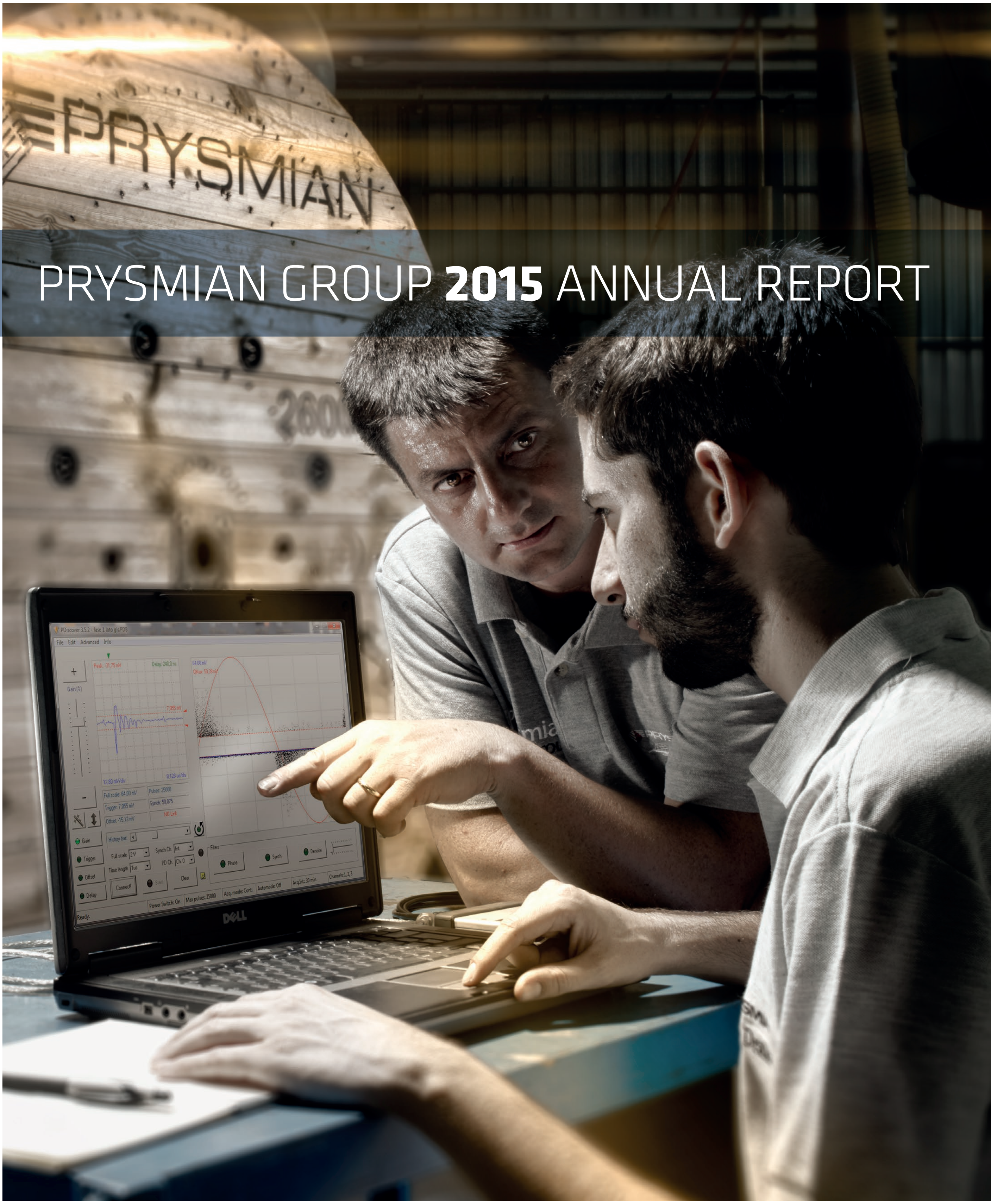
PRYSMIAN GROUP **2015** ANNUAL REPORT



Prysmian Group

PRYSMIAN

Draka

PRYSMIAN GROUP **2015** ANNUAL REPORT

CONTENTS

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

Revenue growth, improved profitability and solidity of the financial structure have all characterised 2015, which has closed with better-than-expected results for our company. In a scenario showing signs of recovery but nonetheless dominated by uncertainty and strong competitive pressure, our ability to defend the more strategic, high value-added businesses has continued to be decisive.

The market for submarine cables and systems has rewarded our project execution capability, which has been further enhanced by investments in technological innovation, production capacity and in installation with the new cable-laying vessel "Cable Enterprise". In the Telecom business, our recovery of optical fibre competitiveness and ability to develop innovative technological solutions for broadband, have allowed us to grasp the opportunities in what has proved a solid market.

Our commitment to containing costs and reorganising manufacturing footprint has carried on like in previous years, taking the number of plants closed to 12 since initiating the integration process with Draka. Thanks to these actions, and careful financial management, the business has been able to rely on strong cash flows and achieve a considerably better net financial position than expected.

Business performance

Group sales amounted to Euro 7,361 million, posting organic growth of +5.3% assuming the same group structure and excluding metal price and exchange rate effects. Sales growth reflected our capability to execute the many important submarine cable projects in the order book. High voltage underground sales were stable, while SURF (Subsea Umbilicals Risers Flowlines) posted a positive performance, especially thanks to umbilical sales. Sales by the Energy Products segment benefited from a slight recovery by Trade & Installers and good performance by Power Distribution, while the Industrial cables business was penalised by the downturn in O&G and Automotive. Lastly, in the Telecom segment the Group benefited from the continued growth in demand for optical cables and improved competitiveness of its products.

Adjusted EBITDA (before net non-recurring expenses of Euro 1 million) reported a jump of +22.6% to Euro 623 million from Euro 509 million in 2014. Excluding the adverse impact of the Western Link project, Adjusted EBITDA would have been Euro 649 million, versus Euro 603 million in 2014. The improvement in profitability, particularly in the Energy Projects and Telecom segments, took place at a steady rate throughout the year.

Net financial position amounted to Euro 750 million at the end of December 2015 (compared with Euro 802 million at the end of 2014), marking a considerable improvement even on the initial forecasts, and would have been Euro 529 million excluding the impact of acquisitions. Cash generation from operating activities and a decrease in net working capital were among the main contributors to this result.

Industrial investments

Like in the previous year, the Group has continued to develop its growth strategy by focusing on investments in its high value-added businesses. Particular energy has been devoted not only to the process of concentrating high-tech product manufacturing in a small number of plants, with the goal of creating centres

of excellence where economies of scale can be exploited, but also to the ongoing pursuit of greater manufacturing efficiency in the commodities area by maintaining a wide geographical presence to minimise distribution costs. Gross capital expenditure came to Euro 210 million in 2015, up from Euro 163 million the previous year. Among the highest impact projects were those to increase production capability at the submarine cable plants in Arco Felice (Italy) and Pikkala (Finland), to expand production at the High Voltage plant in Abbeville (USA), to regain competitiveness at the optical fibre plants in Battipaglia (Italy), Douvrin (France) and Sorocaba (Brazil), and in the optical cables area, the start of construction of a new facility in Durango (Mexico) and of work to expand the centre of excellence in Slatina (Romania).The Group has also invested in boosting its execution capability for large submarine projects, with the upgrade of the "Cable Enterprise" cable-laying ship and the purchase of a new cable-laying barge.
A total of Euro 73 million was invested in Research and Development during the year. One of the main results was the qualification of the new extruded 525 kV cable system for direct current applications (EHVDC) that will significantly increase maximum transmissible power for bipolar cable systems to over 2.6 GW. Also of note were the achievement of qualification for P-Laser 320 kV high-performance eco-friendly cable, product innovations for fire-resistant eco-friendly building wires, and new applications and qualifications in the fields of Oil&Gas, Nuclear and Renewables. The Telecom business reported the development of a new range of bend-resistant BendBrightXS optical fibres, and the enlargement of the product range for Flextube.

Acquisition-led growth

The year saw continued pursuit of externally driven growth, with two key strategic acquisitions. In the USA, the Group acquired Gulf Coast Downhole Technologies (GCDT), active in the design and supply of innovative downhole equipment for the Oil & Gas industry, while in Oman, it signed an agreement to increase its stake in Oman Cables Industry (SAOG) to approximately 51%, thereby gaining control and boosting its presence in the strategic Middle East region.

Human capital development

Numerous initiatives of note have taken place in the areas of human capital development and business organisation. The process of regionalising structures in Europe, aimed at improving commercial synergies and the supply chain in an increasingly integrated market context, has been taken forward with the creation of the two regions of Central East Europe and South Europe. In terms of promoting talent, the various programs for both employees and potential candidates have continued: about 700 employees passed through the doors of the Prysmian Group Academy over the course of the year, and the new Manufacturing Academy in Mudanya (Turkey) was inaugurated; the "Build The Future" graduate recruitment program, now in its fifth edition, has resulted in the intake of 40 new high-potential resources, while a new recruitment program targeting production engineers and technicians has been launched under the "Make It" banner. The YES employee share purchase plan has also continued, with the number of employee-shareholders climbing to 6,500, representing over 40% of those entitled.

Sustainability

The Group's activities in the area of Sustainability deserve a special mention, with a view to giving continuous attention to our stakeholders' expectations. The Group has continued to step up its commitment to Corporate Social Responsibility, in particular by analysing the impact of its activities in a more detailed fashion, by adopting additional KPIs and new policies, by improving disclosure and by implementing stakeholder engagement initiatives. Among the main achievements, I would like to mention its entry to the FTSE4Good global index, the 10-point improvement of position in the Dow Jones Sustainability Index, the certification by an accounting firm of the Sustainability Report prepared under the G4 guidelines of the Global Reporting Initiative, and participation in the Carbon Disclosure Project. Last but not least, reflecting the strategic importance we attach to this area, the Board of Directors has put the Compensation and Nominations Committee in charge of supervising issues concerning sustainability.

Value creation and shareholder remuneration

Financial year 2015 has therefore produced positive results for our shareholders, to whom we are able to confirm achievement of our profit targets and to propose a dividend in line with 2014.

GROUP ANNUAL REPORT

Consolidated Financial Report

DIRECTORS' REPORT

DIRECTORS AND AUDITORS

BOARD OF DIRECTORS (3)

Boar of Directors (3)	
Chairman	Massimo Tononi (*) (2)
Chief Executive Officer & General Manager	Valerio Battista
Directors	Maria Elena Cappello (*) (**) (1)
	Monica de Virgiliis (*) (**)
	Claudio De Conto (*) (**) (1) (2)
	Alberto Capponi (*) (**)
	Massimo Battaini
	Pier Francesco Facchini
	Maria Letizia Mariani (*) (**) (1)
	Fabio Ignazio Romeo
	Giovanni Tamburi (*) (**)

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

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

(1) Members of the Control and Risks Committee

(2) Members of the Compensation and Nominations Committee

(3) Appointed on 16 April 2015

BOARD OF STATUTORY AUDITORS(4)

Board of Statutory Auditors	
Chairman	Pellegrino Libroia
Standing Statutory Auditors	Paolo Francesco Lazzati
	Maria Luisa Mosconi
Alternative Statutory Auditors	Marcello Garzia
	Claudia Mezzabotta
Indipendent Auditors	PricewaterhouseCoopers S.p.A.

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

FINANCIAL HIGHLIGHTS

MAIN FINANCIAL AND OPERATING DATA (*)

(in millions of Euro)

	2015	2014	% change	2013
Sales	7,361	6,840	7.6%	6,995
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	584	466	25.6%	578
Adjusted EBITDA (1)	623	509	22.6%	613
EBITDA (2)	622	496	25.7%	563
Adjusted operating income (3)	473	365	29.6%	465
Operating income	399	312	28.5%	368
Profit/(loss) before taxes	310	172	80.5%	218
Net profit/(loss) for the year	214	115	86.2%	153

(in millions of Euro)

	31 December 2015	31 December 2014	Change	31 December 2013
Net capital employed	2,515	2,345	170	2,296
Employee benefit obligations	341	360	(19)	308
Equity	1,424	1,183	241	1,183
of which attributable to non-controlling interests	146	33	113	36
Net financial position	750	802	(52)	805

(in millions of Euro)

	2015	2014	% change	2013
Capital expenditures (4)	210	163	28.8%	163
Employees (at period end)	19,316	19,436	-0.6%	19,232
Earnings/(loss) per share				
- basic	1,00	0.54		0,71
- diluted	1,00	0.54		0,71
Patents (****)	4,785	5,836		5,731
Number of plants	88	89		91
Percentage of plants certified ISO 14001	91%	93%		82%
Percentage of plants certified OHSAS 18001	63%	59%		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, dividends from other companies and taxes.

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

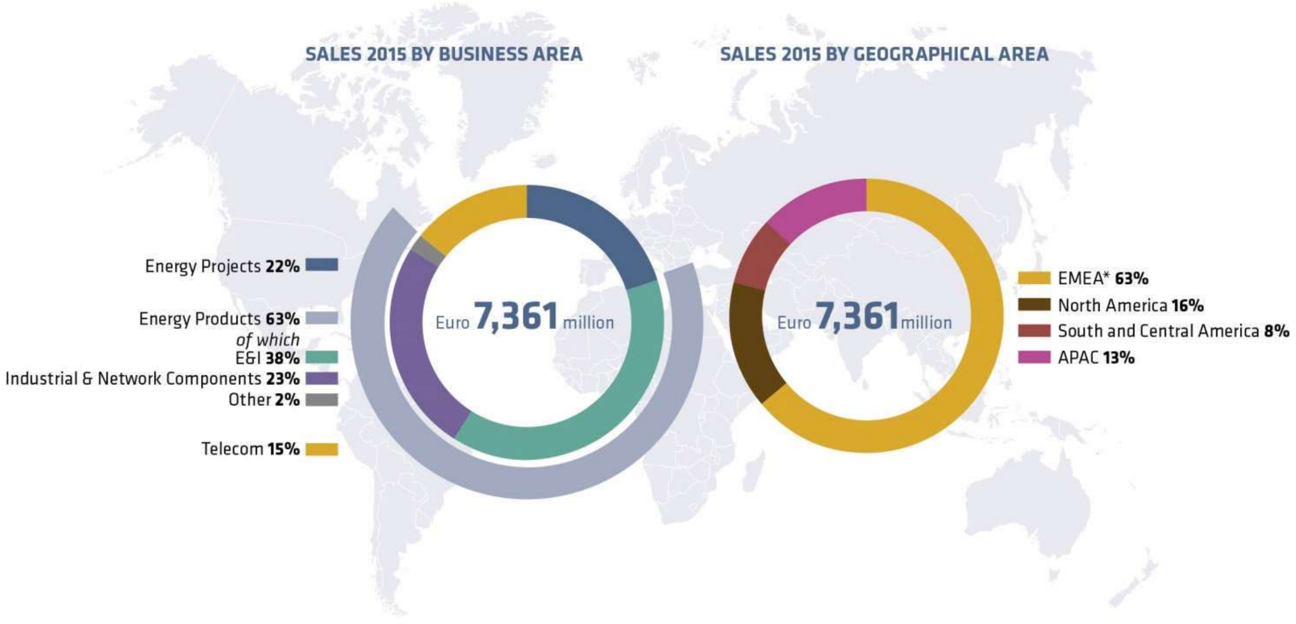
(3) Adjusted operating income is defined as operating income before non-recurring income/(expenses) and the fair value change in metal derivatives and in other fair value items.

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

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

(**) The originally published 2013 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.



(*) Europe – Middle East - Africa.

KEY FINANCIALS (*)

Amounts in millions of Euro – Percentages on sale

(*)The originally published 2013 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, changes in commodity prices and exchange rate effects.

(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) Net Operating Working Capital is defined as Net Working Capital excluding the effect of derivatives. The percentage is calculated as Net Working Capital/Annualised last-quarter sales.

PRYSMIAN GROUP

VISION, MISSION, VALUES

Prysmian Group

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

Prysmian Group is world leader in the energy and telecom cables and systems industry. With more than 130 years of experience, sales in excess of Euro 7 billion in 2015, over 19,000 employees in 50 countries and 88 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.

It operates in the business of underground and submarine cables and systems for **power** transmission and distribution, of special cables for applications in many different industries and of medium and low voltage cables for the construction and infrastructure sectors.
For the **telecommunications** industry, the Group manufactures cables and accessories for voice, video and data transmission, 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 carries out major **submarine power interconnection** projects for utilities and grid operators. These include the recent NSN (North Sea Network) Link between Norway and Britain, which once installed will be the first power transmission line to connect these two nations, and the record Western HVDC Link 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). Thanks to the Trans Bay, Neptune and Hudson projects in the United States, large areas between San Francisco and New York City are being illuminated 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 recently worked on the cable to link a number of wind farms in the West of Adlergrund cluster in the Baltic Sea to mainland electricity grids in Germany.

In the area of **onshore infrastructure**, the Group has been involved in the construction of electricity grids in some of the world's largest metropolises, from New York to Buenos Aires, London to St. Petersburg, and Hong Kong to Sydney. Over coming months Prysmian will lead a consortium of 7 companies for the construction of the new high voltage direct current electricity interconnection between Italy and France, known as "Piedmont-Savoy". The project will play a strategic role in enhancing energy security and enabling energy exchange up to 1200 MW between Italy and France.

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 and DHT 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 helped to ensure the safety of the millions of visitors from around the world who came to 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 manufacturing facilities, 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 Australian history.

Operating segments
The **Energy Projects Operating Segment** encompasses the following high-tech and high value-added businesses whose focus is on projects and their execution, as well as on product customisation: High Voltage underground, 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 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 drilling; 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 developed 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, harbours, 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 serve the elevator market, such as flexible connectorised cables and hoistway cables, and 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 for connecting cables and other network elements.

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

With centres of excellence in Battipaglia (Italy), Claremont (USA), Douvrin (France), Eindhoven (the Netherlands) and Sorocaba (Brazil), Prysmian Group is one of the leading manufacturers of the core component of every type of optical cable: *optical fibre*. A wide range of optical fibres is designed and made to

cater to the broadest possible spectrum of customer applications, including single-mode, multimode and specialty fibres. The Group 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 BendBrightxs 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
Battipaglia
Giovinazzo
Livorno
Merlino
Pignataro Maggiore
Quattordio
Norway
Drammen
Oman
Muscat
Sohar
Netherlands
Eindhoven
Delft
Amsterdam
Emmen
Delfzijl
Nieuw Bergen
Czech Republic
Velke Mezirici
Romania
Slatina
Russia
Rybinsk
Slovakia
Presov
Spain
Vilanova y la Geltrù
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
Brasil
Joinville
Sorocaba (2)
Santo Andrè
Vila Velha

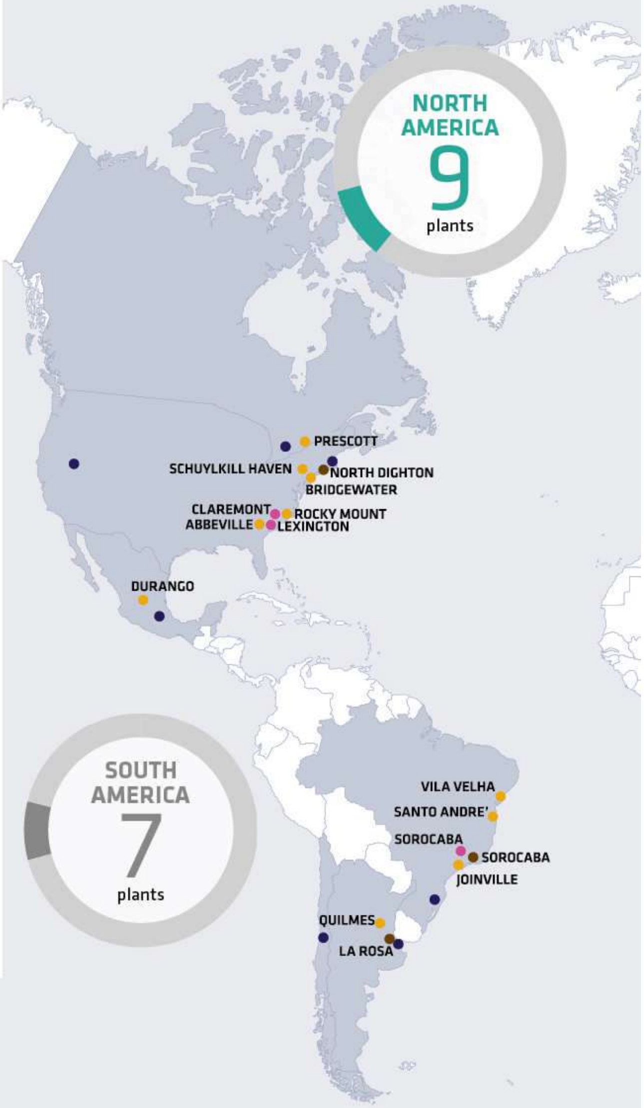
APAC

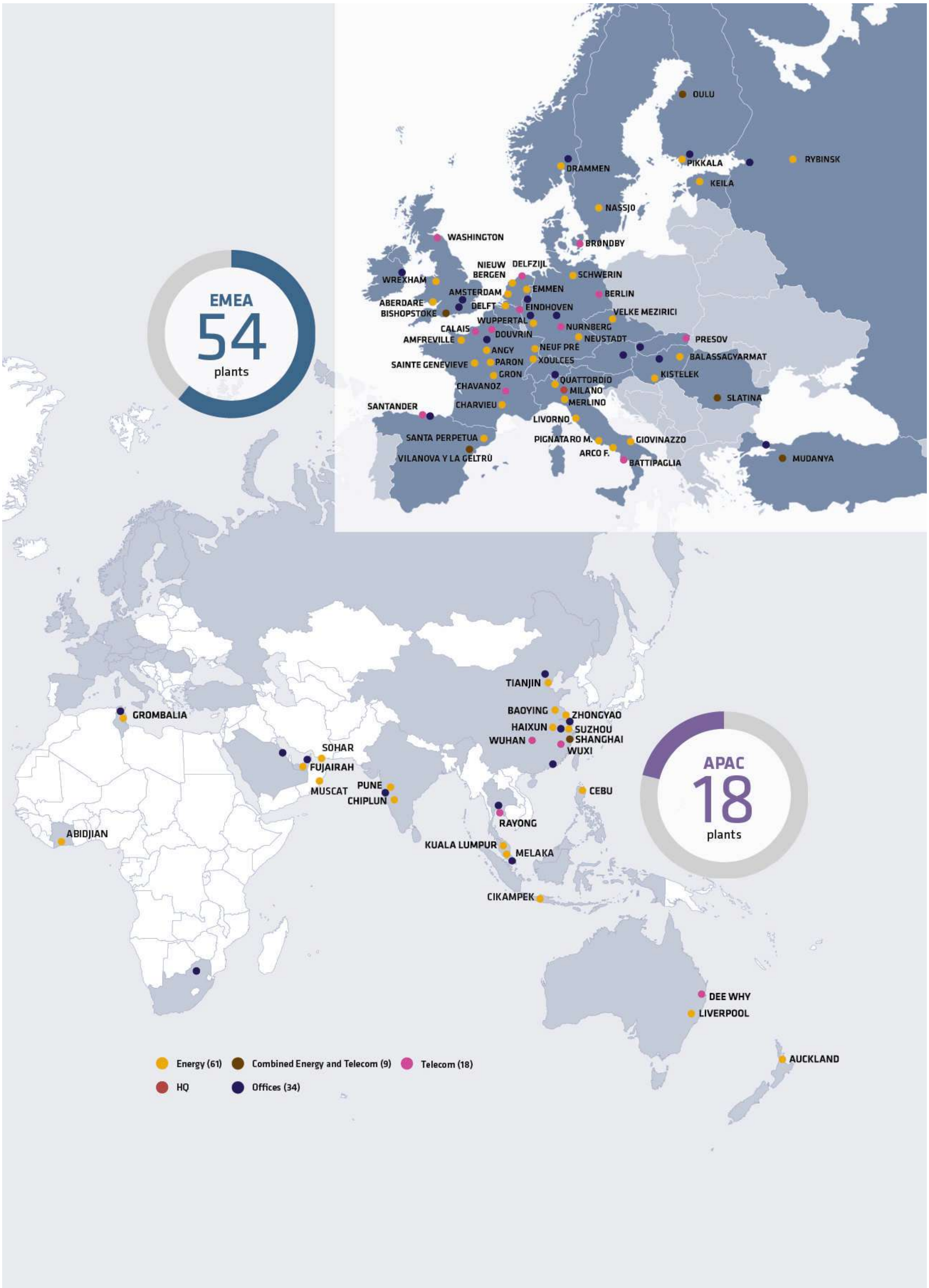
Australia
Dee Why
Liverpool
China
Baoying
Tianjin
Wuxi
Wuhan
Haixun
Shanghai
Suzhou
Zhongyao
Philippines
Cebu
India
Pune
Chiplun
Indonesia
Cikampek
Malaysia
Kuala Lumpur
Melaka
New Zeland
Auckland
Thailand
Rayong

NORTH AMERICA

Canada
Prescott
Mexico
Durango
USA
Abbeville
Lexington
North Dighton
Bridgewater
Rocky Mount
Claremont
Schuylkill Haven

50 COUNTRIES
88 PLANTS
17 R&D CENTRES
19,000 EMPLOYEES





Prysmian Group

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 approach;
- **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 since 2011 and is on track with its targets. It intends to drive forward 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.

