment to human resources, please refer to the 2014 Sustainability Report.

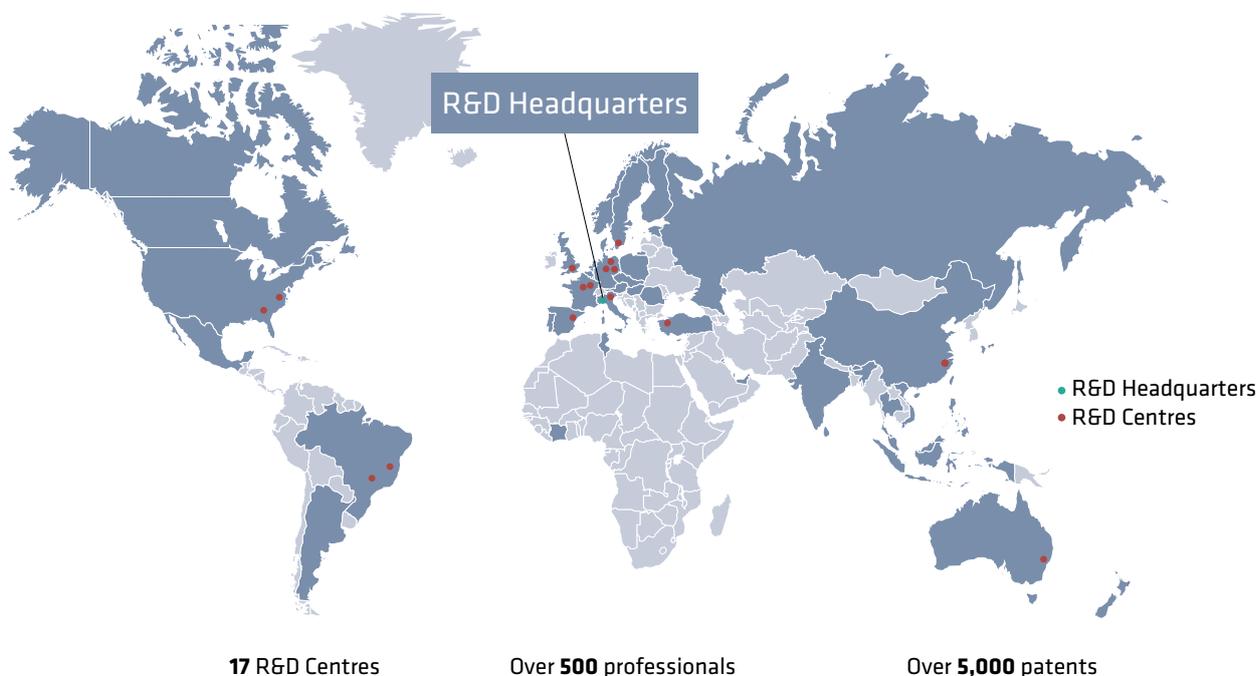
RESEARCH AND DEVELOPMENT

With 17 Centres of Excellence, over 500 professionals, about 5,800 patents and partnerships with universities and research centres in many countries, the Prysmian Group intends to be an innovation leader in the cable industry.

Prysmian Group has always given key strategic importance to Research & Development to maintain its market leadership, with the aim of differentiating itself and of providing its customers with technologically innovative solutions at increasingly competitive costs. The Group currently has 17 Centres of Excellence, with headquarters in Milan, and over 500 skilled professionals. With around 5,800 patents

granted or filed and partnerships with major universities and research centres in many countries where it is present, the Prysmian Group intends to be industry leader in R&D. The Group's spending on Research, Development and Innovation amounted to approximately Euro 70 million in 2014, broadly in line with the previous year and confirming its steadfast commitment to and focus on long-term sustainable growth.

PRYSMIAN GROUP R&D CENTRES



In the Energy Projects and Energy Products operating segments, the main achievements of the year included:

- In the submarine cables area, work continued to optimise 220 kV AC three-core cables; in particular, a prototype with 1600 mm² aluminium conductors was made, to achieve IEC prequalification for the Arco Felice and Pikkala plants, and a prototype with 1200 mm² copper conductors, for qualification testing as part of the "50 Hertz" project, one of the largest ever performed in terms of volume and value. Internal qualification testing was completed for the flexible 400 kV AC joint. Still in the submarine cables area, particular resources were devoted to the recovery plan for the Western Link
- project and its 600 kV DC cables insulated with PPL (Paper Polypropylene Laminate).
- In the field of EHV underground cables, development was completed of the prototype 400 kV cable with a Milliken 3500 mm² copper conductor, the largest copper conductor ever developed by the Group. In addition, the Gron plant in France produced prototype Milliken aluminium conductors measuring 4000 mm², while the Delft plant in the Netherlands produced similar prototypes measuring 3500 mm², which will be used for the TenneT contract for the 380 kV Randstaadt connection. Additional work was performed to develop the prototype 500 kV XLPE cable with a Milliken 2500 mm² copper

conductor, featuring a weight-optimised conductor and a copper-wire screen with copper laminated foil, specially designed for the American market. EHV product development also saw the start of a major project to develop the HVDC 525 kV system with extruded XLPE insulated cables and related accessories. This project, also intended for the production of submarine cables, includes several alternative solutions in terms of both cables and accessories, in order to meet every possible customer requirement. The high voltage underground cables area reported the development of an aluminium wire screen with protective aluminium laminated foil, allowing a cost saving of up to 15% compared with the corresponding copper wire screen solution with aluminium laminated foil. Lastly, work continued on starting up and qualifying the Rybinsk plant in Russia: in fact, 110 kV qualification was achieved and the 330 kV prototype with a Milliken 2500 mm² aluminium conductor was produced for the subsequent phases of testing.

- With reference to developments in P-Laser technology, the 150 kV class passed its qualification test; the test, conducted on a system complete with accessories (joints and terminations), was completed with a series of additional high-temperature high-voltage tests. In view of the promising results obtained during internal prequalification testing conducted in 2013, qualification testing started for a P-Laser HVDC 320 kV cable and related accessories. The P-Laser system is particularly suitable for high voltage direct current (HVDC) applications because of the greater chemical stability of its insulating material for which no kind of treatment (degassing) before commissioning is required.
- The Oil & Gas cables business reported continued product development and related technology transfer between Group factories. In particular, to meet the needs of our customers in the global change of the business (increased production from new offshore platforms in China and Brazil), technology and know-how for offshore NEK606 compliant cables were transferred to the Chinese plant in Tianjin, with related training of its technical staff and preparation of appropriate manuals in English and Chinese; during the year similar activities were also carried out at the Suzhou plant. In terms of products, new solutions were developed for harsh environmental conditions and to allow vital communication by emergency systems even in extreme conditions. The

Drilling Package, a complete cabling solution for Oil & Gas drilling applications both onshore and offshore, was also launched globally.

- With regard to the development of Prycam technology, two important new innovations were developed in 2014. These included the Prycam DLoG, a digital data logger with 4 analogue inputs and 4 totally configurable digital inputs to accept temperature, pressure, current, voltage sensors, and so on; this device is designed to monitor electrical parameters in fixed installations and, like other members of the Prycam family, it allows users to see data acquired wirelessly and to send that data to the common Pry-Mon monitoring platform. The Pry-Mon platform was enhanced to accept data from Prycam Portable, from Prycam Grids and from DTS systems. The second innovation in the family was the new Prycam Wings sensor. Developed using the experience of the Prycam Portable sensor to measure partial discharges, Prycam Wings also includes temperature and current sensing.

Achievements in the Telecom operating segment included:

- In the optical fibre field, several of the Group's factories were got ready for full production of bend-resistant BendBrightxs fibres, which have much better micro and macro-bending performances than competitor products. A number of improvements were also made at several factories to secure a significant reduction in fibre production costs. In the area of multimode fibre, WideCAP OM4 was launched, a new fibre capable of 40Gb bidirectional transmission with two channels at 850 and 900nm, and potential upgrade to 4 * 25Gb to meet the future needs of the 100Gb superfast network.
- In the optical cables field, the Flextube family of cables was enlarged with the addition of a record density product containing 4.2 fibres per mm² in a 1728 fibre 23 mm diameter cable, made using fibres measuring 200 micrometres in diameter. These products represent an excellent solution for use in conduits congested with other cables. Dry/dry technology was also developed for Flextube cables in order to reduce cable installation time even further and so reduce overall installation costs. At the Slatina plant in Romania, now one of the major European centres of optical cable production, investments continued for a significant increase in production capacity of the Flextube and Drop cables. In

the connectivity field, Prysmian continued to develop several new accessories for use in FTTH (Fibre to the Home) applications.

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

- Successful completion of the study of semi-conducting compounds for P-Laser cables up to 500kV HVDC. These compounds were successfully extruded on prototype cables.
- Completion of the development of a proprietary formulation of high temperature acrylic for use in fibres for sensors.
- In the petrochemicals sector, completion of testing of aluminium clad armouring for flexible pipes: this material showed an excellent performance in extreme environments and at great depths.
- Continued study of composite materials for use, instead of steel armouring, in submarine cables and umbilicals; this work was conducted in partnership with several suppliers for the realisation of the desired materials.

Lastly, work on cost optimisation continued throughout the year. The package of DTC (Design to Cost) projects was

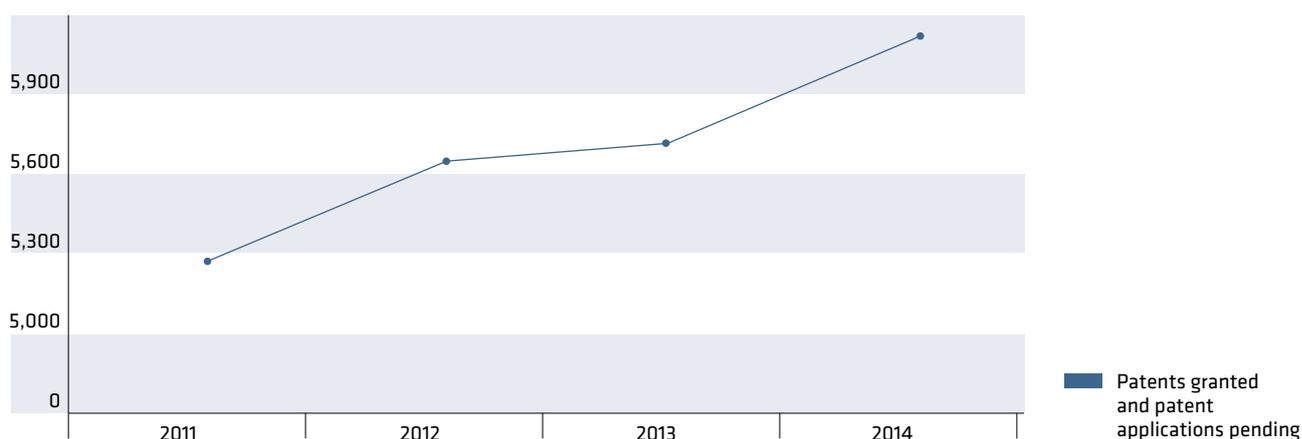
further extended to cover more than 1,700 projects, which, combined with compound rationalisation and better use of materials, allowed the Group to achieve major cost savings in support of greater competitiveness.

Intellectual property rights

Protecting its portfolio of patents and trademarks is a key part of the Group's business, particularly in view of its strategy of growth in high-tech market segments. In particular, the Group's intense R&D activities, in the Energy Projects, Energy Products and Telecom operating segments, have allowed it to continue to add to its patent portfolio, especially in high-tech and higher value-added areas, in order to support its major investments in these areas in recent years and to protect the related businesses, both now and in the future.

As at 31 December 2014, the Prysmian Group had 5,836 patents and pending patent applications throughout the world, covering 932 inventions (of which 278 in the Energy Projects and Energy Products segments and 654 in the Telecom segment). During 2014, 45 new patent applications were filed (+21% compared with 2013), of which 32 in the Telecom area and 13 in the Energy area, and 187 patents were granted after examination, of which 33 by the European Patent Office (EPO) and 61 in the United States.

PATENTS GRANTED AND PATENT APPLICATIONS PENDING



The most important products, typically distinguished by particular characteristics or a specific production process, are protected by trademarks that allow them to be identified and guarantee their uniqueness. As at 31 December 2014, the

Prysmian Group owned 605 trademarks, corresponding to 2,920 trademark registrations in its countries of operation, covering the names and identifying symbols of its companies, activities, products and product lines.

AN INTEGRATED SUPPLY CHAIN

SOURCING

Once again in 2014, the Group was able to deal with fluctuations in base metal prices through strict application of its hedging policies and daily matching between purchase and sales commitments.

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

In a market environment characterised by continued global economic fragility with only a slight recovery in volumes, average prices of the principal commodities were generally lower in 2014 than in the previous year. In the case of base metals, copper and lead prices were significantly lower than the year before, down by as much as 6%, reflecting persistent stagnation in some West European countries and a gradual slowdown by emerging market economies (China, Russia, Brazil) leading to fears about possible reductions in future demand by these countries. Aluminium went against this trend, posting a slightly higher price than the previous year mainly due to increased use of this metal in the automotive sector. The Brent crude price was generally in line with 2013 during the first half of the year but went into steep decline from August, to close the last session of 2014 at USD 57/barrel, representing a loss of about 50% from the year's highs in June. Among the petroleum derivatives, the price of ethylene fell significantly, leading to a consequent reduction in polyethylene prices, especially in the second half of the year. Even PVC and plasticiser prices fell, reflecting the lower

commodity costs and still weak demand in the construction industry.

Once again in 2014, the Prysmian Group was able to deal with fluctuations in base metal prices through strict application of its hedging policies and daily matching between purchase and sales commitments. Sales price adjustment mechanisms, combined with attentive hedging, helped in fact to mitigate the impact of price fluctuations on the income statement. As for other raw materials, work continued to rationalise and consolidate the supplier base, using all the synergy and volume levers offered by the Group's size. Risk management activities also continued with regard to the supplier portfolio, aimed on the one hand at reducing dependence on individual suppliers, and on the other at strengthening partnerships with core suppliers or suppliers of critical technologies. The added strengthening of commercial relationships with key suppliers over the year allowed the Group to minimise costs and the risk of disruption in supplies, ensuring benefits not only in the short term but also in the medium and long terms. Lastly, during the year the Procurement function's new organisational structure, introduced in 2013, entered full operation in terms of organisational model, common processes and shared performance indicators.

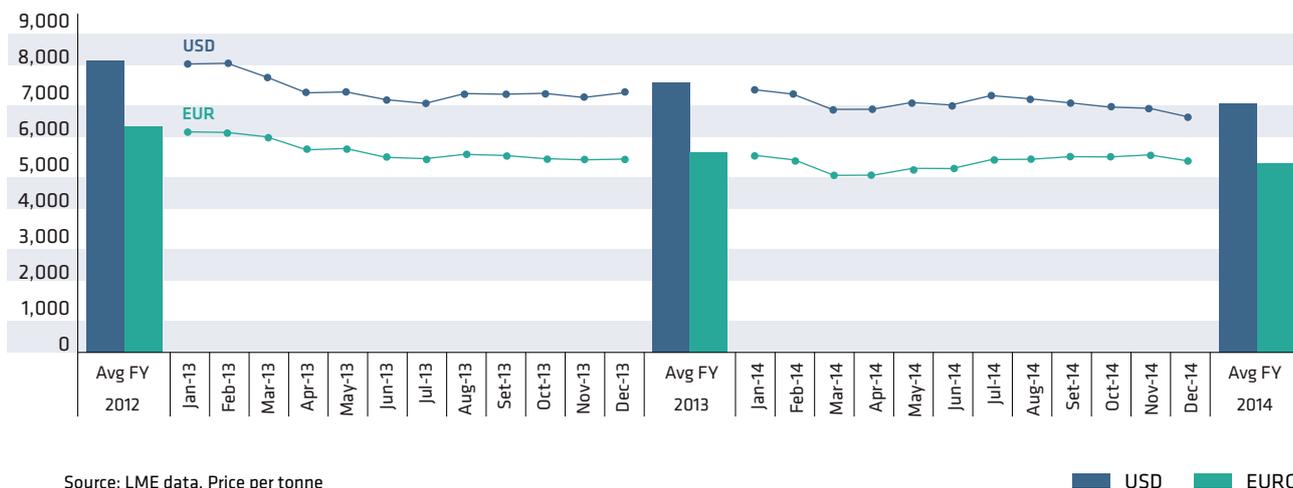


Copper

The average cash settlement price per tonne of copper on the London Metal Exchange (LME) was USD 6,860 (Euro 5,167) in 2014, representing a 6% decline on the prior year

average price in both USD and Euro. Fluctuating between a low of USD 6,306 and a high of USD 7,422, the price was less volatile than in 2013 (low 6,637 – high 8,242).

COPPER



Source: LME data. Price per tonne

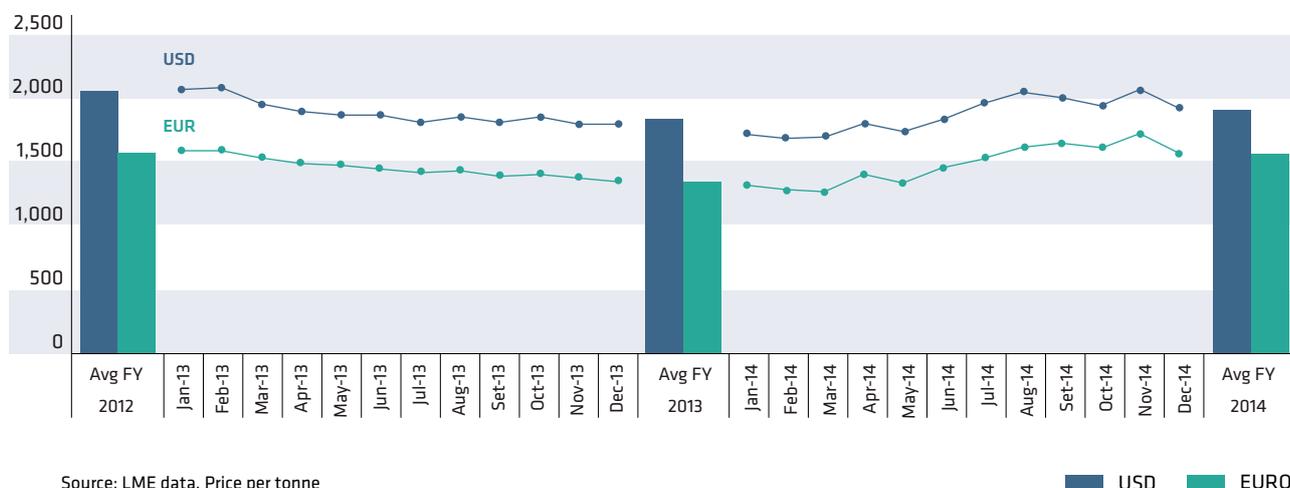
■ USD ■ EURO

Aluminium

The average price of aluminium increased by about 1% during 2014, both in USD and Euro, reflecting a growing imbalance between supply and demand. Stocks in the official London Metal Exchange warehouses fell by 1

million tonnes, from over 5 million tonnes at the beginning of 2014 to just over 4 million at year end. This situation put pressure on conversion premiums. The average price per tonne of aluminium was USD 1,866 (Euro 1,409) in 2014, compared with USD 1,846 (Euro 1,391) in 2013.

ALUMINIUM



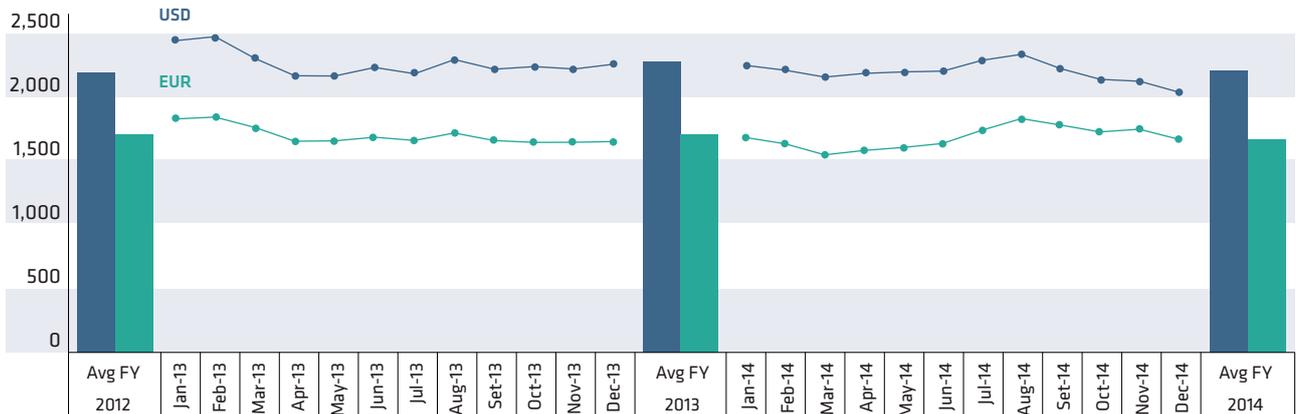
Source: LME data. Price per tonne

■ USD ■ EURO

Lead

The average price per tonne of lead on the London Metal Exchange was USD 2,096 (Euro 1,578) in 2014, down 2% in both USD and Euro terms on the previous year.

LEAD



Source: LME data. Price per tonne

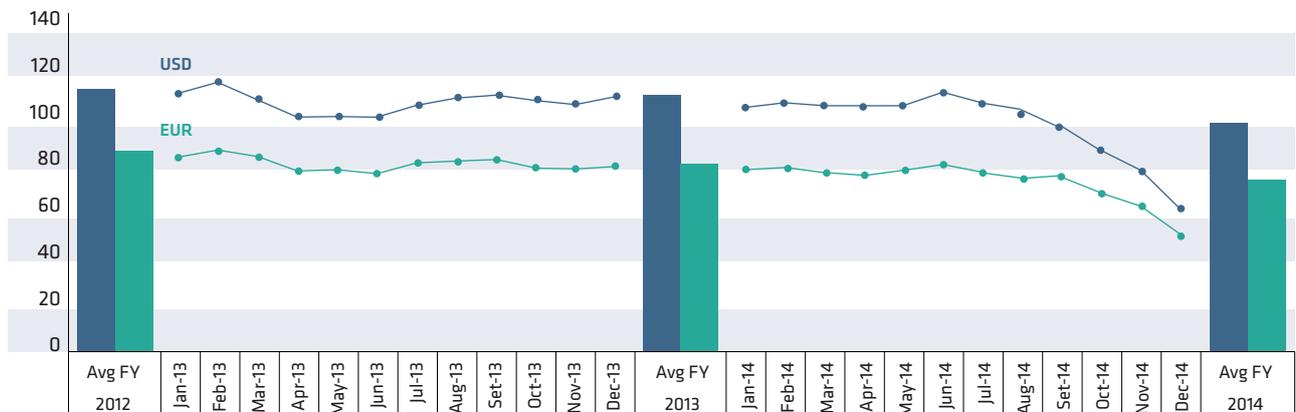
■ USD ■ EURO

Oil

Brent crude prices remained largely stable in the first seven months of 2014, ranging between USD 105 and USD 115; prices started to fall steadily from August, until reaching USD 57/barrel at the end of December. Brent crude had an average price per barrel for the whole of 2014 of USD 100, down 9%

on 2013 (USD 109). Even the price expressed in euros was 9% lower, declining from Euro 82/barrel in 2013 to Euro 75/barrel in 2014. Ethylene prices declined more moderately, in the order of 6%. Even the other principal petroleum derivatives reported lower prices than in the previous year as a result.

BRENT



Source: ICE data. Price per barrel

■ USD ■ EURO

INDUSTRIAL ACTIVITIES

During the year Prysmian continued to invest in the higher value-added business of submarine cables, confirming once again its world leadership in this segment.

The Prysmian Group's manufacturing activities are carried out through a highly decentralised model, involving 89 plants in 33 different countries. The widespread distribution of plants is a strategic factor in allowing the Group to react quickly to different market needs worldwide. Over the course of 2014 the Prysmian Group continued to implement an industrial strategy based on the following rationale: (i) focus on higher value-added high-tech products, by concentrating their production in a limited number of plants that become centres of excellence with high levels of technological expertise, where it is possible to benefit from economies of scale, by improving manufacturing efficiency and reducing capital employed; (ii) ongoing pursuit of greater manufacturing efficiency in the commodities area by maintaining a wide geographical presence to minimise distribution costs. Capital expenditure totalled Euro 163 million in 2014, up from Euro 138 million the previous year, mainly reflecting the Group's ever increasing commitment to developing its activities in the Submarine cables business. Investments to increase production capacity and change its mix accounted for 30% of the total: these investments were mainly in the Energy Projects and Telecom operating segments, as described in due course. In addition, the process of rationalising production capacity proceeded throughout the year: in fact, the plants in St. Petersburg (Russia) and Aubevoye (France) were both closed, resulting in the transfer of machinery to other factories within the Group. The purpose of concentrating production sites was to optimise cost structure within individual countries and to rationalise the Group's industrial footprint in order to restore a sufficient level of capacity utilisation within the various countries.

Energy Projects

Work was completed during the year to increase capacity at the Arco Felice Submarine cables plant in Italy to allow it to fulfil the contract for the Western HVDC Link between England and Scotland. Also in the Submarine business, investments were completed at the Drammen plant in Norway to get production lines ready for the manufacture of cables to connect some of ExxonMobil's offshore platforms off the west coast of the United States to the mainland. A major new investment was started at the plants in Arco Felice and Pikkala (Finland) to increase capability for the "50 Hertz" contract, worth more than Euro 700 million and awarded to the Group during the year; this contract involves the design, supply and installation of high voltage submarine systems between offshore wind farms in German territorial

waters. Within the High Voltage business, two of the main investments were: i) at the Abbeville plant (United States) for the construction of a second vertical insulation line for Extra High Voltage extruded cables, in order to intercept the volume growth in this continuously expanding market; ii) at the Slatina plant (Romania), to satisfy growing demand in the markets of South-East Europe.

Energy Products

In the Oil & Gas sector, investment projects were completed at the Sorocaba and Santo André and Sorocaba plants in Brazil, allowing them to produce cables for the Jurong and Keppel Fels Shipyards. At the same time, the Group continued to invest in countries with the best growth potential: in Russia, the plant in Rybinsk expanded its capability for the production of low voltage cables; in China, the plants in Suzhou and Tianjin increased their cable production capacity for the Trade & Installers and Rolling Stock markets; in Hungary, the plant in Kistelek started a project to construct a production line for rubber cables serving the Central European market.

Telecom

The Telecom operating segment's main investment was in the Sorocaba plant in Brazil for the verticalisation of the optical fibre production process, aimed at serving the South American market and particularly the Brazilian one; there was also continued investment to increase optical cable production capacity at the new factory in Slatina (Romania), confirmed as one of Europe's centres of excellence for optical telecom cables.

Efficiency

Capital expenditure on achieving efficiencies to reduce fixed and variable costs, particularly in relation to materials usage and product design, accounted for approximately 20% of the total. In particular, the Energy Products segment made significant investments in efficiency, particularly in the metallurgical area, following the Group's decision to complete the process of vertical production at some of its plants (Schuylkill Haven in North America, Durango in Mexico, and Schwerin in Germany). In the Telecom segment, its European optical fibre manufacturing facilities in Batipaglia (Italy) and Douvrin (France) continued to invest in efficiency with a view to achieving a significant reduction in fibre manufacturing cost. In particular, the Italian plant is about to complete the construction of a trigeneration plant that will reduce its energy costs; at the same time, work has



continued on the project to increase the size of preforms. Lastly, in South America, the Telecom plants in Sorocaba (one former Prysmian, the other former Draka) completed their rationalisation aimed at consolidating production of optical cables and Multimedia & Specials.

IT, R&D

Some 12% of capital expenditure was devoted to the ongoing upgrade and development of information systems and to research and development (the portion of expenditure not expensed to income). In particular, there was continued spending on rolling out the "SAP Consolidation" project, aimed at standardising the information system in all the

Group's operations over the next few years: in 2014, the new ERP system was rolled out to the Netherlands, Canada and the United States, only partially.

Base-load

Capital expenditure on structural maintenance work accounted for about 10% of the total, in line with previous years.

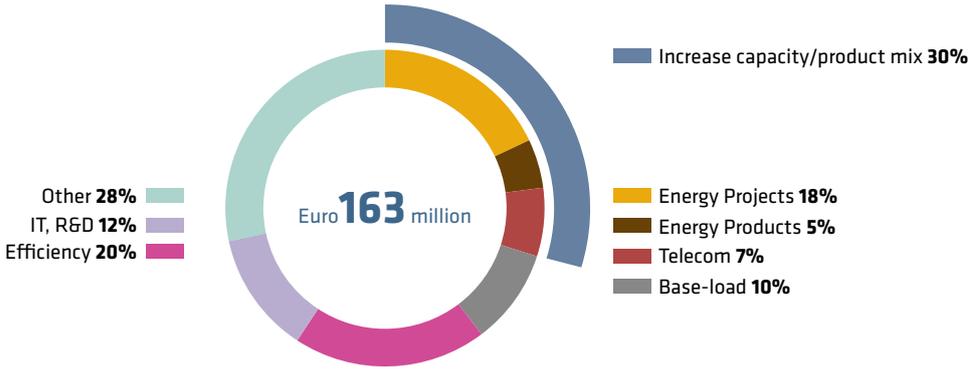
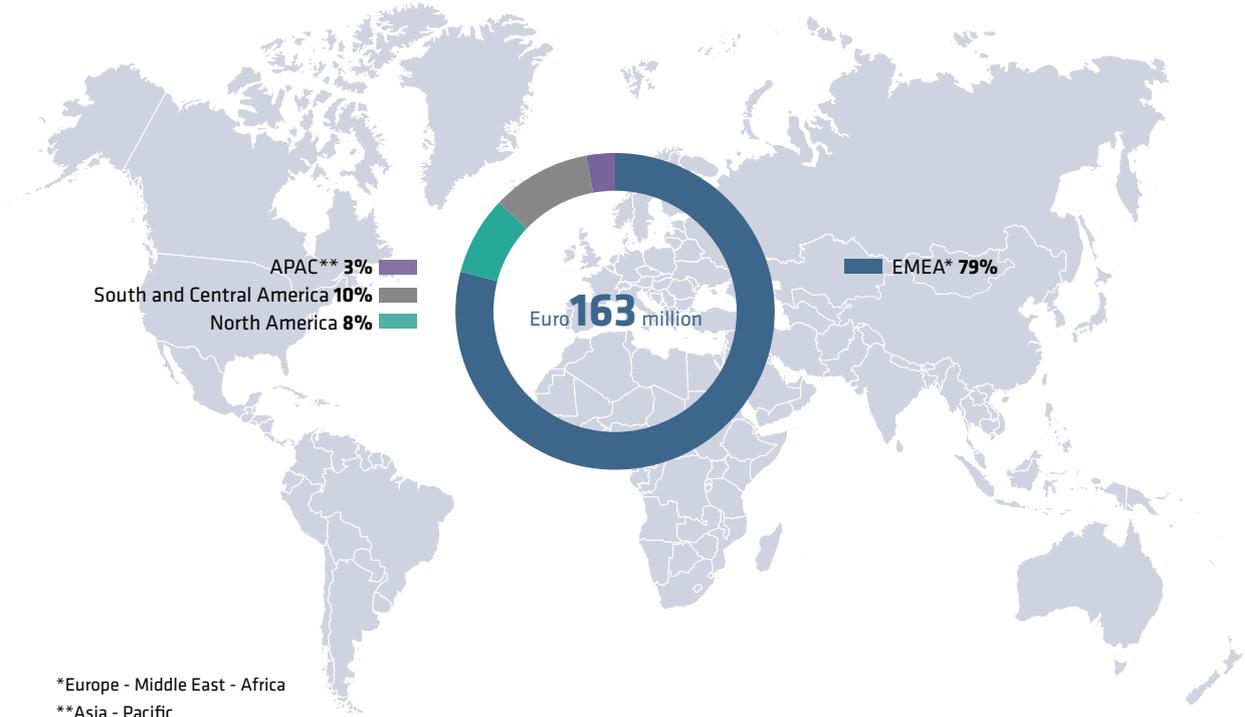
Other

This category (accounting for 28% of total expenditure) contains three investments of particular importance for the Group: first and foremost, the work to upgrade the "Cable

Enterprise" cable ship in order to provide it with an advanced "DP2" manoeuvring and dynamic positioning system; this work will be completed in early 2015, allowing the Group to use the ship for submarine cable laying and installation activities for the rest of the year. The other major investments were the acquisition of the industrial building in Pikkala

(Finland) and continued work at the Ansaldo 20 industrial site, in the Bicocca district of Milan, on building the Group's new headquarters, which will extend over an area of more than 20,000 m² and allow the Group to consolidate all its Milan-based company functions in one place, with a resulting saving in running costs.

CAPITAL EXPENDITURE IN 2014



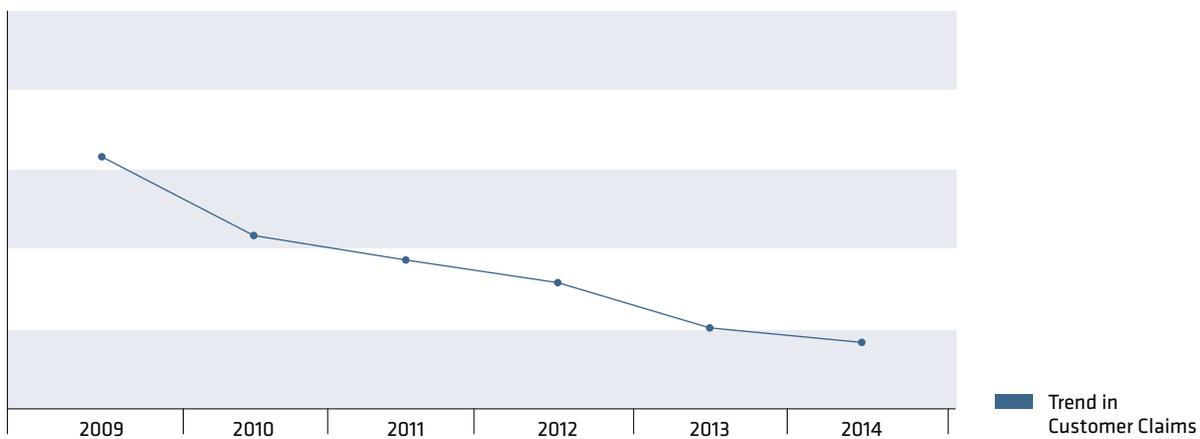
QUALITY

Focus on customer care and on improving process efficiency.

During 2014, the Prysmian Group continued with its mission of continuous improvement in internal processes and performance regarding customers, with a view to achieving ever greater customer centricity. Confirming the validity of the current strategy, the number of customer claims continued their downward trend once again in 2014 (-10% on 2013).

Particular attention was given to providing customers with comprehensive answers and quickly. Accordingly, the Quality function introduced specific actions aimed at reducing the average response time, which came down by more than 10% during the year.

TREND IN CUSTOMER CLAIMS



The achievement of these results confirms the attention of the entire business to the subject of Quality and its ability to focus and improve on matters that have a major impact on the Group's value proposition. This process is expected to be stepped up further in 2015, with an ever increasing focus on the subject of integration with customer needs while retaining a focus on competitive dynamics. Prysmian's goal remains to be the benchmark for excellence in the markets in which it operates.

Internally, the Group continued in 2014 to roll-out its "Cost Of Poor Quality" (COPQ) project, launched in the second half of 2013; this project involves the adoption throughout the Prysmian Group of a standard method, along with a proprietary computer program, to evaluate and reduce costs of internal non-conformities. The results of analyses so far have made it possible to prioritise the actions to be taken within critical production processes and to plan future improvement and cost saving activities. These activities will make production processes more efficient and streamlined, in line with the Group's strategy of enhancing its market competitiveness.

LOGISTICS

In keeping with the Group's strategic objectives and as a complement to the Customer Centricity and Factory Reliability initiatives, Prysmian Group continued in 2014 with the actions already started in 2013 to improve logistics services, in terms of lead-time flexibility, timeliness and efficiency.

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

ETO: The ETO management model is mainly used in the Energy Projects segment for Submarine, High Voltage and Umbilical cables, businesses in which the Prysmian Group supports its customers right from system design all the way through to final cable laying.

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

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

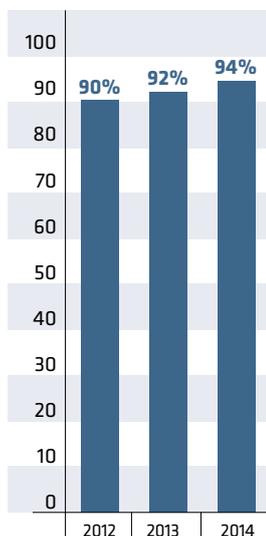
MTS: In contrast, under the MTS approach, generally used for more standardised products, inventory management focuses on producing items for stock to allow a fast response to demand. This model is mainly applied in the Energy Products and Telecom operating segments.

In keeping with the Group's strategic objectives and as a complement to the Customer Centricity and Factory Reliability initiatives, Prysmian Group continued in 2014 with the actions already undertaken in 2014 to improve logistics services, in terms of lead-time flexibility, timeliness and efficiency. New projects were also launched during the year to strengthen the end-to-end processes with some Global Key Accounts.

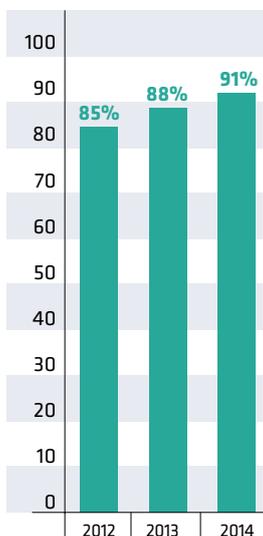
In terms of punctuality and reliability of its process, the Prysmian Group confirmed its strong focus on continuous improvement. The On Time Delivery (OTD) statistics, measuring the ability to serve the customer by the delivery date agreed at the time of confirming order receipt, continued to improve in 2014 in both the Energy Products and Telecom operating segments, as shown in the following graphs.

ON TIME DELIVERY

ENERGY PRODUCTS



TELECOM



LOGISTICS



Synergies between distribution networks, warehouses and distribution centres, initiated after the Draka acquisition, continued to be achieved during 2014 and enhanced by actions like the launch of the Supply Chain Integration project, intended to make the most of the unique platform offered by the "SAP 1 Client" system, whose roll-out is now complete in Europe (with the sole exception of the UK which will be added in the course of 2015).

Actions and projects of this kind confirm the Group's commitment to increasingly efficient use of resources, to greater sharing of information and to significant reductions in response time to market needs.

The ongoing attention to flexibility of response to the market's ever more challenging demands has improved the

reliability of planning and the execution of manufacturing output, in terms of both mix and volumes in ever faster response times.

This, together with strict control over every type of inventory (raw materials, intermediate products and finished goods) allowed the Group to respond effectively and efficiently to the volatility in 2014, which saw some business areas, regions and product ranges clearly expanding in volume terms compared with other areas where demand was stagnant or sinking.

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



PRYSMIAN FOR THE ENVIRONMENT

At the end of 2014, 93% and 59% of the sites were certified in accordance with ISO 14001 and OHSAS 18001 respectively.

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

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

In 2014, HSE further consolidated its action at various levels of the Group's organisation (Corporate, countries or regions, business units and production units), by centralising activities and coordinating the work of local HSE functions. The Health, Safety and Environment policy, Management Procedures and corporate Technical Standards have been introduced and applied in the operating units. With the support of the Group's team of auditors, the HSE function has periodically checked the effectiveness and correct implementation of HSE rules locally.

The aspects that HSE monitors, through the use of indicators, include compliance with health and safety standards, energy consumption, waste management, the use of water resources and atmospheric emissions of greenhouse gases. These indicators are presented in the Sustainability Report. In particular, with regard to greenhouse gas emissions, the Group has started to collect energy consumption data to keep a track of "direct" emissions (arising from the production process), and "indirect" ones (arising from bought-in energy). This monitoring and reporting system has allowed Prysmian to participate, once again in 2014, in the Carbon Disclosure Project (CDP), an international initiative that aims to contribute to achievement of the Kyoto Protocol's targets for worldwide reduction in greenhouse gases.

During the year, the Prysmian Group also defined and applied the methodology for assessing the environmental impact of

certain types of products. In addition, the process continued of obtaining certification for the Group's HSE management systems. At the end of 2014, 93% and 59% of the sites were certified in accordance with ISO 14001 and OHSAS 18001 respectively.

During the year a total of 125 inspections were carried out at the various plants, of which a quarter by Prysmian auditors aimed at verifying compliance with the required standard, while the rest of the inspections were conducted by the Group's main certification body. In addition to these, there were other internal audits on specific matters and inspections by other bodies.

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

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

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

INCENTIVE PLANS

Long-term incentive plan 2011-2013

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

The plan involved 268 employees of Group companies and established that the number of options granted would depend on the achievement of common business and financial performance objectives for all the participants.

The plan was dependent upon achievement of a minimum performance objective of at least Euro 1.75 billion in aggregate Adj. EBITDA for the Group in the period 2011-2013 (the Target), as well as upon continuation of a professional relationship with the Group up until 31 December 2013. The plan also set an upper limit for Adj. EBITDA as the Target plus 20% (i.e. Euro 2.1 billion), that would determine the maximum number of exercisable options granted to each participant.

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

The allotted options carried the right to receive or subscribe to ordinary shares in Prysmian S.p.A., the Parent Company. These shares partly comprised treasury shares and partly new shares, obtained through a capital increase that excluded pre-emptive rights under art. 2441, par. 8 of the Italian Civil

Code. Such a capital increase involved the issue in 2014 of 2,120,687 new ordinary shares of nominal value Euro 0.10 each, for a total nominal value of Euro 212,069, as approved by the shareholders in the extraordinary session of their meeting on 14 April 2011. The shares obtained from the Company's holding of treasury shares were allotted for zero consideration, while the shares obtained from the above capital increase were allotted to participants upon payment of an exercise price corresponding to the nominal value of the Company's shares.

In accordance with IFRS 2, the options allotted in respect of both new and treasury shares were measured at their grant date fair value.

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

Long-term incentive plan 2014-2016

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

As a result of the effects of the Western HVDC Link contract (UK), the Board of Directors has decided not to execute the mandate received from the shareholders allowing implementation of this plan.

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 3 February 2015, the Prysmian Group signed a Memorandum of Understanding with Transelectrica, a Romanian electricity transmission system operator, Unicredit Bank and the law firm Tonucci & Partners to carry out studies and analyses on the potential development of a submarine link between Romania and Turkey. The memorandum's aim is to support further development of the region's energy sector, by offering Romanian power suppliers the opportunity to export their surplus generation to other countries such as Turkey. The Prysmian Group also announced the construction of new optical cable manufacturing facilities within Slatina's new Industrial Park; the new facilities will be capable of producing a full range of new generation optical fibre cables to support the most advanced applications and usages by public and private, national and international operators, having obtained all the required quality certifications. Phase one of the project is due to reach completion by 2017. By the end of the project, the new plant will also have created 300 permanent jobs. The Group also plans to start production in Slatina of high voltage submarine cables for power transmission lines up to 150 kV; completion of the project and commencement of production are scheduled for July 2015. Lastly, with the goal of further developing highly skilled local human resources, Prysmian has also announced the launch of an international training programme in support of its industrial development with the recruitment of new and qualified local staff.

On 6 February 2015, Prysmian Cavi e Sistemi S.r.l. started legal proceedings, 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.

On 11 February 2015, Prysmian was awarded a new contract worth a total of approximately Euro 60 million by Iberdrola

Renovables Offshore Deutschland GmbH - a German subsidiary of Iberdrola, the world-leading developer and operator of wind farms - to supply and install wind turbine inter-array cables for the Wiking offshore wind farm, located within the West of Adlergrund cluster in the German Baltic Sea. Under the Wiking contract, Prysmian is responsible for the design, manufacture, installation, burial, termination and testing of 81 km of 33 kV submarine cables in different cross-sections to connect the 70 wind turbines and an offshore substation that form the 350 MW wind farm. Cables will be produced at Prysmian's facility in Drammen, Norway, one of the Group's centres of excellence for submarine cables. Installation work is scheduled to be complete by the end of 2016.

On 16 February 2015, the Prysmian Group was awarded two major new orders worth a total of more than Euro 50 million for projects to expand the power transmission system in Kuwait. More specifically, the contracts refer to the "MEW 06 Jaber Al Ahmed City" project, awarded directly by MEW - the Kuwait Ministry of Electricity & Water - and the "Jamal Abdel Al Nasser Street" project, awarded by ROBT (JV), a joint venture of Rizzani de Eccher-OHL under a wider contract with MPW - the Kuwait Ministry of Public Works - on behalf of MEW as end-user.

The "MEW 06 Jaber Al Ahmed City" project is part of the plan to expand Kuwait's power transmission with a view to strengthening its main transmission networks and securing power supplies for industrial and residential users throughout the country. The "Jamal Abdel Al Nasser Street" project is part of the plan to upgrade and transform one of the main traffic arteries running through the middle of Kuwait City into an expressway, a process that will involve diverting an underground electricity line.

The contracts involve the design, engineering, supply, construction, installation and commission of HV underground cable systems, requiring a total of 210 km of 132 kV cable and related network components for both projects that will be executed by the Group's offices in Kuwait. Installation will start in 2015 with completion scheduled in 2016.

BUSINESS OUTLOOK

The macro environment in 2014 was marked by a gradual strengthening of the US economy but continued overall weakness in Europe, despite tentative signs of recovery, especially in the first part of the year. Growing geopolitical tensions emerging in the Middle East and Russia, combined with slowdown in some economies like China and Brazil, nevertheless raise further uncertainty over the short and medium-term outlook for the world economy.

In such an economic context, the Group's expectation for FY 2015 is that demand for medium voltage power distribution cables used by utilities will remain weak, while the building wires business is likely to see a continuation of the stabilising trend observed in the second half of 2014. In the Industrial Oil & Gas and SURF cables business, the sudden drop in oil prices could affect investments and thus the business's order book over the medium term. The Group confirms a generally stable trend for its high value-added power transmission businesses, with potential growth areas in the submarine business, although offset by weak demand in the

high voltage underground market, also penalised by growing competition in several geographical areas. With reference to its submarine cables business, the Group expects that the impact of the Western HVDC Link project posted in 2014 (€94 million on Adjusted EBITDA) will be significantly lower in 2015. In the Telecom business, demand for optical fibre cables is expected to carry on recovering in the coming quarters, especially in Europe and the United States, albeit at a slower pace than in 2014.

During 2015 the Prysmian Group will continue to integrate and rationalise activities with the goal of achieving its projected cost synergies and of further strengthening its presence in all areas of the business. Lastly, it is conceivable that exchange rate effects, which had an adverse impact of about €14 million on Adjusted EBITDA in 2014, will have a positive impact on the 2015 results, assuming constancy of the rates at the start of the year, through the pure effect of translating profits expressed in other currencies into the Group's reporting currency.

OTHER INFORMATION

Related party transactions

Related party transactions do not qualify as either atypical or unusual but fall into the normal course of business by Group companies. Such transactions take place under market terms and conditions, according to the type of goods and services provided. Information about related party transactions, including that required by the CONSOB Communication dated 28 July 2006, is presented in Note 33 to the Consolidated Financial Statements at 31 December 2014.

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 2014.

Secondary offices and key corporate information

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

Financial risk management

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

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

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

Milan, 25 February 2015

Massimo Tononi
FOR THE BOARD OF DIRECTORS
THE CHAIRMAN



In 2014, the Brazilian oil company Petrobras awarded the Group a new contract for the supply of special Down Hole Technology (DHT) systems for offshore oil and gas extraction application to be manufactured in the plants at Bridgewater, NJ (USA), and Cariacica (Brazil), using materials sourced in Brazil (e.g., steel).



