

GROUP PERFORMANCE AND RESULTS

FINANCIAL PERFORMANCE

(in millions of Euro)

	2016	2015	% change	2014
Sales	7,567	7,361	2.8%	6,840
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	680	584	16.4%	466
% of sales	9.0%	7.9%		6.8%
Adjusted EBITDA	711	623	14.1%	509
% of sales	9.4%	8.5%		7.4%
EBITDA	645	622	3.6%	496
% of sales	8.5%	8.4%		7.2%
Fair value change in metal derivatives	54	(27)		7
Fair value stock options	(49)	(25)		(3)
Amortisation, depreciation, impairment and impairment reversal	(203)	(171)		(188)
Operating income	447	399	11.5%	312
% of sales	5.9%	5.4%		4.5%
Net finance income/(costs)	(79)	(89)		(140)
Profit/(loss) before taxes	368	310	18.7%	172
% of sales	4.9%	4.2%		2.5%
Taxes	(106)	(96)		(57)
Net profit/(loss) for the year	262	214	22.4%	115
% of sales	3.5%	2.9%		1.7%
Attributable to:				
Owners of the parent	246	214		115
Non-controlling interests	16	-		-

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

Operating income (A)	447	399	11.5%	312
EBITDA (B)	645	622	3.6%	496
Adjustments:				
Company reorganisation	50	48		40
Non-recurring expenses/(income):				
Antitrust	(1)	(29)		(31)
Other non-operating expenses/(income)	17	(18)		4
Total adjustments (C)	66	1		13
Fair value change in metal derivatives (D)	(54)	27		(7)
Fair value stock options (E)	49	25		3
Asset impairment and impairment reversal (F)	30	21		44
Adjusted operating income (A+C+D+E+F)	538	473	13.7%	365
Adjusted EBITDA (B+C)	711	623	14.1%	509

During 2016 the Group recorded a considerable growth in profitability and good resilience in its sales volumes. In particular, the Submarine and High Voltage businesses within the Energy Projects segment enjoyed a very positive year-on-year performance, also considering that their 2015 figures had benefited from a Euro 24 million positive effect in connection with the Western Link project. However, the new OIL & GAS segment reported a steep downturn compared with 2015, particularly in the business of Oil & Gas Core cables, while the reduction in earnings was more moderate for the SURF business, which compared with the previous year included Gulf Coast Downhole Technologies (GCDT), a company acquired in September 2015.

The Energy Products segment saw the E&I business grow as a result of acquiring a majority stake in Oman Cables Industry (SAOG). Excluding this effect, segment profitability would have declined during the year, mainly due to weaker performance by Trade & Installers as partially mitigated by the resilience of Power Distribution in the first half of the year. The Industrial business posted a strong performance by Elevators, with Automotive and Network Components largely in line with the previous year but OEM in retreat. The Telecom segment had a good year growth thanks to demand for optical fibre cables and copper cables.

The Group's sales in 2016 came to Euro 7,567 million, compared with Euro 7,361 million in 2015, posting a positive change of Euro 206 million (+2.8%).

The growth in sales was attributable to the following factors:

- increase associated with full-year consolidation of Oman Cables Industry (SAOG) for Euro 537 million, Gulf Coast Downhole Technologies (GCDT) for Euro 17 million and the data cables business acquired from Corning Optical Communications GmbH & Co. KG. for Euro 7 million; decrease due to the disposal of the Chinese companies NK Wuhan for Euro 5 million and Prysmian Baosheng Cable co. for Euro 9 million, translating into an overall 7.4% net increase associated with acquisitions and disposals;
- increase of Euro 73 million (+1.0%) from organic growth;
- decrease of Euro 203 million (-2.7%) linked to unfavourable exchange rate movements;
- sales price erosion of Euro 211 million (-2.9%) following metal price fluctuations (copper, aluminium and lead).

The organic growth in sales of +1.0% is analysed between the four operating segments as follows:

Energy Projects	+18.5%;
OIL & GAS	-29.3%;
Energy Products	+3.6%;
Telecom	+8.5%.

Group Adjusted EBITDA (before Euro 64 million in net expenses for company reorganisation, net non-recurring expenses and other net non-operating expenses) came to Euro 711 million, posting an increase of Euro 88 million on the corresponding figure in 2015 of Euro 623 million (+14.1%). Adjusted EBITDA for 2016 reflects the negative impact of Euro 23 million in exchange rate effects compared with 2015, resulting from weakening in the British Pound, Turkish Lira, Argentine Peso and Chinese Renminbi.

EBITDA includes net expenses for company reorganisation, net non-recurring expenses and other net non-operating expenses, totalling Euro 66 million (Euro 1 million in 2015). Such adjustments in 2016 mainly comprise costs for reorganising and improving efficiency, as well as the effect of releasing the inventory revaluation for Oman Cables Industry (SAOG) under IFRS 3 accounting, the positive effect of recognising goodwill arising from the acquisition of the data cables business from Corning Optical Communications GmbH & Co. KG and the gain realised on disposing of Prysmian Baosheng Cable Co.

Group operating income came to Euro 447 million in 2016, compared with Euro 399 million in 2015, posting an increase of Euro 48 million.

Net finance costs came to Euro 79 million in 2016, down from Euro 89 million (-11.2%) in the previous year. The reduction of Euro 10 million is mainly attributable to lower finance costs associated with improved efficiency of the financial structure.

Taxes came to Euro 106 million, representing an effective tax rate of around 29%.

Net profit was Euro 262 million (of which Euro 246 million attributable to the Group and Euro 16 million to non-controlling interests), compared with Euro 214 million in 2015.