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

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

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

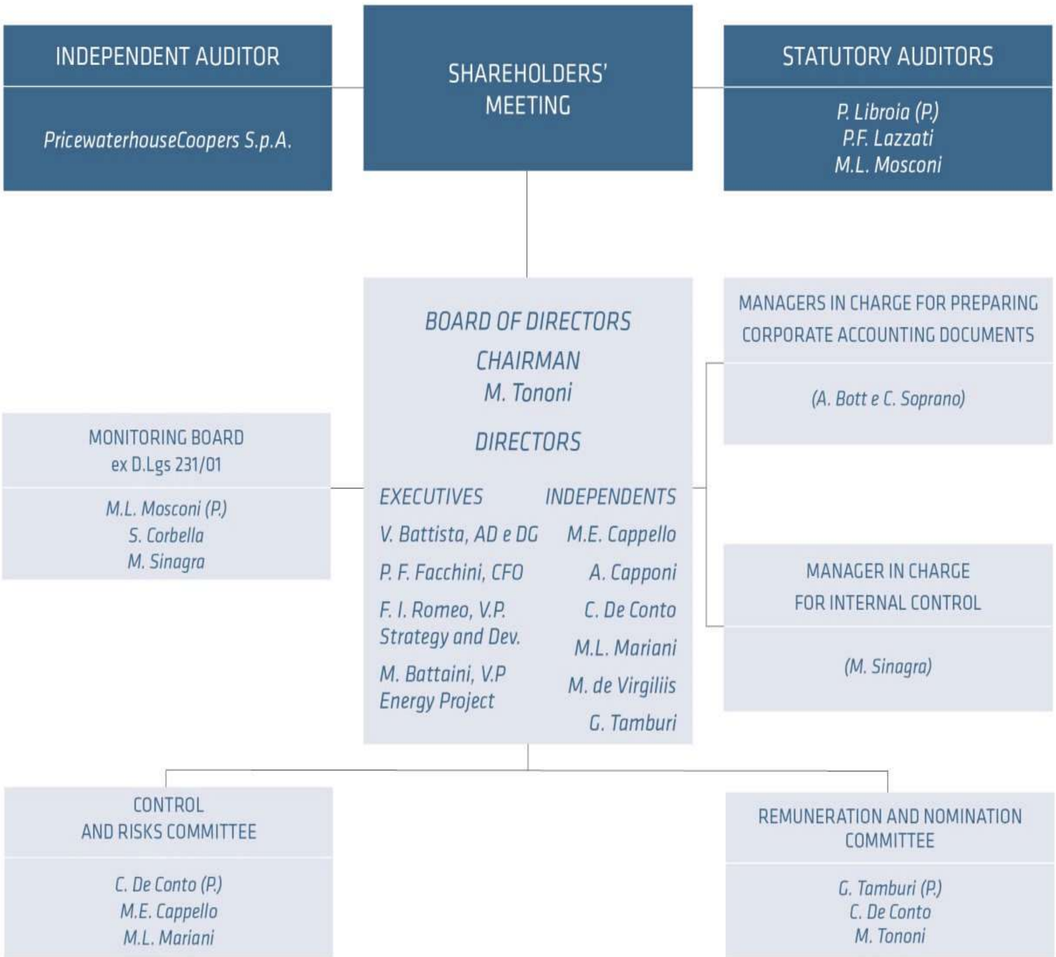
Once again in 2015, Prysmian undertook several initiatives to implement the recommendations of the Corporate Governance Code[1], to which it has adhered.

[1] "Corporate Governance Code for Listed Companies - Ed. July 2015" - approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria

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.

GOVERNANCE STRUCTURE



In compliance with the provisions of art. 14 of the By-laws, the Company is currently managed by a Board of Directors consisting of eleven directors - who shall remain in office until the date of the annual general meeting that approves the financial statements for the year ended 31 December 2017 - 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 Corporate Governance Code, the non-executive directors are sufficiently numerous and have enough authority to ensure that their judgement carries significant weight in Board decision-making. Six of the non-executive directors are independent within the meaning of art. 148, par. 3 of Legislative Decree 58 dated 24 February 1998 (known as the Unified Finance Act) and of art. 3.C.1. and art. 3.C.2. of the Corporate Governance Code, while one non-executive director is independent within the meaning of art. 148, par. 3 of the Unified Finance Act. The Board of Directors has appointed a Chief Executive Officer and General Manager from among its members and granted him all the authority and powers of ordinary administration needed or useful for fulfilling the company's business purpose.

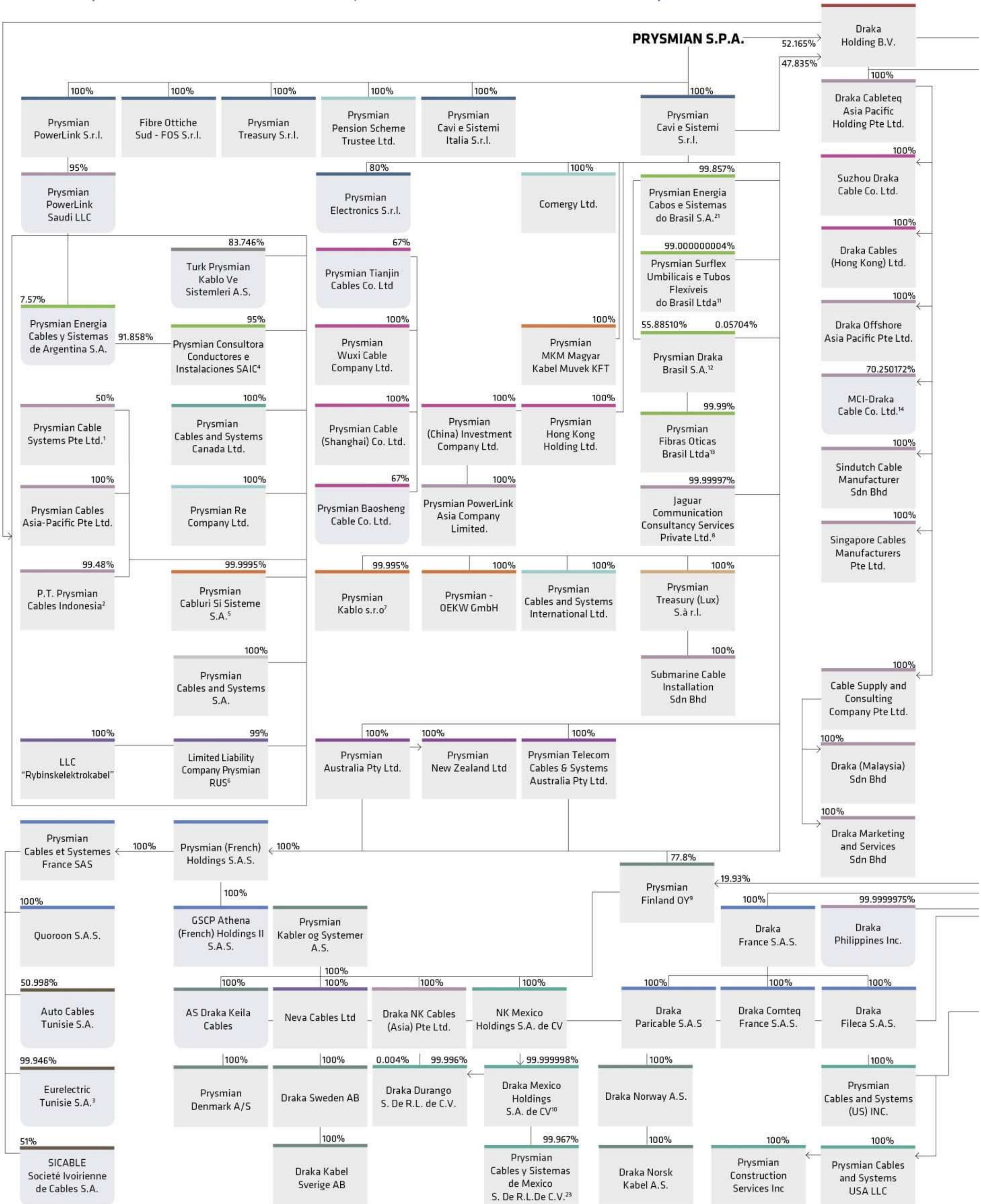
Management of the business is the responsibility of the directors, who take the necessary actions to implement the business purpose. The Board of Directors is also responsible for the Group's internal control and risk management system and is therefore required to verify its adequacy and to adopt specific 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 the internal control and risk management system, the Head of Internal Audit, the Board of Statutory Auditors and the Managers responsible for preparing the corporate accounting documents.

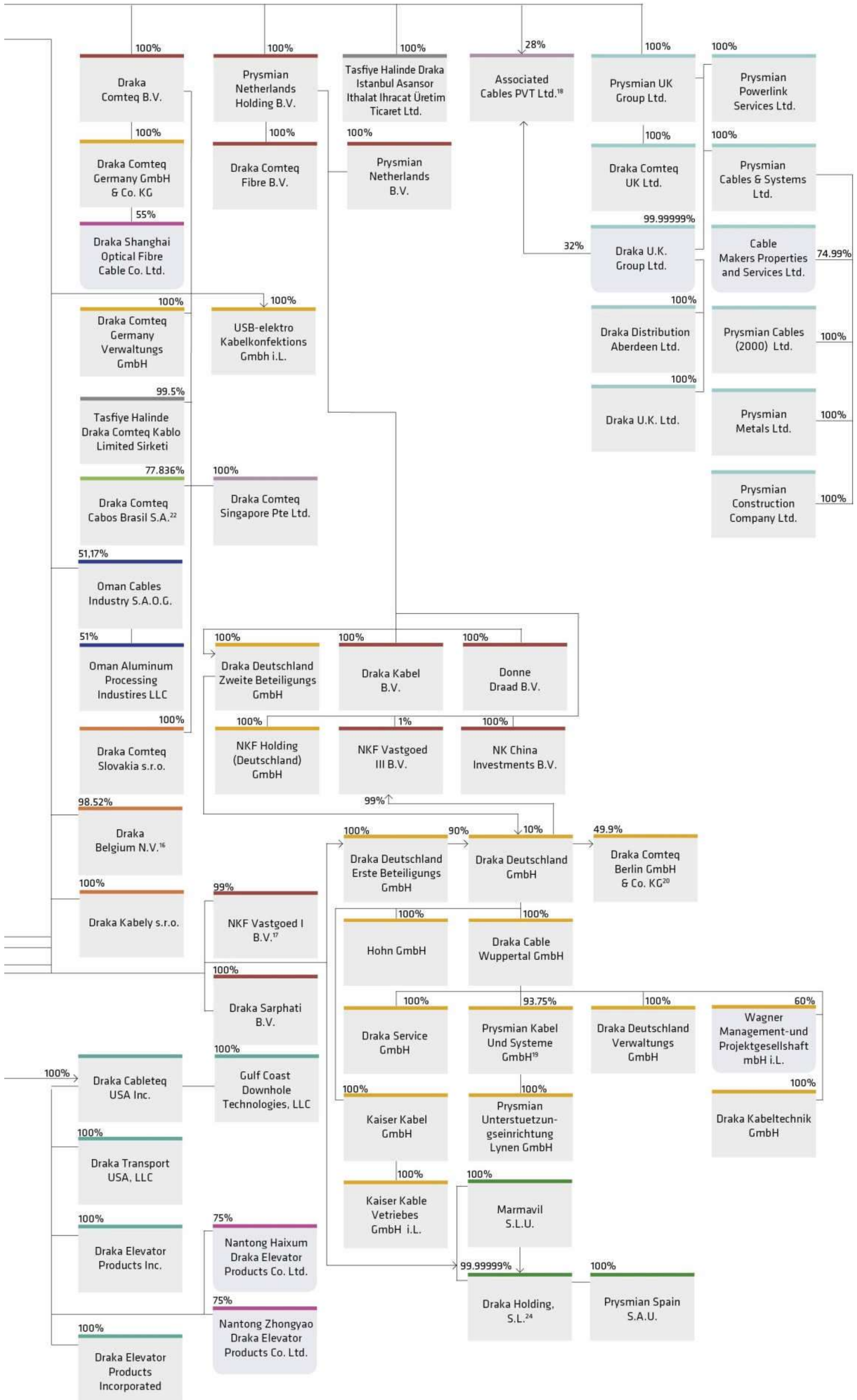
Completing the Prysmian corporate governance structure is a Compensation and Nominations Committee and a Monitoring Board instituted under Legislative Decree 231/2001.

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 the Unified Finance 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 the Unified Finance Act and available in the Investor Relations/Corporate Governance section of the company at www.prysmiangroup.com.

CORPORATE STRUCTURE

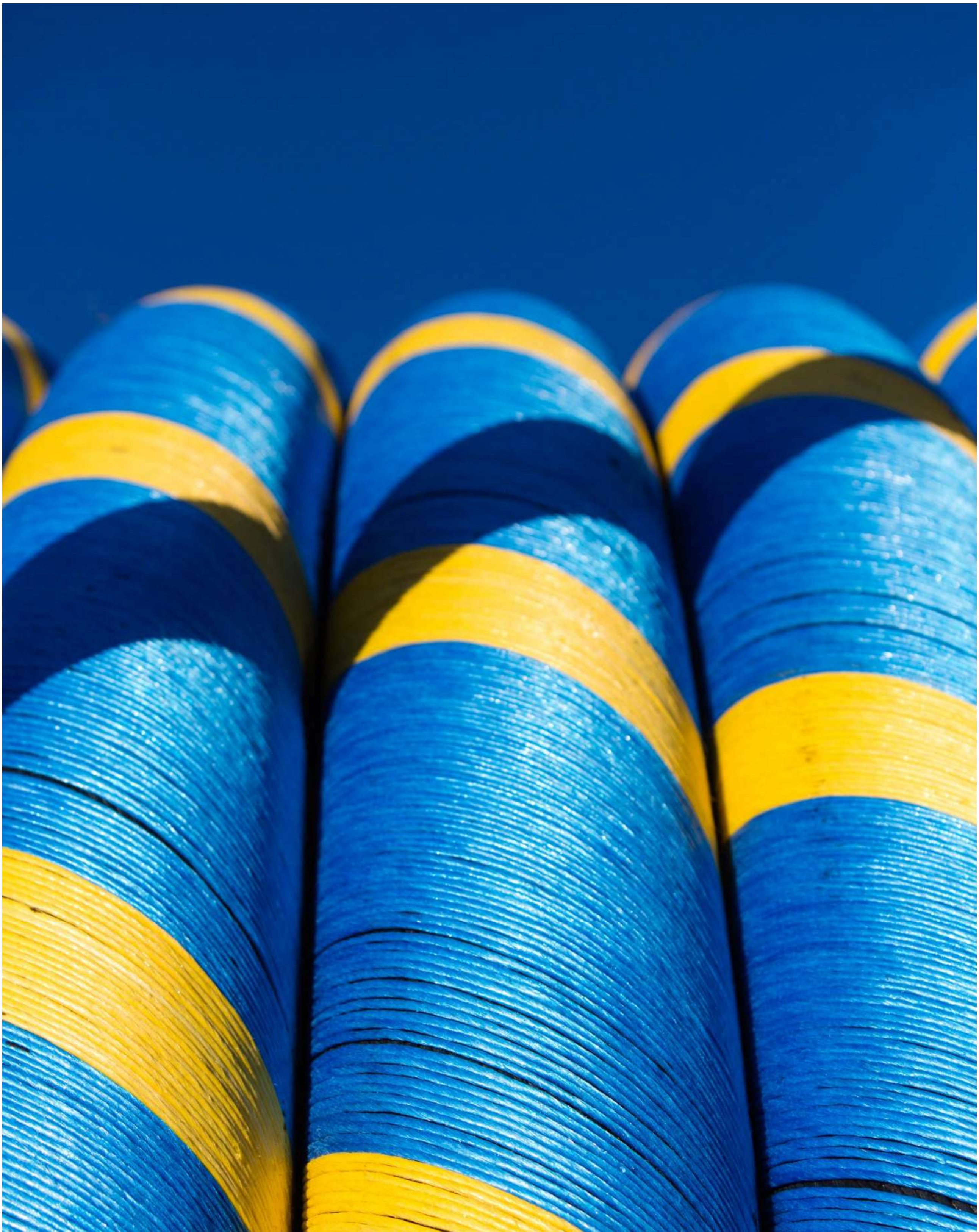
The companies consolidated on a line-by-line basis at 31 December 2015 are presented below:



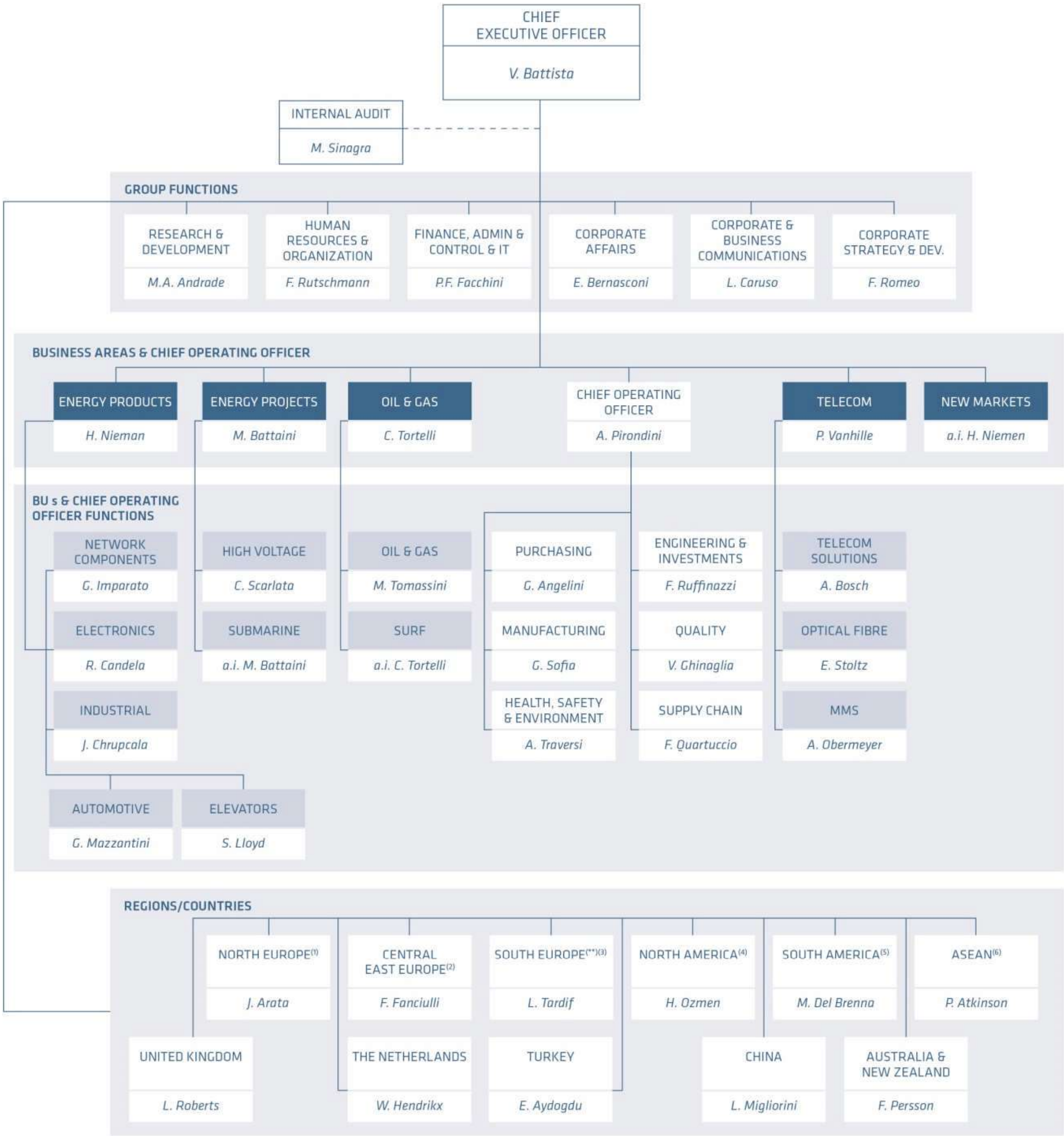


Wholly owned
Third-party ownership
Italy
UK - Ireland
France
Netherlands
Nordics
Germany
Spain
Danubian Area
Switzerland
Oceania
Asia Pacific
China
Russia
South America
North America
Turkey
Africa
Luxembourg
Oman

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. 0.999999996%
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. Prysmian S.p.A. 0.143%
22. Prysmian Energia Cabos e Sistemas do Brasil S.A. 22.164%
23. Draka Holding B.V. 0.033%
24. Marmavil S.L.U. 0.00001%



ORGANISATIONAL STRUCTURE (*)



(*) The organisation chart reflects the organisational structure as from 1 March 2016.
(**) France delegated for Aerospace.
(1) NORTH EUROPE: Denmark, Estonia, Finland, Norway, Russia, Sweden.
(2) CENTRAL EAST EUROPE: Austria, Czech Republic, Germany, Hungary, Poland, Romania, Slovak Republic.
(3) SOUTH EUROPE: France, Italy, Spain.
(4) NORTH AMERICA: Canada, Mexico, USA.
(5) SOUTH AMERICA: Argentina, Brazil.
(6) ASEAN: Indonesia, Malaysia, Philippines, Singapore, Thailand.

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 reorganisation 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 88 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 Financial 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 become 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, a position he held until January 2014.

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 Business

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

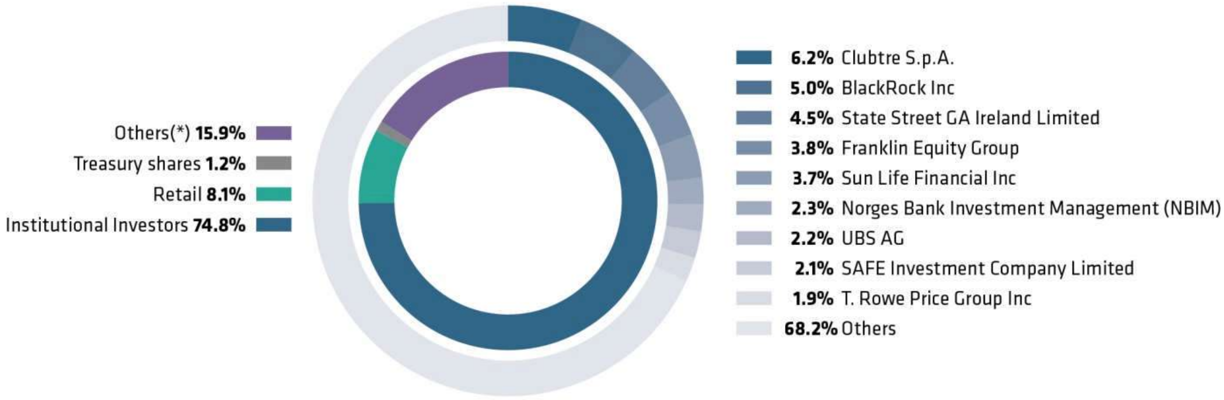
Prysmian Group can be considered a Public Company to all intents and purposes: its free float is equal to 100% of the shares, with nearly 80% of its capital held by institutional investors.

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 2015, the Company's free float was equal to 100% of the outstanding shares and major shareholdings (in excess of 2%) accounted for approximately 22% 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 2015, the share capital of Prysmian S.p.A. amounted to Euro 21,672,092.20, comprising 216,720,922 ordinary shares with a nominal value of Euro 0.1 each. The ownership structure at this date is shown below.

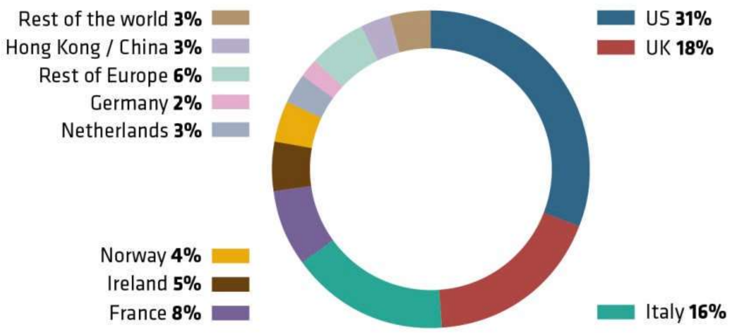
OWNERSHIP STRUCTURE BY TYPE AND MAJOR SHAREHOLDERS

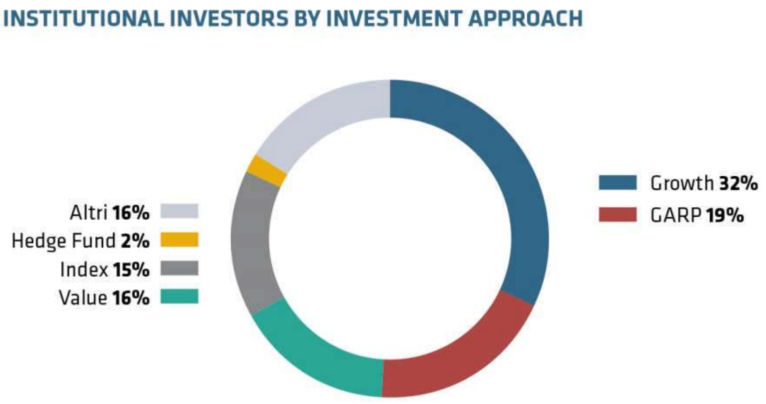


Source: Nasdaq OMX, December 2015 (Ownership structure by type); Thomson One public sources and CONSOB, December 2015 (Major shareholders with over 2%).

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

INSTITUTIONAL INVESTORS BY GEOGRAPHICAL AREA





Source: Nasdaq OMX December 2015

The geographical ownership structure confirms the predominant presence of the United States, whose investors hold 31% of institutional investor total, up from 2014, followed by the United Kingdom, which accounted for about 18% at the end of 2015. At the end of 2015 Italy accounted for around 16% of the capital held by institutional investors, up from 2014, while France's share fell to 8%. The proportion of Asian investors was stable.

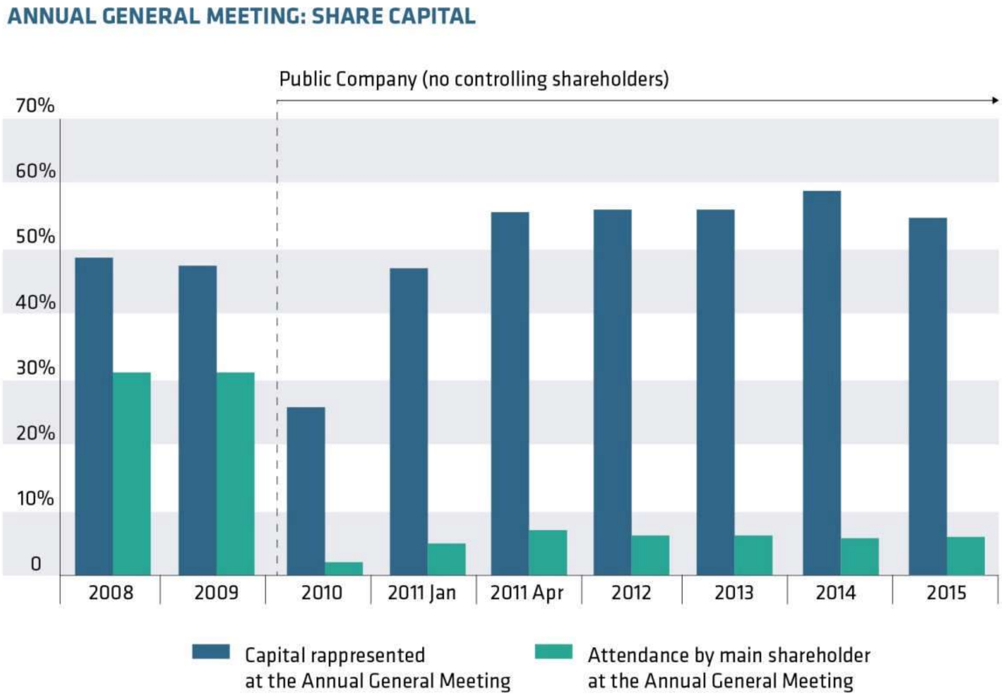
Approximately 67% of the share capital held by institutional investors is represented by investment funds with Value, Growth or GARP strategies, therefore focused on a medium to long-term investment horizon. The proportion of investors adopting an Index investment strategy, based on the principal stock indexes, was slightly higher than the previous year, while the Hedge Fund component, focused on a shorter time horizon, reduced its weight to 2% of the total.