CONSOLIDATED FINANCIAL REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	Note	31 December 2014	of which related parties (Note 33)	31 December 2013 (*)	of which related parties (Note 33)	1 January 2013 (*)	of which related parties
Non-current assets							
Property, plant and equipment	1	1,414		1,390		1,484	
Intangible assets	2	561		588		608	
Equity-accounted investments	3	225	225	205	205	193	193
Available-for-sale financial assets	4	12		12		12	
Derivatives	8	1		2		3	
Deferred tax assets	16	115		130		125	
Other receivables	5	27		28		40	
Total non-current assets		2,355		2,355		2,465	
Current assets							
Inventories	6	981		881		866	
Trade receivables	5	952	7	933	10	1,083	19
Other receivables	5	766	3	722	3	560	4
Financial assets held for trading	7	76		93		78	
Derivatives	8	29		23		16	
Cash and cash equivalents	9	494		510		787	
Total current assets		3,298		3,162		3,390	
Assets held for sale	10	7		12		4	
Total assets		5,660		5,529		5,859	
Equity attributable to the Group:							
Share capital	11	21		21		21	
Reserves	11	1,014		977		925	
Net profit/(loss) for the year		115		149		166	
Equity attributable to non-controlling interests:		33		36		35	
Share capital and reserves		33		32		33	
Net profit/(loss) for the year		-		4		2	
Total equity		1,183		1,183		1,147	
Non-current liabilities							
Borrowings from banks and other lenders	12	817		1,119		1,428	
Other payables	13	13		20		23	
Provisions for risks and charges	14	74		51		73	
Derivatives	8	5		7		41	
Deferred tax liabilities	16	53		97		91	
Employee benefit obligations	15	360		308		344	6
Total non-current liabilities		1,322		1,602		2,000	
Current liabilities							
Borrowings from banks and other lenders	12	568		292		311	
Trade payables	13	1,415	4	1,409	3	1,416	5
Other payables	13	827	4	688	18	616	7
Derivatives	8	47		42		24	
Provisions for risks and charges	14	269		279		317	
Current tax payables		29		34		28	
Total current liabilities		3,155		2,744		2,712	
Total liabilities		4,477		4,346		4,712	
Total equity and liabilities		5,660		5,529		5,859	

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

CONSOLIDATED INCOME STATEMENT

(in millions of Euro)

	Note	2014	of which related parties (Note 33)	2013 (*)	of which related parties (Note 33)
Sales of goods and services	17	6,840	43	6,995	52
Change in inventories of work in progress, semi-finished and finished goods	18	28		28	
Other income	19	113	3	62	6
<i>of which non-recurring other income</i>	36	37		10	
Raw materials, consumables used and goods for resale	20	(4,303)	(20)	(4,368)	(12)
Fair value change in metal derivatives		7		(8)	
Personnel costs	21	(948)	(6)	(945)	(16)
<i>of which non-recurring personnel costs</i>	36	(52)		(34)	
<i>of which personnel costs for stock option fair value</i>		(3)		(14)	
Amortisation, depreciation, impairment and impairment reversal	22	(188)		(173)	
<i>of which non-recurring impairment and impairment reversal</i>	36	(44)		(25)	
Other expenses	23	(1,280)	(1)	(1,258)	(1)
<i>of which non-recurring other expenses and releases</i>	36	2		(26)	
Share of net profit/(loss) of equity-accounted companies	24	43	43	35	35
Operating income		312		368	
Finance costs	25	(479)		(435)	
<i>of which non-recurring finance costs</i>	36	(18)		(22)	
Finance income	26	339		285	
<i>of which non-recurring finance income</i>	36	4		-	
Dividends from other companies		-		-	
Profit/(loss) before taxes		172		218	
Taxes	27	(57)		(65)	
Net profit/(loss) for the year		115		153	
Attributable to:					
Owners of the parent		115		149	
Non-controlling interests		-		4	
Basic earnings/(loss) per share (in Euro)	28	0.54		0.71	
Diluted earnings/(loss) per share (in Euro)	28	0.54		0.71	

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Euro)

	2014	2013 (*)
Net profit/(loss) for the year	115	153
Comprehensive income/(loss) for the year:		
<i>- items that may be reclassified subsequently to profit or loss:</i>		
Fair value gains/(losses) on cash flow hedges - gross of tax	(8)	9
Fair value gains/(losses) on cash flow hedges - tax effect	2	(4)
Release of cash flow hedge reserve after discontinuing cash flow hedging - gross of tax	4	15
Release of cash flow hedge reserve after discontinuing cash flow hedging - tax effect	(1)	(5)
Currency translation differences	32	(96)
Total items that may be reclassified, net of tax	29	(81)
<i>- items that will NOT be reclassified subsequently to profit or loss:</i>		
Actuarial gains/(losses) on employee benefits - gross of tax	(50)	3
Recognition of pension plan asset ceiling	8	-
Actuarial gains/(losses) on employee benefits - tax effect	11	(2)
Total items that will NOT be reclassified, net of tax	(31)	1
Total comprehensive income/(loss) for the year	113	73
Attributable to:		
Owners of the parent	111	71
Non-controlling interests	2	2

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of Euro)

	Share capital	Cash flow hedge reserves	Currency translation reserve	Other reserves	Net profit/(loss) for the year	Equity attributable to the Group	Non-controlling interests	Total
Balance at 31 December 2012 (*)	21	(23)	(62)	1,010	166	1,112	35	1,147
Allocation of prior year net result	-	-	-	166	(166)	-	-	-
Fair value - stock options	-	-	-	14	-	14	-	14
Dividend distribution	-	-	-	(89)	-	(89)	(3)	(92)
Non-monetary component of convertible bond	-	-	-	39	-	39	-	39
Change in scope of consolidation	-	-	-	-	-	-	2	2
Total comprehensive income/(loss) for the year	-	15	(94)	1	149	71	2	73
Balance at 31 December 2013 (*)	21	(8)	(156)	1,141	149	1,147	36	1,183

(in millions of Euro)

	Share capital	Cash flow hedge reserves	Currency translation reserve	Other reserves	Net profit/(loss) for the year	Equity attributable to the Group	Non-controlling interests	Total
Balance at 31 December 2013 (*)	21	(8)	(156)	1,141	149	1,147	36	1,183
Allocation of prior year net result	-	-	-	149	(149)	-	-	-
Dividend distribution	-	-	-	(89)	-	(89)	(1)	(90)
Purchase of treasury shares	-	-	-	(20)	-	(20)	-	(20)
Fair value - stock options	-	-	-	3	-	3	-	3
Purchase of non-controlling interests in subsidiaries	-	-	-	(2)	-	(2)	(4)	(6)
Total comprehensive income/(loss) for the year	-	(3)	30	(31)	115	111	2	113
Balance at 31 December 2014	21	(11)	(126)	1,151	115	1,150	33	1,183

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Euro)

	2014	of which related parties (Note 33)	2013 (*)	of which related parties (Note 33)
Profit/(loss) before taxes	172		218	
Depreciation, impairment and impairment reversals of property, plant and equipment	137		141	
Amortisation and impairment of intangible assets	51		32	
Net gains on disposal of property, plant and equipment, intangible assets and acquisition purchase price adjustment	(30)		(7)	
Share of net profit/(loss) of equity-accounted companies	(43)	(43)	(35)	(35)
Share-based payments	3		14	
Fair value change in metal derivatives and other fair value items	(7)		8	
Net finance costs	140		150	
Changes in inventories	(76)		(58)	
Changes in trade receivables/payables	(16)	4	144	7
Changes in other receivables/payables	90	(12)	(93)	12
Changes in receivables/payables for derivatives	1		1	
Taxes paid	(72)		(60)	
Dividends received from equity-accounted companies	36	36	16	16
Utilisation of provisions (including employee benefit obligations)	(193)		(154)	
Increases in provisions (including employee benefit obligations)	170		85	
A. Net cash flow provided by/(used in) operating activities	363		402	
Acquisitions ⁽¹⁾	9		-	
Investments in property, plant and equipment	(143)		(95)	
Disposals of property, plant and equipment and assets held for sale	6		6	
Investments in intangible assets	(18)		(18)	
Investments in financial assets held for trading	(8)		(40)	
Disposals of financial assets held for trading	25		7	
B. Net cash flow provided by/(used in) investing activities	(129)		(140)	
Capital contributions and other changes in equity	-		-	
Dividend distribution	(90)		(92)	
Purchase of treasury shares	(20)		-	
EIB Loan	100		-	
Proceeds from convertible bond ⁽²⁾	-		296	
Early repayment of credit agreement	(184)		(486)	
Finance costs paid ⁽³⁾	(440)		(373)	
Finance income received ⁽⁴⁾	330		249	
Changes in other net financial payables	46		(103)	
C. Net cash flow provided by/(used in) financing activities	(258)		(509)	
D. Currency translation gains/(losses) on cash and cash equivalents	8		(30)	
E. Total cash flow provided/(used) in the year (A+B+C+D)	(16)		(277)	
F. Net cash and cash equivalents at the beginning of the year	510		787	
G. Net cash and cash equivalents at the end of the year (E+F)	494		510	

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

(1) This refers to the receipt of Euro 15 million for the purchase price adjustment regarding Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) and to the outlay of Euro 6 million for the acquisition of the remaining 34% of the subsidiary AS Draka Keila Cables.

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

(3) Finance costs paid of Euro 440 million include Euro 53 million in interest payments in 2014 (Euro 65 million in 2013).

(4) Finance income received of Euro 330 million includes Euro 7 million in interest income (Euro 7 million in 2013).

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 Viale Sarca, 222 - Milan (Italy).

Prysmian S.p.A. has been listed on the Italian Stock Exchange

since 3 May 2007 and has been included since September 2007 in the FTSE MIB index, comprising the top 40 Italian companies by capitalisation and stock liquidity.

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

A.1 SIGNIFICANT EVENTS IN 2014

Antitrust investigation

On 2 April 2014, the European Commission concluded the investigations started in January 2009 by adopting a decision under which it found that, between 18 February 1999 and 28 January 2009, the world's largest cable producers, including Prysmian Cavi e Sistemi S.r.l., 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 from 18 February 1999 to 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and The Goldman Sachs Group Inc. for the alleged infringement in the period from 29 July 2005 to 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has appealed against this decision to the General Court of the European Union and has submitted an application to intervene in the appeals respectively lodged by Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. against the same decision. Both Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. have in turn submitted applications to intervene in the appeal brought by Prysmian against the European Commission's decision. Prysmian has not incurred any financial outlay as a result of this decision having elected, pending the outcome of the appeals, to provide bank guarantees as security against payment of 50% of the fine imposed by the European Commission (amounting to approximately Euro 52 million) for the alleged infringement in both periods. As far as Prysmian is aware, Pirelli & C. S.p.A. has provided or is none-

theless preparing to provide 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. Pirelli & C. S.p.A. has also filed a civil action against Prysmian Cavi e Sistemi S.r.l. 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. filed its reply 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. Following a detailed and careful analysis of the European Commission's ruling, and nonetheless considering this has been appealed and so could be submitted to second-instance judgement, as well as the fact that the investigations initiated by the Canadian Antitrust Authority have ended without any sanctions for Prysmian, it has been decided to release part of the existing provision.

It also reported that the investigations initiated by the Canadian Antitrust Authority have ended without any sanctions for Prysmian.

Prysmian has also learned from several sources, including in the public domain, that some British operators have filed actions in the High Court in London against certain cable manufacturers, including the Prysmian Group, to obtain compensation for damages allegedly suffered as a result of

the alleged anti-competitive practices condemned by the European Commission in the decision adopted in April 2014. The above events have led to the recognition in the 2014 income statement of a net release of Euro 31 million, classified as non-recurring items.

Finance Activities

EIB Loan

On 18 December 2013, Prysmian S.p.A. entered into a loan agreement with the European Investment Bank (EIB) for Euro 100 million, to fund the Group's European Research & Development (R&D) programmes over the period 2013-2016. The EIB Loan is particularly intended to support projects developed in the Group's R&D centres in six countries (France, Great Britain, the Netherlands, Spain, Germany and Italy) and represents about 50% of the Prysmian Group's planned investment expenditure in Europe during the period concerned. The EIB Loan was received on 5 February 2014; it will be repaid in 12 equal half-yearly instalments starting on 5 August 2015 and ending on 5 February 2021.

Revolving Credit Facility 2014

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

Credit Agreements 2010 and 2014

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

On 27 June 2014, Prysmian S.p.A. signed an agreement (the "Credit Agreement 2014") under which a syndicate of premier banks made available a long-term credit facility for Euro 1,000 million (the "Syndicated Revolving Credit Facility 2014"). The facility, which expires on 27 June 2019, can also be used for the issue of guarantees. The new revolving facility is intended to refinance the Revolving Credit Facility 2010 and to finance the Group's other operating activities.

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

Share buy-back

Under the share buy-back and disposal programme authorised by the shareholders at their meeting on 16 April 2014, Prysmian S.p.A. purchased a total of 1,390,000 treasury shares during the months of November and December 2014 at a cost of approximately Euro 20 million.

Mergers & Acquisitions

Acquisition price adjustment Global Marine Systems

Energy Ltd (now renamed Prysmian PowerLink Services Ltd)

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

Acquisition of non-controlling interest in AS Draka Keila Cables

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

Stock listing of the joint venture Yangtze Optical Fibre and Cable Joint Stock Limited Company

On 1 August 2014, Yangtze Optical Fibre and Cable Joint Stock Limited Company, based in Wuhan (People's Republic of China) and in which the Group held a 37.5% interest, filed an application to list its shares on the Main Board of the Hong Kong Stock Exchange.

The company is a joint venture between the Prysmian Group and two other partners (China Huaxin Post and Telecommunications Economy Development Center and Wuhan Yangtze Communications Industry Group Co. Ltd., with equity interests of 37.5% and 25% respectively) and specialises in the production of optical fibre and optical cables for telecommunications.

The prospectus for the public offering and the listing of the company's shares was published on 26 November 2014 upon completion of the authorisation process.

Following closure of the offering period, the company's shares commenced trading on the Main Board of the Hong Kong Stock Exchange on 10 December 2014. The offering involved an increase in the company's share capital, with a consequent dilution of the Prysmian Group's holding to 28.12%. This dilution has resulted in the recognition of a non-recurring gain of Euro 8 million.

Other significant events

Western HVDC Link Contract (UK)

During the last few days of April 2014, the manufacture of the cables for the Western HVDC Link project in the United Kingdom encountered some technical problems, which were

duly placed under detailed technical investigation.

Following tests on the quality of the cable produced and analysis of the materials and the manufacturing process, the Directors felt able to make a reliable estimate of the impact of the above problems on the project's revenues and costs.

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

Including non-recognition of the margin originally expected on this project in the period, the overall negative impact of the Western HVDC Link (UK) project on the 2014 results would have been Euro 94 million.

Plant closures

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

Agreements for the plant's closure have been reached, with the process of shutdown currently in progress and due to last for part of 2015.

On 16 July 2014, Draka Paricable (France) initiated a consultation process with the trade unions for the closure of the Aubevoye plant - 92 employees - and the transfer of production to the plants in Amfreville and Gron. The process of discussions with the unions and the related agreements completed by the end of 2014, as well as the plant's closure.

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

Consequent impairment testing of the assets of the plants involved in this restructuring has not resulted in the recognition of any impairment losses.

Other restructuring costs have been estimated based on the outcome of negotiations with the trade unions; at 31 December 2014, these costs were recognised as far as could be reasonably estimated. Further details can be found in Note 14. Provisions for risks and charges.

AMT Explorer cable barge

On 3 July 2014, the AMT Explorer cable barge, chartered to transport power cables for the Deutsche Bucht and Butendiek offshore wind farms in Germany, capsized while under tow in transit from Arco Felice (Naples) to Bremerhaven (Germany). The rotating platform owned by the Prysmian Group and its load sank as a result. The value of the cables transported, unrecoverable given the depth of the water in the area of the sinking, amounted to approximately Euro 28 million. The lost cables were fully insured and as at 31 December 2014 Prysmian PowerLink S.r.l. had collected the full amount of the loss claimed from the insurers. At 31 December 2014 the value of the rotating platform was fully impaired (Euro 5 million) and an insurance reimbursement for the same amount has been recognised.

Prysmian and TenneT, the partner in the wind farm projects, are working to avoid any consequences that could affect the project execution timetable.

Second cycle of Group employee share purchase plan (YES Plan)

During the month of December 2014, employees were informed of the opening of the plan's second cycle in 2015. Employees had until the third week of February 2015 to sign up for the second cycle and to communicate the amount they intended to invest. The total amount collected will be used to make purchases of the Company's shares on the Milan Stock Exchange (MTA) during the month of July 2015.

The consolidated financial statements contained herein were approved by the Board of Directors on 25 February 2015.

In application of art. 264b HGB of the German Commercial Code ("Hundelsgesetzbuch"), 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 the Group's inability to meet its obligations in the foreseeable future and particularly in the next 12 months.

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

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

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

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

IFRS have been applied consistently to all the periods 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.

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

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

Changes to the financial statements

The consolidated financial statements for 2013, presented in the current annual financial report for comparative purposes, have undergone some amendments compared with the previously published figures. These amendments reflect:

- **Application of IFRS 10 and IFRS 11**

Investments in associates and joint ventures accounted for using the equity method have been presented in a separate line of the consolidated statement of financial position.

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

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

Further details can be found in Section C. Restatement of comparative figures.

Change in Segment Reporting

From 1 January 2014 the Group embarked on a process of organisational change, which has involved redefining its segment information, in keeping with the new management model adopted by the Group.

Under the new organisational structure, the Energy segment has been divided into two Operating Segments: Energy Projects and Energy Products. However, the structure of the Telecom Operating Segment has remained unchanged.

The Energy Projects Operating Segment covers high-tech and high value-added businesses whose focus is on projects and their implementation, as well as product customisation, namely: High Voltage underground, Submarine and SURF, which comprises umbilical cables, flexible pipes and special DHT (Downhole Technology) cables.

The Energy Products Operating Segment covers the businesses offering a complete and innovative product portfolio designed to meet the various and many demands of the market, namely: Energy & Infrastructure (including Trade & Installers and Power

Distribution) and Industrial & Network Components (comprising Specialties & OEM, Oil & Gas, Elevators, Automotive and Network Components).

This change has resulted in the reallocation of goodwill; the Cash Generating Units (CGUs) have also been redefined.

Reporting systems in support of the new model were fully implemented in 2014 and have been used 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 23 January 2015. Further details can be found in Section F. Segment information and in Section B.8 Impairment of property, plant and equipment and finite-life intangible assets.

Other changes

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



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 2014 and the year ended 31 December 2013. They have been adjusted, where necessary, to bring them into line with Group accounting policies and standards. All the financial statements of companies included in the consolidation end their financial year at 31 December, except for Yangtze Optical Fibre and Cable Joint Stock Limited Company, consolidated using the equity method, which, following its listing on the Hong Kong Stock Exchange, has published its figures for the first nine months of 2014. These figures have been combined with this company's estimated results for the last quarter of the year.

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

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

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

There are currently no cases of this kind in the Prysmian Group financial statements. The treatment described would be modified 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 valued under this method has negative equity due to losses, the book value of the investment is reduced to zero and additional losses are provided for and a liability is recognised, only to the extent that the Group is committed to fulfilling legal or constructive obligations of the investee company; changes in the equity of companies valued under the equity method which are not accounted for through profit or loss, are recognised directly in equity;
- unrealised gains arising from transactions between the Parent Company/subsidiaries and equity-accounted companies, are eliminated to the extent of the Group's interest in the investee company; unrealised losses are also eliminated unless they represent impairment.

Special purpose entities

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

At 31 December 2014, the special purpose entity known as Prysmian Financial Services Ireland Ltd was essentially inactive, with the procedures for its liquidation in the process of being completed.

Translation of foreign company financial statements

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

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

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

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

As at 31 December 2014, there are no consolidated companies that operate in hyperinflationary economies.

The exchange rates applied are as follows:

(in millions of Euro)

	Closing rates at		Average rates	
	31 December 2014	31 December 2013	12 months 2014	12 months 2013
Europe				
British Pound	0.779	0.834	0.806	0.849
Swiss Franc	1.202	1.228	1.215	1.231
Hungarian Forint	315.540	297.040	308.706	296.916
Norwegian Krone	9.042	8.363	8.354	7.804
Swedish Krona	9.393	8.859	9.099	8.649
Czech Koruna	27.735	27.427	27.536	25.976
Danish Krone	7.445	7.459	7.455	7.458
Romanian Leu	4.483	4.471	4.444	4.419
Turkish Lira	2.826	2.942	2.910	2.535
Polish Zloty	4.273	4.154	4.184	4.198
Russian Rouble	72.337	45.325	50.952	42.317
North America				
US Dollar	1.214	1.379	1.329	1.328
Canadian Dollar	1.406	1.467	1.466	1.368
South America				
Brazilian Real	3.225	3.231	3,128	2.868
Argentine Peso	10.382	8.993	10.787	7.275
Chilean Peso	736.837	724.372	757.887	657.452
Mexican Peso	17.861	18.068	17.672	16.943
Oceania				
Australian Dollar	1.483	1.542	1.472	1.377
New Zealand Dollar	1.553	1.676	1.600	1.620
Africa				
CFA Franc	655.957	655.957	655.957	655.957
Tunisian Dinar	2.262	2.260	2.255	2.156
Asia				
Chinese Renminbi (Yuan)	7.536	8.349	8.186	8.162
United Arab Emirates Dirham	4.459	5.065	4.879	4.876
Hong Kong Dollar	9.417	10.693	10.302	10.297
Singapore Dollar	1.606	1.741	1.682	1.661
Indian Rupee	76.525	85.417	81.037	77.728
Indonesian Rupiah	15,076.100	16,764.780	15,748.918	13,837.912
Japanese Yen	145.230	144.720	140.306	129.601
Thai Baht	39.910	45.178	43.147	40.796
Philippine Peso	54.436	61.289	58.979	56.389
Omani Rial	0.467	0.531	0.511	0.511
Malaysian Ringgit	4.247	4.522	4.345	4.183
Saudi Riyal	4.556	5.172	4.983	4.979

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 2014:

Name changes

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

On 24 October 2014, the Canadian company Prysmian Power Cables and Systems Canada Ltd changed its name to Prysmian Cables and Systems Canada Ltd.

Mergers

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

On 24 February 2014, the merger was completed of Fastighets AB Spannbucklan and Fastighets AB Hygget into Draka Kabel Sverige AB.

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

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

Liquidations

On 1 October 2014, the process of winding up Prysmian Communications Financial Services US LLC and Prysmian Power Financial US LCC was completed with their removal from the local company registry.

On 27 November 2014, the process of winding up Draka Comteq Sweden AB was completed with its removal from the local company registry.

On 19 December 2014, the process of winding up NK Cables Sverige AB and Prysmian Kablar och System AB was completed with their removal from the local company registry.

On 30 December 2014, the process of winding up Sociedade Productora de Fibras Opticas S.A. was completed with its removal from the local company registry.

On 31 December 2014, the process of winding up Doiter Industria e Comercio Ltda was completed with its removal from the local company registry.

Acquisitions

On 9 July 2014, Prysmian Finland OY acquired the remaining 34% of the subsidiary AS Draka Keila Cables.

Appendix A to these notes contains a list of the companies included in the scope of consolidation at 31 December 2014.

B.3 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED IN 2014

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 2013, except for the accounting standards and amendments discussed below and obligatorily applied with effect from 1 January 2014 after being endorsed by the competent authorities.

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

The principal changes were as follows:

IFRS 10 - Consolidated Financial Statements

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

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

IAS 27 - Separate Financial Statements

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

IFRS 11 - Joint Arrangements

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

IFRS 12 - Disclosure of Interests in Other Entities

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

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

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

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

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

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

The amendments clarify that:

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

The document was published in the Official Journal of the European Union on 29 December 2012. The amendments, which apply retrospectively to financial years beginning on or after 1 January 2014, have not entailed any significant changes for the Group.

On 20 May 2013, the IASB issued *IFRIC 21 - Levies*, an interpretation of *IAS 37 - Provisions, Contingent Liabilities and Contingent Assets*. The interpretation, which addresses the recognition of liabilities for the payment of taxes other than income taxes, provides guidance on identifying the event that gives rise to the obligation and when to recognise the liability. The interpretation applies to financial years beginning on or after 17 June 2014. The introduction of this interpretation is not expected to entail any significant effects for the Group.

On 29 May 2013, the IASB issued an amendment to *IAS 36 - Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets* to clarify the disclosure of information about the recoverable amount of impaired assets, if that amount is based on fair value less costs of disposal. The amendment requires disclosures about the recoverable amount of such

assets or cash-generating units only when impairment is recognised or a previous impairment is reversed.

This amendment applies to financial years beginning on or after 1 January 2014 and has not entailed any significant effects for the Group.

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

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

On 21 November 2013, the IASB published an amendment to *IAS 19 - Employee Contributions* with the aim of providing more information about the accounting treatment of pension plans which require plan participants to pay in contributions. This amendment is effective for financial years beginning on or after 1 February 2015.

On 12 December 2013, the IASB published the documents *Annual Improvements 2010-2012* and *Annual Improvements 2011-2013* as part of its programme of annual improvements to its standards; most of the changes involve clarifications or corrections to existing IFRSs or amendments resulting from other changes previously made to the IFRSs. The *Annual Improvements 2010-2012* are effective for financial years beginning on or after 1 February 2015, while in the case of the *Annual Improvements 2011-2013* the European Union had not yet completed the endorsement process needed for their application.

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

On 13 May 2014, the IASB published amendments to *IAS 16 - Property, Plant and Equipment* and *IAS 38 - Intangible Assets* to provide guidance on acceptable methods of depreciation and amortisation. In particular, the amendments clarify that revenue-based methods to calculate depreciation or amortisation are applicable only in limited circumstances. These amendments are effective retrospectively for financial years beginning on or after 1 January 2016.

On 29 May 2014, the IASB issued *IFRS 15 - Revenue from Contracts with Customers* with the aim of improving the quality and uniformity of revenue reporting. The publication of this standard is part of the convergence project with the FASB to improve the comparability of financial statements. The objective of the standard is to define the time of transfer of control as a factor in revenue recognition and the amount that the company is entitled to receive. The standard therefore defines the following steps to follow for the recognition of revenue:

- 1) Identify the contract with the customer;
- 2) Identify the performance obligations in the contract;
- 3) Determine the transaction price;
- 4) Allocate the transaction price to the performance obligations in the contract;

- 5) Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

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

On 12 August 2014, the IASB published some amendments to *IAS 27 - Separate Financial Statements*. The purpose is to allow entities to use the equity method to account for investments in associates and joint ventures even in their separate financial statements. These amendments are effective for financial years beginning on or after 1 January 2016.

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. These amendments are effective for financial years beginning on or after 1 January 2016.

On 25 September 2014, the IASB published *Annual Improvements 2012-2014* as an integral part of its programme of annual improvements to its standards; most of the changes are clarifications of existing IFRSs. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of these amendments.

On 18 December 2014, the IASB published amendments to *IAS 1 - Presentation of Financial Statements*, designed to clarify how to apply the concept of materiality. The amendments make clear that materiality applies to the financial statements as a whole and that information must be disclosed only if it is material. If information exists that is necessary for the reader to understand the financial statements as a whole, such additional information must be presented in the financial disclosures even if not required by international accounting standards. As at the present document date, the

European Union had not yet completed the endorsement process needed for the application of these amendments.

On 18 December 2014, the IASB also published amendments to *IFRS 10*, *IFRS 12* and *IAS 28* with the aim of clarifying the

consolidation rules applying to investment entities. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of these amendments.

B.5 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. Prysmian Metals Limited (Great Britain), Prysmian Cables and Systems S.A. (Switzerland), PT. Prysmian Cables Indonesia (Indonesia), Draka NK Cables (Asia) Pte Ltd (Singapore) and Draka Philippines Inc. (Philippines) present their financial

statements in a currency other than that of the country they operate in, as their main transactions are not carried out in their local currency but in their reporting currency.

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

B.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at the cost of acquisition or production, net of accumulated depreciation and any impairment. Cost includes 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 useful indicative lives estimated by the Group for the various categories of property, plant and equipment are as follows:

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



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

Property, plant and equipment acquired through finance leases, whereby the risks and rewards of the assets are substantially transferred to the Group, are accounted for as Group assets at their fair value or, if lower, at the present value of the minimum lease payments, including any sum payable to exercise a purchase option. The corresponding lease liability is recorded under financial payables. The assets are depreciated using the method and rates described earlier for "Property, plant and equipment", unless the term of the lease is less than the useful life represented by such rates and ownership of the leased asset is not reasonably certain to be transferred

at the lease's natural expiry; in this case the depreciation period will be represented by the term of the lease. Any capital gains realised on the disposal of assets which are leased back under finance leases are recorded under liabilities as deferred income and released to the income statement over the term of the lease. Leases where the lessor substantially retains all the risks and rewards of ownership of the assets are treated as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

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

B.7 INTANGIBLE ASSETS

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

(a) Goodwill

Goodwill represents the difference between the cost incurred for acquiring a controlling interest (in a business) and the fair value of the assets and liabilities identified at the acquisition date. Goodwill is not amortised, but is tested for impairment at least annually to identify any impairment losses. This test is carried out with reference to the cash generating unit ("CGU") or group of CGUs to which goodwill is allocated and at which level it is monitored. Reductions in the value of goodwill are recognised if the recoverable amount of goodwill is less than its carrying amount. Recoverable amount is defined as the higher of the fair value of the CGU or group of CGUs, less costs to sell, and the related value in use (see Section B.8 Impairment of property, plant and equipment and finite-life intangible assets for more details 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 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 expensed to the income statement when they are incurred, except for development costs which are recorded as intangible assets when all the following conditions are met:

- the project is clearly identified and the related costs can be reliably identified and measured;
- the technical feasibility of the project can be demonstrated;
- the intention to complete the project and to sell its output can be demonstrated;
- there is a potential market for the output of the intangible asset or, if the intangible asset is to be used internally, its usefulness can be demonstrated;
- there are sufficient technical and financial resources to complete the project.

Development costs capitalised as intangible assets start to be amortised once the output of the project is marketable.

B.8 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND FINITE-LIFE INTANGIBLE ASSETS

Property, plant and equipment and finite-life intangible assets are analysed at each reporting date for any evidence of impairment. If such evidence is identified, the recoverable amount of these assets is estimated and any impairment loss relative to carrying amount is recognised in profit or loss. The recoverable amount is the higher of the fair value of an asset, less costs to sell, and its value in use, where the latter is the present value of the estimated future cash flows of the asset. The recoverable amount of an asset which does not generate largely independent cash flows is determined in relation to the cash generating unit to which the asset belongs. In calculating an asset's value in use, the expected future cash flows are discounted using a discount rate reflecting current market assessments of the time value of money, in relation to the period of the investment and the specific risks associated with the asset. An impairment loss is recognised in the income statement when the asset's carrying amount exceeds its recoverable amount. If the reasons for impairment cease to exist, the asset's carrying amount is restored with the resulting increase recognised through profit or loss; however, the carrying amount may not

exceed the net carrying amount that this asset would have had if no impairment had been recognised and the asset had been depreciated/amortised instead.

In the Prysmian Group, up until 31 December 2013 the smallest CGU of the Energy operating segment was identified on the basis of location of the registered office of the operating units (country), while the smallest CGU for the Telecom operating segment was the operating segment itself. Following the change in the Group's organisational structure, as from 1 January 2014 the Energy segment has been divided into two operating segments: Energy Products and Energy Projects. However, the structure of the Telecom Operating Segment has remained unchanged.

The smallest CGUs for the Energy Projects segment can be identified as the High Voltage, Submarine and SURF businesses; the smallest CGU for the Energy Products segment can be identified on the basis of the country or region⁽¹⁾ of the operating units; the smallest CGU for the Telecom segment can be identified with the segment itself.

B.9 FINANCIAL ASSETS

Financial assets are initially recorded at fair value and classified in one of the following categories on the basis of their nature and the purpose for which they were acquired:

- (a) Financial assets at fair value through profit or loss;
- (b) Loans and receivables;
- (c) Available-for-sale financial assets.

Purchases and sales of financial assets are accounted for at the settlement date.

Financial assets are derecognised when the right to receive cash flows from the instrument expires and the Group has substantially transferred all the risks and rewards relating to the instrument and its control.

(a) Financial assets at fair value through profit or loss

Financial assets classified in this category are represented by securities held for trading, having been acquired with the purpose of selling them in the short term. Derivatives are treated as securities held for trading, unless they are desi-

gnated as hedging instruments and are therefore classified under "Derivatives".

Financial assets at fair value through profit or loss are initially recorded at fair value and the related transaction costs are expensed immediately to the income statement. Subsequently, financial assets at fair value through profit or loss are measured at fair value. Assets in this category are classified as current assets (except for Derivatives falling due after more than 12 months). Gains and losses from changes in the fair value of financial assets at fair value through profit or loss are reported in the income statement as "Finance income" and "Finance costs", in the period in which they arise. This does not apply to metal derivatives, whose fair value changes are reported in "Fair value change in metal derivatives". Any dividends from financial assets at fair value through profit or loss are recognised as revenue when the Group's right to receive payment is established and are classified in the income statement under "Share of net profit/(loss) of associates and dividends from other companies".

(1) If the operating units of one country almost exclusively serve other countries, the smallest CGU is given by the group of these countries.

(b) Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified in the statement of financial position as "Trade and other receivables" and treated as current assets, except for those with contractual due dates of more than twelve months from the reporting date, which are classified as non-current (See Note 5. Trade and other receivables).

These assets are valued at amortised cost, using the effective interest rate. The process of assessment to identify any impairment of trade and other receivables is described in Note 5.

(c) Available-for-sale financial assets

Available-for-sale assets are non-derivative financial instruments that are explicitly designated as available for sale, or that cannot be classified in any of the previous categories; they are classified as non-current assets, unless management intends to dispose of them within twelve months of the end of the reporting period.

All the financial assets in this category are initially recorded at fair value plus any related transaction costs. Subsequently, available-for-sale financial assets are measured at fair value and gains or losses on valuation are recorded in an equity reserve. "Finance income" and "Finance costs" are recognised in the income statement only when the financial asset is effectively disposed of.

The fair value of listed financial instruments is based on the current bid price; these instruments belong to Level 1 of the fair value hierarchy.

If the market for a financial asset is not active (or refers to

unlisted securities), the Group measures fair value using valuation techniques whose inputs are based on observable market-based data (Level 2) or unobservable data (Level 3). More details can be found in Section D.2 Fair value.

When performing such valuations, the Group gives preference to market data rather than to internal data specifically connected to the nature of the business in which the Group operates.

Any dividends arising from investments recorded as available-for-sale financial assets are recognised as revenue when the Group's right to receive payment is established and are classified in the income statement under "Share of net profit/(loss) of equity-accounted companies".

The Group assesses at every reporting date if there is objective evidence of impairment of its financial assets. In the case of investments classified as available-for-sale financial assets, a prolonged or significant reduction in the fair value of the investment below initial cost is treated as an indicator of impairment. Should such evidence exist, the accumulated loss relating to the available-for-sale financial assets - calculated as the difference between their acquisition cost and fair value at the reporting date, net of any impairment losses previously recognised in profit or loss - is transferred from equity and reported in the income statement as "Finance costs". Such losses are realised ones and therefore cannot be subsequently reversed.

For debt securities, the related yields are recognised using the amortised cost method and are recorded in the income statement as "Finance income", together with any exchange rate effects, while exchange rate effects relating to investments classified as available-for-sale financial assets are recognised in the specific equity reserve.

B.10 DERIVATIVES

Derivatives 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"). For each derivative which qualifies for hedge accounting, there is documentation on its relationship to the item being hedged, including the risk management objectives, the hedging strategy and the methods for checking the hedge's effectiveness. The effectiveness of each hedge is reviewed both at the derivative's inception and during its life cycle. In general, a cash flow hedge is considered highly "effective" if, both at its inception and during its life cycle, the changes in the cash flows expected in the future from the hedged item are largely offset by changes in the fair value of the hedge.

The fair values of the various derivatives used as hedges are disclosed in Note 8. Derivatives. Movements in the "Cash flow hedge reserve" forming part of equity are reported in Note 11. Share capital and reserves.

The fair value of a hedging derivative is classified as a non-current asset or liability if the hedged item has a maturity of more than twelve months; if the maturity of the hedged item is less than twelve months, the fair value of the hedge is classified as a current asset or liability.

Derivatives not designated as hedges are classified as current or non-current assets or liabilities according to their contractual due dates.

Cash flow hedges

In the case of hedges intended to neutralise the risk of changes in cash flows arising from the future execution of contractual obligations existing at the reporting date ("cash flow hedges"), changes in the fair value of the derivative following initial recognition are recorded in equity "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, the hedged forecast cash flows are no longer considered to be highly probable, the portion of the "Cash flow hedge reserve" relating to the derivative is taken to the period's income statement and treated as "Finance income" or "Finance costs". Conversely, if the derivative is disposed of or no longer qualifies as an effective hedge, the portion of "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 2014, the Group had designated derivatives to hedge the following risks:

- **exchange rate risk on construction contracts or orders:** these hedges aim to reduce the volatility of cash flows due to changes in exchange rates on future transactions. In particular, the hedged item is the amount of the cash flow expressed in another currency that is expected to be received/paid in relation to a contract or an order for amounts above the minimum limits identified by the Group Finance Committee: all cash flows thus identified are therefore designated as hedged items in the hedging relationship. The reserve originating from changes in the fair value of derivatives is transferred to the income statement according to the stage of completion of the contract itself, where it is classified as contract revenue/costs;
- **exchange rate risk on intercompany financial transactions:** these hedges aim to reduce volatility arising from changes in exchange rates on intercompany transactions, when such transactions create an exposure to exchange rate gains or losses that are not completely eliminated on consolidation. The economic effects of the hedged item and the related transfer of the reserve to the income statement occur at the same time as recognising the exchange gains and losses on intercompany positions in the consolidated financial statements;
- **interest rate risk:** these hedges aim to reduce the volatility of cash flows relating to finance costs arising on variable rate debt.

When the economic effects of the hedged items occur, the gains and losses from the hedging instruments are taken to the following lines in the income statement:

	Sales of goods and services/Raw materials, consumables used and goods for resale	Finance income (costs)
Exchange rate risk on construction contracts or orders	●	
Exchange rate risk on intercompany financial transactions		●
Interest rate risk		●

B.11 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and subsequently valued on the basis of the amortised cost method, net of the allowance for doubtful accounts. Impairment of receivables is recognised when there is objective evidence that the Group will not be able to recover the receivable owed by the counterparty under the terms of the related contract.

Objective evidence includes events such as:

- (a) significant financial difficulty of the issuer or debtor;
- (b) ongoing legal disputes with the debtor relating to receivables;
- (c) likelihood that the debtor enters bankruptcy or starts

- other financial reorganisation procedures;
- (d) delays in payments exceeding 30 days from the due date.

The amount of the impairment is measured as the difference between the book value of the asset and the present value of future cash flows and is recorded in the income statement under "Other expenses".

Receivables that cannot be recovered are derecognised with a matching entry through the allowance for doubtful accounts. The Group makes use of without-recourse factoring of trade receivables. These receivables are derecognised because such transactions transfer substantially all the related risks and rewards of the receivables to the factor.

B.12 INVENTORIES

Inventories are recorded at the lower of purchase or production cost and net realisable value, represented by the amount which the Group expects to obtain from their sale in the normal course of business, net of selling costs. The cost of inventories of raw materials, ancillaries and consumables, as well as finished products and goods is determined using the FIFO (first-in, first-out) method.

The exception is inventories of non-ferrous metals (copper, aluminium and lead) and quantities of such metals contained

in semi-finished and finished products, which are valued using the weighted average cost method.

The cost of finished and semi-finished products includes design costs, raw materials, direct labour costs and other production costs (calculated on the basis of normal operating capacity). Borrowing costs are not included in the valuation of inventories but are expensed to the income statement when incurred because inventories are not qualifying assets that take a substantial period of time to get ready for use or sale.

B.13 CONSTRUCTION CONTRACTS

Construction contracts (hereafter also “contracts”) are recognised at the value agreed in the contract, in accordance with the percentage of completion method, taking into account the progress of the project and the expected contractual risks. The progress of a project is measured by reference to the contract costs incurred at the reporting date in relation to the total estimated costs for each contract.

When the outcome of a contract cannot be estimated reliably, the contract revenue is recognised only to the extent that the costs incurred are likely to be recovered. When the outcome of a contract can be estimated reliably, and it is probable that the contract will be profitable, contract revenue is recognised over the term of the contract. When it is probable that total contract costs will exceed total contract revenue, the potential

loss is immediately recognised in the income statement.

The Group reports as an asset the gross amount due from customers for construction contracts, where the costs incurred, plus recognised profits (less recognised losses), exceed the billing of work-in-progress; such assets are reported under “Other receivables”. Amounts invoiced but not yet paid by customers are reported under “Trade receivables”.

The Group reports as a liability the gross amount due to customers for all construction contracts where billing of work-in-progress exceeds the costs incurred plus recognised profits (less recognised losses). Such liabilities are reported under “Other liabilities”.

B.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, demand bank deposits and other short-term investments, with original maturities of three months or less. Current account overdrafts are classified

as financial payables under current liabilities in the statement of financial position.



B.15 ASSETS HELD FOR SALE

Assets held for sale are classified as such if the carrying amount will be recovered principally through a sale transaction; for this to be the case, the sale must be highly probable and the related assets must be available for immediate sale in their present condition. Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

B.16 TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and subsequently valued on the basis of the amortised cost method.

B.17 BORROWINGS FROM BANKS AND OTHER LENDERS

Borrowings from banks and other lenders are initially recognised at fair value, less directly attributable costs. Subsequently, they are measured at amortised cost, using the effective interest method. If the estimated expected cash flows should change, the value of the liabilities is recalculated to reflect this change using the present value of the expected new cash flows and the effective internal rate originally established. Borrowings from banks and other lenders are classified as current liabilities, except where the Group has an unconditio-

nal right to defer their payment for at least twelve months after the reporting date.

Borrowings from banks and other lenders are derecognised when they are extinguished and when the Group has transferred all the risks and costs relating to such instruments.

Purchases and sales of financial liabilities are accounted for at the settlement date.

B.18 EMPLOYEE BENEFITS

Pension plans

The Group operates both defined contribution plans and defined benefit plans.

A defined contribution plan is a plan under which the Group pays fixed contributions to third-party fund managers and to which there are no legal or other obligations to pay further contributions should the fund not have sufficient assets to meet the obligations to employees for current and prior periods. In the case of defined contribution plans, the Group pays contributions, voluntarily or as established by contract, to public and private pension insurance funds. The Group has no obligations subsequent to payment of such contributions,

which are recognised as personnel costs on an accrual basis. Prepaid contributions are recognised as an asset which will be repaid or used to offset future payments, should they be due. A defined benefit plan is a plan not classifiable as a defined contribution plan. In defined benefit plans, the total benefit payable to the employee can be quantified only after the employment relationship ceases, and is linked to one or more factors, such as age, years of service and remuneration; the related cost is therefore charged to the period's income statement on the basis of an actuarial calculation. The liability recognised for defined benefit plans corresponds to the present value of the obligation at the reporting date, less the fair value of the plan assets, where applicable. Obliga-

tions for defined benefit plans are determined annually by an independent actuary using the projected unit credit method. The present value of a defined benefit plan is determined by discounting the future cash flows at an interest rate equal to that of high-quality corporate bonds issued in the liability's settlement currency and which reflects the duration of the related pension plan. Actuarial gains and losses arising from the above adjustments and the changes in actuarial assumptions are recorded directly in equity.

Past service costs resulting from a plan amendment are recognised immediately in the income statement in the period the plan amendment occurs.

Other post-employment obligations

Some Group companies provide medical benefit plans for retired employees. The expected cost of these benefits is accrued over the period of employment using the same accounting method as for defined benefit plans. Actuarial gains and losses arising from the valuation and the effects of changes in the actuarial assumptions are accounted for

in equity. These liabilities are valued annually by a qualified independent actuary.

Termination benefits

The Group recognises termination benefits when it can be shown that the termination of employment complies with a formal plan communicated to the parties concerned that establishes termination of employment, or when payment of the benefit is the result of voluntary redundancy incentives. Termination benefits payable more than twelve months after the reporting date are discounted to present value.

Share-based payments (equity-settled)

Stock options are valued on the basis of the fair value determined on their grant date. This value is charged to the income statement on a straight-line basis over the option vesting period with a matching entry in equity. This recognition is based on an estimate of the number of stock options that will effectively vest in favour of eligible employees, taking into consideration any vesting conditions, irrespective of the market value of the shares.

B.19 PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised for losses and charges of a definite nature, whose existence is certain or probable, but the amount and/or timing of which cannot be determined reliably. A provision is recognised only when there is a current (legal or constructive) obligation for a future outflow of economic resources as the result of past events and it is likely that this outflow is required to settle the obligation. Such amount is the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material and the obligation settlement date can be estimated reliably, the provisions are stated at the present value of the expected outlay, using a rate that reflects market conditions, the variation in the cost of money over time, and the specific risk attached to the obligation.

Increases in the provision due to changes in the time value of money are accounted for as interest expense.

Risks for which the emergence of a liability is only possible but not remote are indicated in the disclosures about commitments and contingencies and no provision is recognised. Any contingent liabilities accounted for separately when allocating the cost of a business combination, are valued at the higher of the amount obtained using the method described above for provisions for risks and charges and the liability's originally determined present value.

Further details can be found in Note 29. Contingent liabilities.

The provisions for risks and charges include the estimated legal costs to be incurred if such costs are incidental to the extinguishment of the provision to which they refer.

B.20 REVENUE RECOGNITION

Revenue is recognised at the fair value of the consideration received for the sale of goods and services in the ordinary course of the Group's business. Revenue is recognised net of value-added tax, expected returns, rebates and discounts.

Revenue is accounted for as follows:

(a) Sales of goods

Revenue from the sale of goods is recognised when the risks and rewards of the goods are transferred to the customer; this usually occurs when the goods have been dispatched or delivered to the customer and the customer has accepted them.

(b) Sales of services

The sale of services is recognised in the accounting period in which the services are rendered, with reference to the progress of the service supplied and in relation to the total services still to be rendered.

In both cases, revenue recognition depends on there being reasonable assurance that the related consideration will be received.

The method of recognising revenue for construction contracts is outlined in Section B.13 Construction contracts.

B.21 GOVERNMENT GRANTS

Government grants are recognised on an accrual basis in direct relation to the costs incurred when there is a formal resolution approving the allocation and, when the right to the grant is assured since it is reasonably certain that the Group will comply with the conditions attaching to its receipt and that the grant will be received.

(a) Grants related to assets

Government grants relating to investments in property, plant and equipment are recorded as deferred income in

"Other payables", classified under current and non-current liabilities for the respective long-term and short-term portion of such grants. Deferred income is recognised in "Other income" in the income statement on a straight-line basis over the useful life of the asset to which the grant refers.

(b) Grants related to income

Grants other than those related to assets are credited to the income statement as "Other income".

B.22 COST RECOGNITION

Costs are recognised when they relate to assets and services acquired or consumed during the year or to make a systematic allocation 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 end of the reporting period.

Deferred taxes are calculated on all the differences emerging between the taxable base of an asset or liability and the related carrying amount, except for goodwill and those differences arising from investments in subsidiaries, where the timing of the reversal of such differences is controlled by the Group and it is likely that they will not reverse in a reasonably foreseeable future. Deferred tax assets, including those relating to past tax losses, not offset by deferred tax liabilities, are recognised to the extent that it is likely that future taxable profit will be available against which they can be recovered. Deferred taxes are determined using tax rates

that are expected to apply in the years when the differences are realised or extinguished, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred taxes are recognised in the income statement with the exception of those relating to items recognised directly in equity; such taxes are also accounted for directly in equity. Income taxes are offset if they are levied by the same taxation authority, if there is a legal entitlement to offset them and if the net balance is expected to be settled.

Other taxes not related to income, such as property tax, are reported in "Other expenses".

B.24 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the profit attributable to owners of the parent by the weighted

average number of ordinary shares outstanding during the year, excluding treasury shares. For the purposes of calculating diluted earnings per share, the weighted average 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 effects, net of taxes, of exercising such rights.

B.25 TREASURY SHARES

Treasury shares are reported as a deduction from equity. The original cost of treasury shares and revenue arising from any subsequent sales are treated as movements in equity.

C. RESTATEMENT OF COMPARATIVE FIGURES

The consolidated financial statements at 1 January 2013 and at 31 December 2013, presented in the current annual financial report for comparative purposes, have undergone some amendments compared with the previously published figures. Details of these amendments are discussed below:

Adoption of IFRS 10 and IFRS 11

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

In particular, the changes introduced by *IFRS 11 - Joint Arrangements* have eliminated the possibility of proportionate consolidation; accordingly, the companies Yangtze Optical Fibre and Cable Joint Stock Limited Co., Yangtze Optical Fibre

and Cable (Hong Kong) Co. Ltd., Precision Fiber Optics Ltd. and Power Cables Malaysia Sdn Bhd, previously consolidated using the proportionate method, have now been consolidated using the equity method.

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

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

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

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

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

The Group has adopted a new method of classifying its share of the net profit/(loss) of associates and joint ventures, whereby it recognises this amount as a component of

"Operating income" when relating to companies that operate in the same market as the Group. The comparative figures have been reclassified accordingly.

The consolidated financial statements at 1 January 2013 and at 31 December 2013 have therefore been restated as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 1 JANUARY 2013:

(in millions of Euro)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2013:

(in millions of Euro)

	31 December 2013	Effects application IFRS 10-11	31 December 2013 Restated
Non-current assets			
Property, plant and equipment	1,441	(51)	1,390
Intangible assets	623	(35)	588
Equity-accounted investments	99	106	205
Available-for-sale financial assets	15	(3)	12
Derivatives	2	-	2
Deferred tax assets	134	(4)	130
Other receivables	29	(1)	28
Total non-current assets	2,343	12	2,355
Current assets			
Inventories	920	(39)	881
Trade receivables	1,010	(77)	933
Other receivables	739	(17)	722
Financial assets held for trading	94	(1)	93
Derivatives	23	-	23
Cash and cash equivalents	561	(51)	510
Total current assets	3,347	(185)	3,162
Assets held for sale	12	-	12
Total assets	5,702	(173)	5,529
Equity attributable to the Group:	1,147	-	1,147
Share capital	21	-	21
Reserves	977	-	977
Net profit/(loss) for the year	149	-	149
Equity attributable to non-controlling interests:	48	(12)	36
Share capital and reserves	43	(11)	32
Net profit/(loss) for the year	5	(1)	4
Total equity	1,195	(12)	1,183
Non-current liabilities			
Borrowings from banks and other lenders	1,154	(35)	1,119
Other payables	24	(4)	20
Provisions for risks and charges	52	(1)	51
Derivatives	7	-	7
Deferred tax liabilities	100	(3)	97
Employee benefit obligations	308	-	308
Total non-current liabilities	1,645	(43)	1,602
Current liabilities			
Borrowings from banks and other lenders	338	(46)	292
Trade payables	1,441	(32)	1,409
Other payables	728	(40)	688
Derivatives	42	-	42
Provisions for risks and charges	279	-	279
Current tax payables	34	-	34
Total current liabilities	2,862	(118)	2,744
Total liabilities	4,507	(161)	4,346
Total equity and liabilities	5,702	(173)	5,529

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2013:

(in millions of Euro)

	2013 Published	Effects application IFRS 10-11	Other reclassifications	2013 Restated
Sales of goods and services	7,273	(273)	(5)	6,995
Change in inventories of work in progress, semi-finished and finished goods	26	2	-	28
Other income	65	(3)	-	62
<i>of which non-recurring other income</i>	10	-	-	10
Raw materials, consumables used and goods for resale	(4,571)	201	2	(4,368)
Fair value change in metal derivatives	(8)	-	-	(8)
Personnel costs	(965)	19	1	(945)
<i>of which non-recurring personnel costs</i>	(34)	-	-	(34)
<i>of which personnel costs for stock option fair value</i>	(14)	-	-	(14)
Amortisation, depreciation and impairment	(180)	7	-	(173)
<i>of which non-recurring impairment</i>	(25)	-	-	(25)
Other expenses	(1,280)	20	2	(1,258)
<i>of which non-recurring other expenses</i>	(26)	-	-	(26)
Share of net profit/(loss) of equity-accounted companies	-	18	17	35
Operating income	360	(9)	17	368
Finance costs	(440)	5	-	(435)
<i>of which non-recurring finance costs</i>	(22)	-	-	(22)
Finance income	287	(2)	-	285
Share of net profit/(loss) of associates and dividends from other companies	15	2	(17)	-
Profit/(loss) before taxes	222	(4)	-	218
Taxes	(68)	3	-	(65)
Net profit/(loss) for the year	154	(1)	-	153
Attributable to:				
Owners of the parent	149	-	-	149
Non-controlling interests	5	(1)	-	4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 31 DECEMBER 2013:

(in millions of Euro)

	2013 Published	Effects application IFRS 10-11	2013 Restated
Net profit/(loss) for the year	154	(1)	153
Comprehensive income/(loss) for the year:			
<i>- items that may be reclassified subsequently to profit or loss:</i>			
Fair value gains/(losses) on cash flow hedges - gross of tax	9	-	9
Fair value gains/(losses) on cash flow hedges - tax effect	(4)	-	(4)
Release of cash flow hedge reserve after discontinuing cash flow hedging - gross of tax	15	-	15
Release of cash flow hedge reserve after discontinuing cash flow hedging - tax effect	(5)	-	(5)
Currency translation differences	(97)	1	(96)
Total items that may be reclassified, net of tax	(82)	1	(81)
<i>- items that will NOT be reclassified subsequently to profit or loss:</i>			
Actuarial gains/(losses) on employee benefits - gross of tax	3	-	3
Actuarial gains/(losses) on employee benefits - tax effect	(2)	-	(2)
Total items that will NOT be reclassified, net of tax	1	-	1
Total comprehensive income/(loss) for the year	73	-	73
Attributable to:			
Owners of the parent	71	-	71
Non-controlling interests	2	-	2

CONSOLIDATED STATEMENT OF CASH FLOWS 2013:

(in millions of Euro)

	2013 Published	Effects application IFRS 10-11	Other reclassifications	2013 Restated
Profit/(loss) before taxes	222	(4)	-	218
Depreciation and impairment of property, plant and equipment	147	(6)	-	141
Amortisation and impairment of intangible assets	33	(1)	-	32
Net gains on disposal of property, plant and equipment, intangible assets and other non-current assets	(7)	-	-	(7)
Share of net profit/(loss) of equity-accounted companies	(15)	(20)	-	(35)
Share-based payments	14	-	-	14
Fair value change in metal derivatives and other fair value items	8	-	-	8
Net finance costs	153	(3)	-	150
Changes in inventories	(67)	9	-	(58)
Changes in trade receivables/payables	143	1	-	144
Changes in other receivables/payables	(96)	3	-	(93)
Changes in receivables/payables for derivatives	1	-	-	1
Taxes paid	(64)	4	-	(60)
Dividends received from equity-accounted companies	-	5	11	16
Utilisation of provisions (including employee benefit obligations)	(157)	3	-	(154)
Increases in provisions (including employee benefit obligations)	84	1	-	85
A. Net cash flow provided by/(used in) operating activities	399	(8)	11	402
Acquisitions	-	-	-	-
Investments in property, plant and equipment	(103)	8	-	(95)
Disposals of property, plant and equipment and assets held for sale	7	(1)	-	6
Investments in intangible assets	(18)	-	-	(18)
Disposals of intangible assets	-	-	-	-
Investments in financial assets held for trading	(40)	-	-	(40)
Disposals of financial assets held for trading	7	-	-	7
Investments in available-for-sale financial assets	-	-	-	-
Disposals of available-for-sale financial assets	-	-	-	-
Investments in associates	-	-	-	-
Disposals of associates	-	-	-	-
Dividends received	11	-	(11)	-
B. Net cash flow provided by/(used in) investing activities	(136)	7	(11)	(140)
Capital contributions and other changes in equity	-	-	-	-
Dividend distribution	(92)	-	-	(92)
EIB loan	-	-	-	-
Purchase of treasury shares	-	-	-	-
Proceeds from convertible bond	296	-	-	296
Early repayment of credit agreement	(486)	-	-	(486)
Finance costs paid	(377)	4	-	(373)
Finance income received	251	(2)	-	249
Changes in other net financial payables	(75)	(28)	-	(103)
C. Net cash flow provided by/(used in) financing activities	(483)	(26)	-	(509)
D. Currency translation gains/(losses) on cash and cash equivalents	(31)	1	-	(30)
E. Total cash flow provided/(used) in the year (A+B+C+D)	(251)	(26)	-	(277)
F. Net cash and cash equivalents at the beginning of the year	812	(25)	-	787
G. Net cash and cash equivalents at the end of the year (E+F)	561	(51)	-	510

D. FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to various forms of risk: market risk (including exchange rate, interest rate and price risks), credit risk and liquidity risk. The Group's risk management strategy focuses on the unpredictability of markets and aims to minimise the potentially negative impact on the Group's results. Some types of risk are mitigated using derivatives.