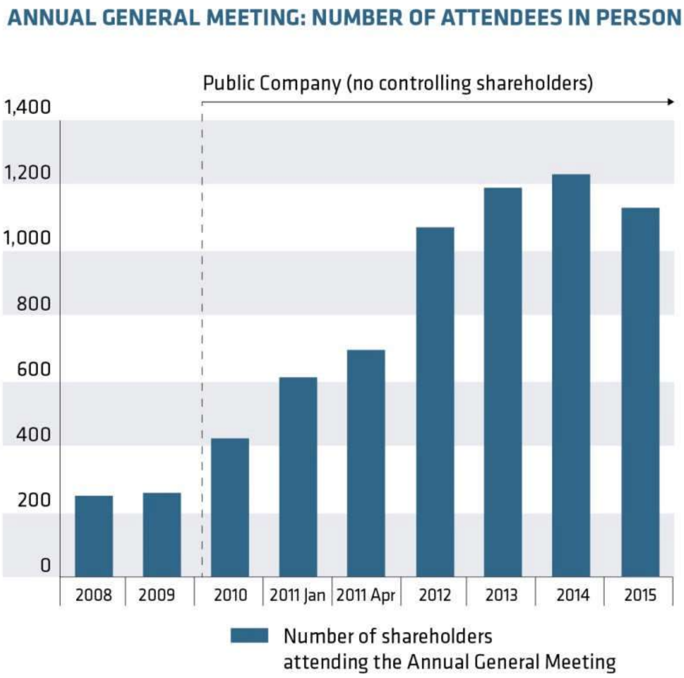
ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders confirmed its confidence in the current management team by voting with a large majority (over 79% of voters) for the list of directors proposed by management itself.

The Annual General Meeting of the shareholders of Prysmian S.p.A. was held on 16 April 2015 in single call to vote on several agenda items, including the approval of the 2014 financial statements, the renewal of the Board of Directors, the conferral of the statutory audit engagement for financial years 2016 - 2024, 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 a consultation on remuneration policies. The meeting, which was attended by over one thousand shareholders, in person or by proxy, representing more than 55% of the share capital, approved every item on the agenda by a large majority (more than 95%) and it renewed its confidence in the management team by giving a wide majority vote (over 79%) to the list of directors proposed by management itself.

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 22 April 2015, involving a total pay-out of approximately Euro 91 million.





Financial Calendar 2016

FINANCIAL CALENDAR 2015

24 February 2016	Group Annual Report and draft Annual Report of Prysmian S.p.A. at 31 December 2015
13 April 2016	Annual General Meeting to approve Annual Report at 31 December 2015
10 May 2016	First-Quarter Report at 31 March 2016
28 July 2016	Half-Year Report at 30 June 2016
8 November 2016	Third – Quarter Report at 30 September 2016

FINANCIAL MARKET PERFORMANCE

The macro environment in 2015 displayed improvement in Europe and stabilisation in growth in the United States but signs of slowdown in the principal emerging economies.

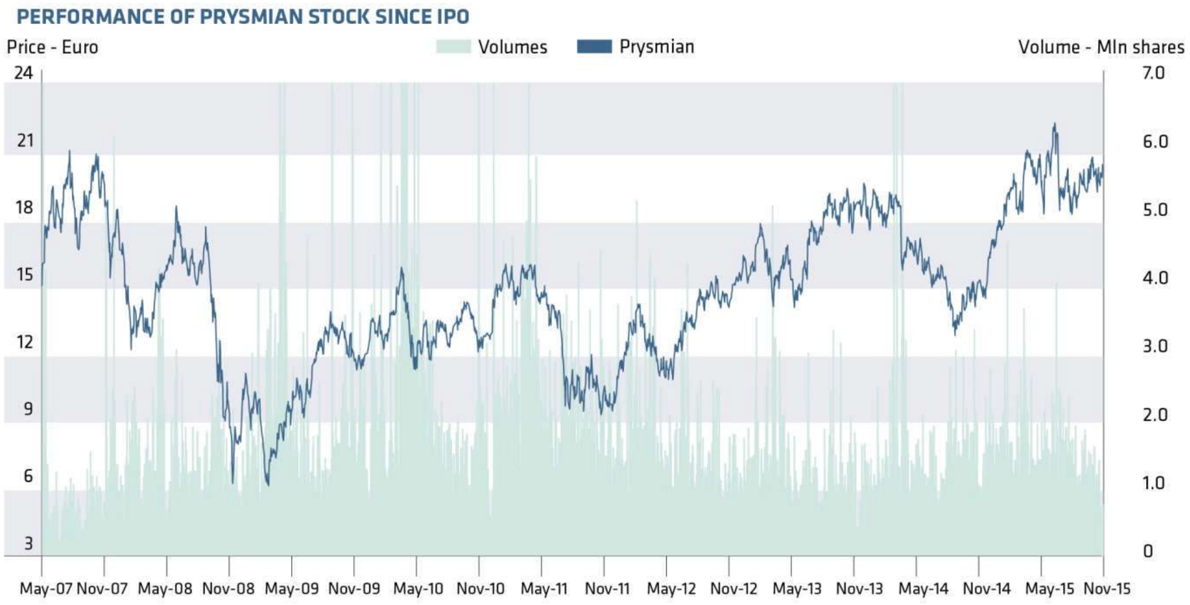
Prysmian S.p.A. has been listed on the Italian Stock Exchange on 3 May 2007 and since September 2007 has been included in the FTSE MIB index, comprising the top 40 Italian companies by capitalisation and stock liquidity. The Prysmian stock has since entered the principal world and sector indexes, including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

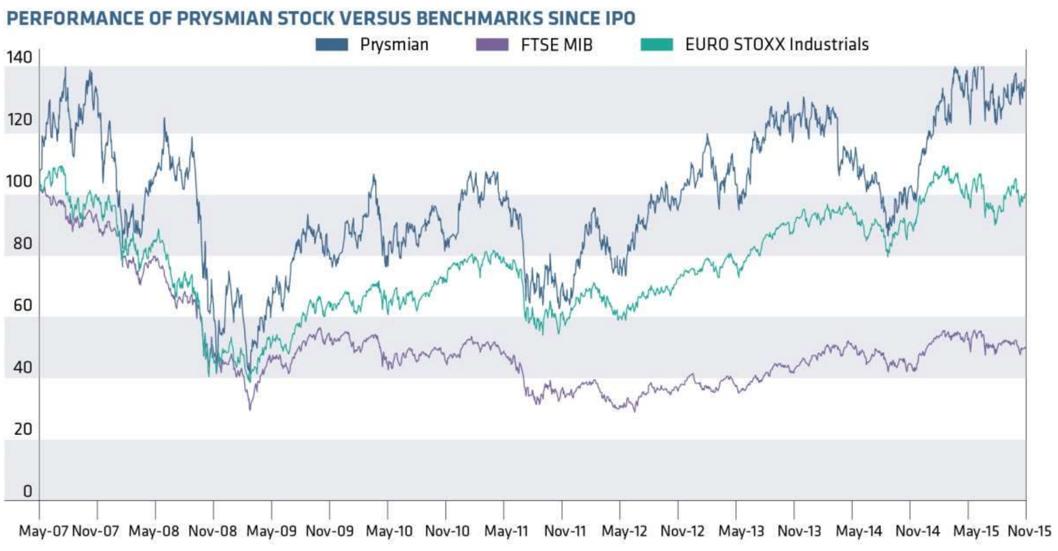
World economic growth rates retreated in 2015 compared with 2014; this was mainly a reflection of slower growth by emerging economies, as partially offset by a gradual recovery in the Eurozone and stabilisation of growth in the United States. Emerging country weakness was primarily attributable to geopolitical problems in Russia, and the sharp downturn by the Brazilian economy, struggling with high inflation, collapse of the local currency and falling investment. The growing signs of economic slowdown in China, combined with steep currency devaluation, prompted the government to introduce significant stimulus measures; however, this did not prevent the worst GDP growth in the past 25 years from being recorded. The United States maintained a solid pace of growth in 2015, thanks to a continued rise in employment and lower energy prices, which helped support domestic consumption, while exports were hurt by the stronger dollar. In Europe, the economic recovery benefited from measures introduced by the European Central Bank early in the year, especially in those areas that had suffered in 2014 (Italy, Spain, Portugal), and from the depreciation of the euro against the US dollar, as well as lower energy costs. Nevertheless, the increasing uncertainty linked to fears of a possible Greek exit from the Eurozone gradually dampened growth prospects over the course of the year.

The main world equity markets generally reflected this scenario, with Eurozone indexes displaying strong growth (FTSE MIB: +12.7%; CAC40 +8.5%; DAX +9.6%). In the US, the Dow Jones Industrial was adversely affected by exchange rates and lost -2.2%, while the Nasdaq climbed +8.43%. In sharp contrast was Brazil (-13.3%), hit hard by the effects of the country's economic and political crisis. In China, the Hong Kong Hang

Seng index lost 7.2% during 2015, while the Shanghai Shenzhen index gained 60%, despite falling 25% from its peak in June after the onshore market's speculative bubble burst.
The Prysmian stock appreciated 33.7% over the course of the year, climbing from Euro 15.15 at 30 December 2014 to Euro 20.26 at the end of 2015. On 10 August 2015, the stock price reached Euro 22.23, its highest since listing, while the average price over the twelve months was Euro 19.10, also the highest annual average since listing. The stock's performance, including dividend pay-outs (total shareholder return), was +36.5% over the course of 2015 and +54.3% since listing. Excluding the contribution of dividends, the stock's appreciation was +33.7% in 2015 and +35.1% since listing.
The Prysmian stock was the cable industry's best performer, thanks to the solidity of the Group's results (both in terms of organic growth and profitability) and consistent ability to generate cash and pay dividends. The Prysmian stock outperformed even the principal benchmark indexes both in 2015 and in the period since its listing. In fact, the Euro Stoxx Industrial index reported a gain of 10.6% over the year and a loss of 1.5% since the Prysmian listing date, while the FTSE MIB reported a gain of 12.7% during 2015 and a loss of 51% since the IPO.
Looking at the stock's performance over the year, its appreciation was mainly concentrated in the first and fourth quarters, while the second quarter reported general stability and the third a slight decline. In particular, during the first quarter, the share price climbed 26.7%, slightly more than the FTSE MIB index (+21.8%) and significantly outperforming the Euro Stoxx Industrial (+16.7%). This improvement was mainly the result of the ECB's decision in January 2015 to implement a more extensive quantitative easing programme than expected, leading to a sharp reduction in interest rates and a significant depreciation of the euro against the dollar. The momentum generated by the ECB's move lasted until mid-April, when growing political and financial tensions in Greece seemed about to trigger a Eurozone monetary crisis. During the second quarter, investors were generally cautious whilst awaiting developments in the Eurozone political and economic situation, with the main benchmark indexes in slight retreat. During this period, the Prysmian stock edged up slightly thanks to a good set of first-quarter results and publication of guidance for 2015 in line with market expectations. The plunge in Chinese and Asian stock markets in June 2015 and ensuing weakness over the summer dragged down markets around the world, with growing signs of slower economic growth in those regions fuelling pessimism about the strength of global growth. The Prysmian stock was also affected, albeit mildly, by the market downtrend, falling from Euro 19.38 at 30 June to Euro 18.45 at 30 September and nonetheless reaching a historic high over the summer of Euro 22.23. Confirmation of the FY 2015 guidance (excluding Western Link), in addition to good quarterly results, allowed the stock to regain value and exceed the Euro 20 threshold, despite strong concerns about a weakening global economy. The robustness of its results and growth expectations have allowed Prysmian to maintain a strong market appeal, confirmed by financial analyst recommendations at year end, of which 47% were "buy" and the remainder "hold". The Prysmian stock therefore closed 2015 at a price of Euro 20.26, up 33.7% from Euro 15.15 at 30 December 2014, and 35% higher than its original IPO price.

PERFORMANCE OF PRYSMIAN STOCK SINCE IPO





During 2015, the stock's liquidity held steady at average daily trading volumes of approximately 1.4 million shares, with an average daily turnover of Euro 27 million, well up on the previous year.

PRYSMIAN STOCK: PRINCIPAL DATA

(in millions of Euro)

	2015	2014	2013	2012	2011	2010	2009	2008	2007 (*)
Price at 31 December	20.26 €	15.15 €	18.71 €	15.01 €	9.60 €	12.75 €	12.19 €	11.10 €	16.89 €
Change over period	33.7%	-19.0%	24.7%	56.4%	-24.7%	4.6%	9.8%	-34.3%	12.6%
Average price	19.10 €	16.38 €	16.68 €	13.00 €	12.90 €	13.13 €	10.60 €	13.76 €	18.36 €
Maximum price	22.23 €	19.54 €	19.30 €	15.43 €	15.95 €	15.81 €	13.84 €	18.54 €	21.00 €
Minimum price	14.43 €	12.78 €	14.03 €	9.77 €	9.25 €	11.27 €	6.10 €	6.21 €	15.34 €
Market capitalization at period end	4,319 Mil €	3,283 Mil €	4,015 Mil €	3,220 Mil €	2,057 Mil €	2,321 Mil €	2,209 Mil €	2,004 Mil €	3,040 Mil €
Average capitalization	4,140 Mil €	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	1.4 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	27 Mil €	23 Mil €	20 Mil €	20 Mil €	28 Mil €	30 Mil €	19 Mil €	18 Mil €	17 Mil €
Number of shares at 31 December	216,720,922	216,712,397	214,591,710	214,508,781	214,393,481	182,029,302	181,235,039	180,546,227	180,000,000

(*) Period of reference: 3 May (stock listing date) – 31 December 2007
Source: 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. Its 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, Prysmian organises conference calls with institutional investors and financial analysts and also invites industry press representatives to take part. In addition, it promptly informs existing and potential shareholders of any action or decision that could have a material impact on their investment.

There was intense contact with the financial market during 2015, with more than 400 encounters involving conference calls and one-to-one or group meetings at Prysmian's offices. Prysmian also undertook numerous road shows in the major financial centres of Europe and North America, and took part in conferences organised by major international brokers. In addition, the increasing attention paid to the Group's activities by socially responsible investors (SRI) was confirmed by their growing number at SRI dedicated meetings and road shows. Lastly, the Group organised several visits during the year for institutional investors and financial analysts to see its production facilities and R&D centres, in order to give - them a deeper understanding of its products and production processes.

Coverage of the Prysmian stock remained very high and geographically diversified. There are 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, Espirito 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 group website **www.prysmiangroup.com**, which contains recordings of conference calls and presentations to the financial community, corporate documents, press releases and all other information concerning the Group, in both English and Italian. The Investor Relations section also includes the financial calendar, documents relating to shareholders' meetings, the Code of Ethics, the contact details of analysts who cover the stock as well as specific sections about Corporate Governance, Risk Factors and Share Performance.

Investor Relations contact details:

Investor Relations Office

☎ +39 02 6449 1

@ investor.relations@prysmiangroup.com

Maria Cristina Bifulco - IR Director

☎ +39 02 6449 51400

@ mariacristina.bifulco@prysmiangroup.com

SIGNIFICANT EVENTS DURING THE YEAR

NEW INDUSTRIAL PROJECTS AND INITIATIVES

During 2015, 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.
On 3 February, Prysmian 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.

During the year the Group also won new orders in the business of submarine inter-array and export cables for **wind farms**.
On 11 February, Prysmian was awarded a new contract worth 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 Wikinger **offshore wind farm**, located within the West of Adlergrund cluster in the German Baltic Sea. Under the Wikinger 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. Installation work is scheduled to be complete by the end of 2016.

The Group won a number of major contracts in the **underground power transmission** business. On 16 February, Prysmian 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 capability 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 commissioning 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 started in 2015 with completion scheduled in 2016.

On 26 March, the Group announced that it would be leading a consortium of 7 companies for the construction of the new HVDC (High Voltage Direct Current) **electricity interconnection** between Italy and France. The total value of this project, awarded by Terna Rete Italia S.p.A. and RTE, the transmission system operators in Italy and France respectively, is more than Euro 500 million. The share of Prysmian, which in its capacity as consortium leader will coordinate the design, supply, installation – including civil works – and commissioning of the interconnection, is about Euro 200 million.
The HVDC underground power line, also known as the "Piedmont-Savoy" interconnection, will play a strategic role in enhancing energy security and enabling energy exchange up to 1200 MW between Italy and France, as a new and important step towards the creation of a single European electricity market.
The project, involving a turnkey ± 320 kV HVDC extruded **underground cable** system, will entail the engineering, production and installation of two 600 MW bipolar circuits along a 190 km route between the substations of Piossasco, near Turin (Italy), and Grand'Ile in Savoy (France), of which approximately 95 km running through each country. Prysmian Group and Silec Cable will supply the HVDC extruded cables; Roda SpA and CEBAT srl will be responsible for civil works and installation on the Italian side, while Gauthey, Serpollet and Sobeca will be responsible for civil works and installation on the French side.
Commissioning of the system is scheduled for 2019. The line's overall length is a world record for HVDC extruded underground interconnections.

On 1 April, the Group was awarded a new contract by 50Hertz Offshore GmbH - a subsidiary of 50Hertz Transmission GmbH, a transmission grid operator in Germany - worth approximately Euro 230 million to design, produce and install cables to connect the West of Adlergrund **offshore wind farm cluster** in the Baltic Sea to mainland electricity grids in Germany.
This latest award is the result of 50Hertz exercising an option for additional grid connections contained in the existing contract for the West of Adlergrund project, signed by Prysmian in May 2014 and originally worth around Euro 480 million with options for other grid connections to be activated separately.
This **interconnection project** involves the design, supply and installation of multiple **HV submarine cable** systems, now including this additional connection, between offshore wind farms approximately 40 km north-east of Rügen Island, and the Lubmin substation in north-east Germany, covering a distance of some 90 km underwater and 3 km onshore.
The 220 kV HVAC 3-core extruded cables (with an integrated optical fibre system) will be produced at the Group's centres of technological and manufacturing excellence in Pikkala (Finland) and Arco Felice (Naples, Italy), which have recently been upgraded and equipped to manufacture and test large cross-section 3-core cables of up to 400 kV AC. Production of the West of Adlergrund cable systems has already started and marine installation operations are scheduled to begin in 2016 with the assistance of "Cable Enterprise", the Group's DP2 cable-laying ship.

On 14 July, the Group was awarded a new contract worth around Euro 550 million for an **HVDC submarine interconnector between Norway and Britain**.

The project, known as NSN (North Sea Network) Link, will be the first power transmission cable system to connect these two nations; its construction is of great strategic importance for the trading of electricity between the Norwegian and British grids and will also offer a way to share energy from renewable sources and increase the security of electricity supply. The entire project will set a new record as the longest HVDC submarine interconnector ever installed, following a route of about 740 km between the converter stations in Kvilldal (Norway) and Blyth (Britain).

All cables will be produced at the Arco Felice plant (Naples, Italy). The main marine cable-laying operations will be performed by the "Giulio Verne", one of the Group's cable-laying vessels.

In the same month, Prysmian was awarded a new contract for a power line between Jersey in the Channel Islands and the French mainland.

The project, known as Normandie 1, involves the turnkey supply and installation of an **HVAC** (High Voltage Alternating Current) **interconnector between France (Surville) and Jersey (Archirondel),** comprising 28 km of 90 kV 3-core cable in a single length as well as related network components and specialist jointing works.

Prysmian will be responsible for design, manufacture and commissioning of submarine and underground cables as part of a larger contract worth around Euro 28 million, awarded to the consortium between Prysmian and VBMS; VBMS will perform the marine cable laying operations, including landfall protection.

The submarine power line will replace the existing and now obsolete Normandie 1 interconnector, while its 100 MW capacity will be shared by both Jersey and Guernsey under the CIEG (Channel Islands Electricity Grid) partnership agreement, which is the vehicle through which the local utilities procure power from EDF in France.

The submarine cables for the Normandie 1 link will be produced at the Arco Felice plant (Naples, Italy). The project is due to be completed by October 2016.

On 5 August, Prysmian signed contracts with Nobelwind NV to supply inter-array cables for the Bligh Bank 2 **offshore wind farm** located off the coast of Zeebrugge in Belgium. Prysmian will be responsible for the design, manufacture and supply of 33 kV submarine cables with various cross-sections to connect the 55 individual wind turbines and the farm's Offshore High Voltage Substation (OHVS). In addition a 33 kV coupling cable will be supplied to serve as a back-up connection between wind farms in this area. Prysmian will also be responsible for offshore cable jointing and termination services as well as for commissioning. Cables will be produced at Prysmian's plant in Drammen, Norway, with installation work due to be completed during the first half of 2017.

On 26 October, the Group won a contract worth a total of more than USD 140 million from Hainan Second Cross-Sea Interconnection Tie Project Management Co., Ltd. for the design, supply, installation, and commissioning of a **submarine power line** for the second **interconnection between Hainan island and the Chinese mainland**. The new submarine power line will complement the existing 500 kV circuit and

connect the Guangdong and Hainan power grids. One of the island's key customers to benefit from the extra power will be a 1300 MW nuclear power plant being built in Changjiang county.
All cables will be produced at the Arco Felice plant (Naples, Italy), while installation will be performed by the Group's cable-laying ship, the "Giulio Verne". Delivery and commissioning are scheduled during the first quarter of 2019.

On 6 November, Prysmian Group secured an order worth a total of around Euro 16 million for **power transmission and distribution cabling of an onshore wind farm** in the Niagara river region of North America. The contract was awarded by NCS International Inc. for the MV power and fibre optic cables, and by Eptcon Ltd for the HV cables. The Group will supply 25 km of 138 kV HV underground cables with aluminium conductor and XLPE insulation, and 650 km of 35 kV MV cables to interconnect the wind farm to the Hydro One Networks grid. Prysmian will also supply the HV outdoor terminations and Click Fit® jointing systems, as well as direct-burial fibre optic cables. The MV and HV cables will be manufactured at the Prysmian plants in Prescott, Ontario (Canada) and Abbeville, South Carolina (USA), while the optical fibre will be produced at the Claremont plant in North Carolina (USA).

In December, Prysmian won a contract to supply a new high voltage cable system to Oman Electricity Transmission Company as part of a larger overall project known as OETC 143/2014 – 132 kV. The purpose of the new cable system is to bolster the power supply to the city of Salalah. Prysmian will be responsible for the design, engineering and production of an **HV underground transmission cable** between the substations of Saada and Lilo, requiring 85 km of 132 kV XLPE insulated cable. The project will be completed by the end of June 2016.

With regard to the **Energy Products** operating segment, the Prysmian Group signed an agreement on 1 September to supply Fincantieri with 3,100 km of low voltage sheathed fire-resistant cables for marine use. The cables, with an order value of more than Euro 6 million, will be used in the new Regent Seven Seas Explorer C 6250 and Regent Seven Seas Explorer C 6226 cruise ships being built at the Sestri Ponente shipyard (Genoa, Italy) between 2015 and 2016. This major contract marks the Prysmian Group's official resumption of its partnership with Fincantieri for the supply of cables for both naval and marine passenger vessels.

With regard to the **Telecom** operating segment, the Group made several important investments over the course of the year. In particular, early in October 2015, the Group announced it would be building 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 have also created 300 permanent jobs.

On 9 November, Prysmian Cables y Sistemas de Mexico, announced it would be building a new **telecom cable manufacturing facility** in Durango, Mexico, with the aim of strengthening its competitive position and benefiting from the growing optical fibre cable market in Mexico and Central America. The project involves an initial investment of around USD 10.5 million in machinery and buildings, and a maximum capacity of 2,000,000 fkm per year. Phase one of the project will be completed in 2016, with a production capacity of 1 million fkm per year. Phase two will be completed in 2017, bringing overall production capacity to 2,000,000 fkm per year.

FINANCE AND M&A ACTIVITIES

Bond issuance

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

Consequently, on 30 March 2015 Prysmian S.p.A. completed the placement with institutional investors of an unrated bond, on the Eurobond market, for a total nominal value of Euro 750 million. The bond, with an issue price of Euro 99.002, has a 7-year maturity and will pay a fixed annual coupon of 2.50%.

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

Prysmian has used the bond issue proceeds to redeem the Euro 400 million Eurobond that matured on 9 April 2015 and to repay early the Term Loan Facility 2011 for Euro 400 million.

Acquisition of Gulf Coast Downhole Technologies (GCDT)

Prysmian Group signed an agreement on 24 September 2015 to acquire 100% of Gulf Coast Downhole Technologies (GCDT), a privately-owned US company, for an initial consideration, subject to adjustment, of approximately USD 45 million. There is also an earn-out determined on an average combined EBITDA in the next three years, with the maximum pay-out capped at about USD 21 million.

Based in Houston, GCDT is active in the design and supply of innovative downhole equipment for the Oil & Gas industry, with turnover of approximately USD 34 million in 2014. GCDT products are installed in oil and gas wells around the world and consist of integral components in the systems that provide downhole control, injection, flow assurance and monitoring. GCDT's customer base covers a wide range of oil and gas field service companies; GCDT products are installed in facilities operated around the globe by major oil and gas producers like Chevron, ExxonMobil and Shell.

GCDT is a perfect fit for the Group's expansion strategy in the business of Subsea Umbilicals, Risers and Flowlines (SURF) and complements its Draka-branded DHT product range.

The closing transaction was completed on 1 October 2015, meaning that the accounting effects have been reflected as from that date.

Acquisition of majority stake in Oman Cables Industry (SAOG)

On 16 December 2015, Prysmian Group signed an agreement to increase its interest in Oman Cables Industry (SAOG) to approximately 51%, thereby acquiring a majority stake. Prysmian Group, which already owned 34.78% of the company, purchased an additional interest of approximately 16% for consideration of around Euro 110 million.

With turnover of Euro 664 million in 2015 and about 800 employees in its two production facilities, Oman Cables Industry is a top cable manufacturer in the Gulf region and is listed on the Muscat Stock Exchange.