Monitoring of key financial risks is centrally coordinated by the Group Finance Department, and by the Purchasing Department where price risk is concerned, in close cooperation with the Group's operating companies. Risk management policies are approved by the Group Finance, Administration and Control Department, which provides written guidelines on managing the above risks and on using (derivative and non-derivative) financial instruments.

The impact on profit and equity described in the following sensitivity analyses has been determined net of tax, calculated using the Group's weighted average theoretical tax rate.

[a] Exchange rate risk

The Group operates worldwide and is therefore exposed to exchange rate risk caused by changes in the value of trade and financial flows expressed in a currency other than the accounting currency of individual Group companies.

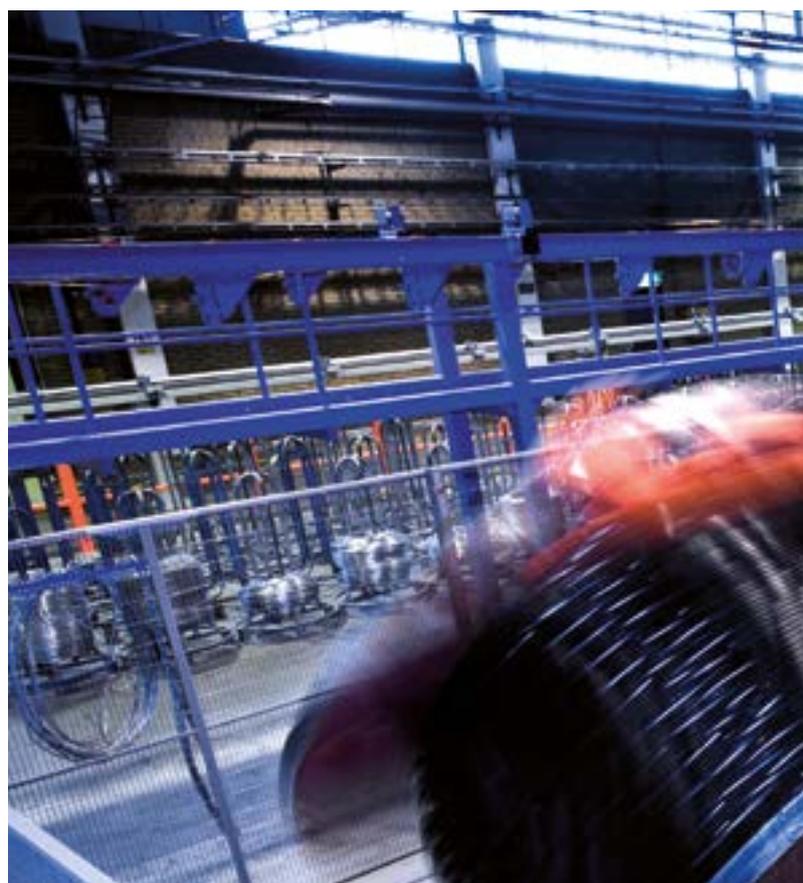
The principal exchange rates affecting the Group are:

- Euro/British Pound: in relation to trade and financial transactions by Eurozone companies on the British market and vice versa;
- Euro/US Dollar: in relation to trade and financial transactions in US dollars by Eurozone companies on the North American and Middle Eastern markets, and similar transactions in Euro by North American companies on the European market;
- United Arab Emirates Dirham/Euro: in relation to trade and financial transactions by Eurozone companies on the United Arab Emirates market;
- Euro/Norwegian Krone: in relation to trade and financial transactions by Eurozone companies on the Norwegian market and vice versa;
- Euro/Qatari Riyal: in relation to trade and financial transactions by Eurozone companies on the Qatari market;

- Turkish Lira/US Dollar: in relation to trade and financial transactions in US dollars by Turkish companies on foreign markets and vice versa;
- Euro/Australian Dollar: in relation to trade and financial transactions by Eurozone companies on the Australian market and vice versa;
- Brazilian Real/US Dollar: in relation to trade and financial transactions in US dollars by Brazilian 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/Hungarian Forint: in relation to trade and financial transactions by Hungarian companies on the Eurozone market and vice versa;
- Euro/Czech Koruna: in relation to trade and financial transactions by Czech companies on the European market and vice versa;
- Renmimbi/US Dollar: in relation to trade and financial transactions in US dollars by Chinese companies on foreign market and vice versa.

In 2014, trade and financial flows exposed to the above exchange rates accounted for around 90.0% of the total exposure to exchange rate risk arising from trade and financial transactions (85.5% in 2013).

The Group is also exposed to significant exchange rate risks on the following exchange rates: Euro/Romanian Leu, Euro/Singapore Dollar, Argentine Peso/US Dollar and Euro/New



Zealand Dollar; none of these exposures, taken individually, accounted for more than 1.45% of the overall exposure to transactional exchange rate risk in 2014 (1.6% in 2013).

It is the Group's policy to hedge, where possible, exposures in currencies other than the accounting currencies of its individual companies. In particular, the Group hedges:

- Definite cash flows: invoiced trade flows and exposures arising from loans and borrowings;

- Projected cash flows: trade and financial flows arising from firm or highly probable contractual commitments.

The above hedges are arranged using derivative contracts.

The following sensitivity analysis shows the effects on net profit of a 5% and 10% increase/decrease in exchange rates versus closing exchange rates at 31 December 2014 and 31 December 2013.

(in millions of Euro)

	2014		2013 (*)	
	-5%	+5%	-5%	+5%
Euro	(1.70)	1.54	(1.59)	1.44
US Dollar	(0.91)	0.82	(2.05)	1.85
Other currencies	(0.80)	0.72	(0.71)	0.64
Total	(3.41)	3.08	(4.35)	3.93

(in millions of Euro)

	2014		2013 (*)	
	-10%	+10%	-10%	+10%
Euro	(3.59)	2.93	(3.35)	2.74
US Dollar	(1.91)	1.57	(4.32)	3.53
Other currencies	(1.68)	1.37	(1.49)	1.22
Total	(7.18)	5.87	(9.16)	7.49

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



When assessing the potential impact of the above, the assets and liabilities of each Group company in currencies other than their accounting currency were considered, net of any derivatives hedging the above-mentioned flows. The following sensitivity analysis shows the post-tax effects

on equity reserves of an increase/decrease in the fair value of designated cash flow hedges following a 5% and 10% increase/decrease in exchange rates versus closing exchange rates at 31 December 2014 and 31 December 2013.

(in millions of Euro)

	2014		2013 (*)	
	-5%	+5%	-5%	+5%
US Dollar	0.85	(0.94)	1.31	(1.45)
United Arab Emirates Dirham	1.85	(2.04)	0.38	(0.42)
Qatari Riyal	2.71	(2.99)	1.86	(2.05)
Saudi Riyal	-	-	-	-
Other currencies	0.58	(0.64)	0.48	(0.53)
Total	5.99	(6.61)	4.03	(4.45)

(in millions of Euro)

	2014		2013 (*)	
	-10%	+10%	-10%	+10%
US Dollar	1.62	(1.98)	2.50	(3.06)
United Arab Emirates Dirham	3.53	(4.31)	0.72	(0.88)
Qatari Riyal	5.17	(6.31)	3.54	(4.33)
Saudi Riyal	-	-	0.01	(0.01)
Other currencies	1.10	(1.34)	0.92	(1.12)
Total	11.42	(13.94)	7.69	(9.40)

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

The above analysis ignores the effects of translating the equity of Group companies whose functional currency is not the Euro.

[b] Interest rate risk

The interest rate risk to which the Group is exposed is mainly on long-term financial liabilities, carrying both fixed and variable rates.

Fixed rate debt exposes the Group to a fair value risk. The Group does not operate any particular hedging policies in relation to the risk arising from such contracts.

Variable rate debt exposes the Group to a rate volatility risk (cash flow risk). In order to hedge this risk, the Group can use derivative contracts that limit the impact of interest rate changes on the income statement.

The Group Finance Department monitors the exposure to interest rate risk and adopts appropriate hedging strategies to keep the exposure within the limits defined by the Group Administration, Finance and Control Department, arranging derivative contracts, if necessary.

The following sensitivity analysis shows the effects on consolidated net profit of an increase/decrease of 25 basis points in interest rates on the interest rates at 31 December 2014 and 31 December 2013, assuming that all other variables remain equal.

The potential effects shown below refer to net liabilities representing the most significant part of Group debt at the reporting date and are determined by calculating the effect on net finance costs following a change in annual interest rates. The net liabilities considered for sensitivity analysis include variable rate financial receivables and payables, cash and cash equivalents and derivatives whose value is influenced by rate volatility.

(in millions of Euro)

	2014		2013 (*)	
	-0.25%	+0.25%	-0.25%	+0.25%
Euro	0.10	(0.10)	(0.19)	0.19
US Dollar	(0.03)	0.03	(0.05)	0.05
British Pound	(0.05)	0.05	(0.03)	0.03
Other currencies	(0.38)	0.38	(0.35)	0.35
Total	(0.36)	0.36	(0.62)	0.62

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

At 31 December 2014, the increase/decrease in the fair value of derivatives designated as cash flow hedges arising from an increase/decrease of 25 basis points in interest rates on year-end rates would have respectively increased other equity reserves by Euro 0.3 million and decreased them by Euro 0.3 million for hedges of underlying transactions in Euro.

At 31 December 2013, the increase/decrease in the fair value of derivatives designated as cash flow hedges arising from an increase/decrease of 25 basis points in interest rates on year-end rates would have respectively increased other equity reserves by Euro 0.8 million and decreased them by Euro 1.5 million for hedges of underlying transactions in Euro.

[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 51.2% of the Group's total cost of materials in 2014 (56.3% in 2013), forming part of its overall production costs.

In order to manage the price risk on future trade transactions, the Group negotiates derivative contracts on strategic metals, setting the price for projected 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 2014 and 31 December 2013, assuming that all other variables remain equal.

(in millions of Euro)

	2014		2013 (*)	
	-10%	+10%	-10%	+10%
LME	(12.63)	12.63	(13.85)	13.85
COMEX	0.21	(0.21)	(0.78)	0.78
SFE	(5.42)	5.42	(4.88)	4.88
Total	(17.84)	17.84	(19.51)	19.51

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

The potential impact shown above is solely attributable to increases and decreases in the fair value of derivatives on strategic material prices which are directly attributable to changes in the prices themselves. It does not refer to the impact on the income statement of the purchase cost of strategic materials.

[d] Credit risk

Credit risk is connected with trade receivables, cash and cash equivalents, financial instruments, and deposits with banks and other financial institutions.

Customer-related credit risk is managed by the individual subsidiaries and monitored centrally by the Group Finance Department. The Group does not have significant concentrations of credit risk. It nonetheless has procedures aimed at ensuring that sales of products and services are made to reliable customers, taking account of their financial position, track record and other factors. Credit limits for major

customers are based on internal and external assessments within ceilings approved by local country management. The utilisation of credit limits is periodically monitored at local level.

During 2014 the Group had a global insurance policy in place to provide coverage for part of its trade receivables against any losses.

As for credit risk relating to the management of financial and cash resources, this risk is monitored by the Group Finance Department, which implements procedures intended to ensure that Group companies deal with independent, high standing, reliable counterparties. In fact, at 31 December 2014 (like at 31 December 2013) almost all the Group's financial and cash resources were held with investment grade counterparties. Credit limits relating to the principal financial counterparties are based on internal and external assessments, within ceilings defined by the Group Finance Department.

[e] Liquidity risk

Prudent management of the liquidity risk arising from the Group's normal operations involves the maintenance of adequate levels of cash and cash equivalents and short-term securities as well as 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 2014	31 December 2013 (*)
Cash and cash equivalents	494	510
Financial assets held for trading	76	93
Unused committed lines of credit	1,470	897
Total	2,040	1,500

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

Unused committed lines of credit at 31 December 2014 refer to the Revolving Credit Facility 2011 and Syndicated Revolving Credit Facility 2014 (Euro 1,400 million) and to the Revolving Credit Facility 2014 (Euro 70 million); at 31 December 2013, they had comprised Euro 797 million for the Revolving Credit Facilities 2010 and 2011 and Euro 100 million for the EIB loan.

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 due date of the obligations.

(in millions of Euro)

	31 December 2014			
	Due within 1 year	Due between 1 - 2 years	Due between 1 - 5 years	Due after 5 years
Borrowings from banks and other lenders	585	433	355	25
Finance lease obligations	3	3	4	12
Derivatives	47	5	-	-
Trade and other payables	2,242	6	3	4
Total	2,877	447	362	41

(in millions of Euro)

	31 December 2013 (*)			
	Due within 1 year	Due between 1 - 2 years	Due between 1 - 5 years	Due after 5 years
Borrowings from banks and other lenders	325	448	686	3
Finance lease obligations	3	3	4	11
Derivatives	42	3	4	-
Trade and other payables	2,097	3	6	11
Total	2,467	457	700	25

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

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 2014					
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortised cost	Hedging derivatives
Available-for-sale financial assets	-	-	12	-	-	-
Trade receivables	-	952	-	-	-	-
Other receivables	-	793	-	-	-	-
Financial assets held for trading	76	-	-	-	-	-
Derivatives (assets)	19	-	-	-	-	11
Cash and cash equivalents	-	494	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	1,385	-
Trade payables	-	-	-	-	1,415	-
Other payables	-	-	-	-	840	-
Derivatives (liabilities)	-	-	-	28	-	24

(in millions of Euro)

	31 December 2013 (*)					
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortised cost	Hedging derivatives
Available-for-sale financial assets	-	-	12	-	-	-
Trade receivables	-	933	-	-	-	-
Other receivables	-	750	-	-	-	-
Financial assets held for trading	93	-	-	-	-	-
Derivatives (assets)	20	-	-	-	-	5
Cash and cash equivalents	-	510	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	1,411	-
Trade payables	-	-	-	-	1,409	-
Other payables	-	-	-	-	708	-
Derivatives (liabilities)	-	-	-	36	-	13

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

D.1 CAPITAL RISK MANAGEMENT

The Group's objective in capital risk management is mainly to safeguard business continuity in order to guarantee returns for shareholders and benefits for other stakeholders. The Group also aims to maintain an optimal capital structure in order to reduce the cost of debt and to comply with a series of covenants required by the various Credit Agreements (Note 32. Financial covenants).

The Group also monitors capital on the basis of its gearing ratio (i.e. the ratio between net financial position and capital). Details of how the net financial position 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 the net financial position.

The gearing ratios at 31 December 2014 and 31 December 2013 are shown below:

(in millions of Euro)

	2014	2013 (*)
Net financial position	802	805
Equity	1,183	1,183
Total capital	1,985	1,988
Gearing ratio	40.40%	40.49%

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

D.2 FAIR VALUE

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

Level 1: fair value is determined with reference to quoted prices (unadjusted) in active markets for identical financial instruments. Therefore, the emphasis within Level 1 is on determining both of the following:

- 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;
- 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:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active;
- inputs other than quoted prices that are observable for the asset or liability, for example:
 - interest rate and yield curves observable at commonly quoted intervals;
 - implied volatilities;
 - credit spreads;
- market-corroborated inputs.

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

The following tables present the assets and liabilities that are measured at fair value:

(in millions of Euro)

				31 December 2014
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss:				
Derivatives	-	19	-	19
Financial assets held for trading	67	9	-	76
Hedging derivatives	-	11	-	11
Available-for-sale financial assets	-	-	12	12
Total assets	67	39	12	118
Liabilities				
Financial liabilities at fair value through profit or loss:				
Derivatives	1	27	-	28
Hedging derivatives	-	24	-	24
Total liabilities	1	51	-	52

(in millions of Euro)

				31 December 2013 (*)
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss:				
Derivatives	5	15	-	20
Financial assets held for trading	86	7	-	93
Hedging derivatives	-	5	-	5
Available-for-sale financial assets	-	-	12	12
Total assets	91	27	12	130
Liabilities				
Financial liabilities at fair value through profit or loss:				
Derivatives	18	18	-	36
Hedging derivatives	-	13	-	13
Total liabilities	18	31	-	49

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

Financial assets classified in fair value Level 3 reported no significant movements in either 2014 or 2013.

Given the short-term nature of trade receivables and payables, their book values, net of any allowance for doubtful

accounts, are treated as a good approximation of fair value. During 2014 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 mainly determined using valuation techniques based on estimated discounted cash flows.

An increase/decrease in the Group's credit rating at 31 December 2014 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 greater subjectivity of judgement when preparing estimates and for which a change in underlying assumptions could have a significant impact on the consolidated financial statements.

(a) Provisions for risks and charges

Provisions are recognised for legal and tax risks and reflect the risk of a negative outcome. The value of the provisions recorded in the financial statements against such risks represents the best estimate by management at that date. This estimate requires the use of assumptions depending on factors which may change over time and which could, therefore, have a significant impact on the current estimates made by management to prepare the Group consolidated financial statements.

(b) Impairment of assets

Goodwill

In accordance with its adopted accounting standards and impairment testing procedures, the Group tests annually whether its goodwill has suffered an impairment loss. Up to 31 December 2013 goodwill was allocated to the two operating segments: Energy and Telecom at which level it was monitored and tested. Following the change in the Group's organisational structure, as from 1 January 2014 the Energy segment has been divided into two operating segments: Energy Projects and Energy Products. However, the structure of the Telecom operating segment has remained unchanged. The Energy Segment's goodwill has therefore been reallocated to the new operating segments Energy Products and Energy Projects.

The value of Goodwill has therefore been tested for the following operating segments: Energy Products, Energy Projects and Telecom. The recoverable amount has been determined by calculating value in use, which requires the use of estimates.

As at 31 December 2014, the Prysmian Group had capitalised Euro 380 million in Goodwill; this Goodwill reflects the effects of:

- the adoption of IFRS 10 and IFRS 11: this has resulted in the restatement of the Group's consolidated figures with effect from 1 January 2013. In particular, goodwill has been allocated to the value of the investments in Yangtze Optical Fibre and Cable Joint Stock Limited Co. and Yangtze Optical Fibre and Cable (Shanghai) Co. Ltd, which changed their method of consolidation from proportionate and line-by-line respectively to the equity

method. The reallocation was performed on the basis of the value of net invested capital at 1 January 2013.

- the redefinition of the operating segments after adopting the new organisational structure: this has resulted in reallocating goodwill previously allocated to the Energy segment to the new operating segments: Energy Products and Energy Projects. The reallocation was performed on the basis of the value of net invested capital at 1 January 2014 (the date of the organisational change).

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. Verification of the existence of these indicators requires management to make subjective judgements based on the information available within the Group and from the market, as well as from past experience. In addition, if an impairment loss is identified, the Group determines the amount of such impairment using suitable valuation techniques. Correct identification of indicators of potential impairment as well as the estimates for determining its amount depend on factors which can vary over time, thus influencing judgements and estimates made by management.

The Prysmian Group has assessed at year end whether there is any evidence that its CGUs might be impaired and has consequently tested for impairment those CGUs potentially at "risk". Based on this test, the Group has partially written down the assets of certain CGUs within the Energy Products segment for the following countries and regions: Italy, Oceania and Germany. As for the Energy Projects segment, the Group has recognised impairment losses against other assets which, although belonging to larger CGUs for which there was no specific evidence of impairment, had recoverable amounts below their net book value due to particular market circumstances. In particular, an impairment loss has been recognised against development costs relating to the flexible pipes business within the SURF CGU.

Following the redefinition of the CGUs, the Group has verified that if impairment had been calculated on the basis of the previous structure, the effects recognised, comprising impairment losses net of reversals, would not have been substantially different from those recognised in the 2014 income statement.

The outcome of impairment tests at 31 December 2014 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 changes in technology. Therefore, actual economic life may differ from estimated useful life. The Group periodically reviews technological and sector changes to update residual useful lives. This periodic update may lead to a variation in the depreciation/amortisation period and therefore also in the depreciation/amortisation charge for future years.

(d) Recognition of construction contract revenues and costs

The Group uses the percentage of completion method to record construction contracts. The margins recognised in the income statement depend on the progress of the contract and its estimated margins upon completion. Thus, correct recognition of work-in-progress and margins relating to as yet incomplete work implies that management has correctly estimated contract costs, potential contract variations, as well as delays, and any extra costs and penalties that might reduce the expected profit. The percentage of completion method requires the Group to estimate the completion costs and involves making estimates dependent on factors which may change over time and could therefore have a significant impact on current values. Should actual cost differ from estimated cost, this variation will impact future results.

(e) Taxes

Consolidated companies are subject to different tax jurisdictions. A significant degree of estimation is needed to establish the expected tax payable globally. There are a number of transactions for which the relevant taxes are difficult to estimate at year end. The Group records liabilities for 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 plans

The employee share purchase plan involves granting options to almost all of the Group's employees. The operation of this plan is described in Note 21. Personnel costs.

The grant of options is subject to an employee's continued professional relationship with the Group in the months between signing up to one of the plan's purchase windows and the purchase of the shares themselves on the stock market. The plan's financial and economic impact has therefore been estimated on the basis of the best possible estimates and information currently available.

F. SEGMENT INFORMATION

From 1 January 2014 the Group embarked on a process of organisational change, which has involved redefining its segment information, in keeping with the new management model adopted by the Group.

Following this change, the Group's operating segments have been redefined as follows:

- Energy Projects;
- Energy Products;
- Telecom.

Reporting systems in support of the new model were introduced in 2014 and fully implemented prior to the preparation of the current document. Accordingly the criteria used to identify the reportable segments are consistent with the new organisational model. The Board of Directors approved the adoption of the new structure for segment reporting in its meeting on 23 January 2015.

Segment information is currently structured in the same way as the report periodically prepared in order to review business performance. This report presents operating performance by macro type of business (Energy Projects, Energy Products 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 (e.g. restructuring costs), the fair value change in metal price derivatives and in other fair value items, amortisation, depreciation and impairment, finance costs and income and taxes. This report also provides information about the statement of financial position for the Group as a whole and not by operating segment.

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

A) Energy Projects operating segment: covers high-tech and high value-added businesses whose focus is on projects and their execution, as well as on product customisation: High Voltage underground, Submarine and SURF (umbilical cables, flexible pipes and special DHT (Downhole Technology) cables for the oil industry).

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

1. Energy & Infrastructure (E&I): which includes Trade and Installers and Power Distribution;
2. Industrial & Network components: which comprises Spe-

cialties and OEM, Oil & Gas, Elevators, Automotive and Network Components;

3. Other: occasional sales of residual products.

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

All Corporate fixed costs are allocated to the Energy Products, Energy Projects 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 reported.

It should be noted that the comparative figures have been restated compared with the previously published figures to reflect the following:

- The redefinition of the operating segments after adopting the new organisational structure;
- The adoption of IFRS 10 and IFRS 11, which has involved restating the Group's consolidated figures with effect from 1 January 2013.
- The new method of classifying the share of the net profit/ (loss) of associates and joint ventures, which has involved recognising this amount as a component of "Operating income" when relating to companies that operate in the same market as the Group.

F.1 OPERATING SEGMENTS

The following tables present information by operating segment.

(in millions of Euro)

	Energy Products				Energy Projects	Telecom	Corporate	2014
	EGI	Industrial & NWC	Other	Total Products				Total Group
Sales ⁽¹⁾	2,677	1,708	106	4,491	1,355	994	-	6,840
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	91	125	5	221	154	91	-	466
% of sales	3.4%	7.4%		4.9%	11.4%	9.1%		6.8%
Adjusted EBITDA (A)	108	126	5	239	154	116	-	509
% of sales	4.1%	7.4%		5.3%	11.3%	11.7%		7.4%
EBITDA (B)	90	121	(16)	195	195	116	(10)	496
% of sales	3.4%	7.1%		4.3%	14.4%	11.6%		7.2%
Amortisation and depreciation (C)	(34)	(26)	(2)	(62)	(40)	(42)	-	(144)
Adjusted operating income (A+C)	74	100	3	177	114	74	-	365
% of sales	2.8%	5.9%	2.8%	3.9%	8.4%	7.4%		5.3%
Fair value change in metal derivatives (D)								7
Fair value stock options (E)								(3)
Impairment and impairment reversal of assets (F)				(18)	(25)	(1)		(44)
Operating income (B+C+D+E+F)								312
% of sales								4.5%
Finance costs								339
Finance income								(479)
Taxes								(57)
Net profit/(loss) for the year								115
% of sales								1.7%
Attributable to:								
Owners of the parent								115
Non-controlling interests								-
Reconciliation of EBITDA to ADJUSTED EBITDA								
EBITDA (A)	90	121	(16)	195	195	116	(10)	496
Non-recurring expenses/(income):								
Company reorganisation	17	5	16	38	1	6	3	48
Antitrust	-	-	-	-	(31)	-	-	(31)
Environmental remediation and other costs	-	-	-	-	-	-	-	-
Effect of YOFC dilution	-	-	-	-	-	(8)	-	(8)
Gains on asset disposals	-	-	-	-	-	-	-	-
Acquisition price adjustment ⁽²⁾	-	-	-	-	(22)	-	-	(22)
Other net non-recurring expenses	1	-	5	6	11	2	7	26
Total non-recurring expenses/(income) (B)	18	5	21	44	(41)	-	10	13
Adjusted EBITDA (A+B)	108	126	5	239	154	116	-	509

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

(in millions of Euro)

	Energy Products				Energy Projects	Telecom	Corporate	2013 (*)
	EG&I	Industrial & NWC	Other	Total Products				Total Group
Sales ⁽¹⁾	2,747	1,788	114	4,649	1,360	986	-	6,995
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	113	141	5	259	232	87	-	578
% of sales	4.1%	7.9%		5.6%	17.0%	8.8%		8.3%
Adjusted EBITDA (A)	127	141	8	276	231	106	-	613
% of sales	4.6%	7.9%		5.9%	17.0%	10.8%		8.8%
EBITDA (B)	122	138	(10)	250	234	86	(7)	563
% of sales	4.4%	7.7%		5.4%	17.2%	8.7%		8.1%
Amortisation and depreciation (C)	(37)	(25)	(4)	(66)	(39)	(43)	-	(148)
Adjusted operating income (A+C)	90	116	4	210	192	63	-	465
% of sales	3.3%	6.5%	3.5%	4.5%	14.1%	6.4%		6.7%
Fair value change in metal derivatives (D)								(8)
Fair value stock options (E)								(14)
Impairment of assets (F)				(11)	(3)		(11)	(25)
Operating income (B+C+D+E+F)								368
% of sales								5.3%
Finance costs								285
Finance income								(435)
Taxes								(65)
Net profit/(loss) for the year								153
% of sales								2.2%
Attributable to:								
Owners of the parent								149
Non-controlling interests								4
Reconciliation of EBITDA to ADJUSTED EBITDA								
EBITDA (A)	122	138	(10)	250	234	86	(7)	563
Non-recurring expenses/(income):								
Company reorganisation	15	3	11	29	4	13	4	50
Antitrust	-	-	-	-	(6)	-	-	(6)
Environmental remediation and other costs	-	1	(4)	(3)	-	-	-	(3)
Gains on asset disposals	(1)	(1)	-	(2)	(2)	(1)	-	(5)
Other net non-recurring expenses	(9)	-	11	2	1	8	3	14
Total non-recurring expenses/(income) (B)	5	3	18	26	(3)	20	7	50
Adjusted EBITDA (A+B)	127	141	8	276	231	106	-	613

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

(1) Sales of the operating segments and business areas are reported net of intercompany transactions and net of transactions between operating segments, consistent with the presentation adopted in the previous years.

F.2 GEOGRAPHICAL AREAS

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

(in millions of Euro)

	2014	2013 (*)
Sales of goods and services	6,840	6,995
EMEA*	4,381	4,617
(of which Italy)	919	1,028
North America	1,018	977
Latin America	550	607
Asia Pacific	891	794

* EMEA: Europe, Middle East and Africa.

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

No individual customer accounted for more than 10% of the Group's total sales in either 2014 or 2013.

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 2013 (*)	244	501	454	19	48	124	1,390
Movements in 2014:							
- Investments	9	7	23	3	1	102	145
- Disposals	-	-	(1)	-	-	-	(1)
- Depreciation	-	(24)	(73)	(7)	(10)	-	(114)
- Impairment	-	(11)	(18)	(7)	(2)	(3)	(41)
- Impairment reversals	-	-	15	1	-	2	18
- Currency translation differences	2	8	3	-	4	(2)	15
- Reclassifications to Assets held for sale	(1)	-	-	-	-	-	(1)
- Other	1	11	50	17	-	(76)	3
Total movements	11	(9)	(1)	7	(7)	23	24
Balance at 31 December 2014	255	492	453	26	41	147	1,414
Of which:							
- Historical cost	262	687	1,091	85	96	150	2,371
- Accumulated depreciation and impairment	(7)	(195)	(638)	(59)	(55)	(3)	(957)
Net book value	255	492	453	26	41	147	1,414

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

(in millions of Euro)

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2012 (*)	246	543	502	21	54	118	1,484
Movements in 2014:							
- Investments	13	15	16	2	2	70	118
- Disposals	(1)	(2)	(1)	-	-	-	(4)
- Depreciation	-	(25)	(76)	(6)	(9)	-	(116)
- Impairment	(3)	(11)	(9)	(1)	-	(2)	(26)
- Impairment reversals	-	1	-	-	-	-	1
- Currency translation differences	(8)	(18)	(25)	-	(4)	(7)	(62)
- Reclassifications to Assets held for sale	(3)	(8)	-	-	-	-	(11)
- Other	-	6	47	3	5	(55)	6
Total movements	(2)	(42)	(48)	(2)	(6)	6	(94)
Balance at 31 December 2013 (*)	244	501	454	19	48	124	1,390
Of which:							
- Historical cost	250	668	1,023	68	93	126	2,228
- Accumulated depreciation and impairment	(6)	(167)	(569)	(49)	(45)	(2)	(838)
Net book value	244	501	454	19	48	124	1,390

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

Gross investments in property, plant and equipment amount to Euro 145 million in 2014.

The investments made during 2014 are analysed as follows:

- Euro 62 million, approximately 43% of the total, for structural projects. These projects mainly relate to: the conversion of the cable ship owned by Prysmian PowerLink Services Ltd to allow it to perform different types of installation work; the purchase of the Pikkala site in Finland, to ensure production capacity for the Submarine business and other high value-added businesses; and lastly, work on buildings and production lines for compliance with the latest regulations;
- Euro 46 million, approximately 32% of the total, for projects to increase production capacity and develop new products. In particular, these investments concerned: the Arco Felice plant in Naples and the Drammen plant in Norway for the realisation of the Exxon Mobile and Baltic 2 submarine projects; the Sorocaba plant in Brazil for the construction of preforms needed in optical fibre manufacturing; the Abbeville plant in the United States to cope with the growth in local demand for the E&I business;
- Euro 31 million, approximately 21% of the total, for projects to improve industrial efficiency. In particular these projects have involved the installation of a trige-

neration system at the Battipaglia plant in Italy in order to generate electricity and reuse exhaust gases for air conditioning, which will significantly reduce energy costs; lastly, other investments to improve efficiency and reduce optical fibre manufacturing costs have been made at the plants in Douvrin (France), Eindhoven (Netherlands) and Battipaglia (Italy);

- Euro 6 million, approximately 4% of the total, for projects to improve the R&D facilities.

There are liens for Euro 10 million against the value of machinery in connection with long-term loans (Euro 12 million at 31 December 2013).

When closing the present financial year, the Prysmian Group reviewed whether there was any evidence that its CGUs might be impaired, and then tested for impairment those CGUs potentially at "risk".

This test has led to the full impairment of Plant and machinery, Equipment, Other assets and Assets under construction for the CGU Energy Products - Italy (Euro 16 million) and for the CGU Energy Products - Oceania (Euro 7 million). The net book value of the Land and Buildings of the Italy and Oceania CGUs has been compared with their fair value at the

reporting date; this has resulted in the recognition of Euro 2 million in impairment for the Italy CGU and Euro 5 million for the Oceania CGU. In this particular case, the cash flow forecasts for 2015-2017 have been determined by projecting forward the cash flows expected by management in 2015 (at constant growth rates); the WACC (Weighted Average Cost of Capital as defined in the paragraph "Goodwill impairment test"), used to discount cash flows for determining value in use for the Italy CGU is 6.7% and 7.9% for the Oceania CGU. The perpetuity growth rate (G) projected after 2017 is 2%.

Furthermore, the Group has tested other assets for impairment which, although belonging to larger CGUs for which there was no specific evidence of impairment, presented impairment indicators in relation to particular market circumstances. This has led to the recognition of Euro 11 million in additional impairment losses in 2014, mainly due to:

- impairment of Euro 5 million recognised against the Wuppertal site (Germany);
- impairment of Euro 5 million recognised against the rotating platform loaded aboard the AMT Explorer cable

barge, which capsized at sea in July 2014. The insurance reimbursement for the same amount has been recognised in "Other income".

In addition, the creation of territorial organisations has led to the redefinition of the CGUs; this has meant that the conditions no longer applied under which some assets had been impaired in previous years, resulting in the write-back of Euro 18 million to income. Given this change, the Group has verified that if impairment had been calculated on the basis of the previous structure, the effects would not have been substantially different from those recognised in the 2014 income statement.

"Buildings" include assets under finance lease with a net book value of Euro 17 million at 31 December 2014, largely unchanged since 31 December 2013. 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 2013 (*)	19	5	377	32	133	22	588
Movements in 2014:							
- Business combinations	-	-	-	-	-	-	-
- Investments	-	-	-	-	1	8	9
- Internally generated intangible assets	-	-	-	4	-	5	9
- Disposals	-	-	-	-	-	-	-
- Amortisation	(7)	(1)	-	(7)	(15)	-	(30)
- Impairment	-	-	-	-	(2)	(19)	(21)
- Currency translation differences	1	-	3	-	-	-	4
- Other	-	1	-	4	-	(3)	2
Total movements	(6)	-	3	1	(16)	(9)	(27)
Balance at 31 December 2014	13	5	380	33	117	13	561
Of which:							
- Historical cost	46	55	400	84	196	32	813
- Accumulated amortisation and impairment	(33)	(50)	(20)	(51)	(79)	(19)	(252)
Net book value	13	5	380	33	117	13	561

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

(in millions of Euro)

	Patents	Concessions, licences, trademarks and similar rights	Goodwill	Software	Other intangible assets	Intangibles in progress and advances	Total
Balance at 31 December 2012 (*)	27	4	377	34	147	19	608
Movements in 2013:							
- Business combinations	-	-	2	-	(1)	-	1
- Investments	1	1	-	1	-	7	10
- Internally generated intangible assets	-	-	-	6	-	2	8
- Disposals	-	-	-	-	-	-	-
- Amortisation	(7)	(1)	-	(10)	(14)	-	(32)
- Impairment	-	-	-	-	-	-	-
- Currency translation differences	-	-	(2)	(1)	(2)	(2)	(7)
- Other	(2)	1	-	2	3	(4)	-
Total movements	(8)	1	-	(2)	(14)	3	(20)
Balance at 31 December 2013 (*)	19	5	377	32	133	22	588
Of which:							
- Historical cost	45	54	397	76	195	22	789
- Accumulated amortisation and impairment	(26)	(49)	(20)	(44)	(62)	-	(201)
Net book value	19	5	377	32	133	22	588

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

Gross investments in intangible assets amount to Euro 18 million in 2014, of which Euro 11 million for development of the "SAP Consolidation" project, intended to harmonise the information system across the Group.

As at 31 December 2014, the Prysmian Group had capitalised Euro 380 million in Goodwill; this Goodwill reflects the effects of:

- the adoption of IFRS 10 and IFRS 11: this has resulted in the restatement of the Group's consolidated figures with effect from 1 January 2013. In particular, goodwill has been allocated to the value of the investments in Yangtze Optical Fibre and Cable Joint Stock Limited Co. and Yangtze Optical Fibre and Cable (Shanghai) Co. Ltd, for which changed their method of consolidation from proportional and line-by-line respectively to the equity method. The reallocation was performed on the basis of the value of net invested capital at 1 January 2013.
- the redefinition of the operating segments after adopting the new organisational structure: this has resulted in reallocating goodwill previously allocated to the Energy segment to the new operating segments:

Energy Products and Energy Projects. The reallocation was performed on the basis of the value of net invested capital at 1 January 2014 (the date of the organisational change).

At 31 December 2014, the development costs for the SURF business capitalised by the Brazilian subsidiary Prysmian Surfex Umbilicais e Tubos Flexiveis do Brasil Ltda were tested for impairment. This has resulted in the recognition of an impairment loss of Euro 21 million in 2014.

Goodwill impairment test

As reported earlier, the Chief Executive Officer reviews operating performance by macro type of business. Until 31 December 2013, the types of businesses identified were Energy and Telecom. From 1 January 2014 the Group embarked on a process of organisational change, in keeping with the new model in which the operating segments are: Energy Products, Energy Projects and Telecom. Goodwill has therefore been monitored internally at the level of these operating segments.

The amount of goodwill allocated to each operating segment is reported in the following table:

(in millions of Euro)

	31 December 2013	Effects application IFRS 10 - 11	31 December 2013 (*)	New operating segments	Currency translation differences	31 December 2014
Energy goodwill	290	-	290	(290)	-	-
Energy Products goodwill	-	-	-	213	-	213
Energy Projects goodwill	-	-	-	77	3	80
Telecom goodwill	104	(17)	87	-	-	87
Total goodwill	394	(17)	377	-	3	380

(*) The figures at 31 December 2013 have been amended compared with those previously published following the adoption of IFRS 10 and 11. Further details can be found in Section C. Restatement of comparative figures.

The amount of goodwill allocated on the basis of net invested capital at 1 January 2014 has been compared with the recoverable amount of each operating segment, determined on the basis of value in use.

Forecast cash flows have been calculated using the after-tax cash flows expected by management for 2015, prepared on the basis of results achieved in previous years and the outlook for the markets concerned. The operating segment cash flow forecasts have been extended to the period 2016-2017 based on 3% projected growth. A terminal value has been estimated to reflect CGU value after this period; this value has been determined assuming a 2% growth rate. The rate used to discount cash flows has been determined on the basis of market information 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 CGUs is higher than their net invested capital

(including the share of allocated goodwill). In particular, in percentage terms, recoverable amount exceeds carrying amount by 523% for the Energy Projects operating segment, by 121% for the Energy Products operating segment and by 70% for the Telecom operating segment. It should be noted that the discount rate at which recoverable amount is equal to carrying amount is 37.5% for the Energy Projects operating segment, 13.4% for the Energy Products operating segment and 10.8% for the Telecom operating segment (compared with a WACC of 7.1% used for all operating segments), while, in order to determine the same match for growth rates, the growth rate would have to be negative for all segments. The Group has verified that, if impairment had been calculated on the basis of the previous structure, the recoverable amount of the individual CGUs would nonetheless have been higher than their net invested capital (including the portion of allocated goodwill).

3. EQUITY-ACCOUNTED INVESTMENTS

These are detailed as follows:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
Investments in associates	198	78
Investments in joint ventures	27	127
Total equity-accounted investments	225	205

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

Movements over the period are as follows:

(in millions of Euro)

	31 December 2014		
	Investments in associates	Investments in joint ventures	Total
Opening balance	78	127	205
Movements:			
- Reclassification from investments in JV to associates	119	(119)	-
- Effect of YDFC dilution	8	-	8
- Currency translation differences	2	2	4
- Investments	-	-	-
- Share of net profit/(loss)	26	17	43
- Dividends	(36)	-	(36)
- Other movements	1	-	1
Total movements	120	(100)	20
Closing balance	198	27	225

(in millions of Euro)

	31 December 2013 (*)		
	Investments in associates	Investments in joint ventures	Total
Opening balance	74	119	193
Movements:			
- Currency translation differences	(5)	(3)	(8)
- Investments	-	-	-
- Share of net profit/(loss)	17	18	35
- Dividends	(9)	(7)	(16)
- Other movements	1	-	1
Total movements	4	8	12
Closing balance	78	127	205

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

Details of investments in equity-accounted companies are as follows:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
Yangtze Optical Fibre and Cable Joint Stock Limited Company	109	-
Oman Cables Industry (SAOG)	67	55
Kabeltrommel GmbH & Co.K.G.	8	8
Elkat Ltd.	8	10
Rodco Ltd.	3	2
Eksa Sp.Zo.o	3	3
Total investments in associates	198	78
Yangtze Optical Fibre and Cable Joint Stock Limited Company	-	104
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd.	21	17
Power Cables Malaysia Sdn Bhd	5	5
Precision Fiber Optics Ltd.	1	1
Total investments in joint ventures	27	127
Total investments in equity-accounted companies	225	205

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

Investments in associates

Information about the nature of the main investments in associates:

Company name	Registered office	% owned
Yangtze Optical Fibre and Cable Joint Stock Limited Company	China	28.12%
Oman Cables Industry (SAOG)	Sultanate of Oman	34.78%
Kabeltrommel GmbH & Co.K.G.	Germany	43.18%
Elkat Ltd.	Russia	40.00%

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

The prospectus for the public offering and the listing of the company's shares was published on 26 November 2014.

Following closure of the offering period, the company's shares commenced trading on the Main Board of the Hong Kong Stock Exchange on 10 December 2014. The offering involved an increase in the company's share capital, with a consequent dilution of the Prysmian Group's holding to 28.12%. This dilution has resulted in the recognition of a non-recurring gain of Euro 8 million. In accordance with the IFRS 10 definition of control, the value of the investment has been reclassified from investments in joint ventures to investments in associates.

At 31 December 2014, the fair value of the investment in

Yangtze Optical Fibre and Cable Joint Stock Limited Company was Euro 128 million, compared with a carrying amount of Euro 109 million.

Oman Cables Industry (SAOG) is based in the Sultanate of Oman and is listed on the local stock exchange. The company and its subsidiaries manufacture and sell power cables and conductors and operate mainly in the local market, the Middle East and North Africa. At 31 December 2014, the fair value of the investment in Oman Cables Industry (SAOG) was Euro 129 million, compared with a carrying amount of Euro 67 million.

Kabeltrommel GmbH & Co. K.G. is a German company that heads a consortium for the production, procurement, mana-

gement and sale of disposable and reusable cable carrying devices (reels). The services offered by the company include both the sale of such devices, and the complete management of logistics services such as shipping, handling and the subsequent retrieval of the devices. The company operates primarily in the German market.

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

The following table reconciles the share of equity in the main associates with the corresponding carrying amount of the investment:

(in millions of Euro)

	Investments in associates	
	31 December 2014	31 December 2013 (*)
Opening balance	68	64
Reclassification from investments in JV to associates	105	-
Net profit/(loss) for the year	26	17
Dividends received	(36)	(9)
Currency translation differences	2	(5)
Other movements	1	1
Closing balance	166	68
Effects of YOFC dilution	8	-
Goodwill ⁽¹⁾	24	10
Carrying amount of investments	198	78

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

(1) At 31 December 2014 the value of goodwill includes Euro 14 million in relation to Yangtze Optical Fibre and Cable Joint Stock Limited Company, reclassified to investments in associates after the stock dilution.

The following table reports key financial figures for the major investments in associates:

(in millions of Euro)

	Oman Cables Industry (SAOG)		Kabeltrommel GmbH & Co.K.G.		Elkat Ltd.		Yangtze Optical Fibre and Cable Joint Stock Limited Company	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	30 September 2014	31 December 2013
Non-current assets	86	77	n.a	12	5	7	n.a	417
Current assets	257	238	n.a	17	23	33	n.a	196
Total Assets	343	315	n.a	29	28	40	785	613
Equity	179	136	14	14	25	31	254	184
Non-current liabilities	12	14	n.a	8	-	-	n.a	110
Current liabilities	152	165	n.a	7	3	9	n.a	319
Total Liabilities	164	179	n.a	15	3	9	531	429
	2014	2013	2014	2013	2014	2013	2014	2013
Sales of goods and services	593	599	n.a	34	168	218	507	570
Net profit/(loss) for the year	39	36	n.a	6	6	6	43	51
Comprehensive income/(loss) for the year	39	36	n.a	6	6	6	n.a	n.a
Dividends received	5	4	n.a	3	-	1	n.a	n.a

As a result of its listing on the Hong Kong Stock Exchange, Yangtze Optical Fibre and Cable Joint Stock Limited Company has published its financial results for the first nine months of 2014.

Investments in joint ventures

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

Company name	Registered office	% owned
Yangtze Optical Fibre and Cable (Shanghai) Co. Ltd	China	46.090%
Power Cables Malaysia Sdn Bhd	Malaysia	40.00%
Precision Fiber Optics Ltd.	Japan	50.00%

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

Power Cables Malaysia Sdn Bhd is a joint venture based in

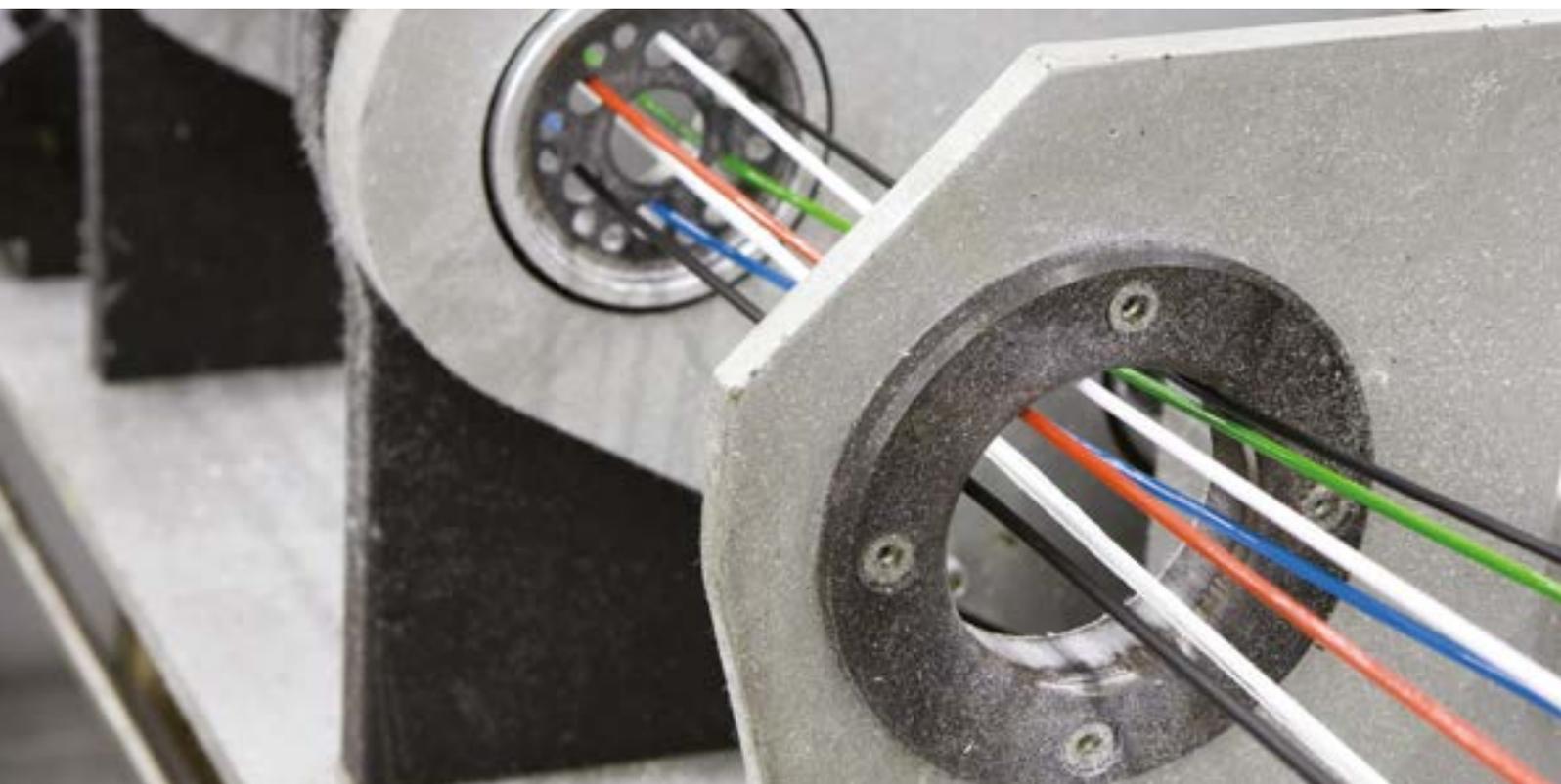
Malaysia between the Prysmian Group and the Armed Forces Fund Board (LTAT), a Malaysian government retirement benefits fund. The company, a leader in the local market, manufactures and sells power cables and conductors and is mainly specialised in High Voltage products.

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

The following table reports key financial figures for the major investments in joint ventures:

(in millions of Euro)

	Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd		Power Cables Malaysia Sdn Bhd	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Non-current assets	10	11	12	13
Current assets	43	41	7	9
of which Cash and cash equivalents	4	5	-	1
Equity	33	28	11	12
Non-current liabilities	2	2	1	2
of which Financial liabilities	-	-	-	-
Current liabilities	18	22	7	8
of which Financial liabilities	-	6	-	1
	2014	2013	2014	2013
Sales of goods and services	67	49	18	30
Amortisation, depreciation and impairment	(1)	(1)	(1)	(1)
Profit/(loss) before taxes	4	2	(2)	(2)
Taxes	(1)	-	1	1
Net profit/(loss) for the year	3	2	(1)	(1)
Other comprehensive income	-	-	-	-
Comprehensive income/(loss) for the year	3	2	(1)	(1)
Dividends received	-	-	-	-



4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

These are detailed as follows:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
Non-current	12	12
Current	-	-
Total	12	12

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

Current assets include securities that mature within 12 months of the reporting date and securities that mature beyond 12 months but which are expected to be sold in the near term; non-current assets report the equity investments

treated as instrumental to the Group's business.

Available-for-sale financial assets have not had any significant movements during the year.

Available-for-sale financial assets comprise:

(in millions of Euro)

	Type of financial assets	% owned by the Group	31 December 2014	31 December 2013 (*)
Ravin Cables Limited	unlisted shares	51%	9.00	9.00
Tunisie Cables S.A.	unlisted shares	7.55%	0.90	0.91
Cesi Motta S.p.A.	unlisted shares	6.48%	0.60	0.59
Medgrid SAS	unlisted shares	6.18%	0.60	0.40
Voltimum S.A.	unlisted shares	13.71%	0.30	0.27
Líneas de Transmisión del Litoral S.A.	unlisted shares	5.50%	0.05	0.04
Other			0.84	0.88
Total non-current			12.29	12.09

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

Available-for-sale financial assets are denominated in the following currencies:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
Euro	2	2
Tunisian Dinar	1	1
Indian Rupee	9	9
Total	12	12

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

5. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in millions of Euro)

	31 December 2014		
	Non-current	Current	Total
Trade receivables	-	1,010	1,010
Allowance for doubtful accounts	-	(58)	(58)
Total trade receivables	-	952	952
Other receivables:			
Tax receivables	14	157	171
Financial receivables	2	9	11
Prepaid finance costs	5	3	8
Receivables from employees	2	3	5
Pension plan receivables	-	2	2
Construction contracts	-	447	447
Advances to suppliers	-	19	19
Other	4	126	130
Total other receivables	27	766	793
Total	27	1,718	1,745

(in millions of Euro)

	31 December 2013 (*)		
	Non-current	Current	Total
Trade receivables	-	986	986
Allowance for doubtful accounts	-	(53)	(53)
Total trade receivables	-	933	933
Other receivables:			
Tax receivables	13	109	122
Financial receivables	4	12	16
Prepaid finance costs	-	5	5
Receivables from employees	2	3	5
Pension plan receivables	-	2	2
Construction contracts	-	475	475
Advances to suppliers	-	17	17
Other	9	99	108
Total other receivables	28	722	750
Total	28	1,655	1,683

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

Trade receivables

The gross amount of past due receivables that are totally or partially impaired is Euro 211 million at 31 December 2014

(Euro 194 million at 31 December 2013).