OTHER SIGNIFICANT EVENTS

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 18 February 1999 - 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and The Goldman Sachs Group Inc. for the alleged infringement in the period 29 July 2005 - 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has 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. The applications to intervene presented by Prysmian, Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. have all been accepted by the General Court of the European Union. Prysmian has not incurred any financial outlay as a result of this decision having elected, pending the outcome of the appeals, to provide bank guarantees as security against payment of 50% of the fine imposed by the European Commission (amounting to approximately Euro 52 million) for the alleged infringement in both periods. As far as Prysmian is aware, Pirelli & C. S.p.A. has also provided the European Commission with a bank guarantee for 50% of the value of the fine imposed for the alleged infringement in the period 18 February 1999 - 28 July 2005. Pirelli & C. S.p.A. has also brought a civil action against Prysmian Cavi e Sistemi S.r.l. in the Milan Courts, in which it demands to be held harmless for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. Prysmian Cavi e Sistemi S.r.l. started legal proceedings in February 2015, requesting that the claims brought by Pirelli & C. S.p.A. be rejected in full and that it should be Pirelli & C. S.p.A. which holds harmless Prysmian Cavi e Sistemi S.r.l., with reference to the alleged infringement in the period 18 February 1999 - 28 July 2005, for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. The proceedings have since been stayed by order of the court concerned in April 2015, pending the outcome of

the appeals made against the European Commission's decision by both Prysmian and Pirelli in the European Courts. Pirelli has challenged this decision before the Court of Cassation, Italy's highest court of appeal.
Following detailed and careful analysis of the European Commission's ruling, and given the fact that this ruling has been appealed and so could be submitted to second-instance judgement, as well as the fact that the investigation initiated by the Canadian Antitrust Authority had ended without any sanctions for Prysmian, it was decided already back in 2014 to release part of the existing provision.
Furthermore, during the last few months of 2015 the US Department of Justice formally closed its previously initiated investigation without charges against Prysmian.
Also in 2015, National Grid and Scottish Power, two British operators, filed claims in the High Court in London against certain cable manufacturers, including Prysmian Group, to obtain compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in the decision adopted in April 2014. The Group companies concerned were notified of this initial court filing during the month of May 2015 and presented their defence early in October 2015, along with the summons of other parties censured in the European Commission's decision. Among the parties involved in this action, Pirelli & C. S.p.A. has requested the London High Court to decline its jurisdiction or nonetheless to stay the proceedings in its regard pending the outcome of the civil action previously brought by Pirelli & C. S.p.A. against Prysmian Cavi e Sistemi S.r.l. in the Milan Courts, in which it demands to be held harmless for all claims made by the European Commission in implementation of the latter's decision and for any expenses related to such implementation.
The above events have led to the recognition of a net release of Euro 29 million in the income statement for the year ended 31 December 2015.

Western HVDC Link Contract (UK)

Over the course of 2015, the Group's income statement benefited from Euro 30 million in connection with the Western HVDC Link (UK) contract. This was the net effect of several factors such as the increased efficiency of the production process, in turn permitting faster execution of the project itself, as well as stronger contractual guarantees and longer project timing agreed with the customer.

Plant closures

On 27 February 2015, Prysmian Cavi e Sistemi Italia S.r.l. informed trade union representatives of the closure of the Ascoli Piceno plant, employing 114 people, dictated by the need to optimise overall country manufacturing footprint through improved utilisation of production capacity, as well as overall economic performance through economies of scale.
After a series of meetings at Italy's Ministry of Economic Development, on 15 May an agreement was signed with plant union representatives and provincial and national unions that ratified the plant's closure on the same date and the contents of the social plan.
In addition to the usual voluntary redundancy packages and use of the available social safety nets, the social plan has offered employees the opportunity to relocate to the plants in Merlino and Arco Felice or, alternatively, to be included in an outplacement program within the local area, also involving a possible re-industrialisation of the site. Both these activities are being managed by a specialist advisor.

Share buy-back and disposal programme and Long-term incentive plan 2015-2017

The Shareholders' Meeting held on 16 April 2015 authorised a share buy-back and disposal programme, revoking at the same time the previous authorisation under the shareholder resolution dated 16 April 2014. This programme provides the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total cannot exceed 10% of share capital, equal to 18,847,439 ordinary shares as at the date of 16 April 2015, after deducting the treasury shares already held by the Company.

The same Shareholders' Meeting also approved an incentive plan for employees of the Prysmian Group, including members of the Board of Directors of Prysmian S.p.A., and granted the Board of Directors the necessary powers to establish and implement this plan.
The reasons behind the introduction of the Plan are:
- to generate strong commitment by the Group's Management to achieving the targets for additional growth in profits and return on capital employed over the next three years;
- to align the interests of Management with those of shareholders by using share-based incentives, and promoting stable share ownership of the Company;
- to ensure the long-term sustainability of the Group's annual performance through the mechanism of co-investing part of the annual bonus and consequent retention effect.

During the extraordinary session of the above meeting, the shareholders authorised an increase in share capital by a maximum amount of Euro 536,480, through the issue of up to 5,364,800 new ordinary shares with a nominal value of Euro 0.10 each, to be allotted for no consideration to Group employees who are beneficiaries of the above incentive plan.

Audit firm engagement

On 16 April 2015, the Shareholders' Meeting approved the engagement of Reconta Ernst & Young S.p.A. to perform the statutory audit of the accounts for financial years included in the nine-year period from 2016 to 2024.

Group employee share purchase plan (YES Plan)

Based on the applications received in February 2015, company shares were purchased on the Milan Stock Exchange during July 2015 for those employees who had signed up to the plan's second cycle.
On 25 August 2015, an additional purchase window was opened for plan participants in the "Manager" category who had already bought shares in the July 2015 purchase window and who were so entitled under the plan's regulations.
In November 2015, employees were informed that the plan's third cycle scheduled for 2016 was open for application. Employees had until the end of December 2015 to apply for this third cycle and to communicate how much they intended to invest. The total amount collected will be used to make purchases of the Company's shares on the Milan Stock Exchange during the month of July 2016.

REFERENCE SCENARIO

MACROECONOMIC SCENARIO

The main features of the macroeconomic scenario in 2015 were slowing growth in the major emerging economies (Brazil, China and Russia), partially offset by gradual recovery in Europe's Mediterranean economies (Italy, France and Spain) which had suffered most during 2014, and stabilisation of growth in the United States and the United Kingdom.

The world economy reported a modest growth in 2015, during which, despite accounting for about 70% of global growth, emerging economies displayed a progressive easing in the pace of development, while the more advanced economies managed a modest recovery.

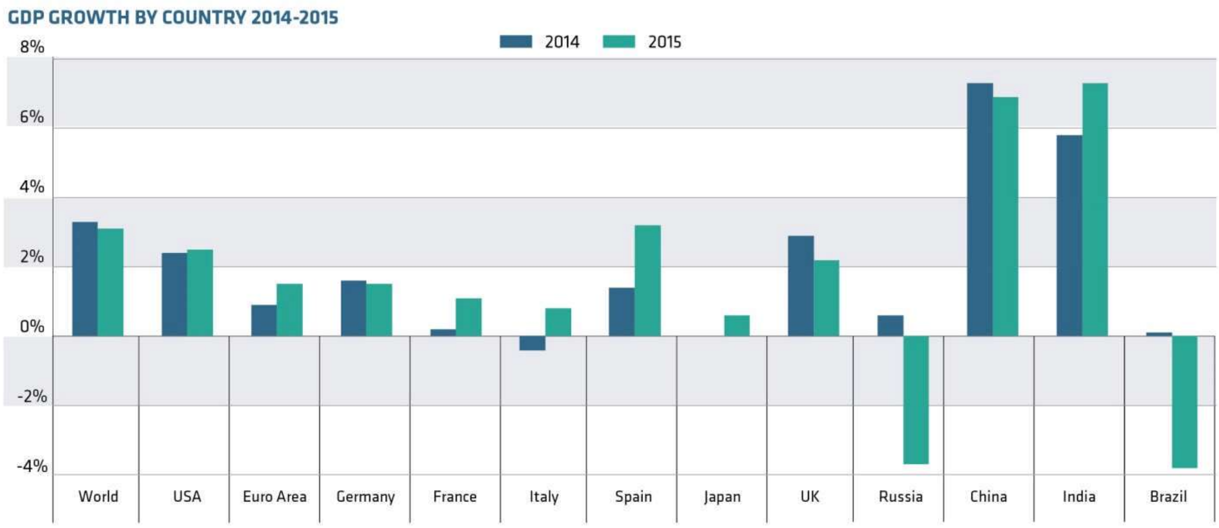
Growth in the Eurozone remained subdued, although better than in 2014, with the most noticeable progress being made by Mediterranean countries that benefited from the economic stimulus measures by the European Central Bank, as well as its long-term quantitative easing programme. The lacklustre European recovery was affected during the year by growing uncertainties about the political and financial situation in Greece, culminating in the government crisis and the parliamentary elections called in September.

The emergence of growing signs of economic slowdown in China during the course of 2015 had a severe impact on the Shanghai stock market, with repercussions for other international financial centres. The government's actions to stem the crisis, including progressive devaluation of the yuan as well as a number of packages to stimulate industrial production, were not sufficient to prevent the worst GDP growth of the past 25 years. The steep decline in oil prices, to below USD 40 a barrel at year end, can be primarily attributed to the ending of the Iranian nuclear crisis and the subsequent resumption of trade relations with this country. This represents another worrying factor for economic growth and volatility in financial markets.

The major international research institutes progressively downgraded their growth estimates for 2015 over the course of the year, due to rising concerns about slowing growth in emerging economies and the collapse in commodity prices. In fact, global GDP grew by +3.1%* year-on-year (compared with +3.4%* and +3.3%* in 2014 and 2013 respectively), reflecting a sharp slowdown in growth by emerging economies from +4.6%* in 2014 to 4.0%* in 2015 and modest progress by the more advanced economies, from +1.8%* in 2014 to 1.9%* 2015. The Chinese economy reported a reduction in growth, from +7.3%* in 2014 to 6.9%* in 2015, despite the expansionary economic measures deployed by the government in recent months. This mainly reflects the progressive deceleration of output in major industrial sectors like construction and steel, as well as a steady decline in capital investment. In Brazil, the combination of a number of factors, including the political stalemate, the collapse in commodity prices and the steep devaluation of the local currency, pushed the economy into a depression that is expected to continue in 2016.

The United States once again confirmed itself as the driving force of the more developed countries, with its GDP expanding at a rate of +2.5%*, versus +2.4%* in 2014, despite the strengthening of the dollar against other major foreign currencies.

Western Europe saw a gradual improvement in economic activity, albeit with specific idiosyncrasies in the different countries. Eurozone GDP grew by +1.5%* on 2014, compared with +0.9%* in the previous year, driven by the recovery of Mediterranean economies like Italy, which improved from -0.4%* in 2014 to +0.8% in 2015, and Spain, which progressed to +3.2%* in 2015 from +1.4%* the year before.



* Source: IMF, World Economic Outlook Update – January 2016

CABLE INDUSTRY TRENDS

Global cable demand reported moderate growth in 2015, with some sectors such as optical cables and submarine interconnections showing a marked acceleration compared with 2014.

Global demand for power cables posted a moderate increase in sales volumes in 2015, mainly thanks to growing demand in emerging countries (mainly China and India) and, to a lesser extent, in the United States and Western Europe. The Telecom cables industry reported a slight contraction on 2014 mainly due to the fall in demand for copper cabling, primarily attributable to their replacement with optical cables. In fact, the latter grew rapidly during 2015, almost entirely making up for the decline in copper cables.

Geographically, there was a sharp acceleration in the Indian and ASEAN markets, while China was once again confirmed as the world's largest cable market, generating more than 50% of global growth. 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. Important signs of recovery were also seen in the main West European nations, particularly in the Nordic countries and the Mediterranean, thanks to monetary easing by the ECB which fostered access to credit, in turn promoting a recovery in the construction industry.

Demand in the United States expanded albeit to a lesser extent than in 2014, like in the Middle East and Africa. Russia and Brazil were the two markets experiencing the largest downturns in 2015, caused by the EU and US trade sanctions in Russia's case and by the economic slump in Brazil's .

The various segments of the market had a mixed performance in 2015, with a strong expansion by higher value-added ones like high voltage and extra high voltage submarine cables and optical fibre cables. In particular, the latter segment benefited from growing demand for data transmission capacity that made it essential to upgrade existing network infrastructure, especially in European countries like Italy, France, Spain and the United Kingdom where the existing network is still predominantly copper. Global demand for optical fibre cables also benefited from growing investments in network infrastructure by China, which is the world's largest market by volume, and from the sustained growth of the US market, in which new players (content providers) are appearing with projects for very high transmission capacity dedicated networks.

The Prysmian Group, the world's top producer of optical cables, benefited from this trend during 2015, consolidating its leadership in the European market. It was a record year for the submarine cables business, thanks to interconnection contracts awarded by leading network operators, particularly in the North Sea, where the Prysmian Group once again proved to be a prime player by winning new orders worth in excess of Euro 1 billion. There were interesting developments in the OEM (Original Equipment Manufacturing) sector, with important advances in the areas of nuclear energy, rail transport and port cranes, while the mining and shipbuilding industries recorded a slowdown linked to commodity price trends. Oil & Gas applications were affected by oil prices, especially those products serving the MRO business (Maintenance, Repair and Operations). Lastly, the building wires market was largely stable, except in India, Spain and the Nordic countries, where growth in wire consumption outpaced that in 2014, while Brazil and Russia both posted a steep deterioration. In the telecom segment, the Prysmian Group benefited from the global growth in demand for optical cables, especially in North America, Europe and Australia, confirming its position as market leader in optical cable production. Even the segment of multimedia (MMS) applications displayed strong growth, benefiting from the development of data centres in Europe.

GROUP PERFORMANCE AND RESULTS

FINANCIAL PERFORMANCE

(in millions of Euro) (*)

	2015	2014	% change	2013 (*)
Sales	7,361	6,840	7.6%	6,995
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	584	466	25.6%	578
% of sales	7.9%	6.8%		8.3%
Adjusted EBITDA	623	509	22.6%	613
% of sales	8.5%	7.4%		8.8%
EBITDA	622	496	25.7%	563
% of sales	8.4%	7.2%		8.1%
Fair value change in metal derivatives	(27)	7		(8)
Fair value stock options	(25)	(3)		(14)
Amortisation, depreciation, impairment and impairment reve	(171)	(188)		(173)
Operating income	399	312	28.5%	368
% of sales	5.4%	4.5%		5.3%
Net finance income/(costs)	(89)	(140)		(150)
Profit/(loss) before taxes	310	172		218
% of sales	4.2%	2.5%		3.1%
Taxes	(96)	(57)		(65)
Net profit/(loss) for the year	214	115		153
% of sales	2.9%	1.7%		2.2%
Attributable to:				
Owners of the parent	214	115		149
Non-controlling interests	-	-		4

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

	2015	2014	% change	2013 (*)
Operating income (A)	399	312	28.5%	368
EBITDA (B)	622	496	25.7%	563
Non-recurring expenses/(income):				
Company reorganisation	53	48		50
Antitrust	(29)	(31)		(6)
Environmental remediation and other costs	-	-		(3)
Gains on asset disposals	-	-		(5)
Effect of consolidating Oman Cables Industry	(44)	-		-
Effect of YOFC dilution	-	(8)		-
Acquisition price adjustment [1]	-	(22)		-
Other net non-recurring expenses	21	26		14
Total non-recurring expenses/(income) (C)	1	13		50
Fair value change in metal derivatives (D)	27	(7)		8
Fair value stock options (E)	25	3		14
Impairment and impairment reversal of assets (F)	21	44		25
Adjusted operating income (A+C+D+E+F)	473	365	29.6%	465
Adjusted EBITDA (B+C)	623	509	22.6%	613

The originally published 2013 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.

Prysmian Group

Over the course of 2015 the Group recorded a considerable growth in profitability and an increase in sales volumes. In particular, the Energy Projects segment performed extremely well, primarily thanks to good results by the SURF and Submarine businesses, while the High Voltage business was basically in line with the previous year. The Energy Products segment reported a slight recovery by the Trade & Installers business and a good performance by the Power Distribution business, offset by a downturn in some sectors of the Industrial business. Growth by the Telecom segment was mainly due to continued increase in demand for optical fibre cables.

The economic effects of the Western HVDC Link project, for which some technical problems in the cable manufacturing process were encountered in late April 2014, are presented in the current Report with reference to the situation expected prior to discovering these technical problems. The negative economic effects on the 2015 results are Euro 105 million on sales and Euro 26 million on Adjusted EBIDTA (versus negative effects of Euro 61 million on sales and Euro 94 million on Adjusted EBITDA in 2014). The impact on Adjusted EBTDA for 2015 has been mitigated by the recognition of Euro 30 million in positive effects, determined by a number of factors such as the increased efficiency of the production process, in turn permitting faster execution of the project itself, as well as the agreement with the customer of stronger contractual guarantees and longer project timing.

The Group's sales in 2015 came to Euro 7,361 million, compared with Euro 6,840 million in 2014, posting a positive change of Euro 521 million (+7.6%). Excluding the negative impact of expected revenue from the Western HVDC Link project, the Group's sales would have been Euro 7,466 million compared with Euro 6,901 million in 2014, an increase of Euro 565 million (+8.2%).

The growth in sales was attributable to the following factors:

- increase of Euro 365 million (+5.3%) from organic growth; excluding the impact of the Western HVDC Link project, organic growth would have been Euro 408 million (+5.9%);
- increase of Euro 235 million (+3.4%) due to positive exchange rate effects;
- sales price erosion of Euro 82 million (-1.2%) following fluctuations in metal prices (copper, aluminium and lead).
- increase of Euro 3 million for changes in the scope of consolidation following the acquisition of Gulf Coast Downhole Technologies (GCDT).

The organic growth in sales of +5.3% is analysed between the three operating segments as follows:

Energy Projects	+15.8% (+18.2% excluding impact of the Western HVDC Link project);
Energy Products	+1.2%;
Telecom	+9.9%.

Group Adjusted EBITDA (before Euro 1 million in non-recurring expenses) came to Euro 623 million, posting an increase of Euro 114 million on the corresponding figure in 2014 of Euro 509 million (+22.6%). Excluding the negative impact of the Western HVDC Link project, Adjusted EBITDA would have been Euro 649 million in 2015, versus a corresponding 2014 figure of Euro 603 million.
Adjusted EBITDA for 2015 reflects the positive impact of Euro 23 million in higher exchange rate effects than in 2014, resulting from a stronger US Dollar, British Pound and Chinese Renminbi.

EBITDA includes Euro 1 million in net non-recurring expenses (Euro 13 million in net expenses in 2014). The net non-recurring expenses in 2015 mainly comprise Euro 53 million in costs for reorganising and improving industrial efficiency, Euro 29 million in net releases from the provision for ongoing antitrust investigations and income of Euro 44 million arising on the first-time consolidation of Oman Cables Industry (SAOG).

Group operating income came to Euro 399 million in 2015, compared with Euro 312 million in 2014, posting an increase of Euro 87 million, which mainly reflects the improvement in EBITDA, partly thanks to the progressive reduction in the negative impact of the Western HVDC Link project as described earlier; however, such positive effects were partially offset by non-monetary charges arising from fair value changes in metal derivatives and in stock options serving long-term incentive plans.

Net finance costs came to Euro 89 million in 2015, down from Euro 140 million (-40.0%) in the previous year, partly thanks to a much more efficient financial structure and to the capital market transactions carried out, which provided resources at extremely moderate costs and made it possible to refinance the more expensive liabilities.

Taxes came to Euro 96 million, representing an effective tax rate of around 31%.

Net profit for 2015 was Euro 214 million, compared with Euro 115 million in 2014.

REVIEW OF ENERGY PROJECTS OPERATING SEGMENT

(in millions of Euro)

	2015	2014	% change	2013 (*)
Sales	1,587	1,355	17.1%	1,360
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	246	154	59.7%	232
% of sales	15.5%	11.4%		17.0%
Adjusted EBITDA	246	154	59.7%	231
% of sales	15.5%	11.3%		17.0%
EBITDA	269	195	37.9%	234
% of sales	17.0%	14.4%		17.2%
Amortisation and depreciation	(44)	(40)		(39)
Adjusted operating income	202	114	77.2%	192
% of sales	12.7%	8.4%		14.1%

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

EBITDA (A)	269	195	37.9%	234
Non-recurring expenses/(income):				
Company reorganisation	4	1		4
Antitrust	(29)	(31)		(6)
Gains on asset disposals	-	-		(2)
Acquisition price adjustment [1]	-	(22)		-
Other net non-recurring expenses	2	11		1
Total non-recurring expenses/(income) (B)	(23)	(41)	-43.9%	(3)
Adjusted EBITDA (A+B)	246	154	59.7%	231

(*) The originally published 2013 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 encompasses the following high-tech businesses whose focus is on projects and their execution, as well as on product customisation based on specific customer requirements: 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 distribution 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

The submarine cables business saw an increase in market demand in 2015 compared with the previous year, with the award of two major interconnection projects in the year. This represents a peak in 2015, with the market expected to be stable at around Euro 2-2.5 billion per year in the future. After an initial period of stabilisation, demand for offshore wind farm projects recovered in the second half of the year, especially in Britain and France. The market continued to be 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 slowed, with every supplier exposed to the weakness in demand 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 saw an upturn in the umbilicals market in Brazil, as well as strong demand for flexible pipes used in pre-salt fields, in which, however, the Group is not yet present. However, there was limited demand for the post-salt products in which Prysmian competes. The DHT product segment performed well, thanks to growth in demand by global operators for projects in both the United States and other regions, such as Central and South America, Europe, Middle and Far East.
With a view to strengthening Prysmian's presence in the DHT market, Gulf Coast Downhole Technologies LLC was acquired in the second half of 2015.
For the time being, the decline in oil prices has had only a limited impact on business performance.

FINANCIAL PERFORMANCE

Sales to third parties by the Energy Projects segment amounted to Euro 1,587 million in 2015, compared with Euro 1,355 million in 2014, posting a positive change of Euro 232 million (+17.1%). Excluding the negative impact of the Western HVDC Link project, sales to third parties would have been Euro 1,692 million.

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

- positive organic growth of Euro 214 million (+15.8%); excluding the impact of the Western HVDC Link project, organic growth would have been a positive Euro 257 million (+18.2%);
- increase of Euro 23 million (+1.7%) for exchange rate fluctuations;
- sales price reduction of Euro 9 million (-0.7%) for metal price fluctuations;
- increase of Euro 4 million (+0.3%) for acquisition of Gulf Coast Downhole Technologies LLC in the United States.

The organic sales growth in 2015 is attributable to the significant upswing in the Submarine and SURF businesses, while performance by the High Voltage business was largely in line with the year before.
Although High Voltage performance was positive in the United Kingdom and China, it remained weak in some of the major European markets (Italy and North European countries) because of lower demand for energy infrastructure.
The Group increased its exposure to markets in the Middle and Far East, winning some important orders in Kuwait; however, despite their growing demand for energy infrastructure, these markets are also characterised by lower profitability. Demand in Russia was still weak due to continued uncertainty, causing the implementation of previously planned major projects to be delayed.
Sales by the Submarine business were significantly up on 2014 thanks to the sustained level of work on existing contracts.
The main projects on which work was performed in the period were the interconnector between Greece and the Cyclades islands, the ExxonMobil contract in the United States, the Borwin3 and Dolwin3 projects in Germany, the link between Italy and Montenegro, the second interconnector across the Dardanelles Strait and the Western HVDC Link in the United Kingdom. Cable manufacturing by the Group's industrial facilities (Pikkala in Finland, Arco Felice in Italy and Drammen in Norway) and installation services accounted for the bulk of annual sales, contributing in equal measure.
The results of the Submarine business also benefited from Euro 30 million in connection with the Western Link contract, as the net effect of several factors such as the increased efficiency of the production process, in turn permitting faster execution of the project itself, as well as the agreement with the customer of stronger contractual guarantees and longer project timing.
The manufacture of HVDC submarine cable for the Western Link contract is proceeding as planned, with installation having started in the third quarter of 2015.
The value of the Group's Submarine order book was in excess of Euro 2.6 billion at the end of 2015, providing sales visibility for a period of nearly three years.
The order book mainly consists of the following contracts: the link between Montenegro and Italy (Monita); the interconnector between Norway and Britain (NSN Link); the inter-array and export cables for offshore wind platforms (Deutsche Bucht and Wikinger); the links between offshore wind farms in the North Sea and the Baltic Sea and the German mainland (BorWin3, DolWin3, 50Hertz); the interconnection of the Philippine

islands of Panay and Negros; the interconnector between England and Scotland (Western HVDC Link) and the contract won in China (Hainan2).

The SURF business performed well, with buoyant demand for umbilicals in Brazil. DHT cables also posted positive results in the North American market, despite the decline in oil prices.
Given t the factors described, Adjusted EBITDA for the Energy Projects operating segment came to Euro 246 million (Euro 272 million without the negative impact of the Western HVDC Link project). This represents an improvement of Euro 92 million on the 2014 Adjusted EBITDA of Euro 154 million. Excluding the effects of the Western HVDC Link project (Euro 26 million in 2015 and Euro 94 million in 2014), Adjusted EBITDA would have improved by Euro 24 million.

REVIEW OF ENERGY PRODUCTS OPERATING SEGMENT

(in millions of Euro)

	2015	2014	% change	2013 (*)
Sales	4,665	4,491	3.9%	4,649
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**225**	**221**	**2.0%**	**259**
% of sales	4.8%	4.9%		5.6%
Adjusted EBITDA	**243**	**239**	**2.1%**	**276**
% of sales	5.2%	5.3%		5.9%
EBITDA	**242**	**195**	**24.1%**	**250**
% of sales	5.2%	4.3%		5.4%
Amortisation and depreciation	(62)	(62)		(66)
Adjusted operating income	**181**	**177**	**2.9%**	**210**
% of sales	3.9%	3.9%		4.5%

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

EBITDA (A)	**242**	**195**	**24.1%**	**250**
Non-recurring expenses/(income):				
Company reorganisation	35	38		29
Environmental remediation and other costs	-	-		(3)
Gains on asset disposals	-	-		(2)
Effect of consolidating Oman Cables Industry	(44)	-		-
Other net non-recurring expenses	10	6		2
Total non-recurring expenses/(income) (B)	**1**	**44**		**26**
Adjusted EBITDA (A+B)	**243**	**239**	**2.1%**	**276**

(*) The originally published 2013 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, encompassing the businesses offering a complete and innovative product portfolio for a variety of industries, is organised into the businesses of Energy & Infrastructure (including Power Distribution, 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 4,665 million in 2015, compared with Euro 4,491 million in 2014, posting a positive change of Euro 174 million (+3.9%), due to the combined effect of the following main factors:

- increase of Euro 53 million (+1.2%) due to organic sales growth, reflecting volume recovery in Europe, North America, Argentina and Oceania, partially offset by negative organic growth in Brazil;
- increase of Euro 193 million (+4.3%) for exchange rate fluctuations;
- sales price reduction of Euro 72 million (-1.6%) for metal price fluctuations.

Adjusted EBITDA for 2015 came to Euro 243 million, up Euro 4 million (+2.1%) from Euro 239 million in 2014.

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)

	2015	2014	% change	Variaz. % Organica dei ricavi	2013 (*)
Sales	2,795	2,677	4.4%	3.0%	2,747
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**111**	**91**	**22.7%**		**113**
% of sales	4.0%	3.4%			4.1%
Adjusted EBITDA	**128**	**108**	**19.5%**		**127**
% of sales	4.6%	4.1%			4.6%
Adjusted operating income	**93**	**74**	**26.5%**		**90**
% of sales	3.3%	2.8%			3.3%

(*) The originally published 2013 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 commercial buildings*. The Group concentrates product development and innovation activities on high performance cables, such as Fire-Resistant and Low Smoke zero Halogen cables, capable of guaranteeing specific safety standards. The product range has been recently expanded to satisfy cabling demands for infrastructure such as airports, ports and railway stations, by customers as diverse as international distributors, buying syndicates, installers and wholesalers.

MARKET OVERVIEW

The reference markets have distinct geographical characteristics (despite international product standards) both in terms of customer and supplier fragmentation and the range of items produced and sold.
The year 2015 witnessed some stabilisation in the construction market, uncertainty about whose future prospects had paralysed the buying plans of the industry's main players and exacerbated the pressure on sales prices during 2014.
This translated into a slight recovery in volumes particularly in some European markets (North Europe and United Kingdom), while demand in the rest of the continent remained low with generally stable prices and a sharp decline in Russia.

The North American market, previously affected by largely flat demand for products serving infrastructure construction, confirmed its signs of growth in 2015. In Canada, the renewables sector (wind farms) continued to display growth in demand.

In South American markets, however, Brazil remained weak, with demand in line with the previous year, caused by slowdown in the industrial and residential construction sectors and uncertainties about political stability.

The growth trend was positive in Asia, particularly in China and other markets like Indonesia and Malaysia, while demand continued to stagnate on the Australian construction market, affected by strong competitive pressures from Asian operators.

The Power Distribution business line reported a growth in demand during 2015 compared with 2014.

The trend in the principal European countries reflected generally stagnant energy consumption, which in turn adversely affected demand by the major utilities. The latter, operating in a recessionary economic environment, either maintained an extremely cautious stance in view of 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.

However, some countries saw a resumption of investments to increase and improve distribution network performance, and in some cases the level of investment has been considerable, like in Germany and the Nordic countries; the positive trend was most buoyant in markets with growing per capita energy needs, such as South America and Asia.

FINANCIAL PERFORMANCE

Sales to third parties by the E&I business area amounted to Euro 2,795 million in 2015, compared with Euro 2,677 million in 2014, posting a positive change of Euro 118 million (+4.4%) due to the combined effect of the following main factors:

- positive organic growth of Euro 79 million (+3.0%);
- increase of Euro 77 million (+2.8%) for exchange rate fluctuations;
- sales price reduction of Euro 38 million (-1.4%) for metal price fluctuations.

Prysmian Group continued its strategy in this business area of focusing on business 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 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, certainly affected the Group's performance in some European markets, with the exception of North Europe, Spain and the United Kingdom, as well as North America and certain Asian markets, where growth opportunities were able to be grasped.

By contrast, Prysmian Group suffered in South America, particularly in the Brazilian market, where demand remained negative and price pressure started to be felt; however, performance in Argentina was positive.

Given the factors described above, Adjusted EBITDA for 2015 came to Euro 128 million, up from Euro 108 million in the previous year.

INDUSTRIAL & NETWORK COMPONENTS

(in millions of Euro)

	2015	2014	% change	Variaz. % Organica dei ricavi	2013 (*)
Sales	1,749	1,708	2.4%	-2.3%	1,788
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**112**	**125**	**-10.7%**		**141**
% of sales	6.4%	7.4%			7.9%
Adjusted EBITDA	**113**	**126**	**-10.6%**		**141**
% of sales	6.5%	7.4%			7.9%
Adjusted operating income	**88**	**100**	**-12.4%**		**116**
% of sales	5.0%	5.9%			6.5%

(*) The originally published 2013 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

Trends on Industrial cable markets in 2015 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.

The Industrial market reported stable or growing demand in some segments, like certain OEM sectors (such as Nuclear, Crane and Railway) and Elevators, and a general growth in renewables market demand in China and North America. In Europe, however, renewables demand remained weak, like in the previous year, in the wake of restrictive financial policies adopted by the main governments which had either cut special incentives or made it more difficult to access credit for onshore wind projects. Other market segments of the Industrial market, however, saw volumes contract due to delays in investment projects, like the low-end mining and infrastructure OEM ranges, where demand depends on specific geographical factors. In particular, within the mining sector, demand was persistently weak, primarily due to falling commodity prices, significant production overcapacity and the reduction in investments.
The Oil & Gas segment experienced a highly negative trend: in fact, the market for international projects deteriorated sharply, reporting many instances of oil companies cancelling or postponing investments in new fields pending more favourable market conditions. In addition, even the drilling sector was heavily impacted by lower oil prices, with a consequent reduction in operations worldwide.
The Automotive market recorded a general growth in Europe, the United States and China, while the negative trend continued in Brazil, heightened by the ongoing economic crisis.

FINANCIAL PERFORMANCE

Sales to third parties by the Industrial & Network Components business area amounted to Euro 1,749 million in 2015, compared with Euro 1,708 million in 2014, posting a positive change of Euro 41 million (+2.4%) due to the combined effect of the following main factors:

- negative organic growth in sales of Euro 39 million (-2.3%);
- increase of Euro 114 million (+6.7%) for exchange rate fluctuations;
- sales price reduction of Euro 34 million (-2.0%) for metal price fluctuations.

Overall performance in 2015 by the industrial applications business was partially affected by the instability of investment demand in some sectors, while nonetheless maintaining geographical and application differentiation in view of the wide range of specially developed products and the highly customised nature of the solutions offered by the Group.
In the OEM market, the sales trend recorded by the Prysmian Group was generally positive in the European market and in Argentina, but stable in North America and Asia. As for the different sectors, good performance by Railway, Crane and Nuclear applications, with a growth in the higher value-added order book, was partly offset by weak demand for Marine and Rolling Stock cables.
In the renewables business, the positive trend in demand in the solar segment in North America was entirely offset by the slowdown in the onshore wind segment in North Europe and China, where the Group has generally reduced its exposure for strategic reasons linked to the competitive environment.
The Oil & Gas sector witnessed a growth in sales by the onshore projects business, thanks to the solid order book at the start of the year, particularly in Asia, the Middle East and Caspian region. However, this was not sufficient to make up for the steep decline in activities in the markets for submersible pumps, MRO

(Maintenance, Repair and Operations) and offshore. The business's overall profitability was adversely affected by the sharp drop in higher-margin MRO volumes, particularly in the North Sea and the United States, and by the reduction in offshore projects; this trend reflects the reduction in investments, especially in more capital intensive sectors like offshore, as a result of the collapse in oil prices.
The strategy of technological specialisation of its solutions 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.

The Automotive business reported a slowdown in activity as a result of the increasing competitive pressure being put on the Prysmian Group at the lower end of the market by countries with lower labour costs and by cable installers tending to intercept the market upstream. During 2015, the Group embarked on a process of focusing on the high-end segments of its business portfolio in order to secure medium-term margin growth, which has permitted a gradual recovery of market share, particularly in the last few months of the year.

Lastly, although the Network Components business area reported positive results on the Chinese market, also supported by local production at the Suzhou plant, and an improvement in demand in North America, these were offset by the weakness in Brazil and in the High Voltage sector in Europe.
Given the factors described above, Adjusted EBITDA for 2015 came to Euro 113 million, down from Euro 126 million in the previous year.

OTHER

(in millions of Euro)

	2015	2014	2013 (*)
Sales	121	106	114
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	2	5	5
Adjusted EBITDA	2	5	8
Adjusted operating income	-	3	4

(*) The originally published 2013 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

(in millions of Euro)

	2015	2014	% change	2013 (*)
Sales	1,109	994	11.6%	986
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**113**	**91**	**24.6%**	**87**
% of sales	10.2%	9.1%		8.8%
Adjusted EBITDA	**134**	**116**	**14.9%**	**106**
% of sales	12.1%	11.7%		10.8%
EBITDA	**119**	**116**	**2.6%**	**86**
% of sales	10.7%	11.6%		8.7%
Amortisation and depreciation	(44)	(42)		(43)
Adjusted operating income	**90**	**74**	**19.7%**	**63**
% of sales	8.1%	7.4%		6.4%

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

EBITDA (A)	**119**	**116**	**2.6%**	**86**
Non-recurring expenses/(income):		-		
Company reorganisation	10	6		13
Antitrust	-			
Draka integration costs	-	-		-
Tax inspections	-	-		-
Effect of YOFC dilution	-	(8)		
Italian pensions reform	-			
Gains on asset disposals	-			(1)
Effect of consolidating Oman Cables Industry	-			
Effects of Draka change of control	-			
Release of Draka inventory step-up	-			
Other net non-recurring expenses	5	2		8
Total non-recurring expenses/(income) (B)	**15**	**-**		**20**
Adjusted EBITDA (A+B)	**134**	**116**		**106**

(*) The originally published 2013 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 provides different product solutions for three applications: antenna towers, roof-top antennas and Distributed Antenna Systems (DAS) for small cell deployment. The technology offers three access types for outdoor and indoor FTTA deployment, as well as backhaul solutions – incorporating the latest fibre technologies.

Copper cables

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

Multimedia Solutions

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

MARKET OVERVIEW

Although the global optical fibre cables market grew in 2015 there were large regional differences. In fact, there was growth in demand in fast-developing markets (China and Asia) and in those with high communication infrastructure needs (India), along with a volume recovery in North America and Europe. In France and Italy, projects to extend residential broadband access, in accordance with the European Digital Agenda's targets, played a crucial role in this upturn. Even in Central Europe the distribution of bandwidth via xDSL and G.FAST technologies, using the last metres of the existing copper network, entails the use of huge volumes of optical cables to upgrade distribution networks. In Brazil, uncertainty about the country's macroeconomic performance and growth prospects led to a slowdown in investments by major telecom operators. North America recorded a steady increase in domestic demand, in line with the positive trend during the last part of 2014.

In parallel with the traditional activities of developing the fixed network, 2015 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 has been undergoing a period of major growth both in developing countries, in the absence of costly investment in fixed network infrastructure, and in mature countries where demand for broadband on portable devices is constantly multiplying.

The Access/Broadband/FTTx market grew in 2015, mainly in Europe, with demand driven by the development of optical fibre communication infrastructure. In addition to cables, this segment includes 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 2015, with high demand for internet access leading major operators to opt 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. Growth in demand is being driven by requests for ever greater bandwidth capacity in professional and office environments and data centres. Interestingly, this trend applies to both new buildings and projects to renovate existing ones. An important contribution to this growth is coming from industrial applications 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 of media interest.

FINANCIAL PERFORMANCE

Sales to third parties by the Telecom operating segment amounted to Euro 1,109 million in 2015, compared with Euro 994 million in 2014, posting a positive change of Euro 115 million (+11.6%).

This change is attributable to the following factors:

- organic sales growth of Euro 98 million (+9.9%), thanks to volume recovery for optical fibre cables;
- increase of Euro 19 million (+1.9%) for exchange rate fluctuations;
- negative change of Euro 2 million (-0.2%) in sales prices due to fluctuations in metal prices.

The organic growth in 2015 sales was mainly driven by the recovery in demand for optical fibre cables and OPGW cables, as a result of taking forward leading investment projects in the EMEA region, which more than offset lower demand for copper cables.

Optical cables enjoyed a strong increase in demand in all the major markets, while the general price pressure seen in 2014 seems to have stabilised, also thanks to US dollar appreciation. In Europe, in particular, the Group won contracts for work on major projects to realise backhaul links and FTTH connections for leading operators, such as Orange and Free in France and Telecom Italia in Italy. In North America, the development of new ultra-broadband networks and new FTTx networks, which provide 1Gbps services to residential users, produced a steady increase in domestic demand. In Brazil, the slowdown in investments by major telecom operators caused a fall in volumes with the previous year. In Australia, work on the NBN project picked up; in addition, a positive trend in demand was recorded for the Southeast Asia region.

The Multimedia Solutions business posted a recovery in earnings 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 ongoing decline due to the retirement of traditional networks in favour of next-generation ones.

Adjusted EBITDA for 2015 came to Euro 134 million, reporting an increase of Euro 18 million (+14.9%) from Euro 116 million in 2014.

GROUP STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	31 December 2015	31 December 2014	Change	31 December 2013(*)
Net fixed assets	2,480	2,219	261	2,207
Net working capital	342	407	(65)	386
Provisions	(307)	(281)	(26)	(297)
Net capital employed	**2,515**	**2,345**	**170**	**2,296**
Employee benefit obligations	341	360	(19)	308
Total equity	1,424	1,183	241	1,183
of which attributable to non-controlling interests	146	33	113	36
Net financial position	750	802	(52)	805
Total equity and sources of funds	**2,515**	**2,345**	**170**	**2,296**

(*)The originally published 2013 figures have been restated following the introduction of IFRS 10 and IFRS 11.

NET FIXED ASSETS

(in millions of Euro)

	31 December 2015	31 December 2014	Change	31 December 2013(*)
Property, plant & equipment	1,552	1,414	138	1,390
Intangible assets	722	561	161	588
Equity-accounted investments	177	225	(48)	205
Available-for-sale financial assets	12	12	-	12
Assets held for sale (**)	17	7	10	12
Net fixed assets	**2,480**	**2,219**	**261**	**2,207**

(*)The originally published 2013 figures have been restated following the introduction of IFRS 10 and IFRS 11.

(**) This includes the value of Land and Buildings classified as held for sale.

Net fixed assets amounted to Euro 2,480 million at 31 December 2015, compared with Euro 2,219 million at 31 December 2014, posting an increase of Euro 261 million mainly due to the combined effect of the following factors:

- Euro 215 million in capital expenditure on property, plant and equipment and intangible assets;
- Euro 275 million in increases for business combinations completed during 2015;
- Euro 171 million in depreciation, amortisation and impairment charges for the year;
- Euro 10 million in decreases for disposals;
- Euro 48 million in net decrease in equity-accounted investments, primarily reflecting:
    - an increase of Euro 39 million for the share of net profit/(loss) of equity-accounted companies;
    - a decrease of Euro 17 million for dividend receipts;
    - a net decrease of Euro 69 million as a result of now consolidating Oman Cables Industry (SAOG) line-by-line.

NET WORKING CAPITAL

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

(in millions of Euro)

	31 December 2015	31 December 2014	Change	31 December 2013(*)
Inventories	979	981	(2)	881
Trade receivables	1,098	952	146	933
Trade payables	(1,377)	(1,415)	38	(1,409)
Other receivables/(payables)	(317)	(95)	(222)	(13)
Net operating working capital	**383**	**423**	**(40)**	**392**
Derivatives	(41)	(16)	(25)	(6)
Net working capital	**342**	**407**	**(65)**	**386**

(*)The originally published 2013 figures have been restated following the introduction of IFRS 10 and IFRS 11.

Net working capital of Euro 342 million at 31 December 2015 was Euro 65 million lower than the corresponding figure of Euro 407 million at 31 December 2014 (or Euro 40 million lower excluding the impact of the fair value change in derivatives). Net operating working capital amounted to Euro 383 million (5.3% of sales) at 31 December 2015, compared with Euro 423 million (5.8% of sales) at 31 December 2014, and was affected by the following factors:

- an increase of Euro 233 million in working capital as a result of business combinations;
- a significant reduction in working capital employed in multi-year Submarine projects, linked to their stage of completion with respect to contractual deadlines, and in the High Voltage underground business;
- a reduction in the level of inventories of finished goods, raw materials and semi-finished products, partly thanks to lower strategic metal prices than the year before, as well as a reduction in the level of past due trade receivables;
- a slight reduction of Euro 4 million in without-recourse factoring transactions;
- a reduction of Euro 6 million for exchange rate differences.

EQUITY

The following table reconciles the Group's equity and net profit/(loss) for 2015 with the corresponding figures reported by Prysmian S.p.A., the Parent Company.

(in millions of Euro)	Equity 31 December 2015	Net profit / (loss) for 2015	Equity 31 December 204	Net profit / (loss) 2014
Parent Company Financial Statements	**1,196**	**155**	**1,107**	**192**
Share of equity and net profit of consolidated subsidiaries, net of the carrying amount of the related investments	250	249	97	139
Reversal of dividends distributed to the Parent Company by Consolidated subsidiaries	-	(190)	-	(221)
Deferred taxes on earnings/reserves distributable by subsidiaries	(14)	-	(14)	5
Elimination of intercompany profits and losses included in inventories	(7)	-	(7)	-
Net effect of other consolidation journals	-	-	-	-
Non - controlling interests	(146)	-	(33)	-
Consolidated Financial Statementes	**1,278**	**214**	**1,150**	**115**

NET FINANCIAL POSITION

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

(in millions of Euro)

	31 December 2015	31 December 2014	Change	31 December 2013(*)
Long-term financial payables				
- Term Loan facility 2011	-	400	(400)	400
- Bank fees	-	(2)	2	(3)
EIB Loan	75	92	(17)	-
Non-convertible bond	740	-	740	399
Convertible bond	279	271	8	263
Derivatives	-	3	(3)	4
Other financial payables	47	56	(9)	60
Total long-term financial payables	**1,141**	**820**	**321**	**1,123**
Short-term financial payables				
- Term Loan Facility 2010	-	-	-	183
- Revolving Facility	-	-	-	3
- Revolving Credit Facility 2014 in pool	-	-	-	-
EIB Loan	17	9	8	-
Non-convertible bond	14	415	(401)	15
Convertible bond	1	1	-	1
Revolving credit facility 2014	50	30	20	-
Derivatives	4	8	(4)	19
Other financial payables	180	113	67	90
Total short-term financial payables	**266**	**576**	**(310)**	**311**
Total financial liabilities	**1,407**	**1,396**	**11**	**1,434**
Long-term financial receivables	1	2	(1)	4
Long-term bank fees	4	5	(1)	-
Short-term derivatives	8	5	3	5
Short-term financial receivables	8	9	(1)	12
Short-term bank fees	2	3	(1)	5
Financial assets held for trading	87	76	11	93
Cash and cash equivalents	547	494	53	510
Total financial assets	**657**	**594**	**63**	**629**
Net financial position	**750**	**802**	**(52)**	**805**

(*)The originally published 2013 figures have been restated following the introduction of IFRS 13 and IFRS 11.

The net financial position of Euro 750 million at 31 December 2015 has decreased by Euro 52 million from Euro 802 million at 31 December 2014. The main factors contributing to this change are summarised in the comments on the statement of cash flows found in the following paragraph.

The following transactions are noted to have taken place during the year:

- **Bond issuance**: On 10 March 2015, the Board of Directors of Prysmian S.p.A. authorised management to proceed, depending on prevailing market conditions and in any case by 30 June 2016, with the issuance and private or public placement of bonds in one or more tranches. These bonds were intended for sale to institutional investors only. Consequently, on 30 March 2015 Prysmian S.p.A. completed the placement with institutional investors of an unrated bond, on the Eurobond market, for a total nominal value of Euro 750 million. The bond, with an issue price of Euro 99.002, has a 7-year maturity and will pay a fixed annual coupon of 2.50%. The bond settlement date was 9 April 2015. The bond has been admitted to the Luxembourg Stock Exchange and is traded on the related regulated market.

- **Redemption of bond issued in 2010, repayment of Term Loan Facility 2011 and cancellation of Revolving Credit Facility 2011:** Prysmian has used the above bond issue proceeds to redeem the Euro 400 million Eurobond that matured on 9 April 2015 and to repay early the Term Loan Facility 2011 for Euro 400 million. For the purpose of further optimising finance costs and in view of the Group's current financial strength, abundant availability of liquidity and undrawn credit lines, it is also decided to cancel the Revolving Credit Facility 2011 for Euro 400 million.

STATEMENT OF CASH FLOWS

(in milions of Euro)

	2015	2014	Change	2013(*)
EBITDA	622	496	126	563
Changes in provisions (including employee benefit obligations)	(39)	(23)	(16)	(69)
(Gains)/losses on disposal of property, plant and equipment, intangible assets and non-current assets	(36)	(8)	(28)	(7)
Share of net profit/(loss) of equity-accounted companies	(39)	(43)	4	(35)
Acquisition price adjustment (1)	-	(22)	22	-
Net cash flow provided by operating activities (before changes in net worki	508	400	108	452
Changes in net working capital	243	(1)	244	(6)
Taxes paid	(71)	(72)	1	(60)
Dividends from investments in equity-accounted companies	17	36	(19)	16
Net cash flow provided/(used) by operating activities	697	363	334	402
Acquisitions	(138)	9	(147)	-
Net cash flow used in operational investing activities	(200)	(155)	(45)	(107)
Free cash flow (unlevered)	359	217	142	295
Net finance costs	(100)	(110)	10	(124)
Free cash flow (levered)	259	107	152	171
Capital contribution and other equity movements	3	(20)	23	-
Dividend distribution	(91)	(90)	(1)	(92)
Net cash flow provided/(used) in the period	171	(3)	174	79
Opening net financial position	(802)	(805)	3	(888)
Net cash flow provided/(used) in the period	171	(3)	174	79
Convertible bond equity component	-	-	-	39
Other changes	(119)	6	(125)	(35)
Closing net financial position	(750)	(802)	52	(805)

(*) The originally published 2013 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 508 million at the end of 2015. Cash flow of Euro 243 million was provided by the decrease in net working capital. After accounting for Euro 71 million in tax payments and Euro 17 million in dividend receipts from equity-accounted companies, net cash flow from operating activities was a positive Euro 697 million for the year.

The net outlay in the year for acquisitions and disposals of equity investments came to Euro 138 million, mainly attributable to the acquisition of Gulf Coast Downhole Technologies for Euro 32 million and Oman Cables Industry (SAOG) for Euro 105 million.

Net operating capital expenditure of Euro 200 million was primarily attributable to projects to increase, rationalise and technologically upgrade production capacity and to develop new products (Euro 92 million), to projects to improve industrial efficiency and rationalise production capacity (Euro 64 million), to structural work related to construction of the Group's new headquarters in the Bicocca district of Milan, and to refurbishment and other work on buildings and production lines to comply with the latest regulations (Euro 48 million).

During the year a total of Euro 100 million in net finance costs were paid as well as Euro 91 million in dividends to shareholders.

Total net cash flow provided in the year came to Euro 171 million. It is also noted that among the changes affecting net financial position was the first-time consolidation of Euro 83 million in financial liabilities pertaining to Oman Cables Industry (SAOG).