The ageing of past due impaired receivables is as follows:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
1 to 30 days past due	77	73
31 to 90 days past due	45	46
91 to 180 days past due	24	18
181 to 365 days past due	20	19
More than 365 days past due	45	38
Total	211	194

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

The value of trade receivables past due but not impaired is Euro 30 million at 31 December 2014 (Euro 66 million at 31 December 2013). These receivables mainly relate to customers in the Energy Products operating segment, which have been insured against the risk of any bad debts arising

from effective or legal customer insolvency.

The ageing of receivables that are past due but not impaired is as follows:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
1 to 30 days past due	16	44
31 to 90 days past due	3	9
91 to 180 days past due	1	8
181 to 365 days past due	8	4
More than 365 days past due	2	1
Total	30	66

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

The value of trade receivables not past due is Euro 769 million at 31 December 2014 (Euro 726 million at 31 December 2013). 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 2014	31 December 2013 (*)
Euro	744	806
US Dollar	311	241
Chinese Renminbi (Yuan)	155	135
Brazilian Real	114	103
British Pound	88	109
Qatari Riyal	35	4
Turkish Lira	76	51
Australian Dollar	37	22
Norwegian Krone	19	18
Singapore Dollar	11	7
Canadian Dollar	17	11
Argentine Peso	11	16
Swedish Krona	14	19
Romanian Leu	10	11
Other currencies	103	130
Total	1,745	1,683

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

The allowance for doubtful accounts amounts to Euro 58 million at 31 December 2014 (Euro 53 million at the end of 2013). Movements in this allowance are shown in the following table:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
Opening balance	53	58
Movements:		
- Business combinations	-	-
- Increases in allowance	10	10
- Releases	(3)	(2)
- Bad debt write-offs	(2)	(11)
- Currency translation differences and other movements	-	(2)
Total movements	5	(5)
Closing balance	58	53

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

Increases in and releases from the allowance for doubtful accounts are reported in "Other expenses" in the income statement.

Other receivables

“Prepaid finance costs”, of Euro 8 million at 31 December 2014, refer to prepaid expenses in connection with the Group’s Revolving Credit Facilities, of which Euro 3 million classified as current assets and Euro 5 million classified as non-current assets. These prepaid expenses relate to the Revolving Credit Facilities 2011, the Revolving Credit Facilities 2014 and the Syndicated Revolving Credit Facility 2014. The corresponding figure for prepaid finance costs at 31 December 2013 was Euro 5 million, all of which classified as current assets in

connection with the Revolving Credit Facilities 2010 and the Revolving Credit Facilities 2011.

“Construction contracts” represent the value of contracts in progress, determined as the difference between the costs incurred plus the related profit margin, net of recognised losses, and the amount invoiced by the Group.

The following table shows how these amounts are reported between assets and liabilities:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
Construction contract revenue to date	4,277	3,361
Amounts invoiced	(4,116)	(3,041)
Net amount receivable from customers for construction contracts	161	320
Of which:		
Other receivables for construction contracts	447	475
Other payables for construction contracts	(286)	(155)

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

The following table shows the revenue and costs incurred in 2014 and 2013:

(in millions of Euro)

	2014	2013 (*)
Revenue	837	912
Costs	(722)	(709)
Gross margin	115	203

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

6. INVENTORIES

These are detailed as follows:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
Raw materials	292	249
<i>of which allowance for obsolete and slow-moving raw materials</i>	<i>(47)</i>	<i>(29)</i>
Work in progress and semi-finished goods	241	227
<i>of which allowance for obsolete and slow-moving work in progress and semi-finished goods</i>	<i>(5)</i>	<i>(5)</i>
Finished goods (**)	448	405
<i>of which allowance for obsolete and slow-moving finished goods</i>	<i>(50)</i>	<i>(48)</i>
Total	981	881

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

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

7. FINANCIAL ASSETS HELD FOR TRADING

These are detailed as follows:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
Listed securities (Brazilian Real area)	67	86
Unlisted securities	9	7
Total	76	93

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

Financial assets held for trading basically refer to units in funds that mainly invest in short and medium-term government securities.

Argentina which invest temporarily available liquidity in such funds.

These assets are mostly held by subsidiaries in Brazil and

Movements in this balance are detailed as follows:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
Opening balance	93	78
Movements:		
- Currency translation differences	-	(18)
- Purchase of securities	8	40
- Disposal of securities	(25)	(7)
Total movements	(17)	15
Closing balance	76	93

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

8. DERIVATIVES

These are detailed as follows:

(in millions of Euro)

	31 December 2014	
	Asset	Liability
Non-current		
Interest rate swaps (cash flow hedges)	-	3
Forward currency contracts on commercial transactions (cash flow hedges)	-	2
Total hedging derivatives	-	5
Metal derivatives	1	-
Total other derivatives	1	-
Total non-current	1	5
Current		
Forward currency contracts on financial transactions (cash flow hedges)	-	1
Forward currency contracts on commercial transactions (cash flow hedges)	11	18
Total hedging derivatives	11	19
Forward currency contracts on commercial transactions	8	10
Forward currency contracts on financial transactions	5	7
Metal derivatives	5	11
Total other derivatives	18	28
Total current	29	47
Total	30	52

(in millions of Euro)

	31 December 2013 (*)	
	Asset	Liability
Non-current		
Interest rate swaps (cash flow hedges)	-	4
Forward currency contracts on commercial transactions (cash flow hedges)	1	1
Total hedging derivatives	1	5
Metal derivatives	1	2
Total other derivatives	1	2
Total non-current	2	7
Current		
Interest rate swaps (cash flow hedges)	-	5
Forward currency contracts on commercial transactions (cash flow hedges)	4	3
Total hedging derivatives	4	8
Forward currency contracts on commercial transactions	9	3
Forward currency contracts on financial transactions	5	5
Interest rate swaps	-	9
Metal derivatives	5	17
Total other derivatives	19	34
Total current	23	42
Total	25	49

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

The Prysmian Group entered into no new interest rate swaps during 2014.

The early repayment of the remaining balance on the Term Loan Facility 2010, originally due to mature on 31 December 2014, has led to the discontinued effectiveness of the related cash flow hedges outstanding as at the date of repayment. The contracts for which hedge accounting was discontinued in 2014 expired on 31 December 2014 and had a notional value of Euro 180 million. In addition, 31 December 2014 was the expiry date of the interest rate swaps, with a notional value of Euro 300 million, for which hedge accounting was discontinued in 2013 following early repayment of the Term Loan Facility 2010.

Interest rate swaps have a notional value of Euro 200 million at 31 December 2014 (down from Euro 480 million at 31 December 2013), all of which refer to derivatives designated

as cash flow hedges. Such financial instruments convert the variable component of interest rates on loans received into a fixed rate of between 1.1% and 1.7%.

Forward currency contracts have a notional value of Euro 1,679 million at 31 December 2014 (Euro 2,332 million at 31 December 2013); total notional value at 31 December 2014 includes Euro 512 million in derivatives designated as cash flow hedges (Euro 691 million at 31 December 2013).

At 31 December 2014, like at 31 December 2013, almost all the derivative contracts had been entered into with major financial institutions.

Metal derivatives have a notional value of Euro 523 million at 31 December 2014 (Euro 482 million at 31 December 2013).

The following tables show the impact of offsetting assets and liabilities for derivative instruments, done on the basis of master netting arrangements (ISDA and similar agreements).

They also show the effect of potential offsetting in the event of currently unforeseen default events:

(in millions of Euro)

					31 December 2014
	Gross derivatives	Amounts offset	Derivatives recognised in statement of financial position	Amounts not offset ⁽¹⁾	Net derivatives
Assets					
Forward currency contracts	24	-	24	(14)	10
Interest rate swaps	-	-	-	-	-
Metal derivatives	6	-	6	(4)	2
Total assets	30	-	30	(18)	12
Liabilities					
Forward currency contracts	38	-	38	(14)	24
Interest rate swaps	3	-	3	-	3
Metal derivatives	11	-	11	(4)	7
Total liabilities	52	-	52	(18)	34

(in millions of Euro)

					31 December 2013 (*)
	Gross derivatives	Amounts offset	Derivatives recognised in statement of financial position	Amounts not offset ⁽¹⁾	Net derivatives
Assets					
Forward currency contracts	19	-	19	(7)	12
Interest rate swaps	-	-	-	-	-
Metal derivatives	6	-	6	(3)	3
Total assets	25	-	25	(10)	15
Liabilities					
Forward currency contracts	12	-	12	(7)	5
Interest rate swaps	18	-	18	-	18
Metal derivatives	19	-	19	(3)	16
Total liabilities	49	-	49	(10)	39

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

(1) Derivatives potentially offsettable in the event of default events under master agreements.

The following table shows movements in both reporting periods in the cash flow hedge reserve for designated hedging derivatives:

(in millions of Euro)

	2014		2013 (*)	
	Gross reserve	Tax effect	Gross reserve	Tax effect
Opening balance	(10)	2	(34)	11
Changes in fair value	(11)	3	3	(1)
Reserve for other finance costs/(income)	4	(1)	11	(4)
Reserve for exchange losses/(gains)	(5)	1	(1)	-
Reclassification to other reserves	-	-	-	-
Release to finance costs/(income)	-	-	1	-
Discontinued hedge accounting for interest rate swaps	4	(1)	15	(5)
Release to construction contract costs/(revenues)	4	(1)	(5)	1
Closing balance	(14)	3	(10)	2

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

The early repayment of the remaining balance on the Term Loan Facility 2010 has led to discontinuance of the related interest rate cash flow hedges, resulting in the recognition of

Euro 3 million in net losses for hedge ineffectiveness, net of Euro 1 million in tax effects.

9. CASH AND CASH EQUIVALENTS

These are detailed as follows:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
Cash and cheques	1	-
Bank and postal deposits	493	510
Total	494	510

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

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

company amount to Euro 226 million at 31 December 2014, compared with Euro 208 million at 31 December 2013.

Cash and cash equivalents managed by the Group's treasury

Further details about the change in cash and cash equivalents can be found in Note 37. Statement of cash flows.

10. ASSETS HELD FOR SALE

These are detailed as follows:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
Land	7	6
Buildings	-	6
Total	7	12

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

Movements in assets held for sale are detailed as follows:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
Opening balance	12	4
- Disposals	(6)	(3)
- Reclassification	1	11
Total movements	(5)	8
Closing balance	7	12

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

The change in assets held for sale refers to:

- Euro 3 million for the sale of the Eschweiler site (Germany);
- Euro 3 million for the sale of the Derby site (Great Britain);
- Euro 1 million for the reclassification of part of the land on the Nuremberg site (Germany) for which a sale contract has already been signed.

Management expects the assets classified in this line item to be sold within the next 12 months.

Assets held for sale are classified as Level 3 in the fair value hierarchy.

11. SHARE CAPITAL AND RESERVES

Consolidated equity is the same as at 31 December 2013, mainly reflecting the effect of:

- positive currency translation differences of Euro 32 million;
- the release of a positive Euro 3 million, net of tax, from the cash flow hedge reserve as a result of discontinuing cash flow hedge accounting, following early repayment of the Term Loan Facility 2010;
- the negative post-tax change of Euro 6 million in the fair value of derivatives designated as cash flow hedges;
- the positive change of Euro 3 million in the share-based compensation reserve linked to the stock option plan;
- the negative change of Euro 31 million in the reserve for

actuarial gains on employee benefits;

- the negative change of Euro 6 million in the scope of consolidation due to the acquisition of the remaining 34% of AS Draka Keila Cables;
- the purchase of treasury shares for Euro 20 million;
- the net profit for the year of Euro 115 million;
- the distribution of Euro 90 million in dividends.

At 31 December 2014, the share capital of Prysmian S.p.A. comprises 216,712,397 shares with a total value of Euro 21,671,239.70.

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 2012	214,508,781	(3,039,169)	211,469,612
Capital increase ⁽¹⁾	82,929	-	82,929
Treasury shares	-	-	-
Balance at 31 December 2013	214,591,710	(3,039,169)	211,552,541

	Ordinary shares	Treasury shares	Total
Balance at 31 December 2013	214,591,710	(3,039,169)	211,552,541
Capital increase ⁽²⁾	2,120,687	-	2,120,687
Treasury shares ⁽³⁾	-	208,851	208,851
Balance at 31 December 2014	216,712,397	(2,830,318)	213,882,079

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

(2) Capital increase following exercise of the options under the Long-term incentive plan 2011-2013.

(3) The movement in treasury shares reflects the allotment of 187,299 shares under the Group employee share purchase plan (YES Plan), the allotment of 1,411,552 shares under the Long-term incentive plan 2011-2013, and the purchase of 1,390,000 shares.

Treasury shares

The treasury shares held at the beginning of the year were acquired under the shareholders' resolution dated 15 April 2008, which gave the Board of Directors the authority for an 18-month maximum period to buy up to 18,000,000 ordinary shares. The number of treasury shares increased in 2011

following the acquisition of Draka Holding N.V. (now renamed Draka Holding B.V.), which holds 10,669 Prysmian S.p.A. shares.

Movements in treasury shares are shown in the following table:

	Number of shares	Total nominal value (in Euro)	% of share capital	Average unit value (in Euro)	Total carrying value (in Euro)
At 31 December 2012	3,039,169	303,917	1.42%	9,963	30,279,078
- Purchases	-	-	-	-	-
- Sales	-	-	-	-	-
At 31 December 2013	3,039,169	303,917	1.42%	9,963	30,279,078
- Purchases	1,390,000	139,000	-	14,356	19,954,278
- Allotments under stock option plans ⁽¹⁾	(1,598,851)	(159,885)	-	10,139	(16,209,987)
At 31 December 2014	2,830,318	283,032	1.31%	12,021	34,023,369

(1) This consists of the allotment of 162,650 shares under the Group employee share purchase plan (YES Plan), the sale of 24,649 shares to employees under the same plan and the allotment of 1,411,552 shares under the Long-term incentive plan 2011-2013.

The Shareholders' Meeting held on 16 April 2014 authorised a new share buy-back and disposal programme, and revoked the previous programme at the same time.

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

Purchases may not exceed the amount of undistributed earnings and available reserves reported in the most recently approved annual financial statements of the Parent Company. The authorisation to buy back treasury shares will last for 18 months commencing from the date of the Sha-

reholders' Meeting; the authorisation to dispose of treasury shares has no time limit.

During the months of May, June and July 2014, the number of treasury shares decreased by 187,299 for those shares allotted to employees that had signed up to the first phase of the YES employee share purchase plan.

During the last few months of 2014, the number of treasury shares decreased by another 1,411,552 after allotting shares under the Long-term incentive plan 2011-2013. More details can be found in Note 21. Personnel costs. In addition, during the months of November and December 2014, the Parent Company also purchased 1,390,000 shares under the buy-back programme authorised by the shareholders.

12. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

(in millions of Euro)

			31 December 2014
	Non-current	Current	Total
Borrowings from banks and other financial institutions	530	150	680
Non-convertible bond	-	415	415
Convertible bond	271	1	272
Finance lease obligations	16	2	18
Total	817	568	1,385

(in millions of Euro)

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

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

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

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
Credit Agreements:		
- Term Loan Facility ⁽¹⁾	398	580
- Revolving Credit Facility ⁽²⁾	-	3
- Syndicated Revolving Credit Facility	-	-
EIB Loan	101	-
Revolving Credit Facility 2014	30	-
Other borrowings	151	133
Borrowings from banks and other financial institutions	680	716
Non-convertible bond	415	414
Convertible bond	272	264
Total	1,367	1,394

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

(1) "Term Loan Facility" refers at 31 December 2014 to the Term Loan Facility 2011 and at 31 December 2013 to the Term Loan Facility 2010 and the Term Loan Facility 2011.

(2) "Revolving Credit Facility" at 31 December 2014 refers to the Revolving Facility 2011, while at 31 December 2013 it also includes the Revolving Credit Facility 2010 later extinguished on 27 June 2014.

Credit Agreements:

As at the date of 31 December 2014, the Prysmian Group has the following Credit Agreements in place:

Credit Agreement 2011

The Credit Agreement 2011 is an agreement, entered into by Prysmian on 7 March 2011 with a syndicate of major banks, for Euro 800 million with a five-year maturity. This agreement comprises a loan for Euro 400 million (the "Term Loan Facility 2011") and a revolving facility for Euro 400 million (the "Revolving Credit Facility 2011"). The entire amount of the Term Loan Facility 2011 is scheduled for repayment on 7 March 2016; the loan has therefore been classified in non-current liabilities.

As at 31 December 2014, the Revolving Credit Facility 2011 was not being used (like at 31 December 2013).

The fair value of the Credit Agreement 2011 at 31 December 2014 approximates its related carrying amount. Fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

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. The new revolving facility is intended to refinance the Revolving Credit Facility 2010 and to finance the Group's other operating activities. As at 31 December 2014, this facility was not being used. On 27 June 2014, Prysmian S.p.A. therefore extinguished early the Revolving Credit Facility 2010, originally due to expire on 31 December 2014 and carrying a maximum permitted drawdown of Euro 400 million. The Term Loan Facility 2010,

also maturing on 31 December 2014, had been extinguished early on 28 February 2014 with repayment of the outstanding balance of Euro 184 million.

In addition to the Credit Agreements described above, the Group's other major credit agreements are as follows:

Revolving Credit Facility 2014

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

As at 31 December 2014, the Revolving Credit Facility 2014 had been drawn down by Euro 30 million.

EIB Loan

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

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

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

The fair value of the EIB Loan at 31 December 2014 approximates the related carrying amount. Fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

The following tables summarise the committed lines available to the Group at 31 December 2014 and 31 December 2013:

(in millions of Euro)

	Total lines	31 December 2014	
		Used	Unused
Credit Agreements:			
Term Loan Facility 2010	-	-	-
Term Loan Facility 2011	400	(400)	-
Revolving Credit Facility 2010	-	-	-
Revolving Credit Facility 2011	400	-	400
Syndicated Revolving Credit Facility 2014	1,000	-	1,000
Total Credit Agreements	1,800	(400)	1,400
EIB Loan	100	(100)	-
Revolving Credit Facility 2014	100	(30)	70
Total	2,000	(530)	1,470

(in millions of Euro)

	Total lines	31 December 2013 (*)	
		Used	Unused
Credit Agreements:			
Term Loan Facility 2010	184	(184)	-
Term Loan Facility 2011	400	(400)	-
Revolving Credit Facility 2010	400	(3)	397
Revolving Credit Facility 2011	400	-	400
Syndicated Revolving Credit Facility 2014	-	-	-
Total Credit Agreements	1,384	(587)	797
EIB Loan	100	-	100
Revolving Credit Facility 2014	-	-	-
Total	1,484	(587)	897

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

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

Bonds

The Prysmian Group has the following bonds outstanding as at 31 December 2014:

Non-convertible bond issued in 2010

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

admitted to the Luxembourg Stock Exchange's official list and is traded on the related regulated market.

The fair value of the non-convertible bond at 31 December 2014 is Euro 410 million (Euro 417 million at 31 December 2013). Fair value has been determined with reference to the quoted price in the relevant market (Level 1 of the fair value hierarchy).

Convertible bond

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

On 16 April 2013, the Shareholders' Meeting authorised the convertibility of the Bond at a value of Euro 22.3146 per share. As a result, the shareholders approved the proposal to increase share capital for cash, in single or multiple issues, with the exclusion of pre-emptive rights under art. 2441, par. 5 of the Italian Civil Code, by a maximum nominal amount of Euro 1,344,411.30, by issuing, in single or multiple instalments, up to 13,444,113 ordinary shares of the Company with the same characteristics as its other outstanding ordinary shares.

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

- (i) at nominal value (plus accrued interest), starting from 23 March 2016, if the trading price of the Company's ordinary shares rises to more than 130% of the conversion price in a given period of time;
- (ii) at nominal value (plus accrued interest), if at least 85% of the original nominal amount of the Bond is converted, redeemed and/or repurchased;

(iii) at nominal value (plus accrued interest), if specific changes take place in the tax regime applying to the Bonds.

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

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

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

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

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

(in millions of Euro)

Issue value of convertible bond	300
Equity reserve for convertible bond	(39)
Issue date net balance	261
Interest - non-monetary	13
Interest - monetary accrued	7
Interest - monetary paid	(5)
Related costs	(4)
Balance at 31 December 2014	272

The fair value of the convertible bond (equity component and debt component) is Euro 306 million at 31 December 2014 (Euro 339 million at 31 December 2013), of which the fair value of the debt component is Euro 264 million (Euro

265 million at 31 December 2013). In the absence of trading on the relevant market, fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

Other borrowings from banks and financial institutions and Finance lease obligations

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

(in millions of Euro)

	Credit Agreements ⁽¹⁾	EIB Loan	Non-convertible bond	Convertible bond ⁽²⁾	Other borrowings/ Finance lease obligations ⁽³⁾	Total
Balance at 31 December 2013 (*)	583	-	414	264	150	1,411
Currency translation differences	-	-	-	-	(3)	(3)
New funds	-	100	-	-	75	175
Repayments	(184)	-	-	-	(53)	(237)
Drawdown of revolving facilities	(3)	-	-	-	30	27
Amortisation of bank and financial fees and other expenses	2	-	1	-	-	3
Interest and other movements	-	1	-	8	-	9
Total movements	(185)	101	1	8	49	(26)
Balance at 31 December 2014	398	101	415	272	199	1,385

(in millions of Euro)

	Credit Agreements ⁽¹⁾	EIB Loan	Non-convertible bond	Convertible bond ⁽²⁾	Other borrowings/ Finance lease obligations ⁽³⁾	Total
Balance at 31 December 2013 (*)	1,064	-	413	-	262	1,739
Currency translation differences	(1)	-	-	-	(19)	(20)
New funds	-	-	-	257	29	286
Repayments	(486)	-	-	-	(122)	(608)
Drawdown of revolving facilities	(1)	-	-	-	-	(1)
Amortisation of bank and financial fees and other expenses	8	-	1	-	-	9
Interest and other movements	(1)	-	-	7	-	6
Total movements	(481)	-	1	264	(112)	(328)
Balance at 31 December 2013 (*)	583	-	414	264	150	1,411

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

(1) "Credit Agreements" include the Term Loan Facilities, the Revolving Credit Facility 2010 and the Syndicated Revolving Credit Facility 2014.

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

(3) 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 2014	31 December 2013 (*)
Due within 1 year	2	3
Due between 1 and 5 years	7	7
Due after more than 5 years	12	11
Minimum finance lease payments	21	21
Future interest costs	(3)	(4)
Finance lease obligations	18	17

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

Finance lease obligations are analysed by maturity as follows:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
Due within 1 year	2	2
Due between 1 and 5 years	5	5
Due after more than 5 years	11	10
Total	18	17

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

The following tables provide a breakdown of borrowings from banks and other lenders by maturity and currency at 31 December 2014 and 2013:

(in millions of Euro)

	31 December 2014					
	Euro	USD	GBP	Variable interest rate	Fixed interest rate	Total
				Other currencies	Euro and other currencies	
Due within 1 year	42	9	-	34	483	568
Due between 1 and 2 years	415	-	-	2	12	429
Due between 2 and 3 years	17	-	-	-	23	40
Due between 3 and 4 years	17	-	-	-	275	292
Due between 4 and 5 years	17	-	-	-	3	20
Due after more than 5 years	34	-	-	-	2	36
Total	542	9	-	36	798	1,385
Average interest rate in period, as per contract	1.6%	2.2%	0.0%	8.3%	4.9%	3.6%
Average interest rate in period, including IRS effect ^(A)	2.1%	2.2%	0.0%	8.3%	4.9%	3.9%

(A) There are interest rate swaps to hedge interest rate risk on variable rate loans in Euro. The total hedged amount at 31 December 2014 equates to 36.9% of Euro-denominated debt at that date. In particular, interest rate hedges consist of interest rate swaps which exchange a variable rate (3 and 6-month Euribor for loans in Euro) with an average fixed rate (fixed rate + spread) of 3.0% for Euro-denominated debt. The percentages representing the average fixed rate refer to 31 December 2014.

(in millions of Euro)

	31 December 2013 (*)					
	Euro	USD	GBP	Variable interest rate	Fixed interest rate	Total
				Other currencies	Euro and other currencies	
Due within 1 year	164	27	-	36	66	293
Due between 1 and 2 years	-	-	-	6	423	429
Due between 2 and 3 years	397	-	-	2	8	407
Due between 3 and 4 years	-	-	-	-	3	3
Due between 4 and 5 years	-	-	-	-	266	266
Due after more than 5 years	9	-	-	-	4	13
Total	570	27	-	44	770	1,411
Average interest rate in period, as per contract	1.7%	2.1%	0.0%	7.2%	5.0%	3.6%
Average interest rate in period, including IRS effect ^(B)	3.1%	2.1%	0.0%	7.2%	5.0%	4.3%

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

(B) There are interest rate swaps to hedge interest rate risk on variable rate loans in Euro. The total hedged amount at 31 December 2013 equates to 66.4% of Euro-denominated debt at that date. In particular, interest rate hedges consist of interest rate swaps which exchange a variable rate (3 and 6-month Euribor for loans in Euro) with an average fixed rate (fixed rate + spread) of 3.8% for Euro-denominated debt. The percentages representing the average fixed rate refer to 31 December 2013.

The Credit Agreement 2010 and Credit Agreement 2011 do not require any collateral security. Further information can be found in Note 32. Financial covenants. Risks relating to

sources of finance and to financial investments/receivables are discussed in the section entitled "Risks factors and uncertainties" forming part of the Directors' Report.

NET FINANCIAL POSITION

(in millions of Euro)

	Note	31 December 2014	31 December 2013 (*)
Long-term financial payables			
- Term Loan Facility 2011		400	400
- Bank fees		(2)	(3)
Credit Agreements	12	398	397
EIB Loan	12	92	-
Non-convertible bond	12	-	399
Convertible bond	12	271	263
Finance leases	12	16	15
Interest rate swaps	8	3	4
Other financial payables	12	40	45
Total long-term financial payables		820	1,123
Short-term financial payables			
- Term Loan Facility 2010	12	-	184
- Bank fees	12	-	(1)
- Revolving Credit Facility ⁽¹⁾	12	-	3
- Syndicated Revolving Credit Facility 2014	12	-	-
Credit Agreements	12	-	186
EIB Loan	12	9	-
Non-convertible bond	12	415	15
Convertible bond	12	1	1
Finance leases	12	2	2
Interest rate swaps	8	-	14
Forward currency contracts on financial transactions	8	8	5
Revolving Credit Facility 2014	12	30	-
Other financial payables	12	111	88
Total short-term financial payables		576	311
Total financial liabilities		1,396	1,434
Long-term financial receivables	5	2	4
Long-term bank fees	5	5	-
Forward currency contracts on financial transactions (current)	8	5	5
Short-term financial receivables	5	9	12
Short-term bank fees	5	3	5
Financial assets held for trading	7	76	93
Cash and cash equivalents	9	494	510
Net financial position		802	805

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

(1) "Revolving Credit Facility" refers at 31 December 2014 to the Revolving Credit Facility 2011 and at 31 December 2013 to the Revolving Credit Facility 2010 later extinguished on 27 June 2014.

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

2006 and under the CESR recommendation dated 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses":

(in millions of Euro)

	Note	31 December 2014	31 December 2013 (*)
Net financial position - as reported above		802	805
Long-term financial receivables	5	2	4
Long-term bank fees	5	5	-
Net forward currency contracts on commercial transactions	8	11	(7)
Net metal derivatives	8	5	13
Recalculated net financial position		825	815

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

13. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in millions of Euro)

		31 December 2014	
		Non-current	Current
Trade payables	-	1,415	1,415
Total trade payables	-	1,415	1,415
Other payables:			
Tax and social security payables	7	144	151
Advances from customers	-	381	381
Payables to employees	-	64	64
Accrued expenses	-	100	100
Other	6	138	144
Total other payables	13	827	840
Total	13	2,242	2,255

(in millions of Euro)

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

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

Trade payables include around Euro 176 million (Euro 183 million at 31 December 2013) for the supply of strategic metals (copper, aluminium and lead), whose payment terms, in some cases, are longer than normal for this type of transaction.

Advances from customers report the liability for construction contracts, amounting to Euro 286 million at 31 December 2014 compared with Euro 155 million at 31 December 2013. This liability represents the gross amount by which work invoiced

exceeds costs incurred plus accumulated profits (or losses) recognised using the percentage of completion method.

Payables to employees at 31 December 2014 have decreased following settlement of the liability for the Long-term incentive plan 2011-2013, amounting to Euro 36 million at 31 December 2013.

The following table breaks down trade and other payables according to the currency in which they are expressed:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
Euro	1,214	1,177
US Dollar	371	309
Chinese Renminbi (Yuan)	170	145
Brazilian Real	125	126
British Pound	151	141
Australian Dollar	34	35
Canadian Dollar	15	11
Norwegian Krone	13	10
Romanian Leu	28	23
United Arab Emirates Dirham	14	33
Turkish Lira	6	13
Malaysian Ringgit	14	19
Swedish Krona	13	14
Other currencies	87	61
Total	2,255	2,117

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

14. PROVISIONS FOR RISKS AND CHARGES

These are detailed as follows:

(in millions of Euro)

	31 December 2014		
	Non-current	Current	Total
Restructuring costs	2	31	33
Contractual and legal risks	22	212	234
Environmental risks	1	5	6
Tax inspections	28	6	34
Contingent liabilities	3	-	3
Other risks and charges	18	15	33
Total	74	269	343

(in millions of Euro)

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

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

The following table reports the movements in these provisions during the period:

(in millions of Euro)

	Restructuring costs	Contractual and legal risks	Environmental risks	Tax inspections	Contingent liabilities	Other risks and charges	Total
Balance at 31 December 2013 (*)	19	257	6	16	6	26	330
Increases	33	54	-	12	-	19	118
Utilisations	(16)	(9)	-	-	-	(2)	(27)
Releases	-	(70)	-	(1)	(2)	(9)	(82)
Currency translation differences	-	3	-	-	-	-	3
Other	(3)	(1)	-	7	(1)	(1)	1
Total movements	14	(23)	-	18	(3)	7	13
Balance at 31 December 2014	33	234	6	34	3	33	343

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

The provision for restructuring costs reports a net increase of Euro 14 million.

In particular, Euro 33 million in new provisions has been recognised during the period, while Euro 16 million has been utilised, mostly in connection with projects underway in the Netherlands, Germany and France.

The provision for contractual and legal risks, amounting to Euro 234 million at 31 December 2014, has decreased by Euro 23 million since 31 December 2013, mainly due to a net reduction of Euro 29 million in the provision for antitrust investigations in different jurisdictions.

More specifically, the European Commission, the US Department of Justice and the Japanese Antitrust Authority started investigations in late January 2009 into several European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive practices in the high voltage underground and submarine cables markets. Subsequently, the Australian Competition and Consumers Commission ("ACCC") and the New Zealand Commerce Commission also started similar investigations. During 2011, the Canadian Antitrust Authority also started an investigation into a high voltage submarine project dating back to 2006. The investigations in Japan, New Zealand and Canada have ended without any sanctions for Prysmian; the other investigations are still in progress, except for the one by the European Commission, which has ended with the adoption of the decision described below.

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

In Brazil, the local antitrust authority has started an investigation into several cable manufacturers, including Prysmian, that operate in the high voltage underground and submarine cables market. Prysmian has presented its preliminary defence, which has been rejected by the local competition authorities in a statement issued during the month of February 2015. The preliminary stage of the proceedings will now ensue, at the end of which the authorities will publish their concluding observations, to which the parties may respond with all their arguments in defence before a final decision is taken. During the month of December 2013, ABB and one of this company's senior managers signed an agreement with the Brazilian Antitrust Authority, under which they admitted the conduct alleged by the authority and pledged to cooperate with it and to each pay an agreed fine.

On 2 April 2014, the European Commission adopted a decision

under which it found that, between 18 February 1999 and 28 January 2009, the world's largest cable producers, including Prysmian Cavi e Sistemi S.r.l., adopted anti-competitive practices in the European market for high voltage submarine and underground power cables. The European Commission held Prysmian Cavi e Sistemi S.r.l. jointly liable with Pirelli & C. S.p.A. for the alleged infringement in the period from 18 February 1999 to 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and the Goldman Sachs Group Inc. for the alleged infringement in the period from 29 July 2005 to 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has filed an appeal against this decision with the General Court of the European Union and an application to intervene in the appeals respectively lodged by Pirelli & C. S.p.A. and the Goldman Sachs Group Inc. against the same decision. Both Pirelli & C. S.p.A. and the Goldman Sachs Group Inc. have in turn submitted applications to intervene in the appeal brought by Prysmian against the European Commission's decision. Prysmian has not incurred any financial outlay as a result of this decision having elected, pending the outcome of the appeals, to provide bank guarantees as security against payment of 50% of the fine imposed by the European Commission (amounting to approximately Euro 52 million) for the alleged infringement in both periods. As far as Prysmian is aware, Pirelli & C. S.p.A. has provided or is nonetheless preparing to provide 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. Pirelli & C. S.p.A. has also filed a civil action against Prysmian Cavi e Sistemi S.r.l. 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. filed its reply 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. Following a detailed and careful analysis of the European Commission's ruling, and nonetheless considering this has been appealed and so could be submitted to second-instance judgement, as well as the fact that the investigations initiated by the Canadian Antitrust Authority have ended without any sanctions for Prysmian, it has been decided to release part of the existing provision. Prysmian has also learned from several sources, including sources in the public domain, that some British operators

have filed actions in the High Court in London against certain cable manufacturers, including certain Prysmian Group companies, to obtain compensation for damages allegedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in the decision adopted in April 2014.

The above events have led to the recognition in the 2014 income statement of a net release of Euro 31 million, classified as non-recurring items.

As at 31 December 2014, the amount of the provision is approximately Euro 170 million.

Despite the uncertainty of the outcome of the investigations underway and potential legal action by customers as a result of the decision adopted by the European Commission, 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 the service rendered by

employees, are recognised in "Personnel costs".

The defined benefit plans mainly refer to Pension plans, Employee indemnity liability (for Italian companies), Medical benefit plans and other benefits such as seniority bonuses.

The liabilities arising from these plans, net of any assets serving such plans, are recognised in Employee benefit obligations and are measured using actuarial techniques.

Employee benefit obligations are analysed as follows:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
Pension plans	275	230
Employee indemnity liability (Italian TFR)	24	22
Medical benefit plans	25	23
Termination and other benefits	36	33
Incentive plans	-	-
Total	360	308

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

Pension plan amendments in 2014

During 2014, the liabilities accrued after 1996 relating to the pension plan managed by Stichting Pensioenfonds Draka Holding, to which three Dutch legal entities were party, were transferred to Pensioenfonds van de Metalekro - PME, an industry-wide multi-employer plan. Liabilities accrued before 1996 have remained with the employer companies and are fully funded, meaning that the full value of this liability is covered by the value of assets.

This transaction has resulted in the recognition in the 2014 income statement of the asset ceiling, deemed to be un-

recoverable, in accordance with the accounting treatment prescribed by IFRIC 14. The related loss of Euro 8 million has been classified as a non-recurring item.

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 made by the employer and, in some cases, by employees, into a separately managed pension fund. The fund independently manages and administers the amounts received, investing in financial assets and paying benefits directly to employees. The Group’s contributions to such funds are defined according to the legal requirements established in individual countries.

Liabilities for “Unfunded pension plans” are managed directly by the employer who sees to providing the benefits to employees. These plans have no assets to cover the liabilities. At 31 December 2014, the most significant plans in terms of accrued employee benefit liabilities are the plans managed in the following countries:

- Germany;

- Great Britain;
- The Netherlands.

Pension plans in the above countries account for approximately 80% of the related liability. The principal risks to which they are exposed are described below:

Germany

There are thirteen pension plans in Germany. These are mostly final salary plans in which the retirement age is generally set at 65. Although most plans are closed to new members, additional costs may need to be recognised in the future. As at 31 December 2014, the plans had an average duration of 15.7 years (14.8 years at 31 December 2013).

Total plan membership is made up as follows:

	31 December 2014	31 December 2013
	Number of participants	Number of participants
Active	975	1,023
Deferred	1,067	1,118
Pensioners	1,724	1,644
Total membership	3,766	3,785

The German plans do not have any assets that fund the liabilities; the Prysmian Group pays these benefits directly.

During the next year the benefits payable will amount to Euro 6 million (unchanged compared with 31 December 2013). The increase in benefits, and so in the recorded liability and in service costs, will 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 2014: the Draka pension fund and the Prysmian pension fund. Both funds are final salary plans, in which the retirement age is generally set at 65 for the majority of plan participants. The plans will not admit any new members or accrue any new liabilities after 31 December 2014.

As at 31 December 2014, the plans had an average duration of approximately 20.3 years (approximately 20.9 years at 31 December 2013).

Total plan membership is made up as follows:

	31 December 2014			31 December 2013		
	Draka pension fund	Prysmian pension fund	Total	Draka pension fund	Prysmian pension fund	Total
	Number of participants					
Active	-	-	-	-	-	-
Deferred	563	615	1,178	583	630	1,213
Pensioners	411	327	738	395	312	707
Total membership	974	942	1,916	978	942	1,920

Both plans operate under trust law and are managed and administered by a Board of Trustees on behalf of members and in accordance with the terms of the Trust Deed and Rules and current legislation. The assets that fund the liabilities are held by the Trust, for both plans.

For the purposes of determining the level of funding, the Trustees appoint an actuary to value the plans every three years, with annual updates. The latest valuations of the Draka pension fund and the Prysmian pension fund were conducted on 25 March 2013 and 31 December 2011 respectively. The valuation for the Prysmian Fund at 31 December 2014 will be carried out and completed by 31 March 2016.

Even the contribution levels are set every three years at the time of performing the valuation to determine the level of plan funding. Currently, the contribution levels are set at Euro 1.8 million a year for the Draka pension fund (Euro 1.7 million at 31 December 2013) and Euro 0.2 million a year for the Prysmian pension fund (unchanged since the prior year). The Trustees decide on the investment strategy in agreement with the company. The strategies differ for both plans. In particular, the Draka pension fund has invested a large proportion of its assets in equities; the fund's investment split is as follows: 20% in equities, 38% in bonds and 42% in other financial instruments. The Prysmian pension fund has invested its assets as follows: 56% in bonds and the

remaining 44% in other financial instruments.

The main risk for the Prysmian Group in Great Britain is that mismatches between the expected return and the actual return on plan assets would require contribution levels to be revised.

The liabilities and service costs are sensitive to the following variables: inflation, salary growth, life expectancy of plan participants and future growth in benefit levels. Another variable to consider when determining the amount of the liability is the discount rate, identified by reference to market yields of AA corporate bonds denominated in GB pounds.

The Netherlands

During 2014, the liabilities accrued after 1996 relating to the pension plan managed by Stichting Pensioenfond Draka Holding, to which three Dutch legal entities were party, were transferred to Pensioenfond van de Metalektro - PME, an industry-wide multi-employer plan. Liabilities accrued before 1996 have remained with the employer companies and are fully covered. The rules of the plan were the same for all the participating entities and involved the payment of benefits according to an average length of service and a general retirement age of 65.

Total plan membership is made up as follows:

	31 December 2014	31 December 2013
	Number of participants	Number of participants
Active	411	402
Deferred	512	608
Pensioners	1,084	1,038
Total membership	2,007	2,048

The transfer of the liabilities described above means the Group no longer has to pay into this plan.

The remaining liabilities at 31 December 2014 are fully covered and so do not represent a risk factor for the Prysmian Group.

The liabilities and service costs are sensitive to the following variables: inflation, salary growth, life expectancy of plan participants and future growth in benefit levels. Another variable to consider when determining the amount of the

liability is the discount rate, identified by reference to market yields of AA corporate bonds denominated in Euro. During 2014 the local legislation regarding pension benefits underwent significant change. As from 1 January 2014, the retirement age was raised from 65 to 67, with the contribution rate going from 2.2% to 1.84%.

Pension plan obligations and assets are analysed as follows at 31 December 2014:

(in millions of Euro)

	31 December 2014				
	Germany	Great Britain	The Netherlands	Other countries	Total
Funded pension obligations:					
Present value of obligation	-	190	27	50	267
Fair value of plan assets	-	(126)	(27)	(38)	(191)
Asset ceiling	-	-	-	-	-
Unfunded pension obligations:					
Present value of obligations	167	-	-	32	199
Total	167	64	-	44	275

(in millions of Euro)

	31 December 2013 (*)				
	Germany	Great Britain	The Netherlands	Other countries	Total
Funded pension obligations:					
Present value of obligation	-	156	97	45	298
Fair value of plan assets	-	(108)	(99)	(36)	(243)
Asset ceiling	-	-	2	1	3
Unfunded pension obligations:					
Present value of obligations	143	-	-	29	172
Total	143	48	-	39	230

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

At 31 December 2014, "Other countries" mainly refer to:

- United States: funded pension obligations have a present value of Euro 31 million compared with a fair value of Euro 23 million for plan assets;
- Norway: funded pension obligations have a present value of Euro 3 million compared with a fair value of Euro 1 million for plan assets;
- Canada: funded pension obligations have a present value of Euro 10 million compared with a fair value of Euro 9 million for plan assets;
- France: pension obligations have a present value of Euro 24 million compared with a fair value of Euro 3 million for plan assets;
- Sweden: unfunded pension obligations have a present value of Euro 8 million.

Changes during the year in pension plan obligations are analysed as follows:

(in millions of Euro)

	2014	2013 (*)
Opening defined benefit obligation	470	483
Business combinations	-	-
Current service costs	3	4
Interest costs	17	17
Plan participants' contributions	-	-
Administrative costs and taxes	-	1
Actuarial (gains)/losses recognised in equity - Salary increase assumptions	(4)	(1)
Actuarial (gains)/losses recognised in equity - Demographic assumptions	6	6
Actuarial (gains)/losses recognised in equity - Financial assumptions	66	5
Disbursements from plan assets	(12)	(11)
Disbursements paid directly by the employer	(8)	(8)
Plan settlements	(84)	(11)
Currency translation differences	15	(9)
Reclassifications and legislative amendments to existing plans	(3)	(6)
Total movements	(4)	(13)
Closing defined benefit obligation	466	470

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

Changes during the year in pension plan assets are analysed as follows:

(in millions of Euro)

	2014	2013 (*)
Opening plan assets	243	243
Business combinations	-	-
Interest income on plan assets	9	9
Actuarial gains/(losses) recognised in equity	23	10
Contributions paid in by the employer	14	14
Contributions paid in by plan participants	-	-
Disbursements	(20)	(19)
Plan settlements	(89)	(9)
Currency translation differences	11	(5)
Total movements	(52)	-
Closing plan assets	191	243

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

At 31 December 2014, pension plan assets consisted of equities (13.3% versus 47.5% in 2013), government bonds (21.8% versus 33.7% in 2013), corporate bonds (19.5% versus 13.7% in 2013), and other assets (45.4% versus 5.1% in 2013). Movements in the asset ceiling over the period are as follows:

(in millions of Euro)

	2014	2013 (*)
Opening asset ceiling	3	1
Interest costs	-	-
Changes in assets recognised in equity	(3)	2
Currency translation differences	-	-
Total movements	(3)	2
Closing asset ceiling	-	3

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

Pension plan costs recognised in the income statement are analysed as follows:

(in millions of Euro)

					2014
	Germany	Great Britain	The Netherlands	Other countries	Total
Personnel costs	1	-	7	(1)	7
Interest costs	4	7	2	4	17
Expected returns on plan assets	-	(5)	(2)	(2)	(9)
Total pension plan costs	5	2	7	1	15

(in millions of Euro)

					2013 (*)
	Germany	Great Britain	The Netherlands	Other countries	Total
Personnel costs	1	-	1	1	3
Interest costs	5	6	3	3	17
Expected returns on plan assets	-	(4)	(3)	(2)	(9)
Total pension plan costs	6	2	1	2	11

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

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 2014						
	Germany		Great Britain		The Netherlands	
Interest rate	2.03%		3.70%		2.25%	
Expected future salary increase	2.00%		n.a.		n.a.	
Expected increase in pensions	2.00%		n.a.		n.a.	
Inflation rate	2.00%		3.30%		n.a.	
Life expectancy at age 65:	Male	Female	Male	Female	Male	Female
People currently aged 65	19.49	21.56	22.30	24.30	21.70	24.30
People currently aged 50	21.50	25.47	23.70	25.70	23.50	25.80

31 December 2013						
	Germany		Great Britain		The Netherlands	
Interest rate	3.25%		4.40%		3.25%	
Expected future salary increase	2.00%		n.a.		2.00%	
Expected increase in pensions	2.00%		n.a.		2.00%	
Inflation rate	2.00%		3.50%		2.00%	
Life expectancy at age 65:	Male	Female	Male	Female	Male	Female
People currently aged 65	19.35	23.42	22.10	24.40	21.90	23.80
People currently aged 50	21.37	25.35	23.50	25.70	23.30	24.60

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.

The sensitivity of the inflation rate includes any effects relating to assumptions about salary increases and increases in pension plan contributions.

31 December 2014						
	Germany		Great Britain		The Netherlands	
	decrease - 0.50%	increase + 0.50%	decrease - 0.50%	increase + 0.50%	decrease - 0.50%	increase + 0.50%
Interest rate	+8.03%	-7.24%	+10.31%	-9.24%	+5.13%	-4.70%
	decrease - 0.25%	increase + 0.25%	decrease - 0.25%	increase + 0.25%	decrease - 0.25%	increase + 0.25%
Inflation rate	-2.87%	+3.00%	-3.89%	+4.01%	n.a.	n.a.

31 December 2014			
	Germany	Great Britain	The Netherlands
1-year increase in life expectancy	+4.96%	+2.71%	n.a.

31 December 2013						
	Germany		Great Britain		The Netherlands	
	decrease - 0.50%	increase + 0.50%	decrease - 0.50%	increase + 0.50%	decrease - 0.50%	increase + 0.50%
Interest rate	+7.45%	-6.65%	+10.54%	-9.23%	+8.31%	-7.31%
	decrease - 0.25%	increase + 0.25%	decrease - 0.25%	increase + 0.25%	decrease - 0.25%	increase + 0.25%
Inflation rate	-2.79%	+2.93%	-3.72%	+3.93%	-3.83%	+4.08%

31 December 2013			
	Germany	Great Britain	The Netherlands
1-year increase in life expectancy	+4.36%	+2.60%	+3.60%

EMPLOYEE INDEMNITY LIABILITY

Employee indemnity liability refers only to Italian companies and is analysed as follows:

(in millions of Euro)

	2014	2013 (*)
Opening balance	22	25
Personnel costs	-	-
Interest costs	-	1
Actuarial (gains)/losses recognised in equity	3	(1)
Disbursements	(1)	(3)
Total movements	2	(3)
Closing balance	24	22

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

The net actuarial losses recognised at 31 December 2014 (Euro 3 million) mainly relate to the change in the associated economic parameters (the discount and inflation rates). Under Italian law, the amount due to each employee accrues with service and is paid when the employee leaves the company. The amount due upon termination of employment is calculated on the basis of the length of service and the taxable remuneration of each employee. The liability is adjusted annually for the official cost of living index and statutory interest, and is not subject to any vesting conditions or periods, or any funding obligation; there are therefore no assets that fund this liability.

During 2014 the rate for the substitute tax paid by companies on the revaluation of employee indemnity was raised from 11% to 17%. This has resulted in a decrease of Euro 0.4

million in the 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. Another risk factor is the possibility that members leave the plan or that higher advance payments than expected are requested, resulting in an actuarial loss for the plan, due to an acceleration of cash flows.

The actuarial assumptions used to value employee indemnity liability are as follows:

	31 December 2014	31 December 2013
Interest rate	1.50%	3.00%
Expected future salary increase	2.00%	2.00%
Inflation rate	2.00%	2.00%

The following table presents a sensitivity analysis of the effects of an increase/decrease in the most significant actuarial assumptions used to determine the present value

of benefit obligations, namely the interest rate and inflation rate:

(in millions of Euro)

	31 December 2014		31 December 2013	
	decrease - 0.50%	increase + 0.50%	decrease - 0.50%	increase + 0.50%
Interest rate	+5.21%	-4.80%	+5.23%	-4.80%
	decrease - 0.25%	increase + 0.25%	decrease - 0.25%	increase + 0.25%
Inflation rate	-1.57%	+1.60%	-2.58%	+2.64%

MEDICAL BENEFIT PLANS

Some Group companies provide medical benefit plans for retired employees. In particular, the Group finances medical benefit plans in Brazil, Canada and the United States. The plans in the United States account for approximately 90% of the total obligation for medical benefit plans (80% at 31 December 2013).

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. The enactment of important health care legislation in the United States (the Affordable Care Act, also known as "ObamaCare") could result in a reduction of costs and risks associated with these plans, as plan members move to individual forms of insurance. Currently the new reform has had no impact on liabilities and costs.

The obligation in respect of medical benefit plans is analysed as follows:

(in millions of Euro)

	2014	2013 (*)
Opening balance	23	28
Business combinations	-	-
Personnel costs	1	1
Interest costs	1	1
Plan settlements	-	-
Actuarial (gains)/losses recognised in equity - Salary increase assumptions	(4)	(2)
Actuarial (gains)/losses recognised in equity - Demographic assumptions	-	1
Actuarial (gains)/losses recognised in equity - Financial assumptions	3	(4)
Reclassifications	-	-
Disbursements	(1)	(1)
Currency translation differences	2	(1)
Total movements	2	(5)
Closing balance	25	23

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

The actuarial assumptions used to value medical benefit plans are as follows:

	31 December 2014		31 December 2013	
Interest rate	4.43%		5.63%	
Expected future salary increase	2.85%		3.00%	
Increase in claims	5.33%		5.42%	
Life expectancy at age 65:	Male	Female	Male	Female
People currently aged 65	22.61	24.43	19.16	21.17
People currently aged 50	23.79	25.59	19.37	21.29

The following table presents a sensitivity analysis of the effects of an increase/decrease in the most significant actuarial assumptions used to determine the present value of benefit obligations, such as the interest rate, inflation rate/growth in medical care costs and life expectancy.

	31 December 2014		31 December 2013	
	decrease - 0.50%	increase + 0.50%	decrease - 0.50%	increase + 0.50%
Interest rate	+9.17%	-8.14%	+7.40%	-6.62%
	decrease - 0.26%	increase + 0.26%	decrease - 0.25%	increase + 0.25%
	Inflation rate	-4.38%	+4.81%	-3.22%

	31 December 2014	31 December 2013
1-year increase in life expectancy	+3.83%	+4.27%

OTHER INFORMATION

Contributions and payments for employee benefit obligations for 2015 are estimated respectively at about Euro 5 million (of which Euro 3 million in Great Britain) and Euro 14 million (of which Euro 9 million in Germany).