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 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 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 2015

(in millions of Euro)

			31 December 2015		31 December 2014	
		Note	Partial amounts from financial statements	Total amounts from financial statements	Partial amounts from financial statements	Total amounts from financial statements
Net fixed assets						
Property, plant and equipment			1,551	1,551		1,414
Intangible assets			722	722		561
Equity-accounted investments			177	177		225
Available-for-sale financial assets			12	12		12
Assets held for sale (*)			119	119		7
Total net fixed assets	**A**		**2,581**	**2,581**		**2,219**
Net working capital						
Inventories	B			979		981
Trade receivables	C			1,098		952
Trade payables	D			(1,377)		(1,415)
Other receivables/payables - net	E			(316)		(95)
of which:						
Other receivables - non-current		5	*21*		*20*	
Tax receivables		5	*9*		*14*	
Receivables from employees		5	*1*		*2*	
Other		5	*11*		*4*	
Other receivables - current		5	*677*		*754*	
Tax receivables		5	*148*		*157*	
Receivables from employees and pension plans		5	*5*		*5*	
Advances to suppliers		5	*13*		*19*	
Other (*)		5	*85*		*126*	
Construction contracts		5	*426*		*447*	
Other payables - non-current		13	*(16)*		*(13)*	
Tax and social security payables		13	*(4)*		*(7)*	
Accrued expenses		13	-		-	
Other		13	*(12)*		*(6)*	
Other payables - current		13	*(984)*		*(827)*	
Tax and social security payables		13	*(105)*		*(144)*	
Advances from customers		13	*(518)*		*(381)*	
Payables to employees		13	*(70)*		*(64)*	
Accrued expenses		13	*(129)*		*(100)*	
Other (*)		13	*(162)*		*(138)*	
Current tax payables			*(27)*		*(29)*	
Total net operating working capital	**F = B+C+D+E**			**384**		**423**
Derivatives	G		(41)		(16)	
of which:						
Forward currency contracts on commercial transactions (cash flow hedges) - non-current		8	*(2)*		*(2)*	
Forward currency contracts on commercial transactions (cash flow hedges) - current		8	*(7)*		*(7)*	
Forward currency contracts on commercial		8	*(1)*		-	
Forward currency contracts on commercial		8	*2*		*(2)*	
Metal derivatives - non-current		8	*(17)*		*1*	
Metal derivatives - current		8	*(16)*		*(6)*	
Total net working capital	**H = F+G**			**343**		**407**

Prysmian Group

(in millions of Euro)

			31 December 2015		31 December 2014	
		Note	Partial amounts from financial statements	Total amounts from financial statements	Partial amounts from financial statements	Total amounts from financial statements
Provisions for risks and charges - non-current		14		(52)		(74)
Provisions for risks and charges - current		14		(275)		(269)
Deferred tax assets		16		83		115
Deferred tax liabilities		16		(63)		(53)
Total provisions	**I**			**(307)**		**(281)**
Net capital employed	**L = A+H+I**			**2,515**		**2,345**
Employee benefit obligations	**M**	15		341		360
Total equity	**N**	11		1,424		1,183
Equity attributable to non-controlling interests				*146*		*33*
Net financial position						
Total long-term financial payables	**O**			**1,141**		**820**
Term loan facility		12	-		400	
Bank fees		12	-		(2)	
Credit Agreements		12	-		398	
EIB loan		12	75		92	
Non-convertible bond		12	740		-	
Convertible bond		12	279		271	
Derivatives			-		3	
of which:						
Interest rate swaps		8	-		3	
Other payables			47		56	
of which:						
Finance lease obligations		12	*14*		*16*	
Other financial payables		12	*33*		*40*	
Total short-term financial payables	**P**			**266**		**576**
Term loan facility		12	-		-	
Revolving Credit Facility 2014		12	-		-	
EIB loan		12	17		9	
Non-convertible bond		12	14		415	
Convertible bond		12	1		1	
Revolving facility - Credit Agreement		12	-		-	
Revolving Credit Facility 2014		12	50		30	
Derivatives			4		8	
of which:						
Interest rate swaps		8	*1*		-	
Forward currency contracts on financial transactions		8	*3*		*8*	
Other payables			180		113	
of which:						
Finance lease obligations		12	*1*		*2*	
Other financial payables		12	*179*		*111*	
Total financial liabilities	**Q = O+P**			**1,407**		**1,396**
Long-term financial receivables	R	5	(1)		(2)	
Long-term bank fees	R	5	(4)		(5)	
Short-term financial receivables	R	5	(8)		(9)	
Short-term derivatives	R		(8)		(5)	
of which:						
Forward currency contracts on financial transactions (current)		8	*(8)*		*(5)*	
Short-term bank fees	R	5	(2)		(3)	
Available-for-sale financial assets (current)	**S**			-		-
Financial assets held for trading	**T**			(87)		(76)
Cash and cash equivalents	**U**			(547)		(494)
Total financial assets	**V = R+S+T+U**			**(657)**		**(594)**
Total net financial position	**W = Q+V**			**750**		**802**
Total equity and sources of funds				**2,515**		**2,345**

Reconciliation between the principal income statement indicators and the Income Statement contained in the Consolidated Financial Statements and Explanatory Notes for 2015

(in millions of Euro)

	Note	2015	2014
		Amounts from income statement	Amounts from income statement
Sales of goods and services	A	7,361	6,840
Change in inventories of work in progress, semi-finished and finished goods		(44)	28
Other income		104	113
Raw materials, consumables used and goods for resale		(4,484)	(4,303)
Personnel costs		(1,001)	(948)
Other expenses		(1,378)	(1,280)
Operating costs	B	**(6,803)**	**(6,390)**
Share of net profit/(loss) of equity-accounted companies	C	39	43
Fair value stock options	D	25	3
EBITDA	E = A+B+C+D	**622**	**496**
Non-recurring other income	F	54	37
Non-recurring personnel costs	G	(38)	(52)
Non-recurring other expenses and releases	H	(17)	2
Adjusted EBITDA	I = E-F-G-H	**623**	**509**
Share of net profit/(loss) of equity-accounted companies	L	39	43
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	M = I-L	**583**	**466**

(in millions of Euro)

	Note	2015	2014
		Amounts from income statement	Amounts from income statement
Operating income	A	**399**	**312**
Non-recurring other income		54	37
Non-recurring personnel costs		(38)	(52)
Non-recurring other expenses and releases		(17)	2
Change in inventories of work in progress, semi-finished and finished goods		-	-
Total non-recurring expenses	B	**(1)**	**(13)**
Fair value change in metal derivatives	C	(27)	7
Fair value stock options	D	(25)	(3)
Non-recurring impairment and impairment reversals	E	(21)	(44)
Adjusted operating income	F=A-B-C-D-E	**473**	**365**

THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Prysmian Group has adopted an internal control and risk management system in compliance with Italy's Corporate Governance Code[1] 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 practice 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;
- the Monitoring Board, with the task of supervising operation of and compliance with the Organisational Model adopted under Legislative Decree 231/2001, as well as of ensuring that the model is kept up-to-date by presenting the Board of Directors with proposed revisions and amendments.

[1] "Italian Stock Exchange Corporate Governance Code for Listed Companies - Ed. 2015" drawn up by the Corporate Governance Committee of Borsa Italiana S.p.A..

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 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 full 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 website. 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 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.

[2] "COSO Framework - Committee of Sponsoring Organizations of the Treadway Commission".

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 Corporate Governance Code for Listed Companies" (Corporate Governance Code), Prysmian has taken the opportunity to strengthen its governance model and implement an advanced system of Risk Management that promotes proactive management of risks using a structured and systematic tool to support the main business decision-making processes. In fact, this Enterprise Risk Management (ERM) model, developed in line with internationally recognised models and best 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 of events that have an impact on the Group over time. The CRO reports periodically (at least twice a year) on such developments to the top management. 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 which incorporates the guidelines for the Internal Control and Risk Management System approved by the Board of Directors back in 2014) follows a top-down approach, whereby it is steered by Senior Management and by medium to long-term business objectives and strategies. It extends to all the types of risk/opportunity for the Group, represented in the Risk Model - shown in the following diagram - that uses five categories to classify the risks of an internal or external nature characterising the Prysmian business model:

- Strategic Risks: risks arising from external or internal factors such as changes in the market environment, from bad and/or improperly implemented corporate decisions and from failure to react to changes in the competitive environment, which could therefore threaten the Group's competitive position and achievement of its strategic objectives;
- Financial Risks: risks associated with the amount of financial resources available, with the ability to manage currency and interest rate volatility efficiently;
- Operational Risks: risks arising from the occurrence of events or situations that, by limiting the effectiveness and efficiency of key processes, affect the Group's ability to create value;
- Legal and Compliance Risks: risks related to violations of national, international and 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
- Macroeconomic, demand trends & Competitive environment
- Stakeholder expectations and Corporate Social Responsibility
- Key customers & business partners
- Legal & regulatory changes
- Emerging country risk
- Law & regulation evolution
- Research & Development
- M&A / JVs and integration process
- Operating CAPEX
- Strategy implementation
- Organisational framework & Governance

FINANCIAL
- Raw materials price volatility
- Exchange rate volatility
- Interest rate volatility
- Financial instruments
- Credit risk
- Liquidity risk / Working Capital risk
- Capital availability / cost risk
- Financial counterparties

OPERATIONAL
- Sales & Tendering
- Production Capacity / Efficiency
- Supply Chain Capacity / Efficiency
- Business interruption / Catastrophic events
- Contract execution / liability
- Product quality / liability
- Environmental
- Information Technology
- Human Resources
- Outsourcing

LEGAL & COMPLIANCE
- Intellectual property rights
- Compliance with laws and regulations
- Compliance with Code of Ethics, Policies & Procedures

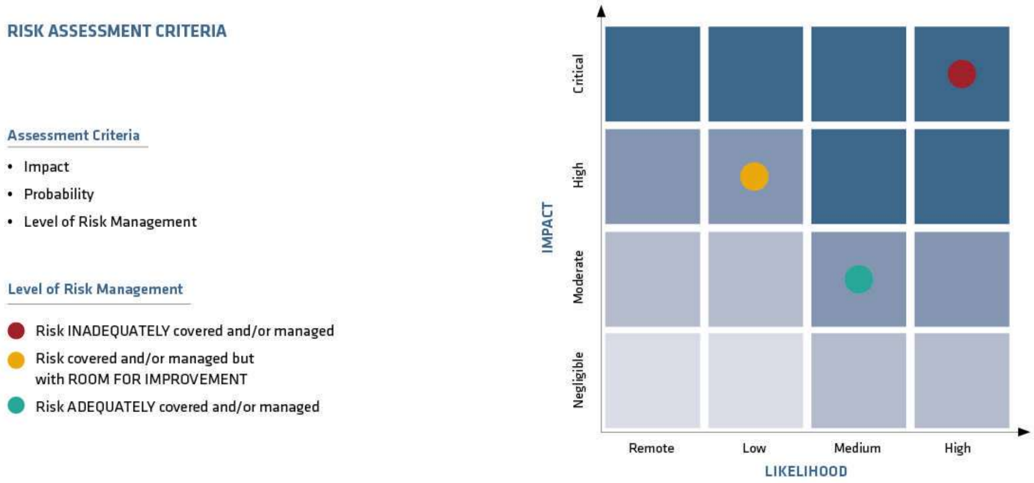
PLANNING & REPORTING
- Budgeting & Strategic planning
- Tax & Financial planning
- Management reporting
- Financial reporting

In compliance with recent amendments to the Corporate Governance Code published in July 2015, the Group Risk Model has been revised to include, as part of strategic risks, the issue of Corporate Social Responsibility with the purpose of identifying more precisely the Group's economic, environmental and social sustainability risks which, over time, could jeopardise value creation for its shareholders and stakeholders.
The Board of Directors has also given the Compensation and Nominations Committee, with effect from 1 January 2016, responsibility for supervising the sustainability issues associated with the Group's business, as described in the Corporate Governance Report.

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

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

The overall assessment must also take into account the future outlook for risk, or the possibility that in the period considered the exposure is increasing, constant or decreasing.
The results of measuring exposure to the risks analysed are then represented on a 4x4 heat map diagram, which, by combining the variables in question, provides an immediate overview of the risk events considered most significant.



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, as risks inherent in the business, to take targeted actions to prevent risk and minimise impacts by implementing an adequate system of internal controls and related monitoring and auditing.

ERM is a continuous process that, as stated in the ERM Policy, forms part of the Group's three-year strategic and business planning process, by identifying potential events that could affect sustainability, and is updated annually with the involvement of key members of management.
In 2015 this process involved the main business/function managers of the Group, 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. In parallel, an

ad hoc process was also initiated to identify and analyse the Group's sustainability risks, details of which can be found in the annual Sustainability Report, available on the Company's corporate website at www.prysmiangroup.com in the section Corporate/Sustainability/Downloads/Sustainability Report.

The classification used in the above Risk Model will now be 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 C (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 2015, 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 business, 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 market demand, translate into strong competitive pressure on prices with possible consequences for the Group's expected margins.
In addition, high value-added segments - like High Voltage underground cables, Optical Cables and Submarine cables - are seeing an escalation in competition from operators already on the market, with potentially negative impacts on both sales volumes and sales prices. With particular reference to the Submarine cables business, the high barriers to entry, linked to difficult-to-replicate ownership of technology, know-how and track record, are driving large market players to compete not so much on the product as on the related services.
The strategy of rationalising production facilities currently in progress, the consequent optimisation of cost structure, the policy of geographical diversification and, last but not least, the ongoing pursuit of innovative technological solutions, all help the Group to address the potential effects arising from the competitive environment.

Risks associated with changes in the macroeconomic environment and in demand

Factors such as changes in GDP and interest rates, the ease of getting credit, the cost of raw materials, and the overall level of energy consumption, significantly affect the energy demand of countries which, in the face of persistent economic difficulties, then reduce investments that would otherwise develop the market.

Government incentives for alternative energy sources also face reduction for the same reason. The Prysmian Group's transmission business (high voltage submarine cables) and Power Distribution business, both highly concentrated in the European market, are being affected by the contraction of demand in this market caused by the region's prolonged economic downturn.

To counter this risk, the Group is pursuing, on the one hand, a policy of geographical diversification in non-European countries (eg. Vietnam, Philippines, etc.) and, on the other, a strategy to reduce costs by rationalising its production structure globally in order to mitigate possible negative effects on the Group's performance 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 by Petrobras, in view of the country's current economic difficulties, could in the short to medium term have an impact on the sustainability, even in part, of the business in Brazil.

While committed to maintaining and strengthening its business relationship with this customer over time, the Group has initiated a progressive diversification of its customer portfolio, including by opening up to the export market.

Risk of instability in the Group's countries of operation

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

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

FINANCIAL RISKS

The Prysmian Group's risk management strategy focuses on the unpredictability of markets and aims to minimise the potentially negative impact on the Group's financial performance. Some types of risk are mitigated by using financial instruments (including derivatives).
Financial risk management is centralised with the Group Finance Department which identifies, assesses and hedges financial risks in close cooperation with the Group's operating companies.
The Group Finance, Administration and Control Department provides written guidelines on monitoring risk management, as well as on specific areas such as exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative instruments, and how to invest excess liquidity.
Such financial instruments are used solely to hedge risks and not for speculative purposes.

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

- Credit Agreement 2014: this is a five-year revolving credit facility for Euro 1,000 million, finalised in June 2014. This agreement was notable not only for the significant sum secured thanks to strong interest by the lenders involved, but also for its more competitive cost than previous facilities. The lighter financial covenants already applied to the Group's other credit agreements were confirmed for this facility. The annual interest rate is equal to the sum of Euribor and an annual spread determined on the basis of the ratio between consolidated net financial position and consolidated EBITDA. This facility was not drawn down as at 31 December 2015;

- Revolving Credit Facility 2014: this credit facility for Euro 100 million has been granted by Mediobanca - Banca di Credito Finanziario S.p.A. This five-year facility had been drawn down by Euro 50 million as at 31 December 2015;

- EIB Loan: this loan for Euro 100 million, received in February 2014 from the European Investment Bank (EIB), is intended to fund the Group's European R&D plans over the period 2013-2016. The outstanding amount of the loan as at 31 December 2015 was Euro 92 million, having made the first repayment in August 2015;

- Convertible bond: a convertible bond for Euro 300 million was placed with institutional investors in March 2013; it carries a 1.25% coupon and matures in March 2018;

- Non-convertible bond 2015: on 10 March 2015, the Board of Directors of Prysmian S.p.A. authorised management to proceed, depending on prevailing market conditions and in any case by 30 June 2016, with the issuance and private or public placement of bonds in one or more tranches. These bonds were intended for sale to institutional investors only. Consequently, on 30 March 2015 Prysmian S.p.A. completed the placement with institutional investors of an unrated bond, on the Eurobond market, for a total nominal value of Euro 750 million. The bond, with an issue price of Euro 99.002, has a 7-year maturity and will pay a fixed annual coupon of 2.50%. The bond settlement date was 9 April 2015. The bond has been admitted to the Luxembourg Stock Exchange and is traded on the related regulated market. Prysmian has used the bond issue proceeds to redeem the Euro 400 million Eurobond that matured on 9 April 2015 and to repay early the Term Loan Facility 2011 for Euro 400 million.

As at 31 December 2015, 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 2015. In particular:

(i) the ratio between EBITDA and Net finance costs, as defined in the credit agreements, was 14.34x (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 1.06x (against a required covenant of below 2.50x for the credit agreements signed before December 2013 and 3.00x for those signed in 2014).

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

Exchange rate volatility

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

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

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

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

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

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

Credit risk

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

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

Liquidity risk

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

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

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

As at 31 December 2015, the Group's total financial resources, comprising cash and cash equivalents and undrawn committed credit lines, came to in excess of Euro 1 billion.

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

Risks associated with commodity price volatility

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

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

In addition, if the oil crisis were to continue with prices stabilising at the current level, the extraction market would be less appealing and this would expose the SURF and Oil & Gas businesses to a possible contraction in demand, although this would not have a significant impact on the Group. In fact, these businesses account for about 6% of the Group's Sales and 3% of 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

Liability for product quality/defects

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

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

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

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

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

Risk of business interruption through dependence on key assets

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

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

As at 31 December 2015, all of the plants inspected were classified as "Excellent HPR", "Good HPR" or "Good not HPR"; no plant was classified as medium or high risk. In addition, specific disaster recovery plans

have been developed that, by predetermining loss scenarios, allow all the appropriate countermeasures to be activated as soon as possible in order to minimise the impact of a catastrophic event.
Lastly, specific insurance cover for damage to assets and loss of associated contribution margin helps minimise the risk's financial impact on cash flow.

Environmental risks

The Group's production activities in Italy and abroad are subject to specific environmental regulations, of which particularly important are those concerning soil and subsoil and the presence/use of hazardous materials and substances, including for human health. Such regulations are imposing increasingly strict standards on companies, which are therefore forced to incur significant compliance costs.
Considering the number of the Group's plants, there is a theoretically high probability of an accident with consequences for the environment, as well as for the continuity of production. The resulting economic and reputational impact would be critical.
The Group's policy of acquisition-led growth could augment its exposure to environmental risks, as a result of acquiring manufacturing facilities that fall short of its standards.
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 94% of the Group's sites are certified under ISO 14001 (for environmental management systems) and 65% for OHSAS 18001 (for safety management).

LEGAL AND COMPLIANCE RISKS

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

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

Risks relating to legal and tax proceedings

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.

During 2015 the state of Sao Paulo (Brazil) placed 12 tax inspectors under investigation. The public prosecutor considers them guilty of the crime of extortion and believes one of our Brazilian subsidiaries to be a victim of this crime.

The conclusions of the public prosecutor are currently being evaluated by the competent judge whose decision is reasonably expected midway through the current year.

Based on the information currently available, the directors are of the opinion that this investigation cannot give rise to significant liabilities for the Group.

In addition, during August 2015, two employees of a foreign subsidiary were the subject of court orders by the local authorities as part of an investigation into alleged misappropriation at the subsidiary's expense.

Following this notification, the Group instructed its advisors to review and assess a number of areas of potential risk and issues arising from possible breaches of internal procedures.

Although it is not possible to accurately quantify the risks, the results of this work to date lead to the Directors to believe that any liabilities triggered by such issues would nevertheless not be material for the Group.

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 involving 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 of 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, Canada and the United States have all 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, with the hearing to discuss the case held recently.

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 in 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.

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

It also noted that the Australian and Spanish antitrust authorities have respectively initiated proceedings to verify the existence of anti-competitive practices by local cable manufacturers and distributors, including the Group's foreign subsidiaries based in these countries. As regards the proceedings initiated by the Australian antitrust authorities, the hearing began at the end of November 2015. The Directors are of the opinion not to make any provision for the risks arising from these proceedings.

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

As at 31 December 2015, the amount of the provision is approximately Euro 143 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, 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.

A SUSTAINABLE APPROACH TO MANAGING THE BUSINESS

The Group, which this year celebrated 10 years since the birth of Prysmian with its employees, is following a sustainability policy that allows it create value in the business sense and improve relations with all its stakeholders.

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", and in keeping with its values of excellence, integrity and understanding, Prysmian has chosen to strengthen its commitment to sustainability, by treating it as a strength running through every area of the business that increasingly represents a distinguishing factor and competitive advantage.

Reflecting therefore the importance of sustainability issues in business process management and in response to the invitation in Italy's Corporate Governance Code for Listed Companies to formalise their approach to these matters, as from 1 January 2016 the Board of Directors has put the Compensation and Nominations Committee in charge of supervising sustainability issues associated with the Group's operations and dynamics of interaction with stakeholders, thereby enhancing the importance of sustainability in Prysmian's strategic decisions.

The Group expresses its attention to stakeholders on a daily basis, by engaging every business function 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.

Prysmian's approach to sustainability is also evident in the relations with its business partners. Among the actions taken to include environmental and social criteria in the process of supplier selection, evaluation and qualification, in 2015 Prysmian developed a supplier qualification questionnaire which needed to be completed by all new players entering the Group's supply chain. Taking an integrated approach to sustainability, by identifying the stages of its supply chain in which there are significant environmental and social impacts, Prysmian has required all its wire rod suppliers, representing about 80% of the total volume of metal purchased, to complete a self-assessment questionnaire. The questionnaire was aimed at finding out how these suppliers managed the main issues related to sustainability. Prysmian then presented the results to each supplier during the usual negotiation meetings. This has significantly raised awareness within the Group's supply chain of the importance Prysmian gives to sustainability as a criterion for selecting suppliers and awarding the related contracts.

Aware of the important role also played by other stakeholders, and in order to strengthen responsible commitment on a global scale, Prysmian continually works to establish relationships of trust with them based on the principles of transparency, openness and readiness to listen. Accordingly, Multi-Stakeholder Engagement initiatives have become an integral part of the Group's growth strategy. In addition to being an efficient and effective channel of communication, these initiatives are equally as important for everyday business management as for the definition and implementation of future guidelines. After organising a first Multi-Stakeholder Engagement event in 2014 in Milan, the Group has decided to take another step forward by planning a second event in Spain at the beginning of 2016.

On the human resources front, the Prysmian Group Academy, an international school of management and vocational education with the mission of consolidating and developing management expertise, carried on its activities over the course of 2015. Prysmian has therefore continued to promote the development of its employees by providing continuing education and ongoing individual development opportunities within an international working environment.

In continually seeking to satisfy customer needs, Prysmian remains true to its corporate Mission and develops sustainable, quality products, by investing in technological solutions able to enhance the value of its product portfolio. Consistent with these principles, in 2015 the Group once again proved its innovative spirit by expanding the Afumex Green line of cables, whose latest member, Afumex Green 1kV, is now the most sustainable and safe cable on the market. Traditional petroleum-derived polyethylene, used for insulation, has been replaced in this product with biopolyethylene (or green polyethylene), a material derived from sugar cane, which is 100% renewable, internationally certified, and reduces CO_2 emissions (for every tonne of green polyethylene, more than two tonnes of carbon dioxide are captured from the atmosphere).

Prysmian's steadfast commitment to sustainability is also reflected in transparent, structured communication to all the Group's 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, social and product performance. Following on from the work done in the past, the 2015 Sustainability Report has been prepared in accordance with the new "G4 Sustainability Reporting Guidelines" published by the Global Reporting Initiative (GRI) in 2013, and reflects Prysmian's ongoing commitment to make the reporting process ever more complete and effective, by ensuring breadth and depth of the topics covered. In fact, the GRI Sustainability Reporting Guidelines G4 require the Sustainability Report to contain information on matters deemed to be material, meaning those that have a critical impact for the organisation in economic, environmental and social terms and which significantly influence the judgements and decisions of stakeholders. The 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.

In recognition of the progress made in this direction, the Group has joined the prestigious FTSE4Good Global Index, consisting of companies that demonstrate ethical and transparent governance practices and implement socially responsible policies. In particular, Prysmian has been highly rated by the Index's commission of experts thanks to the high standards assured not only for its employees, like the Diversity and Inclusion policies, in a process designed to support individual development by creating a common identity within a highly multicultural environment, but also for its sustainable management of the supply chain.

In continuity with the past, Prysmian will participate once again in the top international assessments of sustainability in 2016, namely the RobecoSAM Assessment for the Dow Jones Sustainability Index (DJSI) and the Carbon Disclosure Project questionnaire.

Lastly, reference should be made to the 2015 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.

HUMAN RESOURCES

The HR strategy is rooted in the development and spread 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 ability 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 continue in this direction: 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 spreading 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. This also involves continually enhancing the ability to have a 360-degree vision of the business and related opportunities, as well as to anticipate changes in the business.
- 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 step up the development of the "people pipeline" that will drive and support both current activities and Prysmian's future growth.
- The ability to attract top quality resources, by offering professional, intellectual and challenging career alternatives, that are dynamic but also able to offer attractive long-term prospects.
- The ability to protect critical know-how and to prepare a planned succession for the more important technical roles within the factories.
- 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 2015, especially with a view to improving their effectiveness in the business. In particular, one 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. The two regions of Central East Europe and South Europe have been created, while the North Europe region has been extended to include Russia. The new organisation has also helped to improve the sharing of industrial know-how, as well as logistics and procurement processes.
Lastly, the Group has increased its focus on developing new markets, by creating a new business area dedicated to this area.

Talent and 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.
During the period 2012-2015, the Group has designed and implemented a Human Capital Development strategy intended to minimise errors in personnel decisions and ensure the right people are in the right place, by staffing the business with capable resources able to contribute to future growth and maintenance of the global industry-leading position.
The Human Capital Development strategy is based on an integrated system of talent management, that is able to attract, develop, promote and retain talented people in the business.
This talent management system is based on four basic pillars:

- Recruiting and Talent Acquisition
- Training and Development
- Performance Management
- Talent and Succession Management

Recruiting and Talent acquisition

Build The Future

Building the managers and technicians 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.
The Graduate Program involves the following phases:

- meticulous selection process
- period of induction in Milan, followed by one-year job rotation and mentoring program
- two-year international assignment
- continuous training opportunities and participation in intercompany projects

Launched in 2012, the programme has resulted in the recruitment of around 130 young people from around the world. The first half of 2015 saw the intake of 40 new graduates from every continent as part of the fourth cohort, while more than 20,000 applications were received in the second half of 2015 for the selection and intake of a fifth cohort in 2016 comprising another 40 graduates. This was the result of an intensive campaign of employer branding in partnership with professional social networks like LinkedIn and Monster as well as local ones and 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.

Make It

In 2015, consistent with the talent acquisition strategy, Prysmian launched a new international recruitment program, called "Make It", particularly targeting engineers with 3-5 years of experience and interested in playing key and highly challenging roles in the Group's most important factories.

The first edition, launched in October 2015, received about 6,000 direct and indirect applications. The aim is to identify about 40 engineers from other sectors, who will have the opportunity to make their own significant contribution to the growth in manufacturing, through being involved in a structured program that will offer them training, mentorship, challenging roles and career development paths.

Training and Development

Prysmian Academy

In the area of resource development, the Group has created the Prysmian Group Academy, an international school of management and vocational education, with the mission of developing and strengthening the leadership and technical skills of its management.

The Academy is structured in two distinct but complementary schools: the Management School and the Professional School.

The *School of Management*, run in partnership with SDA Bocconi and a network of major international business schools, has seen around 450 employees pass through its doors since 2012 and expects to see another 200 in 2016. This school has been designed for the more talented resources with the goal of sharing a common vision of the business, of spreading Prysmian values and culture and of exposing them to best management practices.

The comprehensive portfolio of management training programs allow participants to accumulated credits towards earning an MBA. All contents of the programs have been heavily customised in order to respond to the competitive challenges of the industry in which Prysmian operates. This has been possible by getting SDA Bocconi to develop "Prysmian case studies", which, by starting with actual situations, allow participants to get to grips with the everyday difficulties faced when devising strategies in the cable world.

- Post Graduate Program: an induction program for new graduates who have just joined the Prysmian Group, allowing them to learn the fundamentals about the business, products, processes and customers.
- International Leadership Program: an intensive program for talented resources with 5/7 years of experience who are on track for international leadership roles within the Prysmian Group.
- Advanced Leadership Program: a specially designed program for middle and senior managers in order to assess and develop their managerial and leadership skills and to foster rapid career

advancement within the business. Completion of this program allows participants to be admitted to GEMBA, the global executive MBA program run by Bocconi.

- Regional Leadership Programs: programs designed in ASEAN, in partnership with the Singapore Management University and the School of Management, Fudan University, and in the United States, in partnership with the Darla Moore School of Business of the University of South Carolina, and in the European Union with Steinbeis Business Academy and Corvinus University. These are directed at regional middle management not involved in the global programs; with their design and content adapted to the specific nature of local business and markets, they seek to foster stronger regional networking between managers without losing sight of the Group's overall strategy.

The *Professional School* is organised into a series of Academies by function (R&D, Manufacturing, Purchasing, Supply Chain, Quality, HR, Finance) and has seen around 850 employees pass through its doors since 2012 and expects to see around 500 in 2016. Its mission is to develop and share key technical and professional skills, with the assistance of an in-house team of experts from all over the world. The key objective is to develop and consolidate know-how and technical skills, by ensuring their transfer from older experts to younger staff, in order to spread knowledge of the product portfolio and foster the development of an internal network within the business.
The new Manufacturing Academy was set up in 2015. Located in Mudanya (Turkey), in one of the Group's largest factories, it offers technical training to people from all the Group's plants.

In addition, during the year *leadership assessment and development* was introduced into Academy classrooms, in partnership with CEB, a consulting firm. To date around 250 employees have been involved, including senior and middle managers and technicians. This process had made it possible to supplement the Prysmian Academy programs with individual action and development plans. In addition, this process provides the Group with information about leadership potential and drivers of motivation, which can then be used in developing succession plans. The same methodology has been used in critical selection processes in several of the Group's operating companies, by providing additional information about candidates to make for a more robust decision-making process.

Performance Management

To achieve the business objectives 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 to have constant feedback on their work and the results achieved.

The performance appraisal system, known as Prysmian People Performance system (P3), was introduced for the first time in 2012. Following the pilot project involving the Group's executives, the system was extended to all management and clerical staff in every country, involving a total of about 5,000 people in 2015.

The objectives of P3 are to:

- align personal objectives with those of the Group, thereby motivating each employee to do their best and generate value for the entire organisation, and create a single business identity;
- facilitate communications between managers and staff, so that the results achieved can be shared;
- reward the most deserving resources based on objective appraisals.

The process, backed by an online platform, involves 5 main steps:

- performance definition: determine targets and expected behaviours;
- constant feedback: consolidated and lasting relations between managers and staff;
- overall assessment: appraisal of the quantitative and qualitative results achieved;
- calibration: sharing and comparison of the assessments made by management at various levels (Country/Region, Business Unit, Group);
- feedback: provision of feedback to staff.

Partly thanks to a survey to which the some 3,000 responses showed wide appreciation of the process and the tool, a number of improvements were made in 2015 to ensure ever more meritocracy and employee engagement:

- alignment between performance process and career programs;
- connection with reward policies;
- possibility for employees to propose their own target objectives, agreeing these with their superiors, and to redefine them in the course of the year if the job or external market conditions should change;
- preparation of an action plan aimed at improving performance;

Talent and Succession Management

As a result of these different experiences in the field of assessment and measurement of talent, and not least as advocated by Italy's Corporate Governance Code (art. 5) in matters of succession, the Group decided in 2015 to rationalise its activities regarding assessment of potential and to adopt an overall process of evaluating potential and drafting of succession plans. This initiative covers all those involved in the P3 process and aims to create talent pools and succession maps for all critical positions, not only at the Group's top management level but also at individual country and plant level. The new process, which will be called P4 (Prysmian People Performance Potential system), is being developed with MERCER, a human resource consulting firm. Its basic purpose is to provide an assessment of potential, by predicting future performance in positions of greater responsibility. The first step has been to work on defining what talent means for Prysmian, through a series of structured interviews with 35 of the Group's key managers. The process, due to be launched in March 2016, will have three stages and involve approximately 1,000 employees:

- individual assessment of potential by managers
- consolidation of talent pools at Group level
- development of succession plans

International mobility

At 31 December 2015, the Prysmian Group had an expatriate population of about 215 people from 27 different nationalities (of whom slightly more than 38% were Italian), who had moved to 29 different destination countries; of this total 66% were non-executive staff and 14% women. A total of 68 people embarked on new international assignments during 2015.

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 2015, 39 recent graduates from 18 different countries were involved in a two-year international experience in as many as 16 different destination countries.

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, 54% work in their country of origin.

The focus of international mobility programs in 2016 will continue to 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 better results for the business.

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 215 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 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 2015 these objectives (on-off conditions) were represented by the Group's 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. There is also a multiplier that is applied to the final value of the MBO, depending on the P3 performance appraisal. The calculation of the final bonus therefore also takes into account an 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 launched a new long-term incentive plan (LTI) in 2015, duly approved by the shareholders.
Beneficiaries of the 2015-2017 LTI plan are executives, as well as some of the Group's talents and key people. This plan is based on the achievement of three-year targets and designed so as to be consistent with the interests and expectations of investors, by ensuring the sustainability of the business in the long run and promoting the retention of key resources within the Group.
The LTI plan is structured in two parts: a coinvestment part for the annual bonus (MBO) and a performance shares part.
The co-investment part requires a portion of the annual bonus (MBO) earned in relation to performance in 2015 and 2016 to be deferred and invested in shares, to which a multiplier will be applied at the end of the three-year period if the Group's two economic and financial targets have been met over the three-year period.
The performance shares part involves the allocation of a variable number of the Group's shares, also linked to achievement of the Group's economic and financial targets over the three-year period. A lock-up period also applies to part of the shares, thereby underlining the plan's purpose of fostering medium-term retention and commitment.

Group employee share purchase plan (YES Plan)

The Prysmian Group has also launched the YES Plan (Your Employee Shares), open to all Group employees. The Plan was introduced at the end of 2013 in 28 countries, after an intense communication campaign and a series of special 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 receive 6 free 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 business 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 grades) 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.
Year two of the plan in 2015 saw the number of employee-shareholders climb to 6,500, representing 40% of those entitled.
Plan participation in some countries was very high even in year two, with for example, nearly all employees signing up in Romania, about 89% in Turkey and 67% in the Milan headquarters.

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 2015 a number of industrial restructurings in Italy, France and the Netherlands were the subject of discussions with the unions, leading to agreements for the definition and/or conclusion of the relevant social plans.
Meetings of Prysmian's European Works Council were held in April 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.

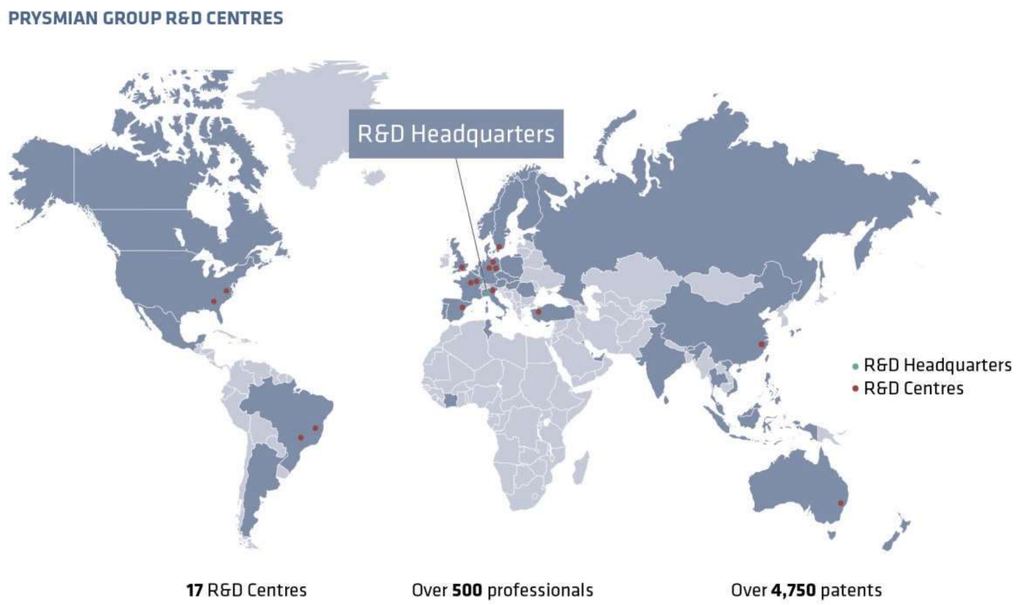
For a more detailed understanding of the Prysmian Group's commitment to human resources, please refer to the 2015 Sustainability Report.

RESEARCH AND DEVELOPMENT

With 17 Centres of Excellence, over 530 professionals, more than 4,750 patents and partnerships with universities and research centres in many countries, the Prysmian Group intends to be an innovation leader.

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 530 skilled professionals. With more than 4,750 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 73 million in 2015, broadly in line with the previous year and confirming its steadfast commitment to and focus on sustainable long-term growth.

Prysmian Group R&D Centres



The main achievements in the Energy business during the year are described below.

Submarine Systems. In the area of cables for submarine systems, work continued to expand the range of three-core alternate current (AC) cables. In addition to the official qualification of the 50 Hz cable with 1200 mm² 220 kV copper conductors, two new types of three-core cables were developed with double steel-stud armouring for installation at medium-high depths of nearly 1,000 metres. Still in the AC cables area, a new single-core cable design with optical cable integrated in the armouring was developed and qualified for the submarine project in the Philippines. In addition, special repair methods, suitable for the presence of optical cables in the armouring, were designed and qualified. New techniques of conductor diameter jointing were developed to collect large aluminium conductors together in conductor platforms and to join conductors of different cross-sections and materials. These technologies can be applied to both AC cables and direct current (DC) cables and allow a more efficient system design and significant reduction in costs. The first prototype with alternative armouring serving the development of cables for installation at great depths underwent full mechanical testing, while a second prototype was designed for installation at depths of more than 2,500 metres. The latter prototype will use non-metallic reinforcing elements that were optimised and developed during the year. In the area of MI cables (Mass Impregnated paper-insulated), work continued to improve the recovery plan for the WesternLink project and its 600 kV HVDC cables insulated using PPL technology, and research began into alternative materials and into optimising the design and manufacturing process to achieve a significant increase in operating voltage compared with the current level of 600 kV. With reference to the 525 kV extruded cable project, work on developing a flexible coupling point reported its first positive results.

Extra High Voltage (EHV) Underground Systems. In the field of product development of EHV underground cables, development and type tests were completed for the new 525 kV HVDC system and certified according to CIGRE TB496. This important achievement is a milestone for cable power transmission, allowing a single circuit to carry over 2.6 GW in power, according to the type of installation, which is more than twice as much as can be carried by 320 kV systems currently in service. The Prysmian Group's know-how in materials, technology and electrical testing has been decisive in achieving this result. HVDC systems are the preferred choice for carrying high voltage power over long distances via insulated cable. Prysmian precedents in the field of HVDC transmission using extruded cables include submarine interconnectors like the 200 kV Transbay cable, the 320 kV power lines in the North Sea and the 320 kV underground interconnectors between France and Spain, and between France and Italy. The EHVDC project will continue with the development of a totally new system comprising solid-insulated cable and pre-printed accessories, as well as the development of non-conventional jointing technology. Also in the area of EHV product development, three extruded cable prototypes were completed with Milliken copper conductors with 2500 and 3500 mm² cross sections and a longitudinally welded aluminium sheath. The two 2500 mm² prototypes have been insulated with alternative materials to those currently in use. The test circuits have been mounted at the IPH laboratories (CESI) in Berlin and the qualification tests according to the IEC62067 standard are in the process of being initiated. Development of EHV cables with large cross-section aluminium conductors (3000 and 3500 mm²) was also completed and the prototypes are now undergoing official qualification tests according to the IEC62067 standard. Optical fibre has been inserted in these prototypes, with longitudinally welded aluminium sheaths, for on-line measurement of cable operating temperature.

*Technology Development and Transfer***.** In the area of technology development and improvement, a project is in progress to optimise medium and high voltage conductors, by reducing cable weight and diameter in accordance with regulatory requirements for direct current resistance. Weight savings of around 2-3% have been achieved for the conductor cross-sections modified to date. Still in this area, some new large cross-

section Milliken copper conductors have been developed with an improved AC resistance coefficient thanks to a reduction in the "skin effect", achieved by same-direction stranding of the sectors and oxidation of the wires.
With reference to technology transfer, prototype EHV cables went into production at the Rybinsk plant (Russia) with the manufacture of 330 kV 2500 mm² copper cables, while industrial production started for 110 kV 1200 mm² and 1600 mm² copper cable. Work continued on starting up and qualifying the factory in Slatina (Romania) for the production of 110 kV 630 mm² copper prototypes and 150 kV 1000 mm² aluminium prototypes. Qualification tests according to VDE standards are in progress for the first prototype and according to IEC standards for the second. The VCV2 line at the Abbeville plant started operating with the production of two 245 kV 2500 mm² copper prototypes. The type tests are in progress. The HV business unit started a Best Practices HV project to share, through technical visits and technological assistance, the best practices used by the Group for selecting raw materials, design and technology.
As regards technology transfer involving special and low voltage cables, NEK606 technology was successfully transferred to operating companies in China and Brazil, while work was started on the project to standardise raw materials and technologies. LSOH (Low Smoke Zero Halogen) technology was upgraded at the plants in Melaka (Malaysia) and Schwerin (Germany).

*P-Laser Technology***.** Development of Energy cable P-Laser technology has continued with particular intensity for HVDC applications; the thermoplastic nature of P-Laser insulation significantly improves performance by such applications thanks to greater chemical stability and the absence in HPTE (High-performance Polypropylene Thermoplastic Elastomers) insulation of cross-linking by-products. The 320 kV DC system successfully completed its qualification process. The complete loop of terminals and joints for underground installation passed pre-qualification tests according to the requirements of CIGRE TB 496 for VSC systems with a 90°C conductor temperature, 20°C above the temperature at which standard XLPE (Cross-Linked Poly-Ethylene) insulated systems are normally qualified. Furthermore, the same cable was subjected to a narrow but particularly significant series of tests (defined with an important TSO that operates in the HVDC field), designed to evaluate the system at a 350 kV voltage with polarity reversals, typical of LCC systems. The tests, conducted in this case at a conductor temperature of 70°C, demonstrated the HPTE insulated system's excellent performance even with rapid polarity reversals, when the system is required to rapidly remove the locally accumulated space charges; this situation is considered to be particularly critical for standard XLPE insulated systems, given the presence of the cross-linking by-products that act as traps for the space charges. Based on the promising results described above, work has started on developing and applying P-Laser materials to the 525 kV load class, which will be the next technological frontier for long distance DC connections. With reference to distribution systems, P-Laser cable has been qualified for certain utilities operating in Northern Europe (Finland), a region in which overhead lines are actively being replaced with buried lines. The superior performance of the P-Laser system in terms of reliability and thermal rating, allow local operators to significantly improve the quality of service provided. The P-Laser cable design for application in Finland has been adapted to the requirements of local utilities, in particular its defensive properties against the passage of water through the cable's various constituent parts.

In the Netherlands the P-Laser system completed its qualification for the 50 kV load class, representing a significant portion of the country's power transmission network.

T&I. The focus of R&D for the T&I business is concentrated on 4 main strategic drivers:

1. SAFETY: CPR (Construction Products Regulation), with intensive testing activities for the market launch of CE marked products from July 2017; the introduction of the new Afumex+ cable in Argentina with improved design and performance; the extension of the portfolio and certifications of fire-resistant low-smoke cables for the Middle East, ASEAN and Nordics;
2. QUALITY: extension of the "Attention! All cables are not the same" initiatives to improve product safety and usage through continuous benchmarking with competitors, direct contact with installers and extended educational campaigns. This includes the new initiative by Prysmian Turkey focused on cables for renewables, new demonstration equipment and the start of the testing of competitor cables in preparation for the campaign's 2015/16 launch in Australia, Spain, UK, Italy and the Netherlands;
3. SUSTAINABILITY: application of Brazil's Afumex Green technology to 1 kV cables and launch of the new "building wire Green Dream" in China;
4. TIME SAVING: expansion of the range of "Easy-to-Install" products in France with the new BW 4fil and countrywide activities to improve flexibility and ease of peeling that have already received a strong market response.

*Oil & Gas***.** One of the key R & D initiatives for the Oil & Gas business has been the harmonisation of the more important products for the principal business segments (upstream topside & downstream). In the case of upstream topside applications (drilling platforms), some countries, especially China and Brazil, have significantly increased their demands for localisation. This is why we are developing a comprehensive harmonised portfolio of offshore cables that meet NEK606 standards. The resulting global product line will be able to simplify framework agreements, make the management of production more flexible and improve inventory management including through the use of distribution centres. Product harmonisation for the Onshore Downstream business (refining and petrochemical plants) also continued in 2015, with the design and implementation of a comprehensive approach to managing macro projects using centralised designs, but based on a multi-sourcing method of production. This approach has required the transfer of high-end technology between the various production units and the development of new high-performance products. The most significant examples are the "Arctic Onshore" low-temperature technology used in the Yamal LNG project, and the series of advanced solutions for medium and low voltage fire-resistant cables, as well as instrumentation and control cables, tailored to the specifications of each project.

With reference to market niches for highly specialised products, new-generation advanced materials and designs have been launched for the Motor Lead and Flat ESP cables which are extra resistant to corrosion from aggressive chemicals and high temperatures. In addition, the area of onshore and offshore drilling systems has seen continued development of customised high performance solutions using relevant procedures and specific testing apparatus to ensure their reliability. The Prysmian Group owns the BOSTDRIVE™ high-end technology specially developed for these systems.

Products have also been developed for TADS (Tender Assisted Drilling Units), used in shallow water. These consist of an optimised package of cables, stations and mechanical subsystems for both static and dynamic applications for power, instrumentation, control and telecommunication connections between the tender barge and drilling equipment set. This subsystem is called Bridle.
Lastly, the portfolio of high-performance fire-resistant products has been extended with the addition of a new and unique design developed to resist jet fires (as required for offshore applications).The new family of products called BFOU JF (Jet Fire) has passed ISO 22899-1 testing and has been certified by DNV for a 250 kW/m² jet fire with temperatures exceeding 1200° C for 30 minutes (time needed to complete all the safety procedures in the event of fire).

*OEM***.** In the area of cables for special OEM (Original Equipment Manufacturer) applications, the project to unify marine cables with the TEMAR family was completed thanks to the creation of a global Prysmian catalogue for this sector. Certifications are in progress with the different certifying bodies for the plants concerned.
Cables for nuclear power plants have completed joint type test approval with France and Germany in connection the process to qualify the entire range with AREVA initiated in the previous year. An international technical team has been created for this field of application to manage the extension of existing approvals to new plants and to manage new product development in accordance with AP1000 standards.
In the area of renewable energy cables, products have been developed and approved in accordance with the new European standards (EN).
In the mining segment, a new solution has been devised for single point suspension cables, in response to market demand in Australia, involving modification of the cables produced in China and ASEAN and of the related self-supporting suspension system.
Research has continued into alternative materials such as CCA (Copper Clad Aluminium) for use in flexible cables. In the area of fire-resistant cables, approval has been obtained for the cabling system according to UL standards for the American market. Prysmian is the only approved manufacturer of non-metal clad traditional cables under this highly selective standard. Two international teams were also set up to optimise and unify the design of fire-resistant cables that now offer a variety of different solutions.

*PRYCAM***.** With regard to the development of Prycam technology, some important innovations were developed in 2015 that will lead to the birth of two new products: the first is the development of the *Pry-Cam® Gate* prototype; this new patented technology consists of electronics for automatically measuring the time elapsing between two partial discharge pulses. This innovation will make it possible to install a system that can determine with absolute certainty whether an accessory, or a length of cable, is affected by partial discharges without having to use any kind of expertise or artificial intelligence algorithms. The second major innovation is the *Pry-Cam® Brain;* this system involves the creation of a "smart" search engine that, using nearly 100,000 measurements performed around the world with Prycam technology, processes the data and helps operators to produce a diagnosis as objective and reliable as possible, helping them to separate the discharge source and to identify it. This technology will also be used for automatic generation of alarms in monitoring systems and will be included, in a simplified version, in the control software of the *Pry-Cam® Portable* system.

Achievements in the Telecom business are described below.

*Optical Fibre***.** In the field of single-mode optical fibre, several of the Group's factories were made ready for full production of bend-resistant BendBrightXS fibres (BBXS), which have much better micro- and macro-bending performances than competitor products. Its bending performance and small diameter allow this fibre to be used in the manufacture of smaller cables used in the different layers of FTTH (Fibre To The Home) networks. A number of improvements were also made at several factories, leading to a significant reduction in fibre production costs.
In the area of multimode fibre, WideCAP OM4 has confirmed Prysmian Group's leadership in this sector. This fibre is capable of supporting four 25Gb channels or even four 50Gb channels with wavelength-division multiplexing from 850 nm to 950 nm. The international standard-setting committees have adopted this fibre in a record time, which will help reduce the number of 40, 100 and 400 Gb/s cables used within data centres.
Another important innovation was made using "Few Mode" fibre technology. In the same way that digital information is encoded and travels on a single mode of light with single-mode technology, with "Few Mode" technology several individual light modes are able to transmit the digital information. The first 4-LP-Mode fibres are now being tested by academic laboratories and small companies. Preliminary transmission trials with different partners have been successful in the fields of Datacom (100Gb systems with 10G signals transmitted at a 1310 nm wavelength for each single mode) and access networks (PON, Passive Optical Network, at 1310 nm).

*Optical Cables***.** In the field of optical cables, the technology used in the Flextube cable family has proved the most efficient for optimising and reducing the size of high-fibre-count cables. In addition to Flextube micro-module technology, another success factor has been BendBrightXS 200 micron fibre. The 23 mm 1728-fibre cable with 4.2 fibres per mm² already in this family has been joined by a new 2112-fibre version. These products are an excellent solution for use in ducts congested with other cables. A typical field of application is for connections between mega data centres. New types of "nano cables" have also been developed using "micropipe" technology and BendBrightXS 200 micron fibre. A record density of more than 5 fibres per mm² has been achieved in the 96 to 288 fibre cable range. This allows a considerable reduction in the diameter of ducts in which cables are installed using blown technology, resulting in a considerable reduction in space occupied.
Our platform for dry/dry technology has been further expanded with the development of reduced diameter ribbon cables specially for the Australian market, of new series of dry/dry Flextube cables and bufferless pipe cables in South America, of a new 864-fibre central pipe cable based on a 36-fibre ribbon in North America, and 1728-fibre applications for data centres.
These developments reflect the need for ever shorter installation times, thus reducing overall installation costs.

*Connectivity***.** In the connectivity field, Prysmian has continued to develop new accessories for use in FTTH (Fibre to the Home) applications. Of particular importance has been the development of the LMJ (Large Multi-Function Joint) which can connect up to 2688 fibres and uses 24-element trays each. Solutions with pre-terminated cables are now available from our new factory in Tunisia, as well as a new, extremely robust connector for outdoor use.
The extractability of optical elements in solutions such as Verticasa or Retractanet allow shorter installation times thanks to the smaller number of joints and connectors required. The RetractaNet solution has been further developed for aerial applications, and supplemented with different cable and connectivity solutions.

*MMS***.** Improvements have been made to the discontinuous metal ribbon-based Cat.6A U/UTP solution for structured cabling with copper cables. Interesting developments have taken place in Power over Ethernet (PoE) technology, with the launch of a family of cables optimised for long connections based on Category type cable to provide both power and data to the connected device. Residential wiring is supported with the new reduced section Cat.7A cables. In the area of internal wiring, a complete range of optical cables based on Flextubes has also been developed.
Cabling solutions using combined copper and optical fibre cables have been further developed for data centres. The first full Cat.8.2 connection offering a 40 Gb/s solution over copper on a 30m channel has been qualified in partnership with an industrial partner and is now available for sale. Multimode optical fibre cables have been developed for high data speeds (40/100 Gb/s); these cables are based on 12-fibre modules terminated with multi-fibre MPO connectors. The optical modules used can be of the micro-module Flextube type or 3 mm micro-cables which are assembled to cover the 72 to 144 fibre range. These cable families are available in a version with low smoke and toxic gas emissions and in a Plenum/Riser version.

As regards materials, Prysmian is intensifying exploratory research in this area due to the strategic role they play in cable and accessories technology. The main achievements in the year are described below:

- Better performing materials have been found than those at present for the construction of laminates used in EHV submarine cables. The research into these materials has led to the development of new lab methods to evaluate their performance.
- A recipe for a compound with variable resistivity according to the electric field applied has been researched for use in the manufacture of a new type of HVDC joint.
- Basic research has been started to understand the crystallisation of PBT (Poly-Butylen-Terephtalate), with the aim of improving its processability and performance in optical cables.
- Tests on aluminium clad steel armouring for Oil & Gas applications have been successful. This will make it possible to develop a new highly corrosion resistant product.
- Research is being conducted into the possible use of graphene and carbon nanotubes in partnership with many universities and research institutes. In particular, experiments have started on graphene in collaboration with a manufacturer.

- A partnership has been started with an American organisation to define new composite armouring systems for submarine cables, umbilicals and flexible pipes.
- Research has been started to find substances able to absorb water in a stable way without release. The purpose of this research is to construct new barriers in place of metal in telecom and submarine cable production.
- Research has begun to develop oil-resistant polymers, starting with both thermoplastic and cross-linkable materials: this development could bring significant benefits especially for Oil & Gas applications.
- New Afumex compounds have been introduced to replace the previous versions. Work is currently in progress to develop and optimise new high performance recipes for the top CPR classification levels.
- There has been continued research into new recipes for compounds that leave a particularly small volume of ash in the event of fire.
- Research continues into alternative materials for diversifying the supplier base and reducing sole supplier risk as much as possible, especially in the case of key materials in both commercial and technical terms. In some cases, this requires long laboratory experimentation and collaboration with suppliers.

Lastly, work on cost optimisation continued throughout the year. The package of DTC (Design to Cost) projects, of which there are now 1,200, made it possible to make progress in the process of rationalising compounds and optimising cable design. All these R&D activities resulted in a saving of some Euro 29 million in 2015, helping to enhance the competitiveness of our products.

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 investment in these areas in recent years and to protect the related businesses, both now and in the future.

As at 31 December 2015, the Prysmian Group had 4,785 patents and pending patent applications throughout the world, covering 771 inventions (of which 228 in the Energy Projects and Energy Products segments and 543 in the Telecom segment). During 2015, 45 new patent applications were filed, of which 20 in the Telecom area and 9 in the Energy area, and 164 patents were granted after examination, of which 17 by the European Patent Office (EPO) and 34 in the United States.

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 2015, the Prysmian Group owned 589 trademarks, corresponding to 2,762 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 2015, 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.