Headcount

Average headcount in the period is reported below, compared with closing headcount at the end of each period:

				2014	
	Average	%	Closing	%	
Blue collar	14,593	75%	14,495	75%	
White collar and management	4,975	25%	4,941	25%	
Total	19,568	100%	19,436	100%	

				2013 (*)	
	Average	%	Closing	%	
Blue collar	14,430	74%	14,348	75%	
White collar and management	4,963	26%	4,884	25%	
Total	19,393	100%	19,232	100%	

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

16. DEFERRED TAXES

These are detailed as follows:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
Deferred tax assets:		
- Deferred tax assets recoverable after more than 12 months	77	80
- Deferred tax assets recoverable within 12 months	38	50
Total deferred tax assets	115	130
Deferred tax liabilities:		
- Deferred tax liabilities reversing after more than 12 months	(36)	(82)
- Deferred tax liabilities reversing within 12 months	(17)	(15)
Total deferred tax liabilities	(53)	(97)
Total net deferred tax assets (liabilities)	62	33

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

Movements in deferred taxes are detailed as follows:

(in millions of Euro)

	Accumulated depreciation	Provisions ⁽¹⁾	Tax losses	Other	Total
Balance at 31 December 2012	(163)	105	71	21	34
Business combinations	-	-	-	-	-
Currency translation differences	4	(4)	(1)	(5)	(6)
Impact on income statement	11	(24)	(1)	21	7
Impact on equity	-	(2)	-	-	(2)
Other and reclassifications	1	(6)	-	5	-
Balance at 31 December 2013 (*)	(147)	69	69	42	33
Business combinations	-	-	-	-	-
Currency translation differences	(5)	1	-	4	-
Impact on income statement	9	39	(8)	(24)	16
Impact on equity	-	11	-	1	12
Other and reclassifications	-	(1)	1	1	1
Balance at 31 December 2014	(143)	119	62	24	62

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

(1) These comprise Provisions for risks and charges (current and non-current) and Employee benefit obligations.

The Group has not recognised any deferred tax assets for carryforward tax losses of Euro 757 million at 31 December 2014 (Euro 651 million at 31 December 2013), or for future deductible temporary differences of Euro 228 million at 31 December 2014 (Euro 180 million at 31 December 2013). Unrecognised deferred

tax assets relating to these carryforward tax losses and deductible temporary differences amount to Euro 298 million at 31 December 2014 (Euro 240 million at 31 December 2013).

The following table presents details of carryforward tax losses:

(in millions of Euro)

	31 December 2014	31 December 2013 (*)
Carryforward tax losses	978	953
of which recognised as assets	221	302
Carryforward expires within 1 year	17	9
Carryforward expires between 2-5 years	144	110
Carryforward expires beyond 5 years	145	307
Unlimited carryforward	672	526

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

17. SALES OF GOODS AND SERVICES

These are detailed as follows:

(in millions of Euro)

	2014	2013 (*)
Finished goods	5,499	5,640
Construction contracts	837	912
Services	110	85
Other	394	358
Total	6,840	6,995

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

18. CHANGE IN INVENTORIES OF WORK IN PROGRESS, SEMI-FINISHED AND FINISHED GOODS

This is detailed as follows:

(in millions of Euro)

	2014	2013 (*)
Finished goods	18	18
Work in progress	10	10
Total	28	28

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

19. OTHER INCOME

This is detailed as follows:

(in millions of Euro)

	2014	2013 (*)
Rental income	1	1
Insurance reimbursements and indemnities	38	6
Gains on disposal of property	1	2
Other income	36	43
Non-recurring other income:		
Effect of YDFC dilution	8	-
Gains on asset disposals	-	5
Acquisition purchase price adjustment	22	-
Non-recurring other income	7	5
Total non-recurring other income	37	10
Total	113	62

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

“Insurance reimbursements and indemnities” include the compensation paid by insurance companies for the value of the cables transported on the AMT Explorer rotating platform which sank in July 2014.

“Non-recurring other income” includes Euro 5 million for the insurance reimbursement received for the rotating platform loaded aboard the AMT Explorer cable barge, which capsized at sea in July 2014.

20. RAW MATERIALS, CONSUMABLES USED AND GOODS FOR RESALE

These are detailed as follows:

(in millions of Euro)

	2014	2013 (*)
Raw materials	4,354	4,401
Change in inventories	(51)	(33)
Total	4,303	4,368

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

21. PERSONNEL COSTS

Personnel costs are detailed as follows:

(in millions of Euro)

	2014	2013 (*)
Wages and salaries	693	678
Social security	160	147
Fair value - stock options	3	14
Pension plans	-	6
Employee indemnity costs	-	-
Medical benefit costs	1	1
Termination and other benefits	8	1
Other personnel costs	35	49
Short-term incentive plans	(2)	-
Medium/long-term incentive plans	(2)	15
Non-recurring personnel costs:		
Business reorganisation	42	34
Pension plan amendments	7	(2)
Non-recurring other costs	3	2
Total non-recurring personnel costs	52	34
Total	948	945

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

Share-based payments

At 31 December 2014 and 31 December 2013, 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.

Long-term incentive plan 2011-2013

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

The plan involved 268 employees of Group companies and established that the number of options granted would depend on the achievement of common business and financial performance objectives for all the participants.

The plan was dependent upon achievement of a minimum performance objective of at least Euro 1.75 billion in aggregate Adj. EBITDA for the Group in the period 2011-2013 (the Target), as well as upon continuation of a professional relationship with the Group up until 31 December 2013. The plan also set an upper limit for Adj. EBITDA as the Target plus 20% (i.e. Euro 2.1 billion), that would determine the maximum number of exercisable options granted to each participant.

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

The allotted options carried the right to receive or subscribe to ordinary shares in Prysmian S.p.A., the Parent Company. These shares partly comprised treasury shares and partly new shares, obtained through a capital increase that excluded pre-emptive rights under art. 2441, par. 8 of the Italian Civil Code. Such a capital increase has involved the issue of 2,120,687 new ordinary shares of nominal value Euro 0.10 each, for a total nominal value of Euro 212,069, as approved by the shareholders in the extraordinary session of their meeting on 14 April 2011. The shares obtained from the Company's holding of treasury shares were allotted for zero consideration, while the shares obtained from the above capital increase were allotted to participants upon payment of an exercise price corresponding to the nominal value of the Company's shares.

In accordance with IFRS 2, the options allotted in respect of both new and treasury shares were measured at their grant date fair value.

The number of options actually allocated to each participant was determined according to the actual aggregate Adj. EBITDA achieved, which lay between the Target and the Adj. EBITDA upper limit.

The following table provides additional details about the plan:

(in Euro)

	Number of options (*)	For consideration		For no consideration	
		Exercise price	Number of options (*)	Exercise price	
Options at start of year	2,131,500	0.10	1,416,309	-	-
Granted	-	-	-	-	-
Variation for target remeasurement	-	-	2,429	-	-
Cancelled	(2,288)	0.10	(1,521)	-	-
Exercised	(2,120,687)	0.10	(1,411,552)	-	-
Options at end of year	8,525	0.10	5,665	-	-
of which vested at end of year	8,525	0.10	5,665	-	-
of which exercisable	8,525	0.10	5,665	-	-
of which not vested at end of year	-	-	-	-	-

(*) The number of options shown was determined based on cumulative EBITDA for the three years 2011-2013.

Since the plan vested in full at 31 December 2013, no further costs were recognised in 2014.

As at 31 December 2014, the options had vested and been exercised as follows:

- 2,120,687 exercised for consideration (exercise price of Euro 0.10);
- 1,411,552 exercised for no consideration.

Group employee share purchase plan (YES Plan)

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

The reasons behind the introduction of the Plan are:

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

The Plan offers the opportunity to purchase Prysmian's ordinary shares on preferential terms, with a maximum discount of 25% on the stock price, given in the form of treasury shares, except for certain managers, for whom the discount is 15%, and the executive Directors and key management personnel, for whom the discount is 1% of the stock price.

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

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

During the month of October 2013, the plan was presented and explained to some 16,000 of the Group's employees in 27 countries. Employees had until the end of December 2013

to communicate their wish to participate in the Plan, the amount they intended to invest in the first purchase window and the method of payment. The amount collected in the month of April 2014, totalling Euro 6.4 million, was used to make purchases of the Company's ordinary shares on the Milan Stock Exchange (MTA) over a period of 5 consecutive business days during the month of May 2014. The number of treasury shares allotted to each participant was determined by taking into account the average share purchase price (Euro 16.2629), the individual investment and the applicable discount percentage.

All the plan's participants also received an entry bonus of six free shares, also taken from the Company's portfolio of treasury shares, only available at the time of first purchase. The shares purchased by participants, as well as those received by way of discount and entry bonus, are generally subject to a retention period during which they cannot be sold and the length of which varies according to local regulations.

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

During the month of December 2014, employees were informed of the opening of the plan's second cycle in 2015. Employees had until the third week of February 2015 to sign up for the second cycle and to communicate the amount they intended to invest. The total amount collected will be used to make purchases of the Company's shares on the Milan Stock Exchange (MTA) during the month of July 2015.

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

	1st Window (2014)	2nd Window (2015)	3rd Window (2016)
Grant date	13 November 2013	13 November 2013	13 November 2013
Share purchase date	19 May 2014	19 May 2015	19 May 2016
End of retention period	19 May 2017	19 May 2018	19 May 2019
Residual life at grant date (in years)	0.35	1.35	2.35
Share price at grant date (Euro)	18.30	18.30	18.30
Expected volatility	29.27%	30.11%	36.79%
Risk-free interest rate	0.03%	0.05%	0.20%
Expected dividend %	2.83%	2.83%	2.83%
Option fair value at grant date (Euro)	18.04	17.54	17.11

A total of Euro 3 million in costs for the fair value of options granted under this plan have been recognised as "Personnel costs" in the income statement for the year ended 31

December 2014.

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

	31 December 2014	31 December 2013
	Number of options	Number of options
Options at start of year	300,682	-
Granted (*)	43,725	300,682
Change in expected adhesions (**)	(17,748)	-
Cancelled	-	-
Exercised	(162,650)	-
Options at end of year	164,009	300,682
of which vested at end of year	-	-
of which exercisable	-	-
of which not vested at end of year	164,009	300,682

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

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

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

As at 31 December 2014, there are no outstanding loans or guarantees by the Parent Company or its subsidiaries to any of the directors, senior managers or statutory auditors.

Long-term incentive plan 2014-2016

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

As a result of the effects of the Western HVDC Link contract (UK), the Board of Directors has decided not to execute the mandate received from the shareholders allowing implementation of this plan.

22. AMORTISATION, DEPRECIATION AND IMPAIRMENT

These are detailed as follows:

(in millions of Euro)

	2014	2013 (*)
Depreciation of buildings, plant, machinery and equipment	104	107
Depreciation of other property, plant and equipment	10	9
Amortisation of intangible assets	30	32
Non-recurring impairment:		
Net impairment of property, plant and equipment ⁽¹⁾	23	25
Net impairment of intangible assets	21	-
Total non-recurring impairment	44	25
Total	188	173

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

(1) The figure at 31 December 2014 includes Euro 18 million in reinstatements of value of previously impaired assets (at 31 December 2013 reinstatements amounted to Euro 1 million).

23. OTHER EXPENSES

These are detailed as follows:

(in millions of Euro)

	2014	2013 (*)
Professional services	34	33
Insurance	46	52
Maintenance costs	64	71
Selling costs	70	88
Utilities	138	143
Travel costs	40	39
Vessel charter	65	88
Increases in/(releases of) provisions for risks	21	(5)
Losses on disposal of assets	-	1
Sundry expenses	117	112
Other costs	687	610
Non-recurring other expenses:		
Business reorganisation	6	16
Antitrust investigations	(31)	(6)
Environmental remediation and other costs	-	(3)
Non-recurring other expenses	23	19
Total non-recurring other expenses	(2)	26
Total	1,280	1,258

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

The Group incurred Euro 71 million in research and development costs in 2014 (Euro 65 million in 2013).

24. SHARE OF NET PROFIT/(LOSS) OF EQUITY-ACCOUNTED COMPANIES

This is detailed as follows:

(in millions of Euro)

	2014	2013 (*)
Share of net profit/(loss) of equity-accounted associates	26	16
Share of net profit/(loss) of equity-accounted joint ventures	17	19
Total	43	35

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

Further information can be found in Note 3. Equity-accounted investments.

25. FINANCE COSTS

These are detailed as follows:

(in millions of Euro)

	2014	2013 (*)
Interest on syndicated loans	9	12
Interest on non-convertible bond	21	21
Interest on convertible bond - non-monetary component	8	6
Interest on convertible bond - monetary component	4	3
Amortisation of bank and financial fees and other expenses	7	8
Employee benefit interest costs	11	11
Other bank interest	17	18
Costs for undrawn credit lines	5	4
Sundry bank fees	12	14
Non-recurring other finance costs	14	7
Other	22	26
Finance costs	130	130
Net losses on forward currency contracts	12	-
Non-recurring net losses on interest rate swaps	4	15
Losses on derivatives	16	15
Foreign currency exchange losses	333	290
Total finance costs	479	435

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

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

“Other” finance costs include Euro 17 million for differentials accruing on interest rate swaps, of which Euro 14 million in relation to instruments for which hedge accounting was discontinued following the early repayment above. This last figure is largely offset by the fair value measurement of the related derivatives, reported in “Net gains on interest rate swaps”.

In addition to the costs concerning the Credit Agreement 2010, non-recurring other finance costs include Euro 9 million in interest and charges accruing on legal disputes.

26. FINANCE INCOME

This is detailed as follows:

(in millions of Euro)

	2014	2013 (*)
Interest income from banks and other financial institutions	7	7
Other finance income	1	2
Non-recurring other finance income	4	-
Finance income	12	9
Net gains on interest rate swaps	14	6
Net gains on forward currency contracts	-	7
Gains on derivatives	14	13
Foreign currency exchange gains	313	263
Total finance income	339	285

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

Non-recurring other finance income includes Euro 4 million in interest received in connection with a legal dispute.

27. TAXES

These are detailed as follows:

(in millions of Euro)

	2014	2013 (*)
Current income taxes	73	72
Deferred income taxes	(16)	(7)
Total	57	65

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

The following table reconciles the effective tax rate with the Parent Company's theoretical tax rate:

(in millions of Euro)

	2014	Tax rate	2013 (*)	Tax rate
Profit/(loss) before taxes	173		218	
Theoretical tax expense at Parent Company's nominal tax rate	48	27.5%	60	27.5%
Differences in nominal tax rates of foreign subsidiaries	-	0.3%	1	0.3%
Utilisation of unrecognised carryforward tax losses	(10)	(6.0%)	(20)	(9.0%)
Unrecognised deferred tax assets	32	18.5%	21	9.7%
Net increase (release) of provision for tax disputes	11	6.6%	4	(1.7%)
IRAP (Italian regional business tax)	7	3.8%	12	5.4%
Taxes on distributable reserves	(6)	(3.5%)	2	0.8%
Utilisation of prior year credit for taxes paid abroad	5	2.9%	(7)	(3.2%)
Antitrust investigations	(8)	(4.8%)	-	0.0%
Asset impairment	7	3.9%	4	1.90%
Deferred tax assets from prior years recognised and utilised in current year	(10)	(5.5%)	-	0.0%
Non-deductible costs/ (non-taxable income) and other	(19)	(10.7%)	(12)	(5.7%)
Effective income taxes	57	33.0%	65	29.4%

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

28. EARNINGS/(LOSS) AND DIVIDENDS PER SHARE

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

The calculation of both basic and diluted earnings/(loss) per share in 2013 took into account the options under the Incentive Plan 2011-2013 granted according to the level of cumulative EBITDA achieved in the three-year target period (2011-2013).

This plan had been completed at 31 December 2014 and so is no longer relevant for the purposes of calculating diluted earnings per share.

Diluted earnings/(loss) per share in 2014 have been affected by the options relating to adhesions to the employee share purchase plan, while they have not been affected by the options relating to the convertible bond since the bond is currently "out of the money".

(in millions of Euro)

	2014	2013 (*)
Net profit/(loss) attributable to owners of the parent	115	149
Weighted average number of ordinary shares (thousands)	212,373	211,835
Basic earnings per share (in Euro)	0.54	0.71
Net profit/(loss) attributable to owners of the parent	115	149
Weighted average number of ordinary shares (thousands)	212,373	211,835
Adjustments for:		
Dilution from incremental shares arising from exercise of stock options (thousands)	164	6
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	212,537	211,841
Diluted earnings per share (in Euro)	0.54	0.71

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

The dividend paid in 2014 amounted to approximately Euro 89 million (Euro 0.42 per share). A dividend of Euro 0.42 per share for the year ended 31 December 2014 will be proposed at the annual general meeting to be held on 16 April 2015 in

a single call; based on the number of outstanding shares, the above dividend per share equates to a total dividend payout of approximately Euro 89 million. The current financial statements do not reflect any liability for the proposed dividend.

29. CONTINGENT LIABILITIES

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

As at 31 December 2014, 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 reliably estimated, amount to approximately Euro 15 million.

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

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 2014 and not yet reflected in the financial statements amount to Euro 37 million for investments in property, plant and equipment (Euro 21 million

at the end of 2013) and to Euro 1 million for investments in intangible assets (Euro 1 million at the end of 2013).

(b) Operating lease commitments

Future commitments relating to operating leases are as follows:

(in millions of Euro)

	2014	2013 (*)
Due within 1 year	18	40
Due between 1 and 5 years	30	20
Due after more than 5 years	7	16
Total	55	76

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

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 262 million at 31 December 2014 (Euro 290 million at 31 December 2013).

32. FINANCIAL COVENANTS

The credit agreements in place at 31 December 2014, 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 Position and EBITDA (as defined in the relevant agreements).

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

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

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

b) Non-financial covenants

A number of non-financial covenants have been established in line with market practice applying to transactions of a similar size and nature. 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.

- 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.

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;

Actual financial ratios reported at period end are as follows:

	31 December 2014	31 December 2013 (*)
EBITDA / Net finance costs ⁽¹⁾	5.82	6.99
Net financial position / EBITDA ⁽¹⁾	1.50	1.27

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

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

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

33. RELATED PARTY TRANSACTIONS

Transactions between Prysmian S.p.A. and its subsidiaries and associates mainly refer to:

- trade relations involving intercompany purchases and sales of raw materials and finished goods;
- services (technical, organisational and general) provided by head office for the benefit of group companies;
- recharge of royalties for the use of trademarks, patents and technological know-how by group companies;
- financial relations maintained by Group treasury companies on behalf of, and with, Group companies.

The disclosures of related party transactions also include the compensation paid to Directors, Statutory Auditors and Key Management Personnel.

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

The following tables summarise related party transactions in the years ended 31 December 2014 and 31 December 2013:

(in millions of Euro)

	31 December 2014		
	Equity-accounted investments	Trade and other receivables	Trade and other payables
Equity-accounted companies	225	10	7
Other related parties:			
Compensation of Directors, Statutory Auditors and Key Management Personnel	-	-	1
Total	225	10	8

(in millions of Euro)

	31 December 2013 (*)		
	Equity-accounted investments	Trade and other receivables	Trade and other payables
Equity-accounted companies	205	13	5
Other related parties:			
Compensation of Directors, Statutory Auditors and Key Management Personnel	-	-	16
Total	205	13	21

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

(in millions of Euro)

					2014
	Share of net profit/(loss) of equity-accounted companies	Sales of goods and services and Other income	Personnel costs	Raw materials, consumables used and goods for resale	Other expenses
Equity-accounted companies	43	46	-	20	-
Other related parties:					
Compensation of Directors, Statutory Auditors and Key Management Personnel	-	-	6	-	1
Total	43	46	6	20	1

(in millions of Euro)

					2013 (*)
	Share of net profit/(loss) of equity-accounted companies	Sales of goods and services and Other income	Personnel costs	Raw materials, consumables used and goods for resale	Other expenses
Equity-accounted companies	35	58	-	12	-
Other related parties:					
Compensation of Directors, Statutory Auditors and Key Management Personnel	-	-	16	-	1
Total	35	58	16	12	1

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

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)

	2014	2013
Salaries and other short-term benefits - fixed part	5,749	4,698
Salaries and other short-term benefits - variable part	-	9,584
Other benefits	362	31
Share-based payments	13	2,174
Total	6,124	16,487
of which Directors	3,261	13,406

At 31 December 2014, there are no payables for key management compensation (Euro 15.6 million at 31 December 2013), while Employee benefit obligations for key management compensation amount to Euro 0.3 million (Euro 0.2 million at 31 December 2013).

34. COMPENSATION OF DIRECTORS AND STATUTORY AUDITORS

The compensation of the Directors of Prysmian S.p.A. amounts to Euro 3.7 million in 2014 (Euro 13.6 million in 2013). The compensation of the Statutory Auditors of Prysmian S.p.A. amounts to Euro 0.22 million in 2014, the same as in 2013. 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 2014.

36. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

As required by CONSOB Communication DEM/6064293 dated 28 July 2006, the effects of non-recurring events and transactions on the income statement are shown below, involving

total net non-recurring expenses of Euro 71 million in 2014 and Euro 97 million in 2013.

(in millions of Euro)

	2014	2013 (*)
Non-recurring other income:		
Gains on asset disposals	-	5
Acquisition purchase price adjustment	22	-
Effect of YOFC dilution	8	-
Non-recurring other income	7	5
Total non-recurring other income	37	10
Non-recurring personnel costs:		
Business reorganisation	(42)	(34)
Pension plan amendments	(7)	2
Non-recurring other costs	(3)	(2)
Total non-recurring personnel costs	(52)	(34)
Non-recurring impairment:		
Impairment of property, plant and equipment	(41)	(26)
Impairment reversal of property, plant and equipment	18	1
Impairment of intangible assets	(21)	-
Total non-recurring impairment	(44)	(25)
Non-recurring other expenses/releases:		
Antitrust investigations	31	6
Business reorganisation	(6)	(16)
Environmental remediation and other costs	-	3
Non-recurring other expenses:	(23)	(19)
Total non-recurring other expenses	2	(26)
Non-recurring other finance costs:		
Non-recurring net losses on interest rate swaps	(4)	(15)
Non-recurring other finance costs	(14)	(7)
Non-recurring other foreign currency exchange losses	-	-
Total non-recurring other finance costs	(18)	(22)
Non-recurring other finance income:		
Non-recurring other finance income	4	-
Total non-recurring other finance income	4	-
Total	(71)	(97)

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

37. STATEMENT OF CASH FLOWS

Net cash flow provided by operating activities in 2014 was not affected by the decrease of Euro 2 million in working capital; therefore, after taking account of Euro 72 million in tax payments and Euro 36 million in dividends received from associates and joint ventures, net cash flow from operating activities in the period was a positive Euro 363 million.

Net operating investments in 2014 amounted to Euro 155 million and mostly concerned structural projects involving the cable ship owned by Prysmian PowerLink Services Ltd and the purchase of the Pikkala site in Finland, as well as

projects to increase production capacity and industrial efficiency. 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 dividends, amounting to Euro 90 million, the repayment of the Credit Agreement 2010 for Euro 184 million, and by the parallel receipt of the EIB Loan for Euro 100 million. Finance costs paid net of finance income received came to Euro 110 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 2014 and 2013 for audit work and other services provided by the independent

auditors PricewaterhouseCoopers S.p.A. and companies in the PricewaterhouseCoopers network:

(in thousands of Euro)

	Supplier of services	Recipient	Fees relating to 2014	Fees relating to 2013
Audit services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.	860	1,140
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	752	584
	PricewaterhouseCoopers S.p.A.	Foreign subsidiaries	325	319
	PricewaterhouseCoopers Network	Foreign subsidiaries	3,656	3,144
Certification services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.	71	83
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	110	110
	PricewaterhouseCoopers Network	Foreign subsidiaries	-	-
Other services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A. ⁽¹⁾	153	105
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	30	110
	PricewaterhouseCoopers Network	Foreign subsidiaries ⁽²⁾	571	482
Total			6,528	6,077

(1) Audit support and other services.

(2) Tax and other services.

39. SUBSEQUENT EVENTS

On 3 February 2015, the Prysmian Group signed a Memorandum of Understanding with Transelectrica, a Romanian electricity transmission system operator, Unicredit Bank and the law firm Tonucci & Partners to carry out studies and analyses on the potential development of a submarine link between Romania and Turkey. The memorandum's aim is to support further development of the region's energy sector, by offering Romanian power suppliers the opportunity to export their surplus generation to other countries such as Turkey. The Prysmian Group also announced the construction of new optical cable manufacturing facilities within Slatina's new Industrial Park; the new facilities will be capable of producing a full range of new generation optical fibre cables to support the most advanced applications and usages by public and private, national and international operators, having obtained all the required quality certifications. Phase one of the project is due to reach completion by 2017. By the end of the project, the new plant will also have created 300 permanent jobs. The Group also plans to start production in Slatina of high voltage submarine cables for power transmission lines up to 150 kV; completion of the project and commencement of production are scheduled for July 2015. Lastly, with the goal of further developing highly skilled local human resources, Prysmian has also announced the launch of an international training programme in support of its industrial development with the recruitment of new and qualified local staff.

On 6 February 2015, Prysmian Cavi e Sistemi S.r.l. started legal proceedings, 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.

On 11 February 2015, Prysmian was awarded a new contract worth a total of approximately Euro 60 million by Iberdrola Renovables Offshore Deutschland GmbH - a German subsidiary of Iberdrola, the world-leading developer and operator of wind farms - to supply and install wind turbine inter-array

cables for the Wiking offshore wind farm, located within the West of Adlergrund cluster in the German Baltic Sea. Under the Wiking contract, Prysmian is responsible for the design, manufacture, installation, burial, termination and testing of 81 km of 33 kV submarine cables in different cross-sections to connect the 70 wind turbines and an offshore substation that form the 350 MW wind farm. Cables will be produced at Prysmian's facility in Drammen, Norway, one of the Group's centres of excellence for submarine cables. Installation work is scheduled to be complete by the end of 2016.

On 16 February 2015, the Prysmian Group was awarded two major new orders worth a total of more than Euro 50 million for projects to expand the power transmission system in Kuwait. More specifically, the contracts refer to the "MEW 06 Jaber Al Ahmed City" project, awarded directly by MEW - the Kuwait Ministry of Electricity & Water - and the "Jamal Abdel Al Nasser Street" project, awarded by ROBT (JV), a joint venture of Rizzani de Eccher-OHL under a wider contract with MPW - the Kuwait Ministry of Public Works - on behalf of MEW as end-user. The "MEW 06 Jaber Al Ahmed City" project is part of the plan to expand Kuwait's power transmission with a view to strengthening its main transmission networks and securing power supplies for industrial and residential users throughout the country. The "Jamal Abdel Al Nasser Street" project is part of the plan to upgrade and transform one of the main traffic arteries running through the middle of Kuwait City into an expressway, a process that will involve diverting an underground electricity line. The contracts involve the design, engineering, supply, construction, installation and commission of HV underground cable systems, requiring a total of 210 km of 132 kV cable and related network components for both projects that will be executed by the Group's offices in Kuwait. Installation will start in 2015 with completion scheduled in 2016.

Milan, 25 February 2015

ON BEHALF OF THE BOARD OF DIRECTORS
THE CHAIRMAN
Massimo Tononi

SCOPE OF CONSOLIDATION – APPENDIX A

The following companies have been consolidated line-by-line:

Fully consolidated subsidiaries on a line-by-line basis:					
Legal name	Office	Currency	Share capital	% ownership	Direct parent company
EUROPE					
Austria					
Prysmian OEKW GmbH	Vienna	Euro	2,053,008	100.00%	Prysmian Cavi e Sistemi S.r.l.
Belgium					
Draka Belgium N.V.	Antwerp	Euro	61,973	98.52%	Draka Holding B.V.
				1.48%	Draka Kabel B.V.
Denmark					
Prysmian Denmark A/S	Brøndby	Danish Krone	40,001,000	100.00%	Draka Denmark Holding A/S
Draka Denmark Holding A/S	Brøndby	Danish Krone	91,194,000	100.00%	Draka Holding B.V.
Estonia					
AS Draka Keila Cables	Keila	Euro	1,664,000	100.00%	Prysmian Finland OY
Finland					
Prysmian Finland OY	Kirkkonummi	Euro	100,000	77.80%	Prysmian Cavi e Sistemi S.r.l.
				19.93%	Draka Holding B.V.
				2.27%	Draka Comteq B.V.
France					
Prysmian (French) Holdings S.A.S.	Paron	Euro	173,487,250	100.00%	Prysmian Cavi e Sistemi S.r.l.
GSCP Athena (French) Holdings II S.A.S.	Paron	Euro	47,000	100.00%	Prysmian (French) Holdings S.A.S.
Prysmian Cables et Systèmes France S.A.S.	Paron	Euro	136,800,000	100.00%	Prysmian (French) Holdings S.A.S.
Draka Comteq France S.A.S.	Paron	Euro	246,554,316	100.00%	Draka France S.A.S.
Draka Fileca S.A.S.	Sainte Geneviève	Euro	5,439,700	100.00%	Draka France S.A.S.
Draka Paricable S.A.S.	Sainte Geneviève	Euro	5,177,985	100.00%	Draka France S.A.S.
Draka France S.A.S.	Marne La Vallée	Euro	261,551,700	100.00%	Draka Holding B.V.
Quoroon S.A.S.	Paron	Euro	10,000	100.00%	Prysmian Cables et Systèmes France S.A.S.
Germany					
Prysmian Kabel und Systeme GmbH	Berlin	Euro	15,000,000	93.75%	Draka Cable Wuppertal GmbH
				6.25%	Prysmian S.p.A.
Prysmian Unterstuetzungseinrichtung Lynen GmbH	Eschweiler	Deutsche Mark	50,000	100.00%	Prysmian Kabel und Systeme GmbH
Draka Cable Wuppertal GmbH	Wuppertal	Euro	25,000	100.00%	Draka Deutschland GmbH
Draka Comteq Berlin GmbH & Co. KG	Berlin	Deutsche Mark	46,000,000	50.10%	Prysmian Netherlands B.V.
			1	49.90%	Draka Deutschland GmbH

Fully consolidated subsidiaries on a line-by-line basis:					
Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Draka Comteq Germany Verwaltungs GmbH	Koln	Euro	25,000	100.00%	Draka Comteq B.V.
Draka Comteq Germany GmbH & Co. KG	Koln	Euro	26,000	100.00%	Draka Comteq B.V.
Draka Deutschland Erste Beteiligungs GmbH	Wuppertal	Euro	25,000	100.00%	Draka Holding B.V.
Draka Deutschland GmbH	Wuppertal	Euro	25,000	90.00%	Draka Deutschland Erste Beteiligungs GmbH
				10.00%	Draka Deutschland Zweite Beteiligungs GmbH
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%	Prismian Netherlands B.V.
Draka Kabeltechnik GmbH	Wuppertal	Euro	25,000	100.00%	Draka Cable Wuppertal GmbH
Draka Service GmbH	Nurnmberg	Euro	25,000	100.00%	Draka Cable Wuppertal GmbH
Höhn GmbH	Wuppertal	Deutsche Mark	1,000,000	100.00%	Draka Deutschland GmbH
Kaiser Kabel GmbH	Wuppertal	Deutsche Mark	9,000,000	100.00%	Draka Deutschland GmbH
Kaiser Kabel Vertriebs GmbH i.L.	Wuppertal	Euro	25,100	100.00%	Kaiser Kabel GmbH
NKF Holding (Deutschland) GmbH	Wuppertal	Euro	25,000	100.00%	Prismian Netherlands B.V.
usb-elektro Kabelkonfektions- GmbH i.L.	Bendorf	Deutsche Mark	2,750,000	100.00%	Draka Holding B.V.
Wagner Management- und Projektgesellschaft mit beschränkter Haftung i. L.	Berlin	Deutsche Mark	50,000	60.00%	Draka Cable Wuppertal GmbH
				40.00%	Third parties
U.K.					
Prismian Cables & Systems Ltd.	Eastleigh	British Pound	45,292,120	100.00%	Prismian UK Group Ltd.
Prismian Construction Company Ltd.	Eastleigh	British Pound	1	100.00%	Prismian Cables & Systems Ltd.
Prismian Cables (2000) Ltd.	Eastleigh	British Pound	1	100.00%	Prismian Cables & Systems Ltd.
Prismian Cables (Industrial) Ltd.	Eastleigh	British Pound	1	100.00%	Prismian Cables & Systems Ltd.
Prismian Cables (Supertension) Ltd.	Eastleigh	British Pound	1	100.00%	Prismian Cables & Systems Ltd.
Prismian Cables and Systems International Ltd.	Eastleigh	Euro	100,000	100.00%	Prismian Cavi e Sistemi S.r.l.
Cable Makers Properties & Services Ltd.	Hampton	British Pound	33	74.99%	Prismian Cables & Systems Ltd.
				25.01%	Third parties
Prismian Telecom Cables and Systems UK Ltd.	Eastleigh	British Pound	1	100.00%	Prismian Cables & Systems Ltd.
Prismian Metals Ltd.	Eastleigh	British Pound	1	100.00%	Prismian Cables & Systems Ltd.
Comergy Ltd.	Eastleigh	British Pound	1,000,000	100.00%	Prismian Cavi e Sistemi S.r.l.
Prismian Pension Scheme Trustee Ltd.	Eastleigh	British Pound	1	100.00%	Prismian S.p.A.
Prismian UK Group Ltd.	Eastleigh	British Pound	40,011,000	100.00%	Draka Holding B.V.
Draka Distribution Aberdeen Ltd.	Eastleigh	British Pound	1	100.00%	Draka UK Group Ltd.
Draka Comteq UK Ltd.	Eastleigh	British Pound	9,000,002	100.00%	Prismian UK Group Ltd.
Draka UK Ltd.	Eastleigh	British Pound	202,000	100.00%	Draka UK Group Ltd.
Draka UK Group Ltd.	Eastleigh	British Pound	10,000,103	99.99999%	Prismian UK Group Ltd.
				0.00001%	Third parties
Draka UK Pension Plan Trust Company Ltd.	Eastleigh	British Pound	1	100.00%	Draka UK Ltd.
Prismian PowerLink Services Ltd.	Eastleigh	British Pound	16,000,100	100.00%	Prismian UK Group Ltd.
Ireland					
Prismian Financial Services Ireland Ltd.	Dublin	Euro	1,000	100.00%	Third parties
Prismian Re Company Ltd.	Dublin	Euro	5,000,000	100.00%	Draka Holding B.V.

Fully consolidated subsidiaries on a line-by-line basis:					
Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Italy					
Prysmian Cavi e Sistemi S.r.l.	Milan	Euro	100,000,000	100.00%	Prysmian S.p.A.
Prysmian Cavi e Sistemi Italia S.r.l.	Milan	Euro	77,143,249	100.00%	Prysmian S.p.A.
Prysmian Treasury S.r.l.	Milan	Euro	30,000,000	100.00%	Prysmian S.p.A.
Prysmian PowerLink S.r.l.	Milan	Euro	100,000,000	100.00%	Prysmian S.p.A.
Fibre Ottiche Sud - F.O.S. S.r.l.	Battipaglia	Euro	47,700,000	100.00%	Prysmian S.p.A.
Prysmian Electronics S.r.l.	Milan	Euro	10,000	80.00%	Prysmian Cavi e Sistemi S.r.l.
				20.00%	Third parties
Luxembourg					
Prysmian Treasury (Lux) S.à r.l.	Luxembourg	Euro	3,050,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Norway					
Prysmian Kabler og Systemer A.S.	Ski	Norwegian Krone	100,000	100.00%	Prysmian Finland OY
Draka Norsk Kabel A.S.	Drammen	Norwegian Krone	22,500,000	100.00%	Draka Norway A.S.
Draka Norway A.S.	Drammen	Norwegian Krone	112,000	100.00%	Draka Holding B.V.
The Netherlands					
Draka Comteq B.V.	Amsterdam	Euro	1,000,000	100.00%	Draka Holding B.V.
Draka Comteq Fibre B.V.	Eindhoven	Euro	18,000	100.00%	Prysmian Netherlands Holding B.V.
Draka Holding B.V.	Amsterdam	Euro	52,229,321	52.165%	Prysmian S.p.A.
				47.835%	Prysmian Cavi e Sistemi S.r.l.
Draka Kabel B.V.	Amsterdam	Euro	2,277,977	100.00%	Prysmian Netherlands B.V.
Donne Draad B.V.	Nieuw Bergen	Euro	28,134	100.00%	Prysmian Netherlands B.V.
Prysmian Treasury (The Netherlands) B.V.	Delft	Euro	2,268,901	100.00%	Draka Holding B.V.
NK China Investments B.V.	Delft	Euro	19,000	100.00%	Prysmian Netherlands B.V.
NKF Vastgoed I B.V.	Delft	Euro	18,151	99.00%	Draka Holding B.V.
				1.00%	Prysmian Netherlands B.V.
NKF Vastgoed III B.V.	Amsterdam	Euro	18,151	99.00%	Draka Deutschland GmbH
				1.00%	Prysmian Netherlands B.V.
Draka Sarphati B.V.	Amsterdam	Euro	18,151	100.00%	Draka Holding B.V.
Prysmian Netherlands B.V.	Delft	Euro	1	100.00%	Prysmian Netherlands Holding B.V.
Prysmian Netherlands Holding B.V.	Amsterdam	Euro	1	100.00%	Draka Holding B.V.
Czech Republic					
Draka Kabely, s.r.o.	Velke Mezirici	Czech Koruna	255,000,000	100.00%	Draka Holding B.V.
Romania					
Prysmian Cabluri Si Sisteme S.A.	Slatina	Romanian Leu	103,850,920	99.9995%	Draka Holding B.V.
				0.0005%	Prysmian Cavi e Sistemi S.r.l.
Russia					
Limited Liability Company Prysmian RUS	Rybinsk city	Russian Rouble	230,000,000	99.00%	Draka Holding B.V.
				1.00%	Prysmian Cavi e Sistemi S.r.l.
Limited Liability Company "Rybinskelektrokabel"	Rybinsk city	Russian Rouble	90,312,000	100.00%	Limited Liability Company Prysmian RUS
Draka Industrial Cable Russia LLC	St. Petersburg	Russian Rouble	100,000	100.00%	Draka Holding B.V.
Neva Cables Ltd.	St. Petersburg	Russian Rouble	194,000	100.00%	Prysmian Finland OY

Fully consolidated subsidiaries on a line-by-line basis:					
Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Slovakia					
Prysmian Kablo s.r.o.	Bratislava	Euro	21,246,001	99.995%	Prysmian Cavi e Sistemi S.r.l.
				0.005%	Prysmian S.p.A.
Draka Comteq Slovakia s.r.o.	Prešov	Euro	1,506,639	100.00%	Draka Comteq B.V.
Spain					
Prysmian Spain S.A.U.	Vilanova I la Geltrú	Euro	58,178,234	100.00%	Draka Holding N.V. Y CIA Soc. Col.
Marmavil S.L.U.	Santa Perpetua de Mogoda	Euro	3,006	100.00%	Draka Holding B.V.
Draka Holding N.V. Y CIA Soc. Col.	Santa Perpetua de Mogoda	Euro	24,000,000	99.99999%	Draka Holding B.V.
				0.00001%	Marmavil.S.L.U.
Draka Comteq Iberica, S.L.U.	Maliño	Euro	4,000,040	100.00%	Draka Holding N.V. Y CIA Soc. Col.
Sweden					
Draka Sweden AB	Nässjö	Swedish Krona	100,100	100.00%	Draka Holding B.V.
Draka Kabel Sverige AB	Nässjö	Swedish Krona	100,000	100.00%	Draka Sweden AB
Switzerland					
Prysmian Cables and Systems S.A.	Manno	Swiss Franc	500,000	100.00%	Draka Holding B.V.
Turkey					
Turk Prysmian Kablo Ve Sistemleri A.S.	Mudanya	Turkish new Lira	112,233,652	83.746%	Draka Holding B.V.
				16.254%	Third parties
Draka Istanbul Asansor İthalat İhracat Üretim Ticaret Ltd. Şti.	Istanbul	Turkish new Lira	180,000	100.00%	Draka Holding B.V.
Draka Comteq Kablo Limited Sirketi	Istanbul	Turkish new Lira	45,818,775	99.50%	Draka Comteq B.V.
				0.50%	Prysmian Netherlands B.V.
Hungary					
Prysmian MKM Magyar Kabel Muvek Kft.	Budapest	Hungarian Forint	5,000,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
NORTH AMERICA					
Canada					
Prysmian Cables and Systems Canada Ltd.	Saint John	Canadian Dollar	1,000,000	100.00%	Draka Holding B.V.
Draka Elevator Products Incorporated	Brantford	Canadian Dollar	n/a	100.00%	Draka Cableteq USA Inc.
U.S.A.					
Prysmian Cables and Systems (US) Inc	Carson City	US Dollar	330,517,608	100.00%	Draka Holding B.V.
Prysmian Cables and Systems USA LLC	Wilmington	US Dollar	10	100.00%	Prysmian Cables and Systems (US) Inc.
Prysmian Construction Services Inc.	Wilmington	US Dollar	1,000	100.00%	Prysmian Cables and Systems USA LLC
Draka Cableteq USA Inc.	Boston	US Dollar	10	100.00%	Prysmian Cables and Systems (US) Inc.
Draka Elevator Products, Inc.	Boston	US Dollar	1	100.00%	Draka Cableteq USA Inc.
Draka Transport USA, LLC	Boston	US Dollar	n/a	100.00%	Draka Cableteq USA Inc.

Fully consolidated subsidiaries on a line-by-line basis:					
Legal name	Office	Currency	Share capital	% ownership	Direct parent company
CENTRAL/SOUTH AMERICA					
Argentina					
Prysmian Energia Cables y Sistemas de Argentina S.A.	Buenos Aires	Argentine Peso	67,148,158	94.425068%	Prysmian Consultora Conductores e Instalaciones SAIC
				4.986374%	Draka Holding B.V.
				0.270284%	Prysmian Draka Brasil S.A.
				0.318274%	Third parties
Prysmian Consultora Conductores e Instalaciones SAIC	Buenos Aires	Argentine Peso	48,571,242	95.00%	Draka Holding B.V.
				5.00%	Prysmian Cavi e Sistemi S.r.l.
Brazil					
Prysmian Energia Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real	153,794,214	99.857%	Prysmian Cavi e Sistemi S.r.l.
				0.143%	Prysmian S.p.A.
Prysmian Surfex Umbilicais e Tubos Flexiveis do Brasil Ltda	Vila Velha	Brazilian Real	218,299,840	99.000000004%	Prysmian Cavi e Sistemi S.r.l.
				0.999999996%	Prysmian S.p.A.
Prysmian Draka Brasil S.A.	Sorocaba	Brazilian Real	207,784,953	55.885510%	Prysmian Energia Cabos e Sistemas do Brasil S.A.
				34.849900%	Draka Comteq B.V.
				9.206810%	Draka Holding B.V.
				0.057040%	Prysmian Cavi e Sistemi S.r.l.
				0.000630%	Prysmian Netherlands B.V.
				0.000120%	Draka Kabel B.V.
Prysmian Fibras Oticas Brasil Ltda	Sorocaba	Brazilian Real	42,628,104	99.99%	Prysmian Draka Brasil S.A.
				0.01%	Prysmian Energia Cabos e Sistemas do Brasil S.A.
Draka Comteq Cabos Brasil S.A.	Santa Catarina	Brazilian Real	17,429,703	77.836%	Draka Comteq B.V.
				22.164%	Prysmian Energia Cabos e Sistemas do Brasil S.A.
Chile					
Prysmian Instalaciones Chile S.A.	Santiago	Chilean Peso	1,147,127,679	99.80%	Prysmian Consultora Conductores e Instalaciones SAIC
				0.20%	Third parties
Mexico					
Draka Durango S. de R.L. de C.V.	Durango	Mexican Peso	163,471,787	99.996%	Draka Mexico Holdings S.A. de C.V.
				0.004%	Draka Holding B.V.
Draka Mexico Holdings S.A. de C.V.	Durango	Mexican Peso	57,036,501	99.999998%	Draka Holding B.V.
				0.000002%	Draka Comteq B.V.
NK Mexico Holdings S.A. de C.V.	Mexico City	Mexican Peso	n/a	100.00%	Prysmian Finland OY
Prysmian Cables y Sistemas de Mexico S. de R. L. de C. V.	Durango	Mexican Peso	3,000	0.033%	Draka Holding B.V.
				99.967%	Draka Mexico Holdings S.A. de C.V.

Fully consolidated subsidiaries on a line-by-line basis:

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
AFRICA					
Ivory Coast					
SICABLE - Société Ivoirienne de Cables S.A.	Abidjan	CFA Franc	740,000,000	51.00%	Prysmian Cables et Systèmes France S.A.S.
				49.00%	Third parties
Tunisia					
Auto Cables Tunisie S.A.	Grombalia	Tunisian Dinar	4,050,000	50.998%	Prysmian Cables et Systèmes France S.A.S.
				49.002%	Third parties
Eurelectric Tunisie S.A.	Soliman	Tunisian Dinar	1,110,000	99.946%	Prysmian Cables et Systèmes France S.A.S.
				0.009%	Prysmian (French) Holdings S.A.S.
				0.009%	Prysmian Cavi e Sistemi S.r.l.
				0.036%	Third parties
OCEANIA					
Australia					
Prysmian Power Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	15,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Telecom Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	38,500,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
New Zealand					
Prysmian Power Cables & Systems New Zealand Ltd.	Auckland	New Zealand Dollar	10,000	100.00%	Prysmian Power Cables & Systems Australia Pty Ltd.
ASIA					
Saudi Arabia					
Prysmian Powerlink Saudi LLC	Al Khoabar	Saudi Arabian Riyal	500,000	95.00%	Prysmian PowerLink S.r.l.
				5.00%	Third parties

Fully consolidated subsidiaries on a line-by-line basis:					
Legal name	Office	Currency	Share capital	% ownership	Direct parent company
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 Baosheng Cable Co. Ltd.	Jiangsu	US Dollar	35,000,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Wuxi Cable Co. Ltd.	Wuxi	US Dollar	29,941,250	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Angel Tianjin Cable Co. Ltd.	Tianjin	US Dollar	14,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Hong Kong Holding Ltd.	Hong Kong	Euro	55,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian (China) Investment Company Ltd.	Beijing	Euro	59,500,000	100.00%	Prysmian Hong Kong Holding Ltd.
Nantong Haixun Draka Elevator Products Co. LTD	Nantong	US Dollar	2,400,000	75.00%	Draka Elevator Products, Inc.
				25.00%	Third parties
Nantong Zhongyao Draka Elevator Products Co. LTD	Nantong	US Dollar	2,000,000	75.00%	Draka Elevator Products, Inc.
				25.00%	Third parties
Draka Cables (Hong Kong) Limited	Hong Kong	Hong Kong Dollar	6,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd.
Draka Shanghai Optical Fibre Cable Co. Ltd.	Shanghai	US Dollar	15,580,000	55.00%	Draka Comteq Germany GmbH & Co. KG
				45.00%	Third parties
Suzhou Draka Cable Co. Ltd.	Suzhou	Chinese Renminbi (Yuan)	174,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd.
NK Wuhan Cable Co. Ltd.	Wuhan	US Dollar	12,000,000	60.00%	NK China Investments B.V.
				20.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				20.00%	Third parties
Philippines					
Draka Philippines Inc.	Cebu	Philippine Peso	253,652,000	99.9999975%	Draka Holding B.V.
				0.0000025%	Third parties
India					
Associated Cables Pvt. Ltd.	Mumbai	Indian Rupee	61,261,900	32.00%	Draka UK Group Ltd.
				28.00%	Prysmian Treasury (The Netherlands) B.V.
				40.00%	Oman Cables Industry (SAOG)
Jaguar Communication Consultancy Services Private Ltd.	Mumbai	Indian Rupee	34,432,100	99.99997%	Prysmian Cavi e Sistemi S.r.l.
				0.00003%	Prysmian S.p.A.

Fully consolidated subsidiaries on a line-by-line basis:					
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					
Submarine Cable Installation Sdn Bhd	Kuala Lumpur	Malaysian Ringgit	10,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Sindutch Cable Manufacturer Sdn Bhd	Malacca	Malaysian Ringgit	500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd.
Draka Marketing and Services Sdn Bhd	Malacca	Malaysian Ringgit	500,000	100.00%	Cable Supply and Consulting Company Pte Ltd.
Draka (Malaysia) Sdn Bhd	Malacca	Malaysian Ringgit	8,000,002	100.00%	Cable Supply and Consulting Company Pte Ltd.
Singapore					
Prysmian Cables Asia-Pacific Pte Ltd.	Singapore	Singapore Dollar	213,324,290	100.00%	Draka Holding B.V.
Prysmian Cable Systems Pte Ltd.	Singapore	Singapore Dollar	25,000	50.00%	Draka Holding B.V.
				50.00%	Prysmian Cables & Systems Ltd.
Draka Offshore Asia Pacific Pte Ltd.	Singapore	Singapore Dollar	51,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd.
Draka Cableteq Asia Pacific Holding Pte Ltd.	Singapore	Singapore Dollar	28,630,542	100.00%	Draka Holding B.V.
Singapore Cables Manufacturers Pte Ltd.	Singapore	Singapore Dollar	990,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd.
Cable Supply and Consulting Company Pte Ltd.	Singapore	Singapore Dollar	50,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd.
Draka Comteq Singapore Pte Ltd.	Singapore	Singapore Dollar	500,000	100.00%	Draka Comteq B.V.
Draka NK Cables (Asia) Pte Ltd.	Singapore	Singapore Dollar	200,000	100.00%	Prysmian Finland OY
Thailand					
MCI-Draka Cable Co. Ltd.	Bangkok	Thai Baht	435,900,000	70.250172%	Draka Cableteq Asia Pacific Holding Pte Ltd.
				0.000023%	Draka (Malaysia) Sdn Bhd
				0.000023%	Sindutch Cable Manufacturer Sdn Bhd
				0.000023%	Singapore Cables Manufacturers Pte Ltd.
				29.749759%	Third parties

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

Equity-accounted companies:					
Legal name	Office	Currency	Share capital	% ownership	Direct parent company
EUROPE					
Germany					
Kabeltrommel GmbH & CO.KG	Troisdorf	Euro	10,225,838	29.68%	Prysmian Kabel und Systeme GmbH
				13.50%	Draka Cable Wuppertal GmbH
				56.82%	Third parties
Kabeltrommel GmbH	Troisdorf	Deutsche Mark	51,000	17.65%	Prysmian Kabel und Systeme GmbH
				23.53%	Draka Cable Wuppertal GmbH
				58.82%	Third parties
KTG Europe GmbH	Troisdorf	Euro	100,000	100.00%	Kabeltrommel GmbH & CO.KG
U.K.					
Rodco Ltd.	Weybridge	British Pound	5,000,000	40.00%	Prysmian Cables & Systems Ltd.
				60.00%	Third parties
Poland					
Eksa Sp.z.o.o	Sokolów	Polish Zloty	394,000	29.949%	Prysmian Cavi e Sistemi S.r.l.
				70.051%	Third parties
Russia					
Elkat Ltd.	Moscow	Russian Rouble	10,000	40.00%	Prysmian Finland OY
				60.00%	Third parties
ASIA					
China					
Yangtze Optical Fibre and Cable Joint Stock Limited Co.	Wuhan	Chinese Renminbi (Yuan)	639,462,598	28.12%	Draka Comteq B.V.
				71.88%	Third parties
Yangtze Optical Fibre and Cable Company (Hong Kong) Ltd.	Hong Kong	Hong Kong Dollar	80,000	100.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd.	Shanghai	US Dollar	12,000,000	75.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				25.00%	Draka Comteq B.V.
EverPro Technologies Company Limited	Wuhan	Chinese Renminbi (Yuan)	325,000,000	69.23%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				30.77%	Third parties
EverProsper Technologies Company Limited	Hong Kong	Chinese Renminbi (Yuan)	6,800,000	100.00%	EverPro Technologies Company Limited
Jiangsu Yangtze Zhongli Optical Fibre & Cable Co. Ltd.	Changshu	Chinese Renminbi (Yuan)	92,880,000	51.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				49.00%	Third parties
Yangtze Optical Fibre & Cable Sichuan Co. Ltd.	Emeishan City	Chinese Renminbi (Yuan)	53,800,000	51.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				49.00%	Third parties
Tianjin YOFC XMKJ Optical Communications Co. Ltd.	Tianjin	Chinese Renminbi (Yuan)	220,000,000	49.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				51.00%	Third parties

Equity-accounted companies:					
Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Yangtze (Wuhan) Optical System Corp., Ltd.	Wuhan	Chinese Renminbi (Yuan)	47,500,000	46.32%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				53.68%	Third parties
Shantou Hi-Tech Zone Aoxing Optical Communication Equipments Co. Ltd.	Shantou	Chinese Renminbi (Yuan)	170,558,817	42.42%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				57.58%	Third parties
Shenzhen SDGI Optical Fibre Co., Ltd.	Shenzhen	Chinese Renminbi (Yuan)	206,518,320	35.36%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				64.64%	Third parties
Tianjin YOFC XMKJ Optical Cable Co. Ltd.	Tianjin	Chinese Renminbi (Yuan)	100,000,000	20.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				80.00%	Third parties
Wuhan Guanyuan Electronic Technology Co. Ltd.	Wuhan	Chinese Renminbi (Yuan)	5,000,000	20.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				80.00%	Third parties
Japan					
Precision Fiber Optics Ltd.	Chiba	Japanese Yen	360,000,000	50.00%	Draka Comteq Fibre B.V.
				50.00%	Third parties
Malaysia					
Power Cables Malaysia Sdn Bhd	Selangor Darul Eshan	Malaysian Ringgit	8,000,000	40.00%	Draka Holding B.V.
				60.00%	Third parties
Sultanate of Oman					
Oman Cables Industry (SAOG)	Al Rusayl Industrial Zone	Omani Rial	8,970,000	34.78%	Draka Holding B.V.
				65.22%	Third parties

List of unconsolidated other investments:

Unconsolidated companies		
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 Andreas Bott, as managers responsible for preparing the corporate accounting documents of Prysmian S.p.A., certify, also taking account of the provisions of paragraphs 3 and 4, art. 154-bis of Italian Legislative Decree 58 dated 24 February 1998, that during 2014 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 2014 has been evaluated on the basis of a procedure established by Prysmian in compliance with the internal control framework published by the Committee of Sponsoring Organizations of the Treadway Commission, which represents the generally accepted standard model internationally.
3. They also certify that:
 - 3.1 The consolidated financial statements at 31 December 2014:
 - a. have been prepared in accordance with applicable international accounting standards recognised by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;
 - b. correspond to the underlying accounting records and books of account;
 - c. are able to provide a true and fair view of the issuer's statement of financial position and results of operations and of the group of companies included in the consolidation.
 - 3.2 The 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, 25 February 2015

Valerio Battista
CHIEF EXECUTIVE OFFICER

Carlo Soprano Andreas Bott
MANAGERS RESPONSIBLE
FOR PREPARING CORPORATE
ACCOUNTING DOCUMENTS

Consolidated Financial Report

AUDIT REPORT



AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the Shareholders of
Prysmian SpA

1 We have audited the financial statements of Prysmian SpA as of 31 December 2014 which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows and the related explanatory notes. The Directors of Prysmian SpA are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree N° 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for listed Companies and Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference is made to our report dated 20 March 2014.

3 In our opinion, the financial statements of Prysmian SpA as of 31 December 2014 comply with the International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree N° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position as of 31 December 2014, the result of operations and cash flows of Prysmian SpA for the year then ended.

4 As described in note 12 to the financial statements, "Provisions for risks and charges", in 2009 certain anti-trust authorities started investigations with respect to the Prysmian Group and other European and Asian electrical cable manufacturers to verify the existence of anti-competitive practices in the high voltage submarine and underground cables markets. On 2 April 2014, the European Commission issued 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 Srl, adopted anti-competitive practices in the European market for high voltage

PricewaterhouseCoopers SpA

Sede legale e amministrativa: **Milano** 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 I.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Pinelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wahrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccupietra 9 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521275911 - **Roma** 00154 Largo Fochetti 39 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422666911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel. 0458263001



submarine and underground cables. Despite the uncertainty of the outcome of the investigations in progress, the Directors believe that the provision recorded represents the best estimate of the liability based on the information available.

- 5 The Directors of Prysmian SpA are responsible for the preparation of the Directors' report and of the report on corporate governance and ownership structure, published in the "investor relations/corporate governance" section of the Prysmian SpA internet site in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' report and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree N° 58/1998, presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard 1 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the Directors' report and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree N° 58/1998 presented in the report on corporate governance and ownership structure are consistent with the financial statements of Prysmian SpA as of 31 December 2014.

Milan, 13 March 2015

PricewaterhouseCoopers SpA

Signed by

Stefano Bravo
(Partner)

This report is an English translation of the original audit report, which was issued in Italian. This report has been prepared solely for the convenience of international readers.



The Group was awarded two major contracts in Australia, to supply high voltage underground cables – North Shore cable upgrade and Engadine – as part of the upgrade project of Ausgrid’s network, whereby cables and equipment installed about 40 years ago are being replaced. The projects will be carried out in two areas: the coastline area in the North of Sydney, Willoughby-Lindfield-Castle Cove, and the Engadine area, just south of Sydney.

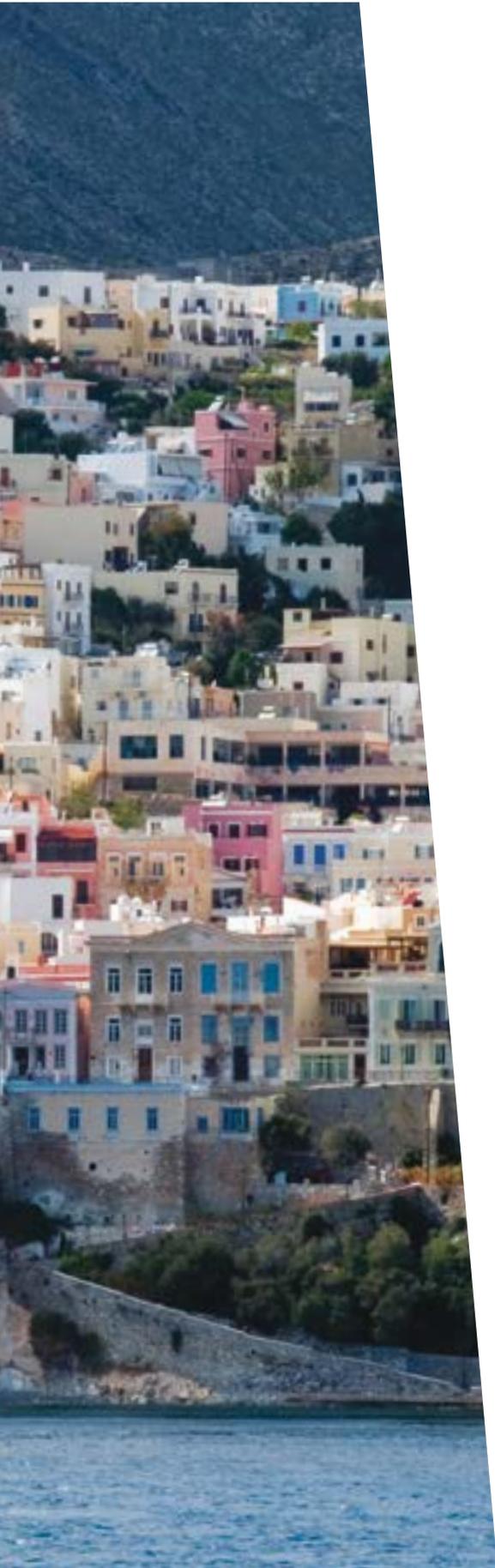


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Prysmian will build the interconnection between Syros island (Cyclades) and the Greek mainland power transmission system in Lavrion. The project will provide a turn-key high-voltage alternating current cable system along a total route of more than 110km, thus interconnecting the island of Syros to the Greek national power transmission system. It also envisages a future expansion to other Cyclades islands (Paros, Mykonos, Tinos).



DIRECTORS' REPORT

FINANCIAL PERFORMANCE OF PRYSMIAN S.P.A.

The tables presented and discussed below have been prepared by reclassifying the financial statements at 31 December 2014, which in turn have been drawn up in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and with the provisions implementing art. 9 of Legislative Decree 38/2005.

As from 1 July 2013, the activities of purchasing strategic materials (copper, aluminium and lead) from third-party suppliers and reselling them to the Group's operating

companies have been centralised in Prysmian S.p.A.. This operation is part of the reorganisation of activities within the Prysmian Group with the goal of having greater control over what is considered a strategic business for the Group.

Following this centralisation, Prysmian S.p.A.'s "Revenue from ordinary operations" relates to the sale of strategic metals to Group operating companies, while "Other income" primarily refers to services provided and royalties from the licensing of patents and know-how to Group companies or even third parties.

INCOME STATEMENT

(in thousands of Euro)

	2014	2013
Revenue from ordinary operations	1,090,578	452,225
Other income	106,624	102,068
<i>of which non-recurring other income</i>	-	333
Operating costs	(1,130,685)	(501,444)
<i>of which non-recurring income/(expenses)</i>	(2,186)	(2,463)
<i>of which personnel costs for stock option fair value</i>	(496)	(4,599)
Other expenses	(47,348)	(67,031)
<i>of which non-recurring other expenses</i>	17,835	(1,666)
Amortisation, depreciation and impairment	(9,493)	(10,463)
Operating income	9,676	(24,645)
Net finance income/(costs)	(38,862)	(38,775)
<i>of which non-recurring net finance income/(costs)</i>	(1,790)	(2,311)
Net income from investments	204,606	219,861
Profit/(loss) before taxes	175,420	156,441
Income taxes	16,136	28,244
Net profit/(loss) for the year	191,556	184,685

Unless specifically indicated below, the reasons behind the more significant changes in individual items within the Prysmian S.p.A. income statement are described in the Explanatory Notes to the Parent Company Financial Statements, to which reference should be made.

The Parent Company's income statement for 2014 reports Euro 191,556 thousand in net profit, an increase of Euro 6,871 thousand on the prior year.

The items contributing to this result will now be discussed:

Revenue from ordinary operations of Euro 1,090,578 thousand (Euro 452,225 thousand in 2013) comprises Euro 1,091,702 thousand from the resale of strategic materials (copper, aluminium and lead) to Group operating companies after this activity was centralised in the Parent Company from July 2013, and Euro 1,125 thousand from the negative change in inventories of such strategic materials.

Other income of Euro 106,624 thousand (Euro 102,068 thousand in 2013) mostly refers to amounts charged back by Prysmian S.p.A. to Group companies for coordination activities, for services provided by headquarters functions and for royalties relating to patents and know-how.

Operating costs of Euro 1,130,685 thousand in 2014 versus Euro 501,444 thousand in 2013, refer to purchases of strategic materials (Euro 1,088,416 thousand in 2014 versus Euro 450,063 thousand in 2013), purchases of other consumables (Euro 2,356 thousand in 2014 versus Euro 2,952 thousand in 2013), the fair value change in metal derivatives (a negative Euro 32 thousand in 2014 versus a positive Euro 38 thousand in 2013) and personnel costs (Euro 39,881 thousand in 2014

versus Euro 48,467 thousand in 2013).

Net finance costs amount to Euro 38,862 thousand (Euro 38,775 thousand in 2013), mainly relating to interest accruing on the bonds and to interest payable on the Credit Agreement 2011, the EIB Loan, the Revolving Credit Facility 2014 and the Syndicated Revolving Credit Facility 2014.

Net income from investments amounts to Euro 204,606 thousand, compared with Euro 219,861 thousand in the prior year, and comprises dividends received from the subsidiaries Prysmian Cavi e Sistemi S.r.l. and Prysmian Powerlink S.r.l. (Euro 221,071 thousand) less impairment of the investment in Fibre Ottiche Sud -F.O.S. S.r.l. (Euro 16,465 thousand).

Income taxes are a positive Euro 16,136 thousand (Euro 28,244 thousand in 2013) and comprise the recognition of a negative Euro 1,363 thousand for deferred taxes and a positive Euro 17,499 thousand for current taxes. The latter mainly reflect the net positive effects of the relief provided by tax losses transferred from some Italian companies under the rules of the group tax consolidation.

More details about the Italian companies which have elected to file for tax on a group basis with Prysmian S.p.A. can be found in Note 22. Taxes, contained in the Explanatory Notes to the Parent Company Financial Statements.

Research and development costs are fully expensed to income as incurred and amount to Euro 16,244 thousand in the period under review (Euro 16,507 thousand in 2013); more details can be found in Note 32. Research and development, contained in the Explanatory Notes to the Parent Company Financial Statements.

STATEMENT OF FINANCIAL POSITION

The Parent Company's statement of financial position is summarised as follows:

(in thousands of Euro)

	31 December 2014	31 December 2013
Net fixed assets	1,896,019	1,787,648
<i>of which: Investments in subsidiaries</i>	1,818,399	1,728,516
Net working capital	(41,906)	(116,147)
Provisions	(13,129)	(31,477)
Net capital employed	1,840,984	1,640,024
Employee benefit obligations	7,576	6,305
Equity	1,107,027	1,021,052
Net financial position	726,381	612,667
Total equity and sources of funds	1,840,984	1,640,024

Note: the composition and method of calculating the above indicators are discussed in the Directors' Report contained in the Group Annual Report.

Unless specifically indicated below, the reasons behind the more significant changes in individual items within the Prysmian S.p.A. statement of financial position are described in the Explanatory Notes to the Parent Company Financial Statements, to which reference should be made.

Net fixed assets basically comprise the controlling interests in Prysmian Cavi e Sistemi S.r.l., Draka Holding B.V. and in the Group's other Italian companies.

The increase in investments in subsidiaries of Euro 89,883 thousand since 2013 reflects a capital increase by Prysmian PowerLink S.r.l. (Euro 50,000 thousand), and capital contributions paid to Fibre Ottiche Sud - F.O.S. S.r.l. (Euro 5,000 thousand), Prysmian PowerLink S.r.l. (Euro 30,000 thousand) and Draka Holding B.V. (Euro 33,000 thousand). The overall increase also reflects a decrease in the value of the investment in Fibre Ottiche Sud - F.O.S. S.r.l. following its spin-off of the Ansaldo 20 property complex (Euro 14,772 thousand), the impairment of the investment in the same subsidiary (Euro 16,465 thousand) and increases totalling Euro 3,120 thousand for the pay-related component of stock option plans, with underlying Prysmian S.p.A. shares, for employees of other Group companies.

Investments in "Property, plant and equipment" and "Intangible assets" totalled Euro 28,159 thousand in 2014 (Euro 24,094 thousand in 2013). These investments mainly reflect the effects of spinning off the Ansaldo 20 property complex from the subsidiary Fibre Ottiche Sud - F.O.S. S.r.l. for conversion into the new headquarters of the Prysmian Group (Euro 14,772 thousand), and software costs (Euro 10,951 thousand), mostly in connection with the SAP Consolidation project. More details can be found in Note 1. Property, plant

and equipment and Note 2. Intangible assets, contained in the Explanatory Notes to the Parent Company Financial Statements.

Net working capital is a negative Euro 41,906 thousand and comprises:

- Euro 105,745 thousand as the net negative balance between trade receivables and trade payables (see Notes 6 and 11 to the Parent Company Financial Statements);
- Euro 63,839 thousand as the net positive balance of other receivables/payables and financial receivables/payables (see Notes 6 and 11 to the Parent Company Financial Statements).

Provisions, presented above net of deferred tax assets, amount to Euro 13,129 thousand at 31 December 2014 (see Notes 4 and 12 to the Parent Company Financial Statements) compared with Euro 31,477 thousand at 31 December 2013.

Equity amounts to Euro 1,107,027 thousand at 31 December 2014, reporting a net increase of Euro 85,975 thousand since 31 December 2013, mainly due to the net profit for the year, net of the dividend distribution and the purchase of treasury shares. A more detailed analysis of the changes in equity can be found in the specific table presented as part of the Parent Company Financial Statements.

The Group's consolidated equity at 31 December 2014 and consolidated net profit for 2014 are reconciled with the corresponding figures for the Parent Company Prysmian S.p.A. in a table presented in the Directors' Report contained in the Group Annual Report.

The Net financial position reports Euro 726,381 thousand in net debt at 31 December 2014, compared with Euro 612,667 thousand at 31 December 2013.

The composition of Net financial position is presented in detail in the following table.

(in thousands of Euro)

	31 December 2014	31 December 2013
Long-term financial payables		
Term Loan Facility 2011	400,000	400,000
Bank fees	(1,661)	(3,024)
Credit Agreements	398,339	396,976
EIB Loan	91,546	-
Non-convertible bond	-	398,576
Convertible bond	271,536	263,401
Finance leases	10,677	11,098
Total long-term financial payables	772,098	1,070,051
Short-term financial payables		
Credit Agreements	418	87,818
EIB Loan	8,854	-
Non-convertible bond	414,997	15,305
Convertible bond	1,187	1,187
Revolving Credit Facility 2014	30,232	-
Finance leases	467	537
Other borrowings	65	223
Total short-term financial payablese	456,220	105,070
Total financial liabilities	1,228,318	1,175,121
Long-term financial receivables	22	26
Long-term bank fees	5,219	-
Short-term financial receivables	3,306	55
Short-term bank fees	1,525	4,029
Short-term financial receivables from Group companies	489,552	553,744
Cash and cash equivalents	2,314	4,600
Total financial assets	501,937	562,454
Net financial position	726,381	612,667

Note 10 to the Parent Company Financial Statements presents the reconciliation of the Company's net financial position to the amount that must be reported under Consob Communication DEM/6064293 dated 28 July 2006 in compliance with the CESR recommendation dated 10 February 2005 "Recommendations for the consistent im-

plementation of the European Commission's Regulation on Prospectuses".

A more detailed analysis of cash flows is presented in the statement of cash flows, forming part of the Parent Company Financial Statements presented in the following pages.

HUMAN RESOURCES, ENVIRONMENT AND SAFETY

Prysmian S.p.A. had a total of 309 employees at 31 December 2014 (325 at 31 December 2013), of whom 274 management/white-collar staff (290 at 31 December 2013) and 35 blue-collar staff (35 at 31 December 2013).

The Company has taken systematic, ongoing steps to

implement all the fundamental activities required to manage issues relating to the environment, and the health and safety of its employees.

More details can be found in the Directors' Report contained in the Group Annual Report.

DIRECTION AND COORDINATION

Prysmian S.p.A. is not under the direction and coordination of other companies or entities but decides its general and operational strategy in complete autonomy. Pursuant to art. 2497-bis of the Italian Civil Code, the direct and indirect subsidiaries of Prysmian S.p.A. have identified it as the entity

which exercises direction and coordination for them. Such direction and coordination involves identifying general and operational strategies for the Group as a whole and defining and implementing internal control systems, models of governance and corporate structure.

INTERCOMPANY AND RELATED PARTY TRANSACTIONS

Information on related party transactions, including that required by the Consob Communication dated 28 July 2006, is presented in Note 25 to the Parent Company Financial Statements.

SECONDARY OFFICES

The Company does not have any secondary offices.

SHARE CAPITAL AND CORPORATE GOVERNANCE

Share capital amounts to Euro 21,671,239 at 31 December 2014, consisting of 216,712,397 ordinary shares (including 2,819,649 treasury shares), with a nominal value of Euro 0.10 each. The total number of outstanding voting shares

is 213,882,079, stated net of 10,669 treasury shares held indirectly.

Information about Corporate Governance can be found in the Directors' Report contained in the Group Annual Report.

ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions took place during 2014.

RISK FACTORS

Prysmian S.p.A. is exposed in the normal conduct of its business to a number of financial and non-financial risk factors which, if they should arise, could also have a material impact on its results of operations and financial condition. Prysmian S.p.A. adopts specific procedures to manage the risk factors that might influence its business results. These procedures are the result of corporate policy which has always sought to maximise value for shareholders by taking every necessary action to prevent the risks inherent in the Company's business. For this purpose, the Board of Directors voted on 24 January 2006 to adopt a model of organisation, management and control ("Organisational Model"), designed to prevent commission of the criminal offences envisaged by Legislative Decree 231/01.

In order to reflect the intervening organisational changes since first adopting the Organisational Model, and changes in the above law, the Company's Board of Directors voted on 27 August 2008 to adopt a revised Organisational Model. The revised model has been drawn up on the basis of recent pronouncements by the legal and academic profession and

the Guidelines of Confindustria (Italian confederation of industry) and addresses the need for keeping the Company's system of corporate governance constantly updated.

The Prysmian Group's Code of Ethics, forming part of its Organisational Model, was updated during 2014 to bring it into line with best practice. The revised Code was approved by the Company's Board of Directors on 8 May 2014.

The Company's corporate governance structure is based on the recommendations and rules contained in the "Italian Stock Exchange Self-Regulatory Code for Listed Companies - Ed. 2014", which the Company has adopted. Based on its financial performance and cash generation in recent years, as well as its available financial resources at 31 December 2014, the Company believes that, barring any extraordinary events, there are no material uncertainties, such as to cast significant doubt upon the business's ability to continue as a going concern.

More details about risk factors can be found in the Directors' Report contained in the Group Annual Report.

FINANCIAL RISK MANAGEMENT POLICIES

Financial risk management policies are discussed in Sections C and C.1 of the Explanatory Notes to the Parent Company Financial Statements.

EVENTS AFTER THE REPORTING PERIOD

On 6 February 2015, Prysmian Cavi e Sistemi S.r.l. started legal proceedings, 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.

With regard to business outlook, please refer to the Directors' Report contained in the Group Annual Report.

PROPOSAL TO APPROVE THE FINANCIAL STATEMENTS AND TO ALLOCATE NET PROFIT FOR 2014

Shareholders,

We are submitting the financial statements for the year ended 31 December 2014 for your approval and propose that you adopt the following:

RESOLUTION

The Shareholders' Meeting:

- acknowledges the report by the Board of Directors,
- acknowledges the reports by the Board of Statutory Auditors and by the Independent Auditors,
- has examined the financial statements at 31 December 2014, which close with a net profit of Euro 191,556,235, and

RESOLVES

a) to approve:

- the report on operations by the Board of Directors;
- the financial statements at 31 December 2014; as presented by the Board of Directors - as a whole and in their individual parts, along with the proposed provisions - which report a net profit of Euro 191,556,235;

b) to allocate net profit for the year of Euro 191,556,235 as follows:

- Euro 42,414 to the Legal Reserve, thereby reaching one-fifth of share capital at 31 December 2014, as required by art. 2430 of the Italian Civil Code;
- approximately Euro 90 million to pay a gross dividend of Euro 0.42 to each ordinary voting share (taking account of directly held treasury shares, currently numbering 2,813,984);
- the remainder of approximately Euro 102 million to retained earnings.

The dividend will be paid out from 22 April 2015 (record date 21 April) to those shares outstanding on the ex-div date of 20 April 2015.

Milan, 25 February 2015

Massimo Tononi
ON BEHALF OF THE BOARD OF DIRECTORS
THE CHAIRMAN

In 2014, the Group was awarded several projects in the railway infrastructure industry. In this context, the most significant one was the frame agreement signed with SBB CFF FFS, the Swiss Federal Railways, involving the supply of approximately 2,800km of signalling cables to upgrade the whole Swiss railway infrastructure. In 2014, the Group received orders related to railway infrastructures of other countries, such as the Italian, French and Dutch railways.



PARENT COMPANY FINANCIAL REPORT



STATEMENT OF FINANCIAL POSITION

(in Euro)

	Note	31 December 2014	of which related parties (Note 25)	31 December 2013	of which related parties (Note 25)
Non-current assets					
Property, plant and equipment	1	33,626,451		17,948,649	
Intangible assets	2	43,993,725		41,182,998	
Investments in subsidiaries	3	1,818,399,274	1,818,399,274	1,728,516,487	1,728,516,487
Derivatives	7	-		36,364	36,364
Deferred tax assets	4	1,584,004		2,962,042	
Other receivables	6	5,266,663		65,024	
Total non-current assets		1,902,870,117		1,790,711,564	
Current assets					
Inventories	5	-		1,124,530	
Trade receivables	6	149,574,290	146,458,069	100,221,795	97,820,527
Other receivables	6	569,284,117	526,218,309	666,239,014	636,137,595
Derivatives	7	196,737	196,737	99,475	99,475
Cash and cash equivalents	8	2,314,234		4,600,296	
Total current assets		721,369,378		772,285,110	
Total assets		2,624,239,495		2,562,996,674	
Capital and reserves:					
Share capital	9	21,671,239		21,459,171	
Reserves	9	893,799,487		814,907,778	
Net profit/(loss) for the year	9	191,556,235		184,684,558	
Total equity		1,107,026,961		1,021,051,507	
Non-current liabilities					
Borrowings from banks and other lenders	10	772,097,616		1,070,051,250	
Derivatives	7	-		36,364	36,364
Employee benefit obligations	13	7,576,241	313,144	6,305,285	161,000
Total non-current liabilities		779,673,857		1,076,392,899	
Current liabilities					
Borrowings from banks and other lenders	10	456,219,674		105,069,712	
Trade payables	11	255,319,731	9,759,023	295,791,143	6,003,696
Other payables	11	11,080,849	429,053	29,260,044	15,744,043
Derivatives	7	176,126	176,126	88,266	88,266
Provisions for risks and charges	12	14,713,092		34,438,944	
Current tax payables		29,205	29,205	904,159	35,892
Total current liabilities		737,538,677		465,552,268	
Total liabilities		1,517,212,534		1,541,945,167	
Total equity and liabilities		2,624,239,495		2,562,996,674	

INCOME STATEMENT

(in Euro)

	Note	2014	of which related parties (Note 25)	2013	of which related parties (Note 25)
Sales of goods and services	14	1,091,702,248	1,091,594,320	451,099,905	449,437,400
Change in inventories of work in progress, semi-finished and finished goods		(1,124,530)	-	1,124,530	-
Other income	15	106,624,599	99,870,994	102,068,048	97,293,623
<i>of which non-recurring other income</i>	26	-	-	333,438	333,438
Raw materials, consumables used and goods for resale	16	(1,090,772,337)	(1,954,805)	(453,014,043)	(511,335)
Fair value change in metal derivatives		(31,880)	(31,880)	38,249	38,249
Personnel costs	17	(39,880,929)	(5,685,416)	(48,467,095)	(12,648,676)
<i>of which non-recurring personnel costs</i>	26	(2,185,838)		(2,462,737)	(1,687,000)
<i>of which personnel costs for fair value of stock options</i>	17	(495,887)	(12,736)	(4,599,442)	(1,670,829)
Amortisation, depreciation and impairment	18	(9,492,951)		(10,463,424)	
Other expenses	19	(47,348,242)	(14,862,427)	(67,030,778)	(18,551,644)
<i>of which non-recurring other (expenses)/releases</i>	26	17,835,905	(1,264,152)	(1,666,229)	(1,731,992)
Operating income		9,675,978		(24,644,608)	
Finance costs	20	(58,414,473)	(3,196,232)	(53,323,707)	(1,208,533)
<i>of which non-recurring finance costs</i>		(2,048,425)		(2,310,817)	
Finance income	20	19,552,167	19,386,018	14,547,994	14,340,956
<i>of which non-recurring finance income</i>		257,837	257,837	-	
Dividends from subsidiaries	21	221,071,176	221,071,176	219,861,163	219,861,163
(Impairment)/Reversal of impairment of investments in subsidiaries		(16,465,310)	(16,465,310)	-	
Profit before taxes		175,419,538		156,440,842	
Taxes	22	16,136,697	13,256,634	28,243,716	27,115,381
Net profit/(loss) for the year		191,556,235		184,684,558	

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of Euro)

	Note	2014	2013
Net profit/(loss) for the year	9	191,556	184,685
<i>- items that may be reclassified subsequently to profit or loss:</i>			
Fair value gains/(losses) on cash flow hedges - gross of tax	9	(27)	-
Fair value gains/(losses) on cash flow hedges - tax effect	9	7	-
Total items that may be reclassified, net of tax	9	(20)	-
<i>- items that will NOT be reclassified subsequently to profit or loss:</i>			
Actuarial gains/(losses) on employee benefits - gross of tax	9	(973)	149
Actuarial gains/(losses) on employee benefits - tax effect	9	268	(41)
Total items that will NOT be reclassified, net of tax	9	(705)	108
Total comprehensive income/(loss) for the year		190,831	184,793

STATEMENT OF CHANGES IN EQUITY

(in thousands of Euro)

	Share capital	Share premium reserve	Capital increase costs	Legal reserve	Treasury shares reserve	Extra-ordinary reserve	IAS/IFRS first-time adoption reserve	Capital contribution reserve	Actuarial gains/(losses)-employee benefits	Convertible bond reserve	Stock option reserve	Cash flow hedge reserve	Treasury shares (*)	Share issue reserve	Retained earnings	Net profit/(loss) for the year	Total
Balance at 31 December 2012	21,451	485,496	(3,982)	4,288	30,179	52,688	30,177	6,113	(1,124)	-	25,975	-	(30,179)	-	138,368	112,138	871,588
Capital increases	8	377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	385
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(88,857)	(88,857)
Share-based compensation	-	-	-	-	-	-	-	-	-	-	12,593	-	-	-	1,576	-	14,169
Allocation of prior year net profit	-	-	-	3	-	-	-	-	-	-	-	-	-	-	23,278	(23,281)	-
Non-monetary component of convertible bond	-	-	-	-	-	-	-	-	-	39,236	-	-	-	-	-	-	39,236
Capital increase costs - tax effect	-	-	(262)	-	-	-	-	-	-	-	-	-	-	-	-	-	(262)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-	108	-	-	-	-	-	-	184,685	184,793
Balance at 31 December 2013	21,459	485,873	(4,244)	4,291	30,179	52,688	30,177	6,113	(1,016)	39,236	38,568	-	(30,179)	-	163,222	184,685	1,021,052
Capital increases	212	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	212
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(88,857)	(88,857)
Share-based compensation	-	-	-	-	(16,210)	-	-	-	-	-	(33,848)	-	16,210	-	37,465	-	3,617
Allocation of prior year net profit	-	-	-	1	-	-	-	-	-	-	-	-	-	536	95,291	(95,828)	-
Non-monetary component of convertible bond	-	-	-	-	-	-	-	-	-	(28)	-	-	-	-	-	-	(28)
Capital increase costs - tax effect	-	-	(262)	-	-	-	-	-	-	-	-	-	-	-	-	-	(262)
Purchase of treasury shares	-	-	-	-	19,954	-	-	-	-	-	-	-	(19,954)	-	(19,538)	-	(19,538)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-	(705)	-	-	(20)	-	-	-	191,556	190,831
Balance at 31 December 2014	21,671	485,873	(4,506)	4,292	33,923	52,688	30,177	6,113	(1,721)	39,208	4,720	(20)	(33,923)	536	276,440	191,556	1,107,027

See Note 9. Share capital and reserves for a discussion of the contents of the above table.

(*) At 31 December 2014, the number of treasury shares held came to 2,819,649 with a total nominal value of Euro 281,965.

STATEMENT OF CASH FLOWS

(in thousands of Euro)

	2014	of which related parties (Note 25)	2013	of which related parties (Note 25)
Profit before taxes	175,420		156,441	
Depreciation and impairment of property, plant and equipment	1,344		841	
Amortisation and impairment of intangible assets	8,149		9,622	
Impairment/(Reversal of impairment) of investments in subsidiaries	16,465		-	
Net gains on disposal of property, plant and equipment, intangible assets and other non-current assets	(85)		(62)	
Share-based compensation	496		4,599	
Dividends	(221,071)	(221,071)	(219,861)	(219,861)
Fair value change in metal derivatives	32	32	(38)	(38)
Net finance costs	38,862	16,190	38,776	13,132
Changes in inventories	1,125		(1,125)	
Changes in trade receivables/payables	(89,824)	(44,882)	275,595	(2,291)
Changes in other receivables/payables	13,314	30,323	(12,013)	(50,775)
Taxes collected/(paid) ¹	18,701	18,701	27,097	27,061
Utilisation of provisions (including employee benefit obligations)	(1,200)		(1,104)	
Increases in/(Release of) provisions (including employee benefit obligations)	(18,454)		4,578	
Transfer of employee benefit obligations	-		(36)	
A. Net cash flow provided by/(used in) operating activities	(56,726)		283,310	
Investments in property, plant and equipment	(2,436)		(2,769)	
Disposals of property, plant and equipment	263		90	
Investments in intangible assets	(10,951)		(9,738)	
Investments to recapitalise subsidiaries	(118,000)	(118,000)	(65,757)	(65,757)
Dividends received	221,071	221,071	202,286	202,286
B. Net cash flow provided by/(used in) investing activities	89,947		124,112	
Capital increases ²	212		385	
Dividend distribution	(88,857)		(88,857)	
Purchase of treasury shares	(19,954)		-	
Sale of treasury shares	416		-	
Proceeds from convertible bond ³	-		296,150	
EIB Loan	100,000		-	
Early repayment of Credit Agreement	(87,916)		(232,084)	
Finance costs paid ⁴	(37,361)	(1,747)	(38,448)	(980)
Finance income received ⁵	19,226	17,600	14,514	14,341
Changes in financial receivables/payables	78,727	64,192	(355,163)	(356,304)
C. Net cash flow provided by/(used in) financing activities	(35,507)		(403,503)	
D. Total cash flow provided/(used) in the year (A+B+C)	(2,286)		3,919	
E. Net cash and cash equivalents at the beginning of the year	4,600		681	
F. Net cash and cash equivalents at the end of the year (D+E)	2,314		4,600	

1 Refer to receipts relating to tax consolidation receivables from Italian Group companies for the transfer of IRES (Italian corporate income tax), net of the Company's payments of IRES and other taxes.

2 Refer to increases in share capital (Euro 212 thousand in 2014 and Euro 8 thousand in 2013) and in the share premium reserve (Euro 377 thousand in 2013), as a result of exercising stock options.

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

4 Finance costs paid of Euro 37,361 thousand include Euro 33,569 thousand in interest expense paid in 2014 (Euro 32,517 thousand in 2013).

5 Finance income received of Euro 19,226 thousand includes Euro 7 thousand in interest receipts (Euro 2 thousand in 2013) as well as amounts collected from Group companies for recharged fees for guarantees given by the Company on their behalf.

Parent Company Financial Report

EXPLANATORY NOTES

A. GENERAL INFORMATION

Prysmian S.p.A. ("the Company") is a company incorporated and domiciled in Italy and organised under the laws of the Republic of Italy. The Company was formed on 12 May 2005 and has its registered office in Viale Sarca, 222 - Milan (Italy). Through its controlling interests in Italian companies and the sub-holding companies Prysmian Cavi e Sistemi S.r.l. and Draka Holding B.V. (acquired on 22 February 2011), the Company indirectly owns equity interests in the Prysmian

Group's operating companies. The Company and its subsidiaries produce, distribute and sell cables and systems and related accessories for the energy and telecommunications industries worldwide.

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

Significant events in 2014

The following significant events took place over the course of 2014:

EIB Loan

On 18 December 2013, Prysmian S.p.A. entered into a loan agreement with the European Investment Bank (EIB) for Euro 100 million, to fund the Group's European Research & Development (R&D) programmes over the period 2013-2016. The EIB Loan is particularly intended to support projects developed in the Group's R&D centres in six countries (France, Great Britain, the Netherlands, Spain, Germany and Italy) and represents about 50% of the Prysmian Group's planned investment expenditure in Europe during the period concerned.

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

Revolving Credit Facility 2014

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

Ansaldo 20 spin-off

On 19 February 2014, effective 1 March 2014, the Ansaldo 20 property complex, located in Milan, was spun off from the subsidiary Fibre Ottiche Sud - F.O.S. S.r.l. to Prysmian S.p.A.. The site of this property complex will undergo renovations that will transform it into the Prysmian Group's new headquarters. This spin-off has led to a reduction of

Euro 14,772 thousand in the value of the investment in Fibre Ottiche Sud - F.O.S. S.r.l. and a corresponding increase in the value of Land, Buildings and Assets under construction.

Credit Agreements 2010 and 2014

On 28 February 2014, Prysmian S.p.A. prepaid the outstanding balance owed under the Term Loan Facility 2010, amounting to Euro 88 million that had been due on 31 December 2014.

On 27 June 2014, Prysmian S.p.A. signed an agreement (the "Credit Agreement 2014") under which a syndicate of premier banks made available a long-term credit facility for Euro 1,000 million (the "Syndicated Revolving Credit Facility 2014"). The facility, which expires on 27 June 2019, can also be used for the issue of guarantees. This facility can also be drawn down by Prysmian Treasury S.r.l., the Group's central treasury company.

The new revolving facility is intended to refinance the Revolving Credit Facility 2010 and to finance the Group's other operating activities. On the same date as agreeing this new facility, Prysmian S.p.A. extinguished early the Revolving Credit Facility 2010, originally due to expire on 31 December 2014 and carrying a maximum permitted drawdown of Euro 400 million.

Antitrust investigation

On 2 April 2014, the European Commission concluded the investigations started in January 2009 by adopting a decision under which it found that, between 18 February 1999 and 28 January 2009, the world's largest cable producers, including Prysmian Cavi e Sistemi S.r.l., 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 from 18 February 1999 to 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and the Goldman Sachs Group Inc. for the alleged infringement in the period from 29 July 2005 to 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has appealed against this decision to the General Court of the European Union and has submitted an application to intervene in the appeals respectively lodged by Pirelli & C. S.p.A. and the Goldman Sachs Group Inc. against the same decision. Both Pirelli & C. S.p.A. and the Goldman Sachs Group Inc. have in turn submitted applications to intervene in the appeal brought by Prysmian against the European Commission's decision. Prysmian has not incurred any financial outlay as a result of this decision having elected, pending the outcome of the appeals, to provide bank guarantees as security against payment of 50% of the fine imposed by the European Commission (amounting to approximately Euro 52 million) for the alleged infringement in both periods.

As far as Prysmian is aware, Pirelli & C. S.p.A. has provided or is nonetheless preparing to provide 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. Pirelli & C. S.p.A. has also filed a civil action against Prysmian Cavi e Sistemi S.r.l. 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.

Following a detailed and careful analysis of the European Commission's ruling, and nonetheless considering this has been appealed and so could be submitted to second-instance judgement, as well as the fact that the investigations initiated by the Canadian Antitrust Authority have ended without any sanctions for Prysmian, it has been decided to partially release the existing provision.

The above events have led to the recognition in the 2014 consolidated income statement of a net release of Euro 31 million (of which about Euro 20 million recorded by Prysmian S.p.A.), classified as non-recurring items.

Investments in subsidiaries

On 1 February 2014, Prysmian (Dutch) Holdings B.V., a company owned by the subsidiary Prysmian Cavi e Sistemi S.r.l., was merged with Draka Holding B.V.. This transaction, effective 1 January 2014 for accounting purposes, has increased the interest of Prysmian Cavi e Sistemi S.r.l. in Draka Holding B.V. to 47.83%, and decreased the interest of Prysmian S.p.A. in the same subsidiary to 52.17%.

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

On 8 April 2014, the share capital of the subsidiary Prysmian Powerlink S.r.l. was increased by Euro 50,000 thousand.

On 8 August 2014, a capital contribution of Euro 5,000 thousand was paid to the subsidiary Fibre Ottiche Sud - F.O.S. S.r.l..

On 26 August 2014, capital contributions were paid to the subsidiaries Prysmian Powerlink S.r.l. (Euro 30,000 thousand) and Draka Holding B.V. (Euro 33,000 thousand). After reviewing the carrying amounts of its investments in subsidiaries at year end, the Company has recognised an impairment loss of Euro 16,465 thousand against the investment in Fibre Ottiche Sud - F.O.S. S.r.l..

Second cycle of Group employee share purchase plan (YES Plan)

During the month of December 2014, employees were informed of the opening of the plan's second cycle in 2015. Employees had until the third week of February 2015 to sign up for the second cycle and to communicate the amount they intended to invest. The total amount collected will be used to make purchases of the Company's shares on the Milan Stock Exchange (MTA) during the month of July 2015.

Treasury shares

The Shareholders' Meeting held on 16 April 2014 authorised a new share buy-back and disposal programme, revoking at the same time the programme approved on 16 April 2013. The new programme provides the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total cannot exceed 10% of share capital, equal to 18,420,002 ordinary shares as at the date of the Shareholders' Meeting, after deducting the treasury shares already held by the Company. Purchases may not exceed the amount of undistributed earnings and available reserves reported in the most recently approved annual financial statements. The authorisation to buy back treasury shares will last for 18 months commencing from the date of the Shareholders' Meeting; the authorisation to dispose of treasury shares has no time limit.

Under this programme, the Company purchased a total of

1,390,000 treasury shares during the months of November and December 2014 at a cost of Euro 19,954 thousand.

Share capital

The share capital of Prysmian S.p.A. increased during 2014 following the exercise of 2,120,687 options under the

stock option plan, taking the total number of shares at 31 December 2014 to 216,712,397 (including 2,819,649 treasury shares).

The financial statements contained herein were approved by the Board of Directors on 25 February 2015.

Basis of preparation

The 2014 financial statements represent the separate financial statements of Prysmian S.p.A., the Parent Company. The present financial statements have been prepared on a going concern basis, with the directors having assessed that there are no financial, operating or other kind of indicators that might provide evidence of the Company's inability to meet its obligations in the foreseeable future and particularly in the next 12 months. Section C. Financial risk management and Section C.1 Capital risk management of these Explanatory Notes contain a description of how the Company manages financial risks, including liquidity and capital risks.

Under Legislative Decree 38 of 28 February 2005 "Exercise of the options envisaged by art. 5 of European Regulation 1606/2002 on international accounting standards", issuers are required to prepare not only consolidated financial statements but also separate financial statements for the Parent Company in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and published in the Official Journal of the European Union.

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

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

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

Reporting formats and disclosures

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

The Company has also applied the provisions of Consob Resolution 15519 dated 27 July 2006 concerning financial statement formats and the requirements of Consob Communication 6064293 dated 28 July 2006 regarding disclosures.

All the amounts shown in the tables in the following Notes are expressed in thousands of Euro, unless otherwise stated.

B. ACCOUNTING POLICIES

The accounting policies and standards adopted are the same as those used for preparing the consolidated financial statements, to which reference should be made, except as described below.

B.1 DIVIDENDS

Dividend income is recognised in the income statement when the right to receive the dividends is established, normally coinciding with the shareholders' resolution declaring the same, irrespective of whether such dividends are paid out of

an investee company's pre- or post-acquisition earnings.

The distribution of dividends to shareholders is recognised as a liability in the Company's financial statements when the distribution of such dividends is approved.

B.2 SHARE-BASED PAYMENTS

Stock options are valued on the basis of the difference between grant date fair value and purchase price, and, in the case of most subsidiary company employees, on the basis of the difference between vesting date fair value and purchase price. This value is recognised:

- a) as an expense in the income statement, with a matching credit to an equity reserve, for options vesting in favour of the Company's employees;
- b) if the related cost is recharged, the part relating to the grant date fair value is recognised in equity, while the difference between the grant date fair value and the vesting

date fair value is recognised as a dividend in the income statement;

- c) as an increase in the value of investments in subsidiaries, with a matching credit to an equity reserve, for options vesting in favour of employees of Group companies.

In all cases, the value is recognised on a straight-line basis over the option vesting period; this recognition is based on the estimated number of stock options that will effectively vest in favour of eligible employees, taking into consideration any vesting conditions that are not based on the market value of the shares.

B.3 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are carried at cost, less any impairment losses.

If there is specific evidence of impairment, the value of investments in subsidiaries, determined on the basis of cost, is tested for impairment. This involves comparing the carrying amount of investments with their recoverable amount, defined as the higher of fair value, less costs to sell, and value in use.

The value of investments is tested for impairment in at least one of the following circumstances:

- the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets, including any associated goodwill;
- the investee's reported EBITDA is less than 50% of the same amount projected in the business plan, if this performance indicator is relevant to the company in question;

- the dividend distributed by the investee exceeds the total comprehensive income of the investee in the period to which the dividend refers.

If the recoverable amount of an investment is less than its carrying amount, then the carrying amount is reduced to the recoverable amount. This reduction represents an impairment loss, which is recognised through the income statement.

For the purposes of impairment testing, the fair value of investments in listed companies is determined with reference to market value, regardless of the size of holding. The fair value of investments in unlisted companies is determined using valuation techniques.

Value in use is determined using the "Discounted Cash Flow - equity side" method: this involves calculating the present

value of estimated future cash flows generated by a subsidiary, including cash flows from operating activities and the consideration arising from the investment's ultimate sale, net of the financial position at the valuation date.

If the reasons for a previously recognised impairment loss cease to apply, the carrying amount of the investment is reinstated but to no more than its original cost, with the related revaluation recognised through the income statement.

B.4 TREASURY SHARES

Treasury shares are reported as a deduction from equity. The original cost of treasury shares and revenue arising from any subsequent sales are treated as movements in equity.

C. FINANCIAL RISK MANAGEMENT

Prysmian S.p.A. measures and manages its exposure to financial risks in accordance with the Group's policies.

The main financial risks are centrally coordinated and monitored by the Group Finance Department. Risk management policies are approved by the Group Finance, Administration and Control Department, which provides written guidelines on managing the different kinds of risks and on using financial instruments. The financial risks to which Prysmian S.p.A. is exposed, directly or indirectly through its subsidiaries, are the same as those of the companies of which it is the Parent Company. Reference should therefore be made to Section D. Financial risk management of the Explanatory Notes to the Group's Consolidated Financial Statements.

The principal types of risks to which the Company is exposed are discussed below:

(a) Exchange rate risk

This arises from commercial or financial transactions not yet completed and from assets and liabilities in foreign currency already recognised in the accounts. The Company mitigates this risk by using forward contracts entered into with the Group's central treasury company (Prysmian Treasury S.r.l.), which manages the various currency positions. The foreign currency debtor and creditor positions and related financial hedging instruments reported by Prysmian S.p.A. at 31 December 2014 were of limited relevance. More information can be found in Note 7. Derivatives.

(b) Interest rate risk

The interest rate risk to which the Company is exposed is mainly due to long-term financial liabilities, carrying both fixed and variable rates.

Fixed rate debt exposes the Company to a fair value risk. The Company does not operate any particular hedging policies in relation to the risk arising from such contracts.

The Group Finance Department monitors the exposure to interest rate risk and adopts appropriate hedging strategies to keep the exposure within the limits defined by the Group Finance, Administration and Control Department, arranging derivative contracts, if necessary.

The net liabilities considered for sensitivity analysis include variable rate financial receivables and payables and cash and cash equivalents whose value is influenced by rate volatility. The Company calculates the pre-tax impact on the income statement of changes in interest rates.

The simulations carried out for balances at 31 December 2014 indicate that, with all other variables remaining equal, an increase of 25 basis points in interest rates would have decreased financial payables by Euro 115 thousand (2013: decrease of Euro 146 thousand) while a 25-point decrease would have increased financial payables by Euro 115 thousand (2013: increase of Euro 146 thousand). This simulation exercise is carried out on a regular basis to ensure that the maximum potential loss is within the limits set by management.

(c) Price risk

This risk relates to the possibility of fluctuations in the price of strategic materials, whose purchase price is subject to market volatility and for which the Company centrally manages their purchase from third-party suppliers and their resale to Group operating companies. The Company is exposed to a residual price risk on those buying positions that have not been promptly recharged to Group operating companies. More information about metal derivatives can be found in Note 7. Derivatives.

(d) Credit risk

The Company does not have significant concentrations of credit risk insofar as almost all its customers are companies belonging to the Group. There are also no significant past due receivables that have not been written down.

(e) Liquidity risk

Prudent management of the liquidity risk arising from the Company's normal operations involves the maintenance of adequate levels of cash and cash equivalents, short-term securities and funds obtainable from an adequate amount of committed credit lines. The Company's Finance Department prefers flexibility when sourcing funds by using committed credit lines.

At 31 December 2014, cash and cash equivalents stood at Euro 2,314 thousand, compared with Euro 4,600 thousand at 31 December 2013. The Company can draw down on the credit lines granted to the Group in the form of the Revolving Credit Facility 2011 (Euro 400 million), the Revolving Credit Facility 2014 (Euro 100 million) and the Syndicated Revolving Credit Facility 2014 (Euro 1,000 million). More details can be found in the Explanatory Notes to the Consolidated Financial Statements (Section D. Financial risk management).

The following table presents an analysis, by due date, of the payables and liabilities settled on a net basis. The various due date categories refer to the period between the reporting date and the contractual due date of the obligations.

(in thousands of Euro)

	31 December 2014			
	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
Borrowings from banks and other lenders	474,328	420,612	348,484	8,337
Finance lease obligations	699	652	1,911	9,960
Derivatives	176	-	-	-
Trade and other payables	255,320	-	-	-
Total	730,523	421,264	350,395	18,297

(in thousands of Euro)

	31 December 2013			
	Due within 1 year	Due between 1-2 years	Due between 2-5 years	Due after 5 years
Borrowings from banks and other lenders	140,204	418,298	672,715	-
Finance lease obligations	778	651	1,954	10,626
Derivatives	88	36	-	-
Trade and other payables	325,051	-	-	-
Total	466,121	418,985	674,669	10,626

In completion of the disclosures about financial risks, the following is a reconciliation between the classes of financial assets and liabilities reported in the Company's consolidated

statement of financial position and the categories used by IFRS 7 to identify financial assets and liabilities:

(in thousands of Euro)

	31 December 2014			
	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortised cost
Trade receivables	-	149,574	-	-
Other receivables	-	574,551	-	-
Derivatives (assets)	197	-	-	-
Cash and cash equivalents	-	2,314	-	-
Borrowings from banks and other lenders	-	-	-	1,228,317
Trade payables	-	-	-	255,320
Other payables	-	-	-	11,081
Derivatives (liabilities)	-	-	176	-

(in thousands of Euro)

	31 December 2013			
	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortised cost
Trade receivables	-	100,222	-	-
Other receivables	-	666,304	-	-
Derivatives (assets)	135	-	-	-
Cash and cash equivalents	-	4,600	-	-
Borrowings from banks and other lenders	-	-	-	1,175,121
Trade payables	-	-	-	295,791
Other payables	-	-	-	29,260
Derivatives (liabilities)	-	-	124	-

C.1 CAPITAL RISK MANAGEMENT

The Company's objective in capital risk management is mainly to safeguard business continuity in order to guarantee returns for shareholders and benefits for other stakeholders. The Company also aims to maintain an optimal capital structure in order to reduce the cost of debt and to comply with a series of covenants under the various credit agreements (Note 10. Borrowings from banks and other lenders and Note 29. Financial covenants).

The Company monitors capital on the basis of its gearing ratio (i.e. the ratio between net financial position and capital). Details of how the net financial position is determined can be found in Note 10. Borrowings from banks and other lenders. Capital is defined as the sum of equity and the net financial position.

The gearing ratios at 31 December 2014 and 31 December 2013 are shown below:

(in thousands of Euro)

	31 December 2014	31 December 2013
Net financial position	726,381	612,667
Equity	1,107,027	1,021,052
Total capital	1,833,408	1,633,719
Gearing ratio	40%	38%

The change in the gearing ratio is largely attributable to:

- the increase of Euro 113,714 thousand in the net financial position, mainly due to the greater liquidity available to the Company after contracting the EIB Loan and the
- Revolving Credit Facility 2014;
- the increase of Euro 85,975 thousand in equity, reflecting an improvement in net profit, more details of which can be found in Note 9. Share capital and reserves.

C.2 FAIR VALUE

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.

The fair value of instruments not listed on an active market is determined using valuation techniques based on a series of methods and assumptions linked to market conditions at the reporting date.

Other techniques, such as that of estimating discounted cash flows, are used for the purposes of determining the fair value of other financial instruments.

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

D. ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to apply accounting policies and methods which, at times, rely on subjective judgements and estimates based on past experience and assumptions deemed to be reasonable and realistic according to the circumstances. The application of these estimates and assumptions influences the amounts reported in the financial statements, meaning the statement of financial position, the income statement, the statement of comprehensive income and the statement of cash flows, as well as the accompanying disclosures. Ultimate amounts, previously reported on the basis of estimates and assumptions, may differ from original estimates because of the uncertain nature of the assumptions and conditions on which the estimates were based.

The following is a brief description of the accounting policies that require the management of Prysmian S.p.A. to exercise greater subjectivity of judgement when preparing estimates and for which a change in underlying assumptions could have a significant impact on the financial statements.

(a) Provisions for risks and charges

Provisions are recognised for legal and tax risks and reflect the risk of a negative outcome. The value of the provisions recorded in the financial statements against such risks represents the best estimate by management at that date. This estimate requires the use of assumptions depending on factors which may change over time and which could, therefore, have a significant impact on the current estimates made by management to prepare the Company's financial statements.

(b) Impairment of assets

In accordance with the accounting standards applied by the Group, property, plant and equipment and intangible assets with finite useful lives and equity investments are tested for impairment. Any impairment loss is recognised by means of a write-down, when indicators suggest it will be difficult to recover the related net book value through use of the assets. Verification of the existence of these indicators requires management to make subjective judgements based on information available within the Company and from the market, as well as on past experience. In addition, if a potential impairment loss is identified, the Company determines the amount of such impairment using suitable valuation techniques. Correct identification of indicators of potential impairment, as well as the estimates for determining its amount, depend on factors which can vary over time, thus influencing judgements and estimates made by management.

Irrespective of the existence of indicators of potential impairment or otherwise, all intangible assets not yet ready for use must be tested for impairment once a year.

(c) Depreciation and amortisation

The cost of property, plant and equipment and intangible assets is depreciated/amortised on a straight-line basis over the estimated useful lives of the assets concerned. The useful economic life of the Company's property, plant and equipment and intangible assets is determined by management when assets are acquired. This is based on past experience for similar assets, market conditions and expectations regarding future events that could impact useful life,

including changes in technology. Therefore, actual economic life may differ from estimated useful life. The Company periodically reviews technological and sector changes to update residual useful lives. This periodic update may lead to a variation in the depreciation/amortisation period and therefore also in the depreciation/amortisation charge for future years.

(d) Taxes

Current taxes are calculated on the basis of the taxable income for the year, applying the tax rates effective at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is likely that future taxable income will be available against which they can be recovered.

(e) Employee benefit obligations

The present value of the pension plans reported in the financial statements depends on an independent actuarial calculation and on a number of different assumptions. Any changes in assumptions and in the discount rate used are duly reflected in the present value calculation and may have a significant impact on the figures reported in the financial

statements. The assumptions used for the actuarial calculation are examined by the Company annually.

Present value is calculated by discounting future cash flows at an interest rate equal to that on high-quality corporate bonds issued in the currency in which the liability will be settled and which takes account of the duration of the related pension plan.

Further information can be found in Note 13. Employee benefit obligations and Note 17. Personnel costs.

(f) Incentive plan

The employee share purchase plan involves granting options to almost all of the Group's employees. The operation of this plan is described in Note 17. Personnel costs.

The grant of options is subject to an employee's continued professional relationship with the Group in the months between signing up to one of the plan's purchase windows and the purchase of the shares themselves on the stock market. The plan's financial and economic impact has therefore been estimated on the basis of the best possible estimates and information currently available.

1. PROPERTY, PLANT AND EQUIPMENT

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

(in thousands of Euro)

	Land and buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2013	13,124	948	425	1,504	1,948	17,949
Movements in 2014:						
- Spin-off FOS S.r.l. property complex	11,402	-	-	-	3,370	14,772
- Investments	-	216	511	61	1,648	2,436
- Disposals	-	(90)	-	(88)	-	(178)
- Depreciation	(514)	(183)	(167)	(480)	-	(1,344)
- Reclassifications	22	997	290	301	(1,619)	(9)
Total movements	10,910	940	634	(206)	3,399	15,677
Balance at 31 December 2014	24,034	1,888	1,059	1,298	5,347	33,626
Of which:						
- Historical cost	35,977	6,458	2,311	3,502	5,347	53,595
- Accumulated depreciation and impairment	(11,943)	(4,570)	(1,252)	(2,204)	-	(19,969)
Net book value	24,034	1,888	1,059	1,298	5,347	33,626

(in thousands of Euro)

	Land and buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2012	148	1,064	325	1,463	1,242	4,242
Movements in 2013:						
- Investments	13,093	80	-	60	1,123	14,356
- Disposals	-	(28)	-	-	-	(28)
- Depreciation	(117)	(179)	(148)	(397)	-	(841)
- Reclassifications	-	11	248	378	(417)	220
Total movements	12,976	(116)	100	41	706	13,707
Balance at 31 December 2013	13,124	948	425	1,504	1,948	17,949
Of which:						
- Historical cost	13,513	5,335	1,511	3,457	1,948	25,764
- Accumulated depreciation and impairment	(389)	(4,387)	(1,086)	(1,953)	-	(7,815)
Net book value	13,124	948	425	1,504	1,948	17,949

"Land and buildings", with a balance of Euro 24,034 thousand, report an increase of Euro 10,910 thousand mainly as a result of the spin-off of the Ansaldo 20 property complex in Milan from the subsidiary Fibre Ottiche Sud - F.O.S. S.r.l. to Prysmian S.p.A.. The site of the property complex will undergo renovations that will transform it into the Prysmian Group's new headquarters. This spin-off, completed on 19 February 2014 but effective 1 March 2014, was valued at Euro 14,772 thousand, of which Euro 11,402 thousand allocated to "Land and buildings" and Euro 3,370 thousand to "Assets under construction".

In addition to the above property, "Land and buildings" include a leased building located in Milan (net book value of Euro 12,708 thousand at 31 December 2014), whose lease expires on 27 January 2027 and contains a purchase option;

the remainder of the total net book value of "Land and buildings" refers to expenditure on rented properties.

"Plant and machinery" (Euro 1,888 thousand) and "Equipment" (Euro 1,059 thousand) mostly refer to instrumentation used for Research and Development activities.

"Other assets" (Euro 1,298 thousand) comprise Euro 1,276 thousand in office furniture and equipment and Euro 22 thousand in motor and other vehicles.

"Assets under construction and advances" (Euro 5,347 thousand) mostly refer to plant and machinery that will be used for Research and Development and which are expected to become available for use in the next year, and to expenditure incurred for constructing the Group's new headquarters. No borrowing costs were capitalised during the year.

2. INTANGIBLE ASSETS

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

(in thousands of Euro)

	Patents	Concessions, licences, trademarks and similar rights	Software	Other intangible assets	Intangibles in progress and advances	Total
Balance at 31 December 2013	4,253	2,768	30,204	-	3,958	41,183
Movements in 2014:						
- Investments	-	229	4,440	-	6,282	10,951
- <i>of which internally generated intangible assets</i>	-	-	4,440	-	4,767	9,207
- Amortisation	(1,192)	(779)	(6,170)	(8)	-	(8,149)
- Reclassifications	-	765	2,413	57	(3,226)	9
Total movements	(1,192)	215	683	49	3,056	2,811
Balance at 31 December 2014	3,061	2,983	30,887	49	7,014	43,994
Of which:						
- Historical cost	11,394	4,403	63,358	57	7,014	86,226
- Accumulated amortisation and impairment	(8,333)	(1,420)	(32,471)	(8)	-	(42,232)
Net book value	3,061	2,983	30,887	49	7,014	43,994

(in thousands of Euro)

	Patents	Concessions, licences, trademarks and similar rights	Software	Intangibles in progress and advances	Total
Balance at 31 December 2012	5,445	1,349	29,588	4,905	41,287
Movements in 2013:					
- Investments	-	586	5,838	3,314	9,738
- <i>of which internally generated intangible assets</i>	-	-	5,828	2,374	8,202
- Amortisation	(1,192)	(368)	(8,062)	-	(9,622)
- Reclassifications	-	1,201	2,840	(4,261)	(220)
Total movements	(1,192)	1,419	616	(947)	(104)
Balance at 31 December 2013	4,253	2,768	30,204	3,958	41,183
Of which:					
- Historical cost	11,394	3,409	56,504	3,958	75,265
- Accumulated amortisation and impairment	(7,141)	(641)	(26,300)	-	(34,082)
Net book value	4,253	2,768	30,204	3,958	41,183

"Patents" refer to the patent portfolio held by Prysmian S.p.A. and licensed to Group companies. "Concessions, licences, trademarks and similar rights" refer to purchases of software licences.

"Software" reports a net increase of Euro 683 thousand, mainly in connection with progress in the SAP Consolidation project that aims to harmonise this information system's use throughout the Group. This system, with a net book value (inclusive of intangibles in progress) of Euro 34,869 thousand at 31 December 2013, entered service in 2009;

during 2014 the useful life of the investment was revised, taking the amortisation period from 8 to 10 years, reflecting deferral in the system's full roll-out at Group level.

"Intangibles in progress and advances" refer to investments still in progress at year end, which have therefore not been amortised. The balance at 31 December 2014 includes Euro 7,014 thousand in expenditure on rolling out the SAP Consolidation project, and on developing other software in the research and development area.

No borrowing costs were capitalised during the year.

3. INVESTMENTS IN SUBSIDIARIES

With a balance of Euro 1,818,399 thousand at 31 December 2014, these investments report the following movements over the year:

(in thousands of Euro)

	31 December 2013	Capital contributions	(Impairment)/ Reversal of impairment of investments	Capital contributions for stock options	Effect of partial spin-off	31 December 2014
Prysmian Cavi e Sistemi S.r.l.	278,522	-	-	449	-	278,971
Draka Holding B.V.	1,216,954	33,000	-	1,652	-	1,251,606
Prysmian Cavi e Sistemi Italia S.r.l.	49,159	-	-	712	-	49,871
Prysmian Power Link Srl	63,586	80,000	-	307	-	143,893
Fibre Ottiche Sud - F.O.S. S.r.l.	80,383	5,000	(16,465)	-	(14,772)	54,146
Prysmian Treasury Srl	37,757	-	-	-	-	37,757
Prysmian Kabel und Systeme GmbH	2,154	-	-	-	-	2,154
Prysmian Kablo SRO	1	-	-	-	-	1
Prysmian Pension Scheme Trustee Limited	-	-	-	-	-	-
Prysmian Surfex Umbilicais e Tubos Flexiveis do Brasil Ltda	-	-	-	-	-	-
Jaguar Communication Consultancy Services Private Ltd.	-	-	-	-	-	-
Prysmian Energia Cabos e Sistemas do Brasil S.A.	-	-	-	-	-	-
Total investments in subsidiaries	1,728,516	118,000	(16,465)	3,120	(14,772)	1,818,399

The change of Euro 89,883 thousand in the value of investments in subsidiaries is mainly attributable to the following transactions:

- on 1 February 2014, as part of the corporate rationalisation following acquisition of the Draka Group, Prysmian (Dutch) Holdings B.V., a company owned by the subsidiary Prysmian Cavi e Sistemi S.r.l., was merged with Draka Holding B.V.. This transaction, effective 1 January 2014 for accounting purposes, has increased the interest of Prysmian Cavi e Sistemi S.r.l. in Draka Holding B.V. to 47.83%, and decreased the interest of Prysmian S.p.A. in the same subsidiary from 63.43% to 52.17%;
- on 19 February 2014, the Ansaldo 20 property complex, located in Milan, was spun off from the subsidiary Fibre Ottiche Sud – F.O.S. S.r.l. to Prysmian S.p.A., more details of which can be found in Note 1. Property, plant and equipment. This spin-off, which was effective 1 March 2014, has led to a reduction of Euro 14,772 thousand in the value of the investment in Fibre Ottiche Sud – F.O.S. S.r.l.;
- on 8 April 2014, the share capital of the subsidiary Prysmian PowerLink S.r.l. was increased by Euro 50,000 thousand;
- on 8 August 2014, a capital contribution of Euro 5,000

thousand was paid to the subsidiary Fibre Ottiche Sud – F.O.S. S.r.l.;

- on 26 August 2014, capital contributions were paid to the subsidiaries Prysmian PowerLink S.r.l. (Euro 30,000 thousand) and Draka Holding B.V. (Euro 33,000 thousand);
- increases totalling Euro 3,120 thousand for the compensation-related component of stock options over Prysmian S.p.A. shares held by managers employed by other Group companies, as explained in Note 17. Personnel costs. This component has been treated like a capital contribution and so reported as an increase in the value of the investments in the subsidiaries in which the plan beneficiaries are directly or indirectly employees. These increases are matched by a corresponding movement in the specific equity reserve. Further information can be found in Note 9. Share capital and reserves.

The Company reviews the carrying amounts of its investments in accordance with the policy set out in Section B. Accounting policies. In particular, as a result of impairment testing, the Company has recognised an impairment loss of Euro 16,465 thousand against the value of its investment in Fibre Ottiche Sud – F.O.S. S.r.l..

The following table summarises key information about investments held in subsidiaries:

Company name	Registered office	Share capital	% owned 2014	% owned 2013
Prysmian Cavi e Sistemi S.r.l.	Milan	EUR 100,000,000	100	100
Draka Holding B.V.	Amsterdam	EUR 52,229,321	52.165	63.43
Prysmian Cavi e Sistemi Italia S.r.l.	Milan	EUR 77,143,249	100	100
Prysmian PowerLink S.r.l.	Milan	EUR 100,000,000	100	100
Fibre Ottiche Sud - F.O.S. S.r.l.	Battipaglia	EUR 47,700,000	100	100
Prysmian Treasury S.r.l.	Milan	EUR 30,000,000	100	100
Prysmian Kabel Und Systeme GmbH	Berlin	EUR 15,000,000	6.25	6.25
Prysmian Pension Scheme Trustee L.	Hampshire	GBP 1	100	100
Prysmian Kablo SRO ⁽¹⁾	Bratislava	EUR 21,246,001	0.005	0.005
Jaguar Communication Consultancy Services Private Ltd. ⁽¹⁾	Mumbai	INR 34,432,100	0.00003	0.00003
Prysmian Surfex Umbilicais e Tubos Flexiveis do Brasil Ltda. ⁽¹⁾	Vila Velha	BRL 218,299,840	0.99999	0.000001
Prysmian Energia Cabos e Sistemas do Brasil S.A. ⁽¹⁾	Sorocaba	BRL 153,974,214	0.143	0.143

(1) Controlled indirectly

4. DEFERRED TAX ASSETS

These are detailed as follows:

(in thousands of Euro)

	31 December 2014	31 December 2013
Deferred tax assets:		
- Deferred tax assets recoverable beyond 12 months	750	1,100
- Deferred tax assets recoverable within 12 months	834	1,862
Total deferred tax assets	1,584	2,962

Movements in deferred taxes are detailed as follows:

(in thousands of Euro)

	Employee benefit obligations	Provisions for risks	Capital increase costs	Other	Total
Balance at 31 December 2013	302	1,572	525	563	2,962
Impact on income statement	-	(898)	-	(465)	(1,363)
Impact on equity	268	-	(262)	(21)	(15)
Balance at 31 December 2014	570	674	263	77	1,584

Deferred tax assets amount to Euro 1,584 thousand (Euro 2,962 thousand at 31 December 2013) and reflect the effect of temporary differences between the accounting value of assets and liabilities at 31 December 2014 and their corresponding tax value.

5. INVENTORIES

Inventories report a zero balance at 31 December 2014. The comparative figure of Euro 1,125 thousand referred to strategic

metals (copper, aluminium and lead) which at 31 December 2013 had not yet been delivered to the Group's operating companies.



6. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in thousands of Euro)

	31 December 2014		
	Non-current	Current	Total
Trade receivables	-	149,599	149,599
Allowance for doubtful accounts	-	(25)	(25)
Total trade receivables	-	149,574	149,574
Other receivables:			
Tax receivables	-	34,555	34,555
Financial receivables	22	492,858	492,880
Prepaid finance costs	5,219	1,525	6,744
Receivables from employees	26	1,123	1,149
Other	-	39,223	39,223
Total other receivables	5,267	569,284	574,551
Total	5,267	718,858	724,125

(in thousands of Euro)

	31 December 2013		
	Non-current	Current	Total
Trade receivables	-	100,247	100,247
Allowance for doubtful accounts	-	(25)	(25)
Total trade receivables	-	100,222	100,222
Other receivables:			
Tax receivables	-	21,814	21,814
Financial receivables	26	553,799	553,825
Prepaid finance costs	-	4,029	4,029
Receivables from employees	39	869	908
Other	-	85,728	85,728
Total other receivables	65	666,239	666,304
Total	65	766,461	766,526

The following table breaks down trade and other receivables according to the currency in which they are expressed:

(in thousands of Euro)

	31 December 2014	31 December 2013
Euro	703,404	666,994
British Pound	19,064	95,823
US Dollar	1,657	3,004
Australian Dollar	-	468
Other currencies	-	237
Total	724,125	766,526

"Trade receivables" at 31 December 2014 mainly refer to charges made by Prysmian S.p.A. to its subsidiaries for head office services and the resale of strategic materials.

The book value of trade receivables approximates their fair value.

Trade receivables are all due within the next year and do not include any significant past due balances.

"Tax receivables" of Euro 34,555 thousand mainly refer to:

- tax credits for withholdings paid abroad (Euro 10,361 thousand);
- residual credits for IRES - Italian corporate income tax (Euro 4,890 thousand), after duly offsetting against the provision of Euro 4,904 thousand;
- VAT credits (Euro 17,579 thousand).

"Financial receivables" mostly comprise the credit balance of Euro 489,552 thousand on the current account with Prysmian Treasury S.r.l., the Group's central treasury company (Euro 553,744 thousand at 31 December 2013).

"Prepaid finance costs" of Euro 6,744 thousand mainly relate to:

- Euro 6,274 thousand for the Company's portion of the costs incurred for the Syndicated Revolving Credit

Facility 2014 agreed with a syndicate of leading banks on 27 June 2014 (for more details, see Note 10. Borrowings from banks and other lenders); the Company is amortising these costs over the term of the agreement, i.e. until 27 June 2019;

- Euro 451 thousand for the Company's portion of the costs incurred for the Euro 100 million Revolving Credit Facility 2014 agreed with Mediobanca – Banca di Credito Finanziario S.p.A. on 19 February 2014 (for more details, see Note 10. Borrowings from banks and other lenders); the Company is amortising these costs over the term of the agreement, i.e. until 19 February 2019.

At 31 December 2014, "Other" mainly comprises:

- Euro 8,976 thousand in receivables from Group companies for the chargeback of user licences for patents and know-how;
- Euro 24,385 thousand in receivables from Italian Group companies for the transfer of IRES (Italian corporate income tax) under the group tax consolidation (art. 117 et seq of the Italian Income Tax Code).

The book value of financial receivables and other current receivables approximates the respective fair value.

7. DERIVATIVES

Details of these balances are presented below:

(in thousands of Euro)

	31 December 2014	
	Asset	Liability
Current		
Forward currency contracts on commercial transactions (cash flow hedges)	-	27
Total non-current derivatives	-	27
Forward currency contracts on commercial transactions	113	71
Metal derivatives	84	78
Total other derivatives	197	149
Total current derivatives	197	176
Total	197	176

(in thousands of Euro)

	31 December 2013	
	Asset	Liability
Non-current		
Metal derivatives	36	36
Total non-current derivatives	36	36
Current		
Forward currency contracts on commercial transactions	46	73
Metal derivatives	53	15
Total other derivatives	99	88
Total	135	124

The above derivatives have all been entered into with Prysmian Treasury S.r.l., the Group's central treasury company. Forward currency contracts have a notional value of Euro

16,536 thousand at 31 December 2014, of which those designated as cash flow hedges have a value of Euro 5,641 thousand and refer to a service agreement.

8. CASH AND CASH EQUIVALENTS

These amount to Euro 2,314 thousand at 31 December 2014, compared with Euro 4,600 thousand at 31 December 2013, and relate to the cash held on Euro bank current accounts repayable on demand.

The credit risk associated with cash and cash equivalents is

limited insofar as the counterparties are major national and international banks.

The value of cash and cash equivalents is considered to be in line with the respective fair value.

9. SHARE CAPITAL AND RESERVES

Equity amounts to Euro 1,107,027 thousand at 31 December 2014, reporting an increase of Euro 85,975 thousand since 31 December 2013. The changes over this period are discussed in the following paragraphs about the individual components of equity.

Share capital

Share capital amounts to Euro 21,671 thousand at 31 December 2014, consisting of 216,712,397 ordinary shares

(including 2,819,649 treasury shares), with a nominal value of Euro 0.10 each. The total number of outstanding voting shares is 213,882,079, stated net of 10,669 treasury shares held indirectly.

The following table reconciles the number of outstanding shares at 31 December 2012, at 31 December 2013 and 31 December 2014:

	Ordinary shares	Treasury shares	Total
Balance at 31 December 2012	214,508,781	(3,028,500)	211,480,281
Capital increase ⁽¹⁾	82,929	-	82,929
Treasury shares	-	-	-
Balance at 31 December 2013	214,591,710	(3,028,500)	211,563,210
Capital increase ⁽²⁾	2,120,687	-	2,120,687
Treasury shares - allotments ⁽³⁾	-	1,574,202	1,574,202
Treasury shares - sales	-	24,649	24,649
Treasury shares - purchases	-	(1,390,000)	(1,390,000)
Balance at 31 December 2014	216,712,397	(2,819,649)	213,892,748

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

(2) Capital increase following exercise of the options under the Long-term incentive plan 2011-2013.

(3) The movement in treasury shares refers to the allotment of 162,650 shares under the Group employee share purchase plan (YES Plan) and to the allotment of 1,411,552 shares under the Long-term incentive plan 2011-2013.

More details about treasury shares can be found in the subsequent note on "Treasury shares".

Share premium reserve

This amounts to Euro 485,873 thousand at 31 December 2014, the same as at 31 December 2013.

Capital increase costs

This reserve, which reports a post-tax negative balance of

Euro 4,506 thousand at 31 December 2014, relates to the costs incurred for the capital increase serving the public mixed exchange and cash offer for the ordinary shares of Draka Holding B.V., announced on 22 November 2010 and formalised on 5 January 2011.

Legal reserve

This amounts to Euro 4,292 thousand at 31 December 2014, and is Euro 1 thousand higher than at 31 December 2013

following apportionment of part of the prior year's net profit, as approved by the shareholders on 16 April 2014.

Treasury shares reserve

This reserve amounts to Euro 33,923 thousand at 31 December 2014, in compliance with the legal limit (art. 2357-ter of the Italian Civil Code). It was formed during 2008 after the shareholders adopted a resolution on 15 April 2008 authorising a programme to buy back up to 10% of the Company's shares. Under this resolution, purchases and sales of shares had to meet the following conditions: (i) the minimum price could be no more than 10% below the stock's official price reported in the trading session on the day before carrying out each individual purchase transaction; (ii) the maximum price could be no more than 10% above the stock's official price reported in the trading session on the day before carrying out each individual purchase transaction; (iii) the maximum number of shares purchased per day could not exceed 25% of the average daily volume of trades in Prysmian shares on the Milan Stock Exchange in the 20 trading days prior to the purchase date; (iv) the purchase price could not be greater than the higher of the price of the last independent transaction and the highest independent bid price currently quoted on the market. On 7 October 2008, the Board of Directors subsequently granted the Chief Executive Officer and Chief Financial Officer separate powers to purchase up to 4 million of the Company's shares by 31 December 2008. At that date a total of 3,028,500 shares had been bought back for Euro 30.2 million.

On 9 April 2009, the shareholders renewed the authorisation to buy and dispose of treasury shares, while cancelling the

previous resolution adopted on 15 April 2008. The authorisation permitted the purchase of shares representing no more than 10% of the Company's share capital at any time, including any treasury shares already held by the Company. Purchases could not exceed the amount of undistributed earnings and distributable reserves reported in the most recently approved annual financial statements. The programme was to last for a maximum of 18 months commencing from the date of the shareholders' approval and therefore expired on 9 October 2010.

The Shareholders' Meeting held on 16 April 2014 authorised a share buy-back and disposal programme, and revoked the previous programme at the same time. The new programme provides the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total cannot exceed 10% of share capital, equal to 18,420,002 ordinary shares as at the date of 16 April 2014, after deducting the treasury shares already held by the Company; the programme also provides that purchases may not exceed the amount of undistributed earnings and distributable 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.

During the months of November and December 2014, a total of 1,390,000 treasury shares were purchased for a total of Euro 19,954 thousand.

Movements in treasury shares are as follows:

	Number of shares	Total nominal value (in Euro)	% of share capital	Average unit value (in Euro)	Total carrying value (in Euro)
At 31 December 2012	3,028,500	302,850	1.41%	10	30,179,003
- Purchases	-	-	-	-	-
- Sales/Allotments	-	-	-	-	-
At 31 December 2013	3,028,500	302,850	1.41%	10	30,179,003
- Purchases	1,390,000	139,000	-	14	19,954,278
- Sales/Allotments	(1,598,851)	(159,885)	-	10	(16,209,986)
At 31 December 2014	2,819,649	281,965	1.30%	12	33,923,294

During the months of May, June and July 2014, the number of treasury shares decreased by 187,299 following the allotment of 162,650 shares to employees that had signed up to the first phase of the YES employee share purchase plan and the sale of 24,649 shares to employees under the same plan.

During the months of September, October, November and December 2014, the number of treasury shares decreased by another 1,411,552 after allotting shares under the Long-term incentive plan 2011-2013.

Extraordinary reserve

This reserve amounts to Euro 52,688 thousand at 31 December 2014 and was formed following the apportionment of net profit for 2006, as approved by the shareholders on 28 February 2007.

IAS/IFRS first-time adoption reserve

This reserve was created in accordance with IFRS 1 and reflects the differences arising on first-time adoption of IAS/IFRS.

It amounts to Euro 30,177 thousand at 31 December 2014, the same as at 31 December 2013.

Convertible bond reserve

This reserve amounts to Euro 39,208 thousand (net of the related tax effect) at 31 December 2014 and refers to the non-monetary components of the bond, discussed in more detail in Note 10. Borrowings from banks and other lenders.

Stock option reserve

This reserve amounts to Euro 4,720 thousand at 31 December 2014, reporting a net decrease of Euro 33,848 thousand since 31 December 2013 due to:

- the total cost of Euro 496 thousand recognised in the income statement during the year (Euro 4,599 thousand in 2013) for stock option plans (YES Plan) involving Prysmian S.p.A. shares;
- an increase of Euro 3,120 thousand in the carrying amount of investments in subsidiaries, in which beneficiaries of stock option plans (YES Plan) involving Prysmian S.p.A. shares are directly or indirectly employees;
- the reclassification to retained earnings of Euro 37,464 thousand in respect of the Stock Option Plan 2011-2013, all of whose options are now fully vested and exercised.

Further information can be found in Note 17. Personnel costs.

Share issue reserve

The share issue reserve amounts to Euro 536 thousand at 31 December 2014, having been created from the apportionment of net profit for 2013 under the shareholders' resolution dated 16 April 2014.

Retained earnings

Retained earnings amount to Euro 276,440 thousand at 31 December 2014, having increased by Euro 113,218 thousand since 31 December 2013, reflecting the apportionment of net profit for 2013 (Euro 95,291 thousand), the reclassification of the reserve for the Stock Option Plan 2011-2013 (Euro 37,465 thousand), an increase for the sale of treasury shares (Euro 416 thousand) and a reduction for the purchase of treasury shares (Euro 19,954 thousand).

In compliance with art. 2427, no. 7-bis of the Italian Civil Code, the following table analyses each component of equity, indicating its origin, permitted use and availability for distribution, as well as how it has been used in previous years.

(in thousands of Euro)

Nature/description	Amount	Permitted use (A,B,C)	Amount available for distribution	Uses in three previous years	
				to cover losses	other purposes
Share capital	21,671				
Capital reserves:					
Capital contribution reserve	6,113	A,B,C (*)	6,113		
Share premium reserve	485,873	A,B,C	485,873		
Earnings reserves:					
Extraordinary reserve	52,688	A,B,C	52,688		
IAS/IFRS first-time adoption reserve	30,177	A,B,C	30,177		
Legal reserve	4,292	B	-		
Share issue reserve	536	A,B,C	536		
Retained earnings	276,440	A,B,C	276,440		
Total	877,790		851,827	-	-
Undistributable amount			-		
Distributable amount			851,827		

Key:

A: to increase capital

B: to cover losses

C: distribution to shareholders

(*) Entirely available for capital increases and to cover losses.

Dividend distribution

The shareholders of Prysmian S.p.A. voted on 16 April 2014 to distribute a gross dividend of Euro 0.42 per share, for a total of Euro 88,857 thousand; this dividend was paid on 25 April 2014, with the shares going ex-dividend on 22 April 2014.

A proposal to pay a dividend of Euro 0.42 per share, for a

total of some Euro 90 million, in respect of the year ended 31 December 2014 will be presented to the Shareholders' Meeting convened in single call for 16 April 2015.

The present financial statements do not reflect any liability for the proposed dividend.

10. BORROWINGS FROM BANKS AND OTHER LENDERS

These amount to Euro 1,228,318 thousand at 31 December 2014, compared with Euro 1,175,121 thousand at 31 December 2013.

(in thousands of Euro)

	31 December 2014		
	Non-current	Current	Total
Borrowings from banks and other financial institutions	489,885	39,569	529,454
Non-convertible bond	-	414,997	414,997
Convertible bond	271,536	1,187	272,723
Finance lease obligations	10,677	467	11,144
Total	772,098	456,220	1,228,318

(in thousands of Euro)

	31 December 2013		
	Non-current	Current	Total
Borrowings from banks and other financial institutions	396,976	88,041	485,017
Non-convertible bond	398,576	15,305	413,881
Convertible bond	263,401	1,187	264,588
Finance lease obligations	11,098	537	11,635
Total	1,070,051	105,070	1,175,121

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

(in thousands of Euro)

	31 December 2014	31 December 2013
Credit Agreements ⁽¹⁾	398,757	484,794
EIB Loan	100,400	-
Revolving Credit Facility 2014	30,232	-
Other borrowings	11,209	11,858
Borrowings from banks and other financial institutions	540,598	496,652
Non-convertible bond	414,997	413,881
Convertible bond	272,723	264,588
Total	1,228,318	1,175,121

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

Credit Agreements

As at the date of 31 December 2014, Prysmian S.p.A. has the following Credit Agreements in place:

Credit Agreement 2011

The Credit Agreement 2011 is an agreement, entered into by Prysmian on 7 March 2011 with a syndicate of major banks, for Euro 800 million with a five-year maturity. This agreement comprises a loan for Euro 400 million (the "Term Loan Facility 2011") and a revolving facility for Euro 400 million (the "Revolving Credit Facility 2011"). The entire amount of the Term Loan Facility 2011 is scheduled for repayment on 7 March 2016; the loan has therefore been classified in non-current liabilities.

As at 31 December 2014, the Revolving Credit Facility 2011 was not being used (like at 31 December 2013).

The fair value of the Credit Agreement 2011 at 31 December 2014 approximates its related carrying amount. Fair value has been determined using valuation techniques that refer to observable market data.

No collateral security is required for the Credit Agreement 2011; further information can be found in Note 29. Financial covenants.

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"). This facility can also be drawn down by Prysmian Treasury S.r.l., the Group's central treasury company.

On the same date as entering this new agreement, Prysmian S.p.A. extinguished early the Revolving Credit Facility 2010, originally due to expire on 31 December 2014 and carrying a maximum permitted drawdown of Euro 400 million. The Term Loan Facility 2010, also maturing on 31 December 2014, had been extinguished early on 28 February 2014 with repayment

of the outstanding balance of Euro 87,916 thousand.

The Credit Agreement 2014, which expires on 27 June 2019, can also be used for the issue of guarantees. The new revolving facility is intended to refinance the Revolving Credit Facility 2010 and to finance the Group's other operating activities. As at 31 December 2014, this facility was not being used.

In addition to the Credit Agreements described above, Prysmian S.p.A.'s other major credit agreements are as follows:

Revolving Credit Facility 2014

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

As at 31 December 2014, the Revolving Credit Facility 2014 had been drawn down by Euro 30,000 thousand.

EIB Loan

On 18 December 2013, Prysmian S.p.A. entered into a loan agreement with the European Investment Bank (EIB) for Euro 100 million, to fund the Group's European Research & Development (R&D) programmes over the period 2013-2016. The EIB Loan is particularly intended to support projects developed in the Group's R&D centres in six countries (France, Great Britain, the Netherlands, Spain, Germany and Italy) and represents about 50% of the Prysmian Group's planned investment expenditure in Europe during the period concerned. The EIB Loan was received on 5 February 2014; it will be repaid in 12 equal half-yearly instalments starting on 5 August 2015 and ending on 5 February 2021.

The fair value of the EIB Loan at 31 December 2014 approximates the related carrying amount. Fair value has been determined using valuation techniques that refer to observable market data.

The following tables summarise the Committed Lines available to the Company at 31 December 2014 and 31 December 2013:

(in thousands of Euro)

	Total lines	Used	31 December 2014	
			Unused	
Term Loan Facility 2011	400,000	(400,000)	-	
Syndacated Revolving Credit Facility 2014	1,000,000	-	1,000,000	
Total Credit Agreements	1,400,000	(400,000)	1,000,000	
Revolving Credit Facility 2014	100,000	(30,000)	70,000	
EIB Loan	100,000	(100,000)	-	
Total	1,600,000	(530,000)	1,070,000	

(in thousands of Euro)

	Total lines	Used	31 December 2013	
			Unused	
Term Loan Facility 2010	87,916	(87,916)	-	
Term Loan Facility 2011	400,000	(400,000)	-	
Total Credit Agreements	487,916	(487,916)	-	
EIB Loan	100,000	-	100,000	
Total	587,916	(487,916)	100,000	

At the Group level there is also another committed facility in the form of the Revolving Credit Facility 2011 for Euro 400 million. This line is available to a certain number of Group companies, including Prysmian S.p.A..

As at 31 December 2014 and 31 December 2013, the Company had not drawn down the above Group credit facility.

More details about the nature and drawdown of the Group-level facilities shown above can be found in the Explanatory Notes to the Consolidated Financial Statements (Note 12. Borrowings from banks and other lenders).

Bonds

Prysmian S.p.A. has the following bonds outstanding as at 31 December 2014:

Non-convertible bond

Further to the resolution adopted by the Board of Directors on 3 March 2010, Prysmian S.p.A. completed the placement of an unrated bond with institutional investors on the Eurobond market on 30 March 2010 for a total nominal amount of Euro 400 million. The bond, with an issue price of Euro 99.674, has a 5-year term and pays a fixed annual coupon of 5.25%. The bond settlement date was 9 April 2010. The bond has been

admitted to the Luxembourg Stock Exchange's official list and is traded on the related regulated market. The fair value of the non-convertible bond at 31 December 2014 was Euro 410,468 thousand (Euro 417,440 thousand at 31 December 2013). Fair value has been determined with reference to the quoted price in the relevant market.

Convertible bond

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

On 16 April 2013, the Shareholders' Meeting authorised the convertibility of the Bond at a value of Euro 22.3146 per share. As a result, the shareholders approved the proposal to increase share capital for cash, in single or multiple issues, with the exclusion of pre-emptive rights under art. 2441, par. 5 of the Italian Civil Code, by a maximum nominal amount of Euro 1,344,411.30, by issuing, in single or multiple instalments, up to 13,444,113 ordinary shares of the Company with the same characteristics as its other outstanding ordinary shares.

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

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

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

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

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

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

The accounting treatment for the convertible Bond has resulted in the recognition of an equity component of Euro 39,632 thousand and a debt component of Euro 260,368 thousand, determined at the bond issue date.

(in thousands of Euro)

Issue value of convertible bond	300,000
Equity reserve for convertible bond	(39,632)
Issue date net balance	260,368
Interest - non-monetary	13,441
Interest - monetary accrued	6,812
Interest - monetary paid	(5,625)
Related costs	(2,273)
Balance at 31 December 2014	272,723

The fair value of the convertible bond (equity component and debt component) is Euro 305,520 thousand at 31 December 2014 (Euro 338,844 thousand at 31 December 2013), of which the fair value of the debt component is Euro 263,556 thousand (Euro 265,388 thousand at 31 December 2013). In the absence of trading on the relevant market, fair value has been determined using valuation techniques that

refer to observable market data.

Finance lease obligations

Finance lease obligations refer to the liability arising after taking over a finance lease for a building on 14 November 2013; this lease expires on 20 January 2027 and carries an indexed interest rate, equating to 2.11% for 2014.

The finance lease obligation (Euro 11,144 thousand at 31 December 2014) is reconciled with outstanding payments as follows:

(in thousands of Euro)

	31 December 2014	31 December 2013
Due within 1 year	699	778
Due between 1 and 5 years	2,563	2,605
Due after more than 5 years	9,960	10,626
Minimum finance lease payments	13,222	14,009
Future interest costs	(2,078)	(2,374)
Finance lease obligations	11,144	11,635

The finance lease obligation is analysed by maturity as follows:

(in thousands of Euro)

	31 December 2014	31 December 2013
Due within 1 year	467	537
Due between 1 and 5 years	1,773	1,729
Due after more than 5 years	8,904	9,369
Total	11,144	11,635

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

(in thousands of Euro)

	Credit Agreements	EIB Loan	Revolving Credit Facility 2014	Non-convertible bond	Convertible bond	Other borrowings	Total
Balance at 31 December 2013	484,794	-	-	413,881	264,588	11,858	1,175,121
Drawdowns/new funds	-	99,850	30,000	-	-	-	129,850
Repayments	(87,916)	-	-	-	-	(491)	(88,407)
Amortisation of bank and financial fees and other expenses ⁽¹⁾	1,932	29	-	1,116	607	-	3,684
Interest and other movements	(53)	521	232	-	7,528	(158)	8,070
Total movements	(86,037)	100,400	30,232	1,116	8,135	(649)	53,197
Balance at 31 December 2014	398,757	100,400	30,232	414,997	272,723	11,209	1,228,318

(1) Includes the accelerated amortisation of Euro 1,643 thousand in bank fees following the early repayments of the Credit Agreement 2010.

(in thousands of Euro)

	Credit Agreements	Non-convertible bond	Convertible bond ⁽¹⁾	Other borrowings	Total
Balance at 31 December 2012	713,033	412,819	-	722	1,126,574
Drawdowns/new funds	-	-	257,027	11,587	268,614
Repayments	(232,084)	-	-	(92)	(232,176)
Amortisation of bank and financial fees and other expenses ⁽²⁾	4,410	1,062	461	-	5,933
Interest and other movements	(565)	-	7,100	(359)	6,176
Total movements	(228,239)	1,062	264,588	11,136	48,547
Balance at 31 December 2013	484,794	413,881	264,588	11,858	1,175,121

(1) "Drawdowns/New funds" pertaining to the convertible bond are stated net of the equity component of Euro 39,632 thousand and of Euro 3,341 thousand in related expenses.

(2) Includes the accelerated amortisation of Euro 2,230 thousand in bank fees following the early repayments of the Credit Agreement 2010.

The following tables provide a breakdown of borrowings from banks and other lenders by maturity and currency at 31 December 2014 and 2013:

(in thousands of Euro)

	31 December 2014		
	Variable rate	Fixed rate	Total
	Euro	Euro	
Due within 1 year	40,036	416,184	456,220
Due between 1 and 2 years	415,393	-	415,393
Due between 2 and 3 years	17,070	271,537	288,607
Due between 3 and 4 years	17,075	-	17,075
Due between 4 and 5 years	17,102	-	17,102
Due after more than 5 years	33,921	-	33,921
Total	540,597	687,721	1,228,318
Average interest rate in period, as per contract	1.6%	4.9%	3.5%

(in thousands of Euro)

	31 December 2013		
	Variable rate	Fixed rate	Total
	Euro	Euro	
Due within 1 year	88,579	16,491	105,070
Due between 1 and 2 years	418	398,575	398,993
Due between 2 and 3 years	397,403	-	397,403
Due between 3 and 4 years	436	-	436
Due between 4 and 5 years	447	263,401	263,848
Due after more than 5 years	9,371	-	9,371
Total	496,654	678,467	1,175,121
Average interest rate in period, as per contract	1.6%	4.9%	3.5%

Net financial position

(in thousands of Euro)

	Note	31 December 2014	of which related parties	31 December 2013	of which related parties
Long-term financial payables					
Term loan facilities		400,000		400,000	
Bank fees		(1,661)		(3,024)	
Credit Agreements	10	398,339		396,976	
EIB Loan	10	91,546		-	
Non-convertible bond	10	-		398,576	
Convertible bond	10	271,536		263,401	
Finance leases	10	10,677		11,098	
Total long-term financial payables		772,098		1,070,051	
Short-term financial payables					
Credit Agreements	10	418		88,388	
Bank fees	10	-		(570)	
EIB Loan	10	8,854		-	
Non-convertible bond	10	414,997		15,305	
Convertible bond	10	1,187		1,187	
Finance leases	10	467		537	
Revolving Credit Facility 2014	10	30,232		-	
Other financial payables	10	65		223	
Total short-term financial payables		456,220		105,070	
Total financial liabilities		1,228,318		1,175,121	
Long-term financial receivables					
Long-term financial receivables	6	22		26	
Long-term bank fees	6	5,219		-	
Short-term financial receivables					
Short-term financial receivables	6	3,306		55	
Short-term financial receivables from Group companies	6	489,552	489,552	553,744	553,744
Short-term bank fees	6	1,525		4,029	
Cash and cash equivalents	8	2,314		4,600	
Net financial position		726,381		612,667	

The Company's net financial position is reconciled below to the amount that must be reported under Consob Communication DEM/6064293 issued on 28 July 2006 in compliance

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

(in thousands of Euro)

	Note	31 December 2014	of which related parties (Note 25)	31 December 2013	of which related parties (Note 25)
Net financial position - as reported above		726,381		612,667	
Long-term financial receivables	3	22		26	
Long-term bank fees	3	5,219		-	
Net forward currency contracts on commercial transactions	5	(15)	(15)	27	27
Net metal derivatives	5	(6)	(6)	(38)	(38)
Recalculated net financial position		731,601		612,682	

11. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in thousands of Euro)

	31 December 2014	31 December 2013
Trade payables	255,320	295,791
Total trade payables	255,320	295,791
Other payables:		
Tax and social security payables	5,461	4,293
Payables to employees	4,077	23,102
Accrued expenses	264	45
Other	1,279	1,820
Total other payables	11,081	29,260
Total	266,401	325,051

Trade payables mostly refer to charges by suppliers of strategic metals and only partly to those by suppliers of other goods and services provided by external consultants in the organisational, legal and IT spheres.

Other payables comprise:

- social security payables relating to contributions on employee wages and salaries and amounts payable into supplementary pension funds;
- tax payables mainly relating to tax withheld from employees and not yet paid to the tax authorities;
- payables to employees for accrued wages and salaries not yet paid;

- other payables, which mainly relate to amounts due to Group companies for the transfer of recoverable withholding taxes to the Company under the group tax consolidation (art. 117 et seq of the Italian Income Tax Code).

At 31 December 2014, the liabilities for trade payables and other payables are all due within 12 months.

Trade payables include around Euro 25,138 thousand for the supply of strategic metals, whose payment terms are longer than normal for this type of transaction.

The following table breaks down trade payables according to the currency in which they are expressed:

(in thousands of Euro)

	31 December 2014	31 December 2013
Euro	254,050	290,141
US Dollar	139	4,746
British Pound	687	503
Australian Dollar	265	121
Brazilian Real	-	118
Chinese Renminbi (Yuan)	35	109
Other currencies	144	53
Total	255,320	295,791

12. PROVISIONS FOR RISKS AND CHARGES

The following table reports movements in this balance during the period:

(in thousands of Euro)

	Contractual and legal risks	Other risks and charges	Total
Balance at 31 December 2013	31,674	2,765	34,439
Movements in 2014:			
- Increases	1,980	850	2,830
- Utilisations	(915)	-	(915)
- Releases	(20,803)	(1,375)	(22,178)
- Reclassifications	-	537	537
Total movements	(19,738)	12	(19,726)
Balance at 31 December 2014	11,936	2,777	14,713

(in thousands of Euro)

	Contractual and legal risks	Other risks and charges	Total
Balance at 31 December 2012	33,583	37	33,620
Movements in 2013:			
- Increases	-	2,728	2,728
- Utilisations	(474)	-	(474)
- Releases	(1,529)	-	(1,529)
- Reclassifications	94	-	94
Total movements	(1,909)	2,728	819
Balance at 31 December 2013	31,674	2,765	34,439

The provision for contractual and legal risks, amounting to Euro 11,936 thousand at 31 December 2014, has decreased by Euro 19,738 thousand since 31 December 2013, mainly due to a net reduction of Euro 20,803 thousand in the provision for antitrust investigations in different jurisdictions.

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

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

In Brazil, the local antitrust authority has started an investigation into several cable manufacturers, including Prysmian, that operate in the high voltage underground and submarine cables market. Prysmian has presented its preliminary defence, which has been rejected by the local competition authorities in a statement issued during the month of February 2015. The preliminary stage of the proceedings will now ensue, at the end of which the authorities will publish their concluding observations, to which the parties may respond with all their arguments in defence before the final decision is taken. During the month of December 2013, ABB and one of this company's senior managers signed an agreement with the Brazilian Antitrust Authority, under which they admitted the conduct alleged by the authority and pledged to cooperate with it and to each pay an agreed fine.

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

jointly liable with Prysmian S.p.A. and the Goldman Sachs Group Inc. for the alleged infringement in the period from 29 July 2005 to 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has appealed against this decision to the General Court of the European Union and has submitted an application to intervene in the appeals respectively lodged by Pirelli & C. S.p.A. and the Goldman Sachs Group Inc. against the same decision. Both Pirelli & C. S.p.A. and the Goldman Sachs Group Inc. have in turn submitted applications to intervene in the appeal brought by Prysmian against the European Commission's decision. Prysmian has not incurred any financial outlay as a result of this decision having elected, pending the outcome of the appeals, to provide bank guarantees as security against payment of 50% of the fine imposed by the European Commission (amounting to approximately Euro 52 million) for the alleged infringement in both periods. As far as Prysmian is aware, Pirelli & C. S.p.A. has provided or is nonetheless preparing to provide 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. Pirelli & C. S.p.A. has also filed a civil action against Prysmian Cavi e Sistemi S.r.l. 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. Following a detailed and careful analysis of the European Commission's ruling, and nonetheless considering this has been appealed and so could be submitted to second-instance judgement, as well as the fact that the investigations initiated by the Canadian Antitrust Authority have ended without any sanctions for Prysmian, it has been decided to partially release the existing provision.

The above events have led to the recognition in the 2014 income statement of a net release of Euro 19,901 thousand, classified as non-recurring items.

As at 31 December 2014, the amount of the provision reported by Prysmian S.p.A. is approximately Euro 10,725 thousand.

Despite the uncertainty of the outcome of the investigations in progress, the amount of this provision is considered to represent the best estimate of the liability based on the information now available.

13. EMPLOYEE BENEFIT OBLIGATIONS

Prismian S.p.A. provides post-employment benefits through programmes that include defined benefit plans, like the employee indemnity liability and seniority bonuses.

Employee benefit obligations amount to Euro 7,576 thousand at 31 December 2014 (Euro 6,305 thousand at 31 December 2013) and are detailed as follows:

(in thousands of Euro)

	31 December 2014	31 December 2013
Employee indemnity liability (Italian TFR)	5,566	4,545
Termination and other benefits	2,010	1,760
Total	7,576	6,305

The income and expenses relating to employee benefit obligations are as follows:

(in thousands of Euro)

	31 December 2014	31 December 2013
Employee indemnity liability (Italian TFR)	246	289
Termination and other benefits	337	139
Total	583	428

Employee indemnity liability

Movements in this balance are as follows:

(in thousands of Euro)

	2014	2013
Opening balance	4,545	5,029
Current service costs	117	156
Interest cost	129	133
Actuarial (gains)/losses recognised in equity	973	(149)
Staff transfer	-	(36)
Disbursements	(198)	(588)
Total movements	1,021	(484)
Closing balance	5,566	4,545

The actuarial losses recognised at 31 December 2014 (Euro 973 thousand) mainly relate to the change in the associated economic parameters (the discount and inflation rates).

Under Italian law, the amount due to each employee accrues with service and is paid when the employee leaves the company. The amount due upon termination of employment is calculated on the basis of the length of service and the taxable remuneration of each employee. The liability is adjusted annually for the official cost of living index and statutory interest, and is not subject to any vesting conditions or periods, or any funding obligation; there are therefore no assets that fund this liability.

The rules governing this liability were revised by Legislative Decree 252/2005 and Law 296/2006 (Finance Act 2007): amounts accruing since 2007 by companies with at least 50 employees now have to be paid into the INPS Treasury Fund or to supplementary pension schemes, as decided by employees, which now take the form of "defined contribution plans". All companies nonetheless still account for revalua-

tions of amounts accrued before 2007, while those companies with fewer than 50 employees continue to accrue amounts in respect of this liability that are not intended for supplementary pension schemes.

The benefits relating to this plan are paid to participants in the form of capital, in accordance with the related rules. The plan also allows partial advances to be paid against the full amount of the accrued benefit in specific circumstances.

The main risk is the volatility of the inflation rate and the discount rate, as determined by the market yield on AA corporate bonds denominated in Euro. Another risk factor is the possibility that members leave the plan earlier than expected or that higher advance payments than expected are requested, resulting in an actuarial loss for the plan, due to an acceleration of cash flows.

The actuarial assumptions used to value employee indemnity liability are as follows:

	31 December 2014	31 December 2013
Discount rate	1.50%	3.00%
Future expected salary increase	2.00%	2.00%
Inflation rate	2.00%	2.00%

The following table presents a sensitivity analysis of the effects of an increase/decrease in the most significant actuarial assumptions used to determine the present value

of the employee indemnity liability, namely the discount rate and inflation rate:

	31 December 2014	
Change in inflation rate	-0.25%	0.25%
Effects on liability	-1.58%	1.61%
Change in discount rate	-0.50%	0.50%
Effects on liability	5.10%	-4.69%

Contributions for employee benefit obligations (employee indemnity liability) are estimated at Euro 271 thousand for 2015.

Average headcount in the period is reported below, compared with closing headcount at the end of each period:

	Average	%	Closing	2014 %
White collar and management	275	89%	274	89%
Blue collar	35	11%	35	11%
Total	310	100%	309	100%

	Average	%	Closing	2013 %
White collar and management	294	89%	290	89%
Blue collar	35	11%	35	11%
Total	329	100%	325	100%

14. SALES OF GOODS AND SERVICES

These amount to Euro 1,091,702 thousand, compared with Euro 451,100 thousand in 2013, and refer to the sale of

strategic materials (copper, lead and aluminium) to Group companies.



15. OTHER INCOME

This amounts to Euro 106,625 thousand, compared with Euro 102,068 thousand in 2013, and is detailed as follows:

(in thousands of Euro)

	2014	2013
Royalties	35,299	37,317
Head office services	56,761	53,170
Other services	-	472
Rental income	910	934
Other income	13,655	9,842
Non-recurring other income:		
<i>Special project income</i>	-	103
<i>Recharges for stock options</i>	-	230
Total other income	13,655	10,175
Total	106,625	102,068

Royalties refer to amounts charged to the subsidiary Prysmian Cavi e Sistemi S.r.l. (Euro 35,299 thousand) for the use of patents and know-how.

Head office services of Euro 56,761 thousand (Euro 53,170 thousand in 2013), refer to charges invoiced by Prysmian S.p.A., under specific contracts, to its sub-holding company Prysmian Cavi e Sistemi S.r.l. for coordination activities

and services provided by head office functions to Group companies.

Rental income refers to the recharge to Group companies of rent for the Company's office building, based on the space used by each of them.

Other income refers to sundry types of income and expense recharges.

16. RAW MATERIALS AND CONSUMABLES USED

These amount to Euro 1,090,772 thousand, compared with Euro 453,014 thousand in 2013, and are detailed as follows:

(in thousands of Euro)

	2014	2013
Strategic materials	1,087,276	451,188
Consumables	3,496	1,826
Total	1,090,772	453,014

17. PERSONNEL COSTS

These are detailed as follows:

(in thousands of Euro)

	2014	2013
Wages and salaries	27,993	30,746
Social security	6,791	6,813
Retirement pension costs	1,860	1,737
Employee indemnity costs	117	156
Non-recurring personnel costs (income):		
<i>Company reorganisation</i>	2,186	2,463
Total non-recurring personnel costs (income)	2,186	2,463
Other personnel costs	934	6,552
Total	39,881	48,467

Share-based payments

At 31 December 2014 and 31 December 2013, Prysmian S.p.A. had share-based compensation plans in place for managers of Group companies and members of the Company's Board of Directors. These plans are described below.

Long-term incentive plan 2011-2013

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

The plan involved 268 employees (*) of Group companies and established that the number of options granted would depend on the achievement of common business and financial performance objectives for all the participants.

The plan was dependent upon achievement of a minimum performance objective of at least Euro 1.75 billion in aggregate

Adj. EBITDA for the Group in the period 2011-2013 (the Target), as well as upon continuation of a professional relationship with the Group up until 31 December 2013. The plan also set an upper limit for Adj. EBITDA as the Target plus 20% (i.e. Euro 2.1 billion), that would determine the maximum number of exercisable options granted to each participant.

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

The allotted options carried the right to receive or subscribe to ordinary shares in Prysmian S.p.A., the Parent Company. These shares partly comprised treasury shares and partly new shares, obtained through a capital increase that excluded pre-emptive rights under art. 2441, par. 8 of the Italian Civil Code. Such a capital increase has involved the issue of 2,120,687 new ordinary shares of nominal value Euro 0.10 each, for a total nominal value of Euro 212,069, as approved by the shareholders in the extraordinary session of their meeting on 14 April 2011. The shares obtained from the Company's holding of treasury shares were allotted for zero consideration, while the shares obtained from the above capital increase were allotted to participants upon payment

of an exercise price corresponding to the nominal value of the Company's shares. In accordance with IFRS 2, the options allotted in respect of both new and treasury shares were measured at their grant date fair value.

The number of options was determined according to the

actual aggregate Adj. EBITDA achieved, which lay between the Target and the Adj. EBITDA upper limit.

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

(in Euro)

	For consideration		For no consideration	
	Number of options (*)	Exercise price	Number of options (*)	Exercise price
Options at start of year	2,131,500	0.10	1,416,309	-
Granted	-	-	-	-
Variation for target remeasurement	-	-	2,429	-
Cancelled	(2,288)	0.10	(1,521)	-
Exercised	(2,120,687)	0.10	(1,411,552)	-
Options at end of year	8,525	0.10	5,665	-
<i>of which for Prysmian Spa employees</i>	-	-	-	-
of which vested at end of year	8,525	0.10	5,665	-
of which exercisable	8,525	0.10	5,665	-
of which not vested at end of year	-	-	-	-
<i>of which for Prysmian Spa employees</i>	-	-	-	-

Since the plan had vested in full at 31 December 2013, no further costs were recognised in 2014.

As at 31 December 2014, the options had vested and had been fully exercised as follows:

- 2,120,678 exercised for consideration (exercise price of Euro 0.10);
- 1,411,552 exercised for no consideration.

Group employee share purchase plan (YES Plan)

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

The reasons behind the introduction of the Plan are:

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

The Plan offers the opportunity to purchase Prysmian's ordinary shares on preferential terms, with a maximum discount of 25% on the stock price, given in the form of treasury shares, except for certain managers, for whom

(*) The number of Prysmian S.p.A. employees participating in the plan was 45.

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.

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

During the month of October 2013, the plan was presented and explained to some 16,000 of the Group's employees in 27 countries. Employees had until the end of December 2013 to communicate their wish to participate in the Plan, the amount they intended to invest in the first purchase window and the method of payment. The amount collected in the month of April 2014, totalling Euro 6.4 million, was used to make purchases of the Company's ordinary shares on the Milan Stock Exchange (MTA) over a period of 5 consecutive business days during the month of May 2014. The number of treasury shares allotted to each participant was determined by taking into account the average share purchase price (Euro 16.2629), the individual investment and the applicable discount percentage.

All the plan's participants also received an entry bonus of six free shares, also taken from the Company's portfolio of treasury shares, only available at the time of first purchase.

The shares purchased by participants, as well as those received by way of discount and entry bonus, are generally

subject to a retention period during which they cannot be sold and the length of which varies according to local regulations. On 9 June 2014, an additional purchase window was opened for plan participants in the "Manager" category who had already bought shares in the purchase window in May and who were so entitled under the plan's regulations. Managers opting to participate in this additional window were able to buy an additional quantity of shares at a 25% discount. The total of Euro 0.7 million collected in this additional window was used to make purchases of the Company's ordinary shares on the Milan Stock Exchange over a period of 5 consecutive business days during the month of July 2014. The number of treasury shares allotted to each participant was determined by taking into account the average share purchase price (Euro 16.3585), the individual investment and the applicable discount.

During the month of December 2014, employees were informed of the opening of the plan's second cycle in 2015. Employees had until the third week of February 2015 to sign up for the second cycle and to communicate the amount they intended to invest. The total amount collected will be used to make purchases of the Company's shares on the Milan Stock Exchange (MTA) during the month of July 2015.

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

	1st Window (2014)	2nd Window (2015)	3rd Window (2016)
Grant date	13 November 2013	13 November 2013	13 November 2013
Share purchase date	19 May 2014	19 May 2015	19 May 2016
End of retention period	19 May 2017	19 May 2018	19 May 2019
Residual life at grant date (in years)	-	1	2
Share price at grant date (Euro)	18	18	18
Expected volatility	29.27%	30.11%	36.79%
Risk-free interest rate	0.03%	0.05%	0.20%
Expected dividend %	2.83%	2.83%	2.83%
Option fair value at grant date (Euro)	18	18	17

A total of Euro 496 thousand in costs for the fair value of options granted under this plan have been recognised as "Personnel costs" in the income statement for the year ended 31 December 2014.

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

	31 December 2014	31 December 2013
	Number of options	Number of options
Options at start of year	300,682	-
Granted (*)	43,725	300,682
Change in expected adhesions (**)	(17,748)	-
Cancelled	-	-
Exercised	(162,650)	-
Options at end of year	164,009	300,682
<i>of which for Prysmian Spa employees</i>	<i>27,424</i>	<i>36,015</i>
of which vested at end of year	-	-
<i>of which for Prysmian Spa employees</i>	<i>-</i>	<i>-</i>
of which exercisable	-	-
of which not vested at end of year	164,009	300,682
<i>of which for Prysmian Spa employees</i>	<i>27,424</i>	<i>36,015</i>

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

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

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

As at 31 December 2014, there are no outstanding loans or guarantees by Prysmian S.p.A. to any of its directors, senior managers or statutory auditors.

Long-term incentive plan 2014-2016

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

As a result of the effects of the Western HVDC Link contract (UK), the Board of Directors has decided not to execute the mandate received from the shareholders allowing implementation of this plan.

18. AMORTISATION, DEPRECIATION AND IMPAIRMENT

These are detailed as follows:

(in thousands of Euro)

	2014	2013
Depreciation of buildings, plant, machinery and equipment	864	443
Depreciation of other property, plant and equipment	480	398
Amortisation of intangible assets	8,149	9,622
Total	9,493	10,463

The significant decrease in amortisation of intangible assets is mainly due to revision of the useful life of the new information system being rolled out under the "SAP Consolidation" project.

19. OTHER EXPENSES

These amount to Euro 47,348 thousand in 2014, compared with Euro 67,031 thousand in the prior year.

Other expenses are analysed as follows:

(in thousands of Euro)

	2014	2013
Professional services	27,144	30,966
IT costs	20,114	16,312
Insurance	1,920	1,449
Maintenance services	2	74
Operating and other costs	5,385	5,043
Utilities	723	1,044
Travel costs	4,064	4,503
Rental costs	4,795	5,861
Increases in provisions for risks	1,036	113
Non-recurring other expenses and provisions:		
<i>Increase in (release of) provisions for risks</i>	<i>(19,938)</i>	<i>(1,641)</i>
<i>Recharged stock option costs for seconded personnel</i>	<i>-</i>	<i>1,331</i>
<i>Special project costs</i>	<i>2,103</i>	<i>1,976</i>
Total non-recurring other expenses	(17,835)	1,666
Total	47,348	67,031

Professional services mainly refer to outsourcing costs (particularly for IT and personnel administration services) of Euro 2,853 thousand (Euro 5,961 thousand in 2013), costs for the use of personnel seconded from other Group companies of Euro 8,059 thousand (Euro 7,587 thousand in 2013), research and development costs of Euro 5,915 thousand (Euro 3,170 thousand in 2013), and costs incurred to manage the patents portfolio of Euro 2,562 thousand (Euro 2,709 thousand in 2013).

Professional services also include the compensation of the directors and statutory auditors of Prysmian S.p.A., respectively of Euro 430 thousand (Euro 414 thousand in 2013) and

Euro 175 thousand (Euro 175 thousand in 2013), and the fees of the independent auditors of Euro 860 thousand (Euro 803 thousand in 2013).

Operating and other costs mainly refer to costs incurred for promotional activities and attendance at exhibitions and trade fairs.

Rental costs primarily refer to rent of Euro 2,371 thousand for the Company's office building (Euro 2,360 thousand in 2013) and rent of Euro 587 thousand for the premises and laboratories used by the Company's Research and Development department (Euro 1,884 thousand in 2013).

20. FINANCE INCOME AND COSTS

Finance costs are detailed as follows:

(in thousands of Euro)

	2014	2013
Interest on credit facilities	6,654	8,618
Interest on non-convertible bond	21,000	21,000
Interest on convertible bond - monetary component	3,750	3,062
Interest on convertible bond - non-monetary component	7,528	5,913
Amortisation of bank and financial fees and other expenses	6,773	7,620
Employee benefit interest costs	176	178
Other bank interest	2,165	58
Costs for undrawn credit lines	3,806	2,650
Sundry bank fees	929	618
Other	-	66
Non-recurring other finance costs:		
<i>Amortisation of bank fees</i>	1,655	2,311
<i>Antitrust bank guarantee and interest costs</i>	393	-
Total non-recurring other finance costs	2,048	2,311
Finance costs	54,829	52,094
Foreign currency exchange losses	3,585	1,230
Total finance costs	58,414	53,324

Interest on syndicated loans all refers to the Company's share of the Term Loan Facility 2011; the decrease compared with 2013 is mainly due to a reduction in interest expense following early repayment of the Credit Agreement 2010 (see Note 10. Borrowings from banks and other lenders).

Amortisation of bank and financial fees and other expenses mainly reflects the Company's share of the fees relating to the Credit Agreement 2011 and to the convertible and non-convertible bonds.

Non-recurring finance costs mainly refer to the accelerated amortisation of bank fees following early repayment of the Credit Agreement 2010 (see Note 10. Borrowings from banks and other lenders).

Other bank interest mainly refers to the new credit lines in the form of the EIB Loan (Euro 1,198 thousand) and the Revolving Credit Facility 2014 (Euro 723 thousand).

Finance income is detailed as follows:

(in thousands of Euro)

	2014	2013
Interest income from banks and other financial institutions	7	2
Other finance income	16,108	13,085
Non-recurring other finance income:		
<i>Recovery of Antitrust guarantee costs</i>	258	-
Total non-recurring other finance income	258	-
Finance income	16,373	13,087
Foreign currency exchange gains	3,179	1,461
Total finance income	19,552	14,548

Other finance income mainly refers to the recharge to Group companies of fees for guarantees given by the Company on their account.

21. DIVIDENDS FROM SUBSIDIARIES

During 2014, Prysmian S.p.A. earned a total of Euro 221,071 thousand in dividends, most of which from its subsidiaries Prysmian Cavi e Sistemi S.r.l. and Prysmian PowerLink S.r.l..

22. TAXES

These are detailed as follows:

(in thousands of Euro)

	2014	2013
Current income taxes	(17,499)	(31,091)
Deferred income taxes	1,363	2,847
Total	(16,136)	(28,244)

Current income taxes report a positive Euro 17,499 thousand in 2014, compared with Euro 31,091 thousand in 2013, and mainly reflect the net positive effects of the relief provided by tax losses transferred from some Italian companies under the rules of the group tax consolidation.

Information about deferred taxes can be found in Note 4. Deferred tax assets.

Taxes charged on profit before taxes differ from those calculated using the theoretical tax rate applying to the Company for the following reasons:

(in thousands of Euro)

	2014	Tax rate	2013	Tax rate
Profit before taxes	175,420		156,441	
Theoretical tax expense at Parent Company's nominal tax rate	48,241	27.5%	43,021	27.5%
Dividends from subsidiaries	(57,755)	(32.9%)	(57,439)	(32.7%)
Other permanent differences	(2,812)	(1.6%)	407	0.2%
Tax credit paid abroad	(186)	(0.1%)	(8,192)	(4.7%)
Impairment/(Reversal of impairment) of investments in subsidiaries	4,528	2.6%	-	0.0%
Other	(1,985)	(1.1%)	1,237	0.7%
Net effect of group tax consolidation for the year	(6,168)	(3.5%)	(7,278)	(4.1%)
Effective income taxes	(16,136)	(9.2%)	(28,244)	(16.1%)

Since 2006 the Company, along with all its Italian resident subsidiaries, has opted to file for tax on a group basis, pursuant to art. 117 et seq of the Italian Income Tax Code, with the Company acting as the head of this group. The intercompany transactions arising under such a group tax consolidation are governed by specific rules and an agreement between the participating companies, which involve common procedures for applying the tax laws and regulations.

These rules were updated in 2008 to reflect the amendments and additions introduced by Law 244 of 24 December 2007 (Finance Act 2008) and Legislative Decree 112 of 25 June 2008. These rules were amended on 26 March 2012 to incorporate in the transactions between the head of the tax group and the individual participating companies, the amendments introduced by Legislative Decree 201/2011 and the Ministerial Decree dated 14 March 2012 concerning Aid for Economic Growth.

Prysmian S.p.A. acts as the head of the tax group and calculates a single taxable base for companies in the Italian tax group; this has the benefit of being able to offset taxable profits against tax losses in a single tax return, thereby ensuring optimisation of the tax charge.

On 7 June 2012, the head of the tax group sent the required notice of renewal of the group tax election for the three years 2012 – 2013 – 2014 for the following companies:

- Fibre Ottiche Sud – F.O.S. S.r.l.
- Prysmian Cavi e Sistemi S.r.l.
- Prysmian Cavi e Sistemi Italia S.r.l.
- Prysmian Treasury S.r.l.

This notice also included the election to include Prysmian Electronics S.r.l. in the group tax consolidation with effect from 2012.

Prysmian PowerLink S.r.l. renewed its election to file for tax on a group basis for the three years 2014 – 2015 – 2016 on 3 June 2014.

The rate used to calculate the tax charge is 27.5% for IRES (Italian corporate income tax), and 5.57% for IRAP (Italian regional business tax).

23. CONTINGENT LIABILITIES

As a global operator, the Company is exposed to legal risks primarily, by way of example, in the areas of product liability, and environmental, antitrust and tax rules and regulations. Outlays relating to current or future proceedings cannot be predicted with certainty. The outcome of such proceedings could result in the payment of costs that are not covered, or

not fully covered, by insurance, which would therefore have a direct effect on the Company's financial position and results. It is also reported, with reference to the Antitrust investigations in the various jurisdictions involved, that the only jurisdiction for which Prysmian S.p.A. has been unable to estimate the related risk is Brazil.

24. COMMITMENTS

The Company has the following types of commitments at 31 December 2014:

a) Commitments to purchase property, plant and equipment and intangible assets

Contractual commitments, already given to third parties at 31 December 2014 and not yet reflected in the financial statements, amount to Euro 3,276 thousand (Euro 941 thousand

at 31 December 2013), of which Euro 402 thousand in relation to the SAP Consolidation project (Euro 264 thousand at 31 December 2013).

b) Operating lease commitments

Future commitments relating to operating leases are as follows:

(in thousands of Euro)

	2014	2013
Due within 1 year	3,804	2,175
Due between 1 and 5 years	5,580	2,029
Due after more than 5 years	66	-
Total	9,450	4,204

c) Comfort letters in support of bank guarantees given to Group companies

Comfort letters in support of bank guarantees given in the interest of Group companies amount to Euro 70 thousand at 31 December 2014, all of which relating to PT. Prysmian Cables Indonesia (Euro 73 thousand at 31 December 2013).

d) Other guarantees given in the interest of Group companies

These amount to Euro 1,005,862 thousand at 31 December 2014 (Euro 961,456 thousand at 31 December 2013), analysed as follows:

(in thousands of Euro)

	2014	2013
Prysmian Cavi e Sistemi S.r.l.	56,641	42,766
Prysmian Netherlands B.V.	65,643	47,740
Prysmian PowerLink S.r.l.	848,881	837,246
Prysmian Cables & Systems Limited	25,422	23,750
Prysmian Kabel und Systeme GmbH	242	242
Fibre Ottiche Sud - F.O.S. S.r.l.	7,965	7,712
Other companies	1,068	2,000
Total	1,005,862	961,456

The comfort letters and guarantees given in the interest of Group companies in (c) and (d) mainly refer to projects and supply contracts and to the offsetting of VAT credits under the Group VAT settlement.

e) Comfort letters in support of bank guarantees given in the interest of the Company

These amount to Euro 54,424 thousand, compared with Euro 2,124 thousand in the prior year. The increase mainly reflects the guarantees given in the interest of Prysmian S.p.A. and Prysmian Cavi e Sistemi S.r.l. to the European Commission for

the fine discussed in Note 12. Provisions for risks and charges. As required by art. 2427 point 22-ter, it is reported that, in addition to the above disclosures about commitments, there are no other agreements that are not reflected in the statement of financial position that carry significant risks or benefits and which are critical for assessing the Company's assets and liabilities, financial position and results of operations.

25. RELATED PARTY TRANSACTIONS

Transactions between Prysmian S.p.A. and its subsidiaries mainly refer to:

- services (technical, organisational and general) provided by head office to subsidiaries;
- charging of royalties for the use of patents to Group companies that benefit from them;
- financial relations maintained by the Parent Company on behalf of, and with, Group companies.

All the above transactions fall within the ordinary course of business of the Parent Company and its subsidiaries.

The disclosures of related party transactions also include the compensation paid to Directors, Statutory Auditors and Key Management Personnel.

More details about related party transactions are provided in the attached table "Intercompany and related party transactions (disclosure under art. 2428 of the Italian Civil Code)".

The following tables summarise related party transactions in the year ended 31 December 2014:

(in thousands of Euro)

					31 December 2014	
	Investments in subsidiaries	Trade and other receivables and derivatives	Trade and other payables and derivatives	Employee benefit obligations	Tax payables	
Subsidiaries	1,818,399	672,873	9,935	-	29	
Other related parties:						
Compensation of directors, statutory auditors and key management personnel	-	-	429	313	-	
Total	1,818,399	672,873	10,364	313	29	

(in thousands of Euro)

					31 December 2013	
	Investments in subsidiaries	Trade and other receivables and derivatives	Trade and other payables and derivatives	Employee benefit obligations	Tax payables	
Subsidiaries	1,728,516	733,987	6,172	-	36	
Other related parties:						
Compensation of directors, statutory auditors and key management personnel	-	107	15,700	161	-	
Total	1,728,516	734,094	21,872	161	36	

(in thousands of Euro)

								2014	
	Sales of goods and Other income	Raw materials and consumables used	Cost of goods and services	Fair value change in metal derivatives	Personnel costs	Finance income/(costs)	Dividends	Taxes	
Subsidiaries	1,191,465	1,955	14,257	32	-	16,190	204,606	13,257	
Other related parties:									
Compensation of directors, statutory auditors and key management personnel	-	-	605	-	5,685	-	-	-	
Total	1,191,465	1,955	14,862	32	5,685	16,190	204,606	13,257	

(in thousands of Euro)

								2013	
	Sales of goods and Other income	Raw materials and consumables used	Cost of goods and services	Fair value change in metal derivatives	Personnel costs	Finance income/(costs)	Dividends	Taxes	
Subsidiaries	546,731	511	17,947	38	-	13,132	219,861	27,115	
Other related parties:									
Compensation of directors, statutory auditors and key management personnel	-	-	605	-	12,649	-	-	-	
Total	546,731	511	18,552	38	12,649	13,132	219,861	27,115	

Transactions with subsidiaries

These refer to services supplied to and received from Group companies and to current account transactions with the Group's central treasury company.

Key management compensation

Key management compensation is analysed as follows:

(in thousands of Euro)

	2014	2013
Salaries and other short-term benefits - fixed part	5,435	3,951
Salaries and other short-term benefits - variable part	-	6,989
Other benefits	237	38
Share-based payments	13	1,671
Total	5,685	12,649
of which Directors	4,047	11,073

26. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

As required by Consob Communication DEM/6064293 dated 28 July 2006, the effects of non-recurring events and transactions on the Company's income statement are shown below,

involving net non-recurring income totalling Euro 13,859 thousand in 2014 and net non-recurring expenses of Euro 6,107 thousand in 2013.

(in thousands of Euro)

	2014	2013
Non-recurring other income:		
<i>Special project income</i>	-	103
<i>Recharges for stock options</i>	-	230
Total non-recurring other income	-	333
Non-recurring other personnel costs:		
<i>Company reorganisation</i>	(2,186)	(2,463)
Total non-recurring other personnel costs	(2,186)	(2,463)
Non-recurring other expenses:		
<i>Special project costs</i>	(2,103)	(1,976)
<i>Recharged stock option costs for seconded personnel</i>	-	(1,331)
<i>(Increases in)/releases of provisions for risks</i>	19,938	1,641
Total non-recurring other expenses	17,835	(1,666)
Non-recurring finance costs	(2,048)	(2,311)
Non-recurring finance income	258	-
Total	13,859	(6,107)

The statement of financial position and the net financial position contain no material amounts in connection with non-recurring events.

27. COMPENSATION OF DIRECTORS AND STATUTORY AUDITORS

Directors' compensation amounts to Euro 4,477 thousand in 2014, and Euro 11,503 thousand in 2013. Statutory auditors' compensation for duties performed in Prysmian S.p.A. amounts to Euro 175 thousand in 2014 (Euro 175 thousand in 2013). Compensation includes emoluments, and any

other types of remuneration, pension and medical benefits, received for their service as directors or statutory auditors of Prysmian S.p.A.. Further details can be found in the Remuneration Report.

28. ATYPICAL OR UNUSUAL TRANSACTIONS

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

29. GROUP FINANCIAL COVENANTS

The credit agreements in place at 31 December 2014, details of which are presented in Note 10. Borrowings from banks and other lenders, require the Group to comply with a series of covenants on a consolidated basis. The main covenants, classified by type, are listed below:

a) Financial covenants

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

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

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

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

b) Non-financial covenants

A number of non-financial covenants have been established in line with market practice applying to transactions of a similar size and nature. 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, calculated at a consolidated level for the Prysmian Group, are as follows:

	31 December 2014	31 December 2013 (*)
EBITDA / Net finance costs ⁽¹⁾	5.82	6.99
Net financial position / EBITDA ⁽¹⁾	1.50	1.27

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

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

The above financial ratios comply with both the covenants contained in the relevant credit agreements and there are no

instances of non-compliance with the financial and non-financial covenants indicated above.

30. STATEMENT OF CASH FLOWS

Net cash flow used by operating activities was a negative Euro 56,726 thousand in 2014, inclusive of Euro 18,701 thousand in taxes collected by the Group's Italian companies for IRES transferred under the group tax consolidation (art. 117 et seq of the Italian Income Tax Code).

Investing activities provided a net positive Euro 89,947 thousand in cash flow, after collecting Euro 221,071 thousand in dividends from subsidiaries.

Net finance costs recognised in the income statement came to Euro 38,862 thousand inclusive of non-cash items;

excluding these items, net cash finance costs reflected in the statement of cash flows amounted to Euro 18,135 thousand, most of which referring to interest expense, bank fees and other incidental expenses in connection with the Credit Agreement 2011, the EIB Loan, the convertible bond and the non-convertible bond.

Net cash flow used by financing activities includes the receipt of the EIB Loan and the early repayment of the Credit Agreement 2010.

31. INFORMATION PURSUANT TO ART.149-DUODECIES OF THE CONSOB ISSUER REGULATIONS

Pursuant to art. 149-duodecies of the Consob Issuer Regulations, the following table shows the fees in 2014 and 2013 for audit work and other services provided by the independent

auditors PricewaterhouseCoopers S.p.A. and companies in the PricewaterhouseCoopers network:

(in thousands of Euro)

	Supplier of services	Fees relating to 2014	Fees relating to 2013
Audit services	PricewaterhouseCoopers S.p.A.	860	1,140
Certification services	PricewaterhouseCoopers S.p.A. ⁽¹⁾	71	83
Other services	PricewaterhouseCoopers S.p.A. ⁽²⁾	153	105
Total		1,084	1,328

(1) Audit support and other services.

(2) Tax and other services.

32. RESEARCH AND DEVELOPMENT

The Group's research and development activities are mostly concentrated in Prysmian S.p.A.. The central team, in coordination with R&D and engineering centres in the various countries, developed numerous projects over the year in the field of both energy and telecom cables; significant

advances were made in the area of materials and optical fibre technology.

R&D costs incurred in 2014 and expensed to income amounted to Euro 16,244 thousand, compared with Euro 16,507 thousand in 2013.

33. EVENTS AFTER THE REPORTING PERIOD

On 6 February 2015, Prysmian Cavi e Sistemi S.r.l. started legal proceedings, 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.

34. FILING OF FINANCIAL STATEMENTS

Prysmian S.p.A.'s financial statements at 31 December 2014 will be filed within the legally required term at its registered office in Viale Sarca 222, Milan and at Borsa Italiana S.p.A. and published on the website at www.prysmiangroup.com.

The financial statements of the sub-holding company Prysmian Cavi e Sistemi S.r.l. will be filed at the registered office in Viale Sarca 222, Milan; the financial statements of the sub-holding company Draka Holding B.V. will not be presented, as permitted by Dutch law.

Milan, 25 February 2015

Massimo Tononi
ON BEHALF OF THE BOARD OF DIRECTORS
THE CHAIRMAN

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES AT 31 DECEMBER 2014

(in thousands of Euro)

	Registered office	Book value	% owned	Share capital	Total equity	Prysmian share of equity	Net profit/ (loss) for the year
Italian subsidiaries							
Prysmian Cavi e Sistemi S.r.l.	Milan, Viale Sarca 222	278,971	100	100,000	313,122	313,122	43,125
Prysmian Cavi e Sistemi Italia S.r.l.	Milan, Viale Sarca 222	49,871	100	77,143	72,275	72,275	(25,295)
Prysmian PowerLink S.r.l.	Milan, Viale Sarca 222	143,893	100	100,000	150,643	150,643	27,542
Fibre Ottiche Sud - F.O.S. S.r.l.	Battipaglia, Strada Provinciale 135	54,146	100	47,700	54,230	54,230	(18,535)
Prysmian Treasury S.r.l.	Milan, Viale Sarca 222	37,757	100	30,000	55,097	55,097	8,759
Total Italian subsidiaries		564,638					
Foreign subsidiaries							
Draka Holding B.V.	Amsterdam, Netherlands	1,251,606	52.165	49,789	1,785,787	931,556	49,916
Prysmian Kabel und Systeme GmbH	Berlin, Germany	2,154	6.25	15,000	(966)	(60)	6,698
Prysmian Kablo SRO	Bratislava, Slovakia	1	0.005	21,246	2,258	-	(313)
Jaguar Communication Consultancy Services Private Ltd.	Mumbai, India	-	0.00003	450	109	-	(51)
Prysmian Surfex Umbilicais e Tubos Flexiveis do Brasil Ltda	Vila Velha, Brazil	-	0.99999	67,692	66,507	-	(35,911)
Prysmian Energia Cabos e Sistemas do Brasil S.A.	Sorocaba, Brazil	-	0.143	47,690	85,647	-	5,127
Total foreign subsidiaries		1,253,761					
Grand total		1,818,399					

INTERCOMPANY AND RELATED PARTY TRANSACTIONS (DISCLOSURE UNDER ART. 2428 OF THE ITALIAN CIVIL CODE)

(in thousands of Euro)

	Investments in subsidiaries	Receivables	Payables	Employee benefit obligations	Costs			Income		
					Personnel costs	Goods, services and fair value change in metal derivatives	Finance costs	Good and services	Finance income	Dividends and (impairment) Reversal of impairment of investments
Subsidiaries:										
Fibre Ottiche Sud - F.O.S. S.r.l.	54,145	281	(120)	-	(352)	-	116	-	(16,465)	-
Prysmian Telecom Cables & Systems Australia PTY Limited	-	163	(27)	-	(41)	-	1	-	-	-
Prysmian Wuxi Cable Company Ltd	-	-	(9)	-	(9)	-	-	-	-	-
Prysmian Communications Cables and Systems Usa LLC	-	4,322	(309)	-	(713)	-	905	9	-	-
Prysmian Cables and Systems (US) Inc.	-	-	-	-	27	-	-	-	-	-
Prysmian Treasury S.r.l.	37,758	496,117	(131)	-	(573)	(1,720)	564	3,840	-	2,621
Prysmian Cable Systems PTE LTD	-	3	-	-	-	-	-	-	-	-
Prysmian Cables & Systems Limited	-	21,855	(795)	-	(1,827)	(1,428)	257,997	1,973	-	-
Prysmian Energia Cables y Sistemas de Argentina S.A.	-	2	(173)	-	(103)	-	-	-	-	-
Prysmian Energia Cabos e Sistemas do Brasil S.A.	-	60	(435)	-	(220)	-	39	-	28	-
Prysmian Power Cables and Systems Canada LTD	-	62	(22)	-	(44)	-	116	-	-	-
Prysmian Cables et Systèmes France SAS	-	10,423	(638)	-	(831)	-	172,417	-	-	-
Prysmian Spain S.A.	-	5,664	(267)	-	(610)	-	15,191	-	-	-
Prysmian Construction Services Inc.	-	12	-	-	-	-	22	-	-	-
PT. Prysmian Cables Indonesia	-	4	(47)	-	(11)	-	2	-	-	-
Prysmian - OEKW GmbH	-	1	-	-	-	-	5	-	-	-
Prysmian Kabel und Systeme GmbH	2,154	7,363	(189)	-	(543)	-	27,427	-	-	-
Prysmian MKM Magyar Kabel Muvek Kft	-	4,088	(14)	-	(164)	-	136,572	-	-	-
Turk Prysmian Kablo Ve Sistemleri A.S.	-	1,436	(83)	-	(210)	-	4,278	-	-	-
Prysmian Cabluri Si Sisteme S.A.	-	723	(10)	-	(30)	-	17,188	-	-	-
Prysmian Tianjin Cables Co. Ltd.	-	-	(51)	-	(21)	-	-	-	-	-

(in thousands of Euro)	Investments in subsidiaries	Receivables	Payables	Employee benefit obligations	Costs			Income			
					Personnel costs	Goods, services and fair value change in metal derivatives	Finance costs	Good and services	Finance income	Dividends and (impairment) Reversal of impairment of investments	Income/ (costs) from group tax consolidation
Prysmian Kablo SRO	1	250	-	-	-	-	3	-	-	-	-
Prysmian Finland OY	-	8,919	(68)	-	(598)	-	107,499	-	-	-	-
Prysmian Netherlands B.V.	-	6,236	(121)	-	(339)	-	95,331	714	-	-	-
Prysmian Cavi e Sistemi Italia S.r.l.	49,870	3,200	(757)	-	(1,119)	-	31,799	-	-	-	-
Prysmian Cables Asia-Pacific PTE LTD	-	-	(10)	-	(10)	-	-	-	-	-	-
Prysmian Baosheng Cable Co., Ltd	-	13	(5)	-	(5)	-	-	5	-	-	-
Prysmian Cables (Shanghai) Trading CO. Ltd	-	-	(16)	-	(16)	-	-	-	-	-	-
Prysmian Power Cables & Systems Australia PTY Limited	-	1,166	(326)	-	(911)	(5)	107	1	-	-	-
Prysmian Cavi e Sistemi S.r.l.	278,975	50,178	(181)	-	(220)	-	87,947	258	96,187	6,703	-
Prysmian Power Cables & Systems New Zealand Limited	-	-	-	-	-	-	2	-	-	-	-
Prysmian PowerLink S.r.l.	143,892	24,413	(107)	-	(121)	-	37,810	12,450	124,851	3,917	-
Prysmian (CHINA) Investment Company Ltd	-	13	(40)	-	(15)	-	4	-	-	-	-
LLC Investitsionno - Promyshlennaya Kompaniya Rybinskelektrokabel	-	405	(6)	-	16	-	(38)	-	-	-	-
LLC Rybinskelektrokabel	-	780	(8)	-	(1,345)	-	548	-	-	-	-
Ravin Cables Limited (India)	-	25	-	-	-	-	-	-	-	-	-
Prysmian Surfex unilicais e tubos flexiveis do Brasil Ltda	-	9	(584)	-	(424)	-	-	-	5	-	-
Eurelectric Tunisie S.A.	-	81	-	-	-	-	81	-	-	-	-
Prysmian Electronics S.r.l.	-	52	(5)	-	(5)	-	29	-	-	16	-
Draka Holding B.V.	1,251,604	3,200	(3,523)	-	(3,364)	-	15	-	-	-	-
Draka Cornteq Fibre B.V.	-	590	(39)	-	(100)	-	85	-	-	-	-
Draka Cableteq USA INC	-	956	-	-	(85)	-	104	3	-	-	-
Draka Elevator Products INC	-	735	-	-	-	-	-	-	-	-	-
Draka Cornteq France SAS	-	1,169	(168)	-	(168)	-	305	-	-	-	-
Draka Paricable SAS	-	307	-	-	-	-	5,049	-	-	-	-

(in thousands of Euro)

	Investments in subsidiaries	Receivables	Payables	Employee benefit obligations	Costs				Income		
					Personnel costs	Goods, services and fair value change in metal derivatives	Finance costs	Good and services	Finance income	Dividends and (impairment) Reversal of impairment of investments	Income/ (costs) from group tax consolidation
Draka Comteq Germany GmbH & Co.KG	-	1,617	(145)	-	-	(137)	-	25,977	-	-	-
Draka Norsk Kabel AS	-	778	(144)	-	-	(47)	-	351	-	-	-
Draka Kabel Sverige AB	-	2,546	(56)	-	-	(44)	-	25,618	-	-	-
Draka Cable Wuppertal GmbH	-	1,551	-	-	-	(2)	-	15,411	-	-	-
Draka Kabel B.V.	-	-	(8)	-	-	-	-	-	-	-	-
Draka Comteq Berlin GmbH & Co KG	-	326	(10)	-	-	(31)	-	200	-	-	-
AS Draka Keila Cables	-	3,092	-	-	-	-	-	21,464	-	-	-
Draka Comteq Iberica SL	-	9	(1)	-	-	(1)	-	91	-	-	-
Draka Kabely SRO	-	3,839	(41)	-	-	(124)	-	83,122	-	-	-
Prysmian Fibras Opticas Brasil Ltda	-	-	(28)	-	-	(22)	-	-	-	-	-
Draka Comteq Austria GmbH	-	-	-	-	-	-	-	(1)	-	-	-
Draka Belgium N.V.	-	3	-	-	-	-	-	7	-	-	-
Draka Comteq Denmark A/S	-	494	(27)	-	-	(175)	-	418	-	-	-
Draka Denmark Holding A/S	-	-	-	-	-	-	-	(135)	-	-	-
Draka Fileca S.A.S.	-	207	(46)	-	-	(155)	-	117	-	-	-
Draka Deutschland GmbH	-	4	-	-	-	-	-	(25)	-	-	-
Draka Kabeltechnik GmbH	-	3	-	-	-	-	-	45	-	-	-
Draka Service GmbH	-	4	-	-	-	-	-	44	-	-	-
Draka Comteq UK Limited	-	-	1	-	-	(175)	-	-	-	-	-
Neva Cables Ltd	-	-	(2)	-	-	(2)	-	-	-	-	-
Draka Comteq Slovakia SRO	-	6	-	-	-	-	-	80	-	-	-
Draka Sweden AB	-	243	(10)	-	-	(10)	-	14	-	-	-
Draka Istanbul Asansor Ithalat Üretim Ltd Sti.	-	(9)	-	-	-	-	-	-	-	-	-
Draka Comteq Kablo Limited Sirketi	-	(9)	-	-	-	-	-	-	-	-	-

(In thousands of Euro)	Investments in subsidiaries	Receivables	Payables	Employee benefit obligations	Costs				Income			
					Personnel costs	Goods, services and fair value change in metal derivatives	Finance costs	Good and services	Finance income	Dividends and (impairment) Reversal of impairment of investments	Income/ (costs) from group tax consolidation	
Prysmian Draka Brasil	-	-	(75)	-	-	(73)	-	-	-	-	-	-
Draka Comteq Cabos Brasil S.A	-	-	(7)	-	-	(7)	-	-	-	-	-	-
Draka Durango S. de R.L. de C.V.	-	6	-	-	-	-	3	-	-	-	-	-
Draka Cables (Hong Kong) Limited	-	43	-	-	-	-	-	-	-	-	-	-
Suzhou Draka Cable Co. Ltd	-	72	(5)	-	-	(5)	-	-	-	-	-	-
Draka Philippines Inc.	-	1,666	(1)	-	-	(1)	19,036	133	-	-	-	-
Sindutch Cable Manufacturer Sdn Bhd	-	-	-	-	-	-	2	-	-	-	-	-
Draka (Malaysia) Sdn Bhd	-	-	-	-	-	(5)	-	-	-	-	-	-
Draka Cableteq Asia Pacific Holding Pte Ltd	-	810	-	-	-	-	19	-	-	-	-	-
Singapore Cables Manufacturers Pte Ltd	-	100	(40)	-	-	(103)	85	-	-	-	-	-
MCI-Draka Cable Co. Ltd	-	6	(16)	-	-	(16)	2	-	-	-	-	-
Prysmian PowerLink - Branch Singapore	-	-	(14)	-	-	-	-	-	-	-	-	-
Power Cables Malaysia SND - BHD	-	190	(5)	-	-	(5)	-	-	-	-	-	-
Compensation of directors, statutory auditors and key management personnel	-	-	(429)	(313)	(5,685)	(605)	-	-	-	-	-	-
Total	1,818,399	672,873	(10,393)	(313)	(5,685)	(16,849)	1,191,465	19,386	204,606	13,257		

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION 11971 DATED 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Valerio Battista, as Chief Executive Officer, and Carlo Soprano and Andreas Bott, as managers responsible for preparing the corporate accounting documents of Prysmian S.p.A., certify, also taking account of the provisions of paragraphs 3 and 4, art. 154-bis of Italian Legislative Decree 58 dated 24 February 1998, that during 2014 the accounting and administrative processes for preparing the financial statements:
 - have been adequate in relation to the business's characteristics and,
 - have been effectively applied.
2. The adequacy of the accounting and administrative processes for preparing the financial statements at 31 December 2014 has been evaluated on the basis of a procedure established by Prysmian in compliance with the internal control framework published by the Committee of Sponsoring Organizations of the Treadway Commission, which represents the generally accepted standard model internationally.
3. They also certify that:
 - 3.1 The financial statements at 31 December 2014:
 - a. have been prepared in accordance with applicable international accounting standards recognised by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;
 - b. correspond to the underlying accounting records and books of account;
 - c. are able to provide a true and fair view of the issuer's statement of financial position and results of operations.
 - 3.2 The directors' report contains a fair review of performance and the results of operations, and of the issuer's situation, together with a description of the principal risks and uncertainties to which it is exposed.

Milan, 25 February 2015

Valerio Battista
CHIEF EXECUTIVE OFFICER

Carlo Soprano Andreas Bott
MANAGERS RESPONSIBLE
FOR PREPARING CORPORATE
ACCOUNTING DOCUMENTS

Parent Company Financial Report

AUDIT REPORT



AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the Shareholders of
Prysmian SpA

- 1 We have audited the consolidated financial statements of Prysmian SpA and its subsidiaries ("Prysmian Group") as of 31 December 2014 which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows and the related explanatory notes. The Directors of Prysmian SpA are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree N° 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

- 2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for listed Companies and Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

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

- 3 In our opinion, the consolidated financial statements of the Prysmian Group as of 31 December 2014 comply with the International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree N° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position as of 31 December 2014, the result of operations and cash flows of the Prysmian Group for the year then ended.

PricewaterhouseCoopers SpA

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- 4 As described in note 14 to the consolidated financial statements, "Provisions for risks and charges", in 2009 certain anti-trust authorities started investigations with respect to the Prysmian Group and other European and Asian electrical cable manufacturers to verify the existence of anti-competitive practices in the high voltage submarine and underground cables markets. On 2 April 2014, the European Commission issued 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 Srl, adopted anti-competitive practices in the European market for high voltage submarine and underground cables. Despite the uncertainty of the outcome of the investigations in progress and of the potential legal action by customers as a result of the decision adopted by the European Commission, the Directors believe that the provision recorded represents the best estimate of the liability based on the information available.

- 5 The Directors of Prysmian SpA are responsible for the preparation of the Directors' report and of the report on corporate governance and ownership structure, published in the "investor relations/corporate governance" section of the Prysmian SpA internet site in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' report and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree N° 58/1998, presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard 1 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the Directors' report and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree N° 58/1998 presented in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of the Prysmian Group as of 31 December 2014.

Milan, 13 March 2015

PricewaterhouseCoopers SpA



Stefano Bravo
(Partner)

Parent Company Financial Report

**REPORT BY
THE BOARD OF
STATUTORY
AUDITORS**

REPORT BY THE BOARD OF STATUTORY AUDITORS (ART. 153 LEGISLATIVE DECREE 58/1998 AND ART. 2429 ITALIAN CIVIL CODE)

Shareholders,

This report refers to the activities performed by the Board of Statutory Auditors of Prysmian S.p.A. (the "Company" and together with its subsidiaries, the "Group") during the year ended 31 December 2014 (the "Financial Year").

1. In performing its supervisory and control activities, the Board of Statutory Auditors reports that:
 - a) it has monitored compliance with the law and the Company's By-laws and the observance of good management practices, in accordance with its duties set out in art. 2403 of the Italian Civil Code, art. 149 of Legislative Decree 58/1998 (Italy's Unified Financial Act, hereinafter "UFA") and Consob Communication 1025564 dated 6 April 2001 and subsequent amendments, and with reference to the standards of conduct established by the Italian Accountancy Profession;
 - b) it has attended meetings of the Board of Directors and the Control and Risks Committee, set up under art. 19 of the By-laws, and it has received regular information from the Directors about the Company's performance and outlook, and about transactions with the most significant impact on its results of operations, financial position and cash flows that were approved and actioned during the Financial Year by the Company and Group companies, including those transactions specifically mentioned in art. 150. par. 1. UFA. The Board of Statutory Auditors is able to provide reasonable assurance that the transactions approved and put into action complied with the law and the By-laws and were not manifestly imprudent, risky, in potential conflict of interest, in contrast with resolutions adopted by the shareholders in general meetings, nor such as to compromise the integrity of the Company's net assets. Resolutions adopted by the Board of Directors have been faithfully executed by management and the organisation;
 - c) it has not observed the existence of atypical and/or unusual transactions with Group companies or with third or related parties, nor has it received information in this regard from the Board of Directors, the Independent Auditors, or the director in charge of supervising the internal control and risk management system. The Directors' Report, prepared by the Board of Directors, contains adequate information about the effects of ordinary transactions entered into with subsidiaries on an arm's length basis that have an important impact on results of operations, financial position and cash flows. The Board of Statutory Auditors is of the opinion that related party transactions (including those between Group companies) are adequately controlled, also basing its conclusion on the results of work carried out by the Internal Audit department. In this regard, the Board of Statutory Auditors notes that the Company has adopted a set of procedures for related party transactions in compliance with the provisions of Consob Regulation 17221 dated 12 March 2010 and the Consob Communication dated 24 September 2010, as well as specific rules contained in the Group's Ethical Code, which set out how to avoid or manage situations in which the Directors have a

conflict of interest or a personal interest. In accordance with art. 4 of the above Consob Regulation, the Board of Statutory Auditors has verified that the procedures adopted by the Company comply with the Regulation's principles, and that such procedures have been observed;

- d) it has obtained information about and monitored (i) the adequacy of the Company's organisational structure, within the scope of its remit, and (ii) the observance of good management practices, by acquiring information from heads of the relevant departments and by holding meetings with representatives from PricewaterhouseCoopers S.p.A., the auditing firm engaged to perform the statutory audit (the "Independent Auditors"), including for the purpose of exchanging relevant information and data; no critical issues have emerged as a result of these meetings. No critical issues have emerged as a result of meetings with the Boards of Statutory Auditors and sole Statutory Auditors of the Company's Italian subsidiaries (Prysmian Cavi e Sistemi S.r.l.; Prysmian Powerlink S.r.l.; Prysmian Cavi e Sistemi Italia S.r.l.; Prysmian Treasury S.r.l.; Fibre Ottiche Sud - F.O.S. S.r.l. and Prysmian Electronics S.r.l.);
- e) it has assessed and monitored, to the extent of its remit under art. 19 of Legislative Decree 39/2010, the financial reporting process, the adequacy of systems of internal control, administration and accounting, and the latter's reliability for the purposes of fairly representing business performance, by:
 - i. regularly exchanging information with executive directors and particularly with the Managers responsible for preparing corporate accounting documents, whose role is governed by art. 154-bis, UFA;
 - ii. examining the reports prepared by the Head of Internal Audit, including information on the outcome of any remedial actions implemented as a result of auditing activities;
 - iii. obtaining information from the heads of departments;
 - iv. holding meetings and exchanging information with the statutory auditors of the Italian subsidiaries (Prysmian Cavi e Sistemi S.r.l.; Prysmian Powerlink S.r.l.; Prysmian Cavi e Sistemi Italia S.r.l.; Prysmian Treasury S.r.l.; Fibre Ottiche Sud - F.O.S. S.r.l., and Prysmian Electronics S.r.l.) as permitted by paragraphs 1 and 2 of art. 151, UFA, during which the Board of Statutory Auditors obtained information about the management and control systems of these subsidiaries and general trends in their business;
 - v. examining the activities of the Independent Auditors and reviewing the results of their work;
 - vi. attending meetings of the Control and Risks Committee and, when matters so required, addressing such matters jointly with this Committee,

These activities have not revealed any anomalies that could be considered evidence of inadequacies in the internal control and risk management system;

- f) as required by art. 150, par. 3, UFA and art. 19 of Legislative Decree 39/2010, it has had meetings with senior management from the firm of Independent Auditors, during which no facts or situations emerged that would require disclosure in this report, and it has performed the supervisory activities prescribed by art. 19 of Legislative Decree 39/2010;
- g) it has monitored the arrangements for implementing the Self-Regulatory Code for listed companies promoted by Borsa Italiana S.p.A., adopted by the Company, as described in the Report on Corporate Governance and Ownership Structure approved by the Board of Directors on 25 February 2015. The Board of Statutory Auditors has also verified the correct application of the criteria and procedures adopted by the Board of Directors to evaluate the independence of its members. The Board of Statutory Auditors has also verified that its own members comply with the independence requirements, laid down in the Self-Regulatory Code;
- h) it has examined and obtained information about the activities of an organisational and procedural nature implemented under Legislative Decree 231/2001 on corporate criminal liability. The Monitoring Board instituted by the Company has reported on its activities during the Financial Year and has not notified the Board of Statutory Auditors of any significant matters;
- i) it has verified that the flow of information provided by subsidiaries located outside the European Union is adequate for the audit of the annual and interim financial reports, as required by art. 36 of the Market Regulations adopted under Consob resolution 16191 dated 29 October 2007;
- j) it has followed the implementation of organisational measures connected with developments in the business.

During the meeting of the Board of Directors on 25 February 2014, the Board of Statutory Auditors approved the resolution, adopted under art. 2386 of the Italian Civil Code, concerning the appointment by co-optation of a new Director following the resignation of a serving Director.

The Board of Statutory Auditors met eleven times during 2014 and also attended meetings of the Board of Directors and the Control and Risks Committee; it also met with the Boards of Statutory Auditors and sole Statutory Auditors of the subsidiaries mentioned earlier.

As regards exchange of information with the Monitoring Board (instituted under Legislative Decree 231/2001), the Chairman of the Monitoring Board reports systematically to the Board of Statutory Auditors on its supervisory activities involving the Organisational Model adopted by the Company under Legislative Decree 231/2001.

Based on the information obtained, the Board of Statutory Auditors considers that the business is run in accordance with good management practices and that as a whole, its organisational structure, system of internal controls and administrative and accounting systems are appropriate for its business needs.

2. With regard to relations with the Independent Auditors, the Board of Statutory Auditors reports that:
- a) PricewaterhouseCoopers S.p.A. has issued today its "annual independence confirmation", under art. 17, par. 9 a) of Legislative Decree 39/2010;
 - b) on 31 March 2014, PricewaterhouseCoopers S.p.A. issued its report, required by art. 19, par. 3 of Legislative Decree 39/2010, for the year ended 31 December 2013, which showed that there were no material weaknesses in the internal controls relating to the financial reporting process;
 - c) PricewaterhouseCoopers S.p.A. has issued reports, also dated today, under art. 14 and art. 16 of Legislative Decree 39/2010, which state that:
 - i. the separate financial statements and consolidated financial statements for the year ended 31 December 2014 have been prepared clearly and give a true and fair view of the financial position as of 31 December 2014, the results of operations and changes in equity and cash flows of the Company and the Group for the Financial Year then ended;
 - ii. the Directors' Report and the information referred to in paragraph 1, letters c), d), f), l) m) and paragraph 2, letter b) of art. 123-bis UFA, presented in the Report on Corporate Governance and Ownership Structure, are consistent with the separate financial statements and the consolidated financial statements;
 - d) in addition to the duties prescribed by listed company regulations, PricewaterhouseCoopers S.p.A. and member companies of the PricewaterhouseCoopers S.p.A. network were engaged to perform other non-audit services for a total of Euro 935,000 during the Financial Year, as disclosed in the notes to the separate and consolidated financial statements; the nature of such services is consistent with art. 17 of Legislative Decree 39/2010.
The Board of Statutory Auditors believes, also based on the foregoing information, that there are no critical issues concerning the independence of PricewaterhouseCoopers S.p.A.;
3. On 6 March 2015, the Board of Statutory Auditors presented a reasoned proposal, under art. 13 of Legislative Decree 39 dated 27 January 2010, for the statutory audit engagement for financial years 2016-2024 – as already illustrated to the Board of Directors at the meeting on 25 February 2015 –, expressing its unanimous opinion in favour of the proposal submitted by Reconta Ernst & Young S.p.A., which met the agreed selection criteria and was the one that best corresponded to the needs of the Prysmian Group.

4. The Board of Auditors is not aware of any matters or complaints of which the Shareholders' Meeting should be informed. During the course of its activities and based on the information obtained, the Board of Statutory Auditors has not observed any omissions, misconduct, irregularities or any other circumstances that would require reporting to the external Supervisory Authority or disclosure in the present report.
5. The Board of Directors has promptly provided the Board of Statutory Auditors with copies of the financial statements and the Directors' Report. Within the scope of its remit, the Board of Statutory Auditors observes that the formats used are in accordance with the law, that the accounting policies adopted, as described in the accompanying notes, are adequate in relation to the activities and operations carried out by the Company, that the procedure adopted for testing the impairment of goodwill and trademarks presented in the financial statements is adequate and that the financial statements correspond to the facts and information of which the Board of Statutory Auditors is aware as a result of attending meetings of the Company's governing bodies and of its own supervisory activities.
6. Given the results of specific work performed by the Independent Auditors to test accounting controls and check the reliability of the financial statements, as well as the Board of Statutory Auditors' own supervisory activities, the Board of Statutory Auditors expresses a favourable opinion concerning the approval of the financial statements for the year ended 31 December 2014.

Milan, 13 March 2015

FOR THE BOARD OF STATUTORY AUDITORS
THE CHAIRMAN
Pellegrino Libroia

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