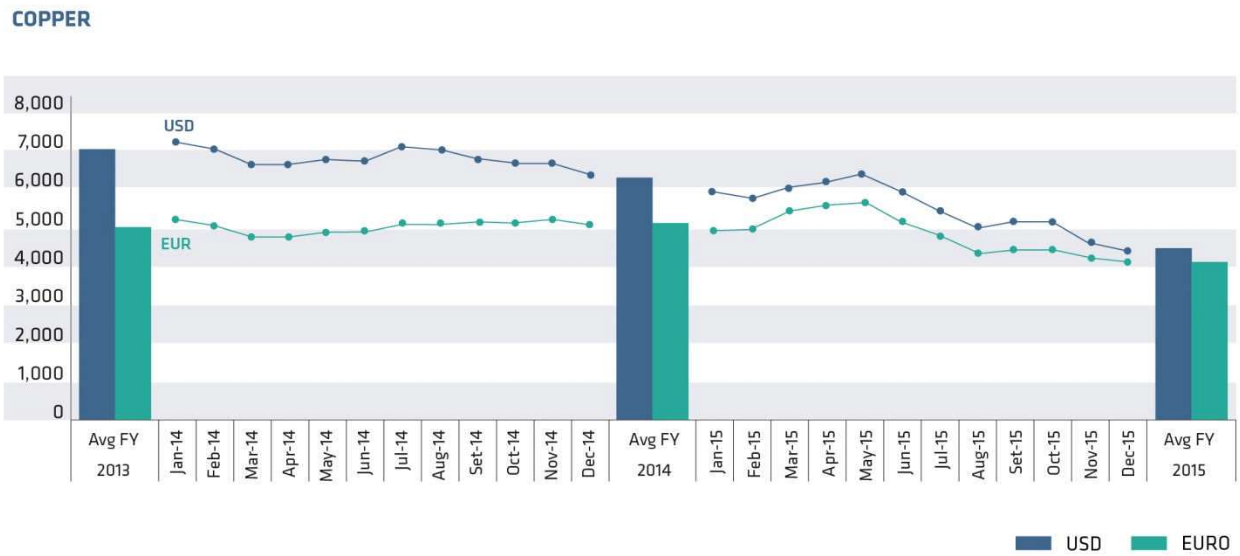
The main raw materials used by the Group in its production processes are copper, aluminium, lead, special glass and coating for optical fibres, as well as various petroleum derivatives, such as PVC and polyethylene.

In a market characterised by continued global economic fragility with only a slight recovery in volumes, average prices of the principal plastic raw materials reported fluctuating trends during 2015 and were generally lower than the year before. In the case of base metals, copper, aluminium and lead prices were significantly lower than the year before, down 20% in USD (2015 average vs 2014 average), reflecting persistent stagnation in some West European countries, compounded by another slowdown in emerging economies (China and Brazil) raising fears about possible reductions in future demand by these countries. The strengthening of the US dollar caused the euro prices of these metals to post a more moderate reduction (-4%) in the case of copper, but increases of 2.1% and 6.4% for aluminium and lead respectively.
The Brent crude price closed the month of December 38% lower year-on-year, confirming the downward trend in prices since August 2014. Ethylene prices also reported a steep drop. Among the ethylene derivatives, polyethylene resins generally posted an increase, which was higher for the linear type due to a product shortage arising from unplanned downtime in European ethylene and polyethylene production facilities, and from lower imports of this material from dollar-zone countries. The price of PVC resins was essentially stable; plasticiser prices were significantly lower, reflecting trends in the related raw material costs and persistently weak demand in the construction industry.

Once again in 2015, 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 judicious 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 not only at reducing dependence on individual suppliers, but also at strengthening partnerships with core suppliers or suppliers of critical technologies. The added strengthening of commercial relationships with core 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 term.

Copper

The average cash settlement price per tonne of copper on the London Metal Exchange (LME) was USD 5,502 (Euro 4,948) in 2015, representing a 19.8% decline on the prior year average price in USD (USD 6,860 per tonne) and a 4% decline in EUR (Euro 5,167 in 2014). Fluctuating between a low of USD 4,515 and a high of USD 6,448 per tonne, the price fluctuation band was almost twice as large as in 2014 (low of USD 6,306 - high of USD 7,422).



Source: LME data. Price per tonne

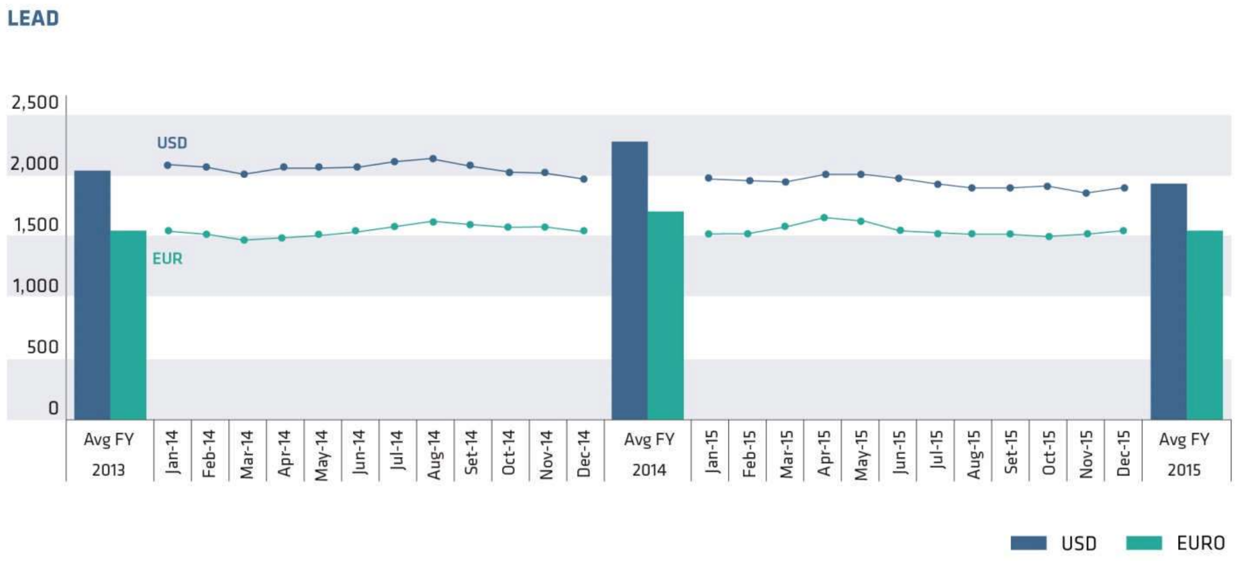
Aluminium

The average price of aluminium decreased by 10.9% in USD during 2015, while it increased by 6.4% in EUR, reflecting the trend in the US currency. The average price per tonne of aluminium was USD 1,663 (Euro 1,499), compared with USD 1,866 (Euro 1,409) in 2014.

Source: LME data. Price per tonne

Lead

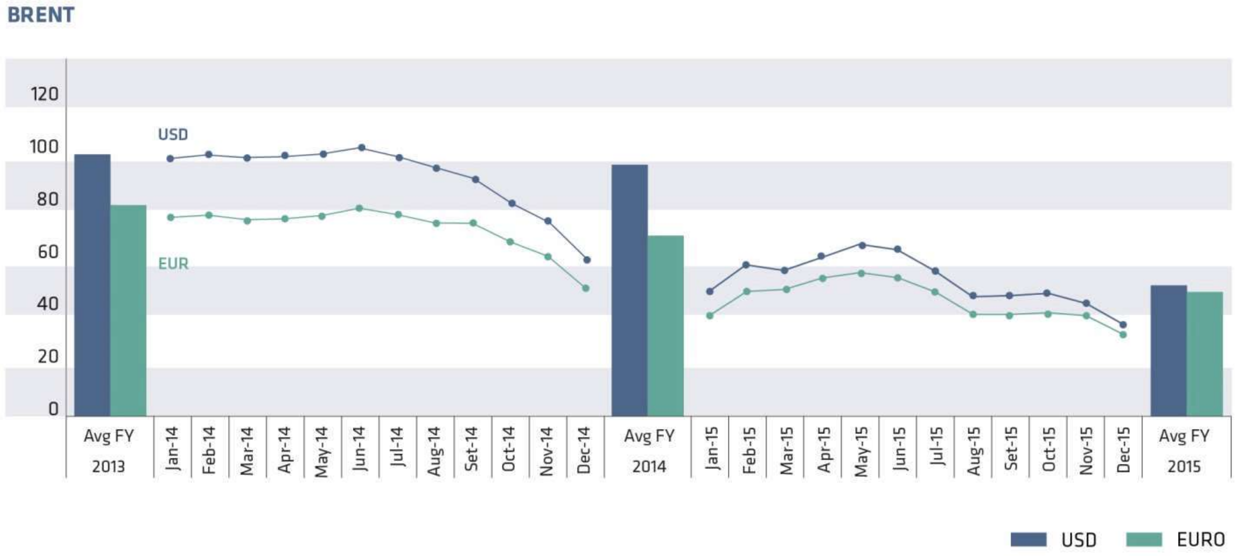
The average price per tonne on the London Metal Exchange was USD 1,787 (Euro 1,611) in 2015, down 14.7% in USD but up 2% in EUR compared with the year before (USD 2,096 per tonne and Euro 1,578 per tonne respectively).



Source: LME data. Price per tonne

Oil

Brent crude prices were extremely volatile in 2015, fluctuating between USD 47 and 67/barrel in the period January-July. Prices then started to fall steadily, until reaching a low of USD 36.11/barrel in the second half of December. Brent crude had an average price per barrel for the whole of 2015 of USD 54, down 46% on 2014 (USD 100). The EUR depreciation against the USD meant that the EUR price decrease was smaller at 35%, going from Euro 74/barrel in 2014 to Euro 48/barrel in 2015. European ethylene prices declined more moderately, in the order of 17%.



Source: ICE data. Price per barrel

INDUSTRIAL ACTIVITIES

During the year Prysmian Group 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 88 plants in 31 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 2015 the Prysmian Group continued to implement an industrial strategy based on the following rationale: (i) output of higher value-added high-tech products by 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, with consequent manufacturing efficiency and reduction in 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 210 million in 2015, up from Euro 163 million the previous year, mainly reflecting the major resources invested in manufacturing footprint projects, as well as the usual level of investment in the submarine cables business (for both offshore and onshore sections) and in the optical cables business. Investments to increase production capacity and change its mix accounted for 44% of the total. In addition, the process of rationalising production capacity proceeded throughout the year: in fact, the plants in Ascoli (Italy) and Aubevoye (France) were both closed, resulting in the transfer of their machinery to other factories within the Group. The purpose of concentrating production sites was to optimise cost structure and to rationalise the Group's manufacturing footprint, thereby ensuring an adequate level of capacity utilisation within the various countries.

Energy Projects. Significant investments were made during the year in the Group's submarine cable plants in Arco Felice (Italy) and Pikkala (Finland) to increase capability for the "50 Hertz" contract, worth more than Euro 700 million and awarded to the Group in 2014; this contract involves the design, supply and installation of high voltage submarine systems between offshore wind farms in German territorial waters. Also in the submarine business, conversion work started on the new cable-laying ship known as "Pacifique", thereby adding a third vessel to the existing fleet comprising the "Giulio Verne" and the "Cable Enterprise". Within the High Voltage business, the two major investments initiated in 2014 were brought to a conclusion: 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. Lastly, investments were made in the Delft plant (Netherlands) after winning a project from TenneT to construct a high voltage power line in the Netherlands.

Energy Products. Capital expenditure in this segment continued to focus on countries with the best growth potential: in China, the Suzhou and Tianjin plants had their production capacity increased for Trade & Installer, Rolling Stock and Elevator cables; in Estonia, the Keila plant was the subject of investments to create a manufacturing hub for LV cables to serve the growing North European market; in Malaysia, the

Melaka plant was expanded in order to produce instrumentation and control cables for the Far East market. Lastly, in Hungary, the Kistelek plant is about to complete two projects: the first for a production line for rubber cables serving the Central European market, the second for the expansion of production capacity of Trade & Installer cables, again to serve the Central European market but from a source with lower processing costs.

Telecom. The Telecom operating segment saw a continuation of the major investment in the Sorocaba plant in Brazil for verticalisation of the optical fibre production process in order to serve the South American market and particularly the Brazilian one; it was also decided to invest in creating a verticalised plant in North America, with Claremont in the United States the plant selected for this project. There was also continued investment to increase optical cable production capacity at the factory in Slatina (Romania), where work also started to build a new plant entirely devoted to Telecom cables, as further proof of the intention of creating one of Europe's centres of excellence for optical telecom cables.

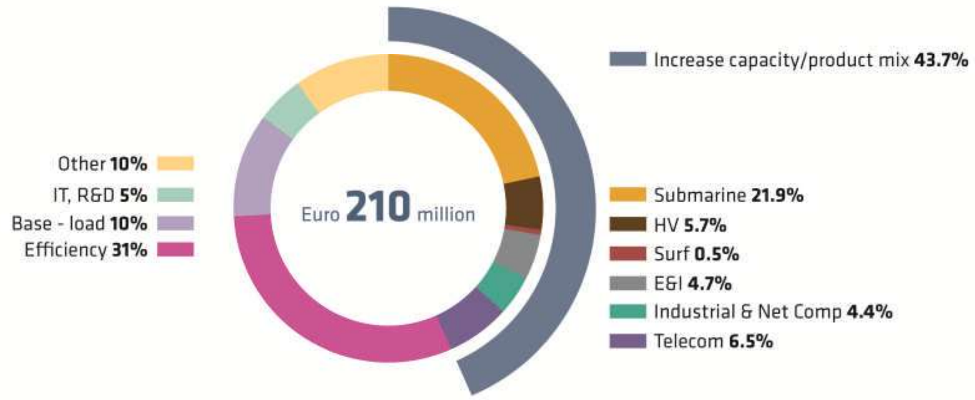
Efficiency. Capital expenditure on achieving efficiencies to reduce fixed and variable costs, particularly in relation to materials usage and product design, accounted for approximately 31% of the total. In particular, the Energy Products segment made significant investments in efficiency, particularly in the metallurgical area, following the Group's decision to complete the process of vertical production at some of its plants (Schuylkill Haven and Abbeville in North America, and Suzhou in China). The Telecom segment's European optical fibre manufacturing facilities in Battipaglia (Italy) and Douvrin (France) continued to invest in efficiency for the purpose of significantly reducing fibre manufacturing cost. In particular, the Italian plant completed both the construction of a trigeneration plant that will reduce its energy costs and the project to increase the size of preforms. Lastly, in Tunisia, it was decided to expand the existing plant that makes kits for cables serving the connectivity sector, with the intention of bringing in-house work formerly done by outside companies.

IT, R&D. Some 5% 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 2015, the kernel of the new ERP system was upgraded and the system was rolled out to Britain and Brazil.

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 10% of total expenditure) mainly refers to the start of 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 m^2 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 2015



D&A

QUALITY

Focus on supplier quality and continuous improvement

In pursuing the goal of being the benchmark for excellence in the markets in which it operates, once again in 2015, the Prysmian Group focused on improving its performance, with the clear aim of increasing the satisfaction level of its customers, as well as of providing an outstanding customer experience.
As part of this strategy and in response to the need to structure and control quality-related activities in a single environment shared by the entire business, the Group continued to implement proprietary software to allow the entire organisation to have clear and immediate access to the performance of each entity within the Group.
The good performance in terms of number of Customer Claims already achieved in 2014 was confirmed in 2015. In addition, new indicators specifically aimed at monitoring response times have enabled the Group to identify important areas of improvement and raise awareness throughout the organisation about rapid and effective problem solving.

Particular attention has been given to the continuous improvement of internal processes. Specifically, an extensive training program has been designed to teach the main methods for correctly analysing and solving problems related to the quality of both products and processes. In addition, a series of continuous improvement projects has been launched in every factory, with the aim of taking advantage of further opportunities to increase the standards of quality and efficiency of internal processes, with clear benefits also for costs.

Another mainstay of 2015 was the introduction of controls over the performance of the core suppliers. In addition to the implementation of specific preventive measures, this has improved the relationship of trust between the different parties, by offering interesting ideas for development. Furthermore, the definition of specific performance indicators has allowed the Group to have a broader and more complete picture and so factor in all the implications each supplier's activities have for individual departments in its dealing with such suppliers.

The Worldwide Quality Meeting, attended by all the Group's Quality Managers, has held at the end of the year with the purpose of sharing best practices and guidelines for development: the results for the year were reviewed and the strategy presented, along with the main projects to be implemented in 2016.

LOGISTICS

Prysmian Group strengthened its strategic focus on Customer Centricity in 2015, confirming the improving trend of recent years in customer service.
The year also saw good results in terms of inventory management, with a positive impact on cash flows.

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 without 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: 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.
Assembly to Order: this 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.
Make to Order: in this case, 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.
Make to Stock: 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.

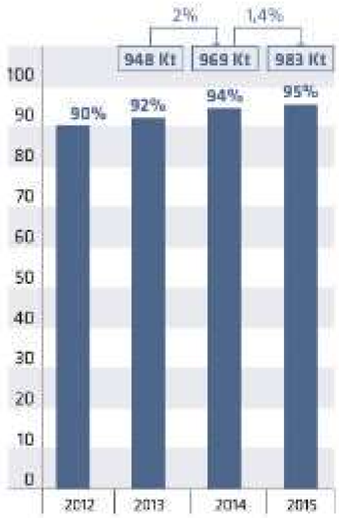
In keeping with the Group's strategic objectives and as part of the Customer Centricity and Factory Reliability initiatives, Prysmian Group continued in 2015 with the actions already started in recent years to improve logistics services, in terms of lead-time flexibility, timeliness and efficiency.

The punctuality and reliability of its processes have confirmed the Prysmian Group's 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 2015 in both the Energy Products and Telecom operating segments, as shown in the following graphs.

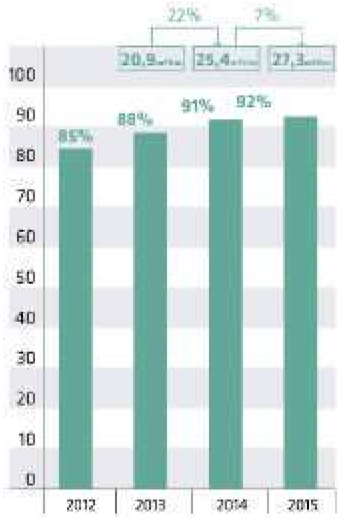
Besides the absolute increase in the level of On Time Delivery, 2015 saw another decrease in the proportion of plants performing below the 90% mark, thus reflecting more consistent performance between the Group's various plants.

ON TIME DELIVERY

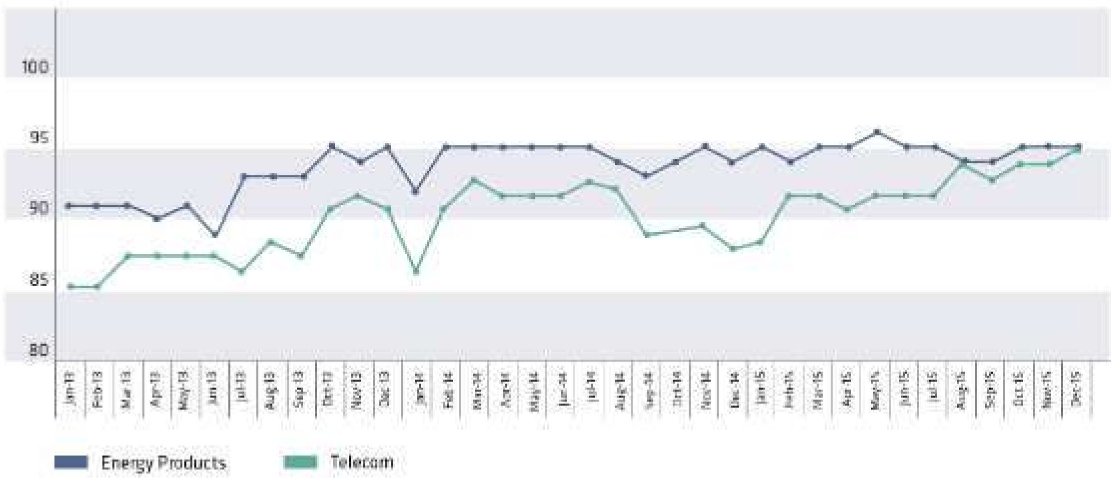
ENERGY PRODUCTS



TELECOM



LOGISTICS



During the year new projects were also started to reduce the time to market, in terms of both fast order entry and lead time reduction.

The "Fast Order Entry" project has made it possible to halve the time for entering and processing orders by the customer care team, by focusing on the search for type of product and its stock availability.
As for faster speed of execution, four lead time reduction projects were implemented in as many critical Group plants, resulting in an average 17-day reduction in production time (-24%).

Inventory management for every kind of stock also received particular attention in 2015; in particular:

- raw materials, with increasing effort devoted to procurement planning and rationale for all materials, particularly metals (copper, aluminium and lead), where more reliable forecasts of local needs helped significantly reduce the level of safety stocks;
- intermediate products, with various "lean" and "six sigma" projects implemented in the most critical plants;
- finished goods, with the emphasis placed on the accuracy of sales forecasts and the continued importance of reducing slow-moving items.

These actions have resulted in a significant optimisation of inventories, while ensuring the right levels for the production process and satisfying customers.

Lastly, it should be noted that the Group has been able to meet the growing demand for medium voltage cables by utilities, by making the best of its European footprint. In fact, thanks to the integrated Sales and Operations Planning process on a macro-regional scale it was possible to ensure full production capacity at the South European factories in response to extra demand by Central and North European markets.

Actions and projects of this kind confirm the Group's commitment to ever more efficient use of resources, to greater sharing of information and to faster response times to market needs.

PRYSMIAN FOR THE ENVIRONMENT

At the end of 2015, 91% and 63% 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, set the Group's HSE objectives for 2014-2015. These objectives were communicated to all Country and Business Unit managers and, where possible, individual targets were set.

During the year, HSE continued its coordination at various levels of the Group's organisation (Corporate, countries or regions, business units and production units), including through:

- the extension of OHSAS 18001 certification for the Safety Management System at 4 more sites;
- the transition of plants previously certified by other organisations to the official certifying body: during 2015, 16 plants passed to the official body for ISO 14001 (relating to the Environmental Management System) and 4 plants to that for OHSAS 18001.This will help improve coordination of the management systems thanks to the periodic audit of the Group's HSE procedures by the independent certifying body and the HSE function's involvement in deciding and agreeing corrective actions applicable to the Group's various production facilities;
- the audit of the effectiveness and correct application of the HSE rules locally, according to a random audit program organised by HSE and conducted by the Group's team of qualified auditors;
- the planning and conduct of energy audits at a number of European production sites, considered as representative, in order to identify energy efficiency initiatives and reduce greenhouse gas emissions;
- the organisation of an update seminar for HSE managers from each geographical area or Business Unit, during which the head office HSE function presented the initiatives and activities that it will implement in coming months and years and that will involve these companies through the assignment of specific HSE targets.

Once again during 2015, variables and significant indicators continued to be tracked in order to assess the effectiveness of environmental performance in areas such as compliance with health and safety standards at work, energy consumption, waste management, atmospheric emissions of greenhouse gases and the use of water resources. As regards the latter, a method was devised in 2015 to provide an overview as to how efficiently process water was being reused in the various plants. These indicators are presented in the Sustainability Report, which also reports greenhouse gas emissions, dividing them into "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 2015, 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. The possibility of including assessment of product environmental impact - specifically focused on carbon footprint - at the design stage has been discussed and the most suitable courses of action to achieve this objective are being identified.

During the year a total of some 160 inspections were carried out at the various plants, including certification audits and audits for maintenance of existing certifications, of which 25% by qualified Prysmian personnel and the remainder by auditors from independent certifying bodies. In addition to these, there were twenty energy audits, other internal audits on specific matters and periodic inspections by the local independent certifying 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 the rating process of the Dow Jones Sustainability Index (DJSI), with a major improvement on the prior year score, partly thanks to a more complete reporting process which disclosed - for certain initiatives - the link 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).

INCENTIVE PLANS

Long-term incentive plan 2015-2017

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

The reasons behind the introduction of the Plan are:

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

The Plan covers around 300 employees of Group companies and involves the grant of options, the number of which depends on the achievement of common business and financial performance objectives for all participants.

The Plan consists of two parts:

- Co-investment;
- Performance Shares.

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

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

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

New submarine link between the Netherlands and Denmark

On 1 February 2016, Prysmian Group was awarded a new contract worth around Euro 250 million for an HVDC (High Voltage Direct Current) submarine link between the Netherlands and Denmark, by TenneT TSO B.V. and Energinet.dk SOV, the respective operators of the Dutch and Danish power transmission grids. The COBRAcable ("COpenhagen BRussels Amsterdam" cable) will benefit the electricity grids in both countries concerned, by making Dutch capacity structurally available to Denmark and vice versa, by making the electricity supply more secure and by allowing connection to renewable energy sources at a later stage.

The COBRAcable will contribute to the creation of a sustainable international energy landscape, a key aim of the European Union, which is supporting the project through the EEPR (European Energy Programme for Recovery). The cable will be constructed using HVDC technology, which minimises transmission losses over long distances.

The cable will be produced at the plants in Arco Felice (near Naples, Italy) and Pikkala (near Helsinki, Finland), while submarine cable laying will be performed by the "Giulio Verne" and the "Cable Enterprise", the Group's own cable-laying vessels. The cable system is scheduled for delivery in the third quarter of 2018.

Plant closures

On 29 January 2016, Prysmian Câbles et Systèmes France presented the trade unions with a plan for the closure of the Anjy plant, currently employing 74 people, and the transfer of its production for the automotive business to the Velke Mezerice site. The plan also envisages investing in the nearby Draka Fileca plant in Sainte Genevieve, whose products serve the aviation industry, and which will involve the creation of 25 new jobs. At the same meeting, a plan was also presented to cease production at the Xoulces plant, employing 76 people, and to transfer it to the nearby plant in Neuf Pré, which produces accessories; the idea is to create a centre of excellence for accessories production in a more suitable facility than at present, while adding 38 jobs to this plant's existing workforce of 60.

Discussion of these plans will proceed in the manner established by the relevant legislation.

Creation of the Oil & Gas Business Unit

In January 2016, the Group modified its organisational structure with the creation of an Oil & Gas business unit, comprising the SURF and Oil & Gas businesses. The new organisational structure will facilitate the creation of synergies between the two businesses and allow major customers to be managed more efficiently.

The possible impacts on the segment reporting structure are currently being evaluated; this evaluation will be completed in the course of 2016.

BUSINESS OUTLOOK

The macro environment in 2015 saw a gradual stabilisation in the Eurozone, supported by the quantitative easing programme launched by the European Central Bank, while remaining sturdy in the United States. The European negotiations to refinance Greek debt, a source of financial market volatility, have created turmoil in the economic environment in Europe and internationally. The persistent geopolitical tensions in the Middle East and Russia, together with the slowdown by some economies like China and Brazil, continue to raise doubts over the contribution of these regions to world economic growth, with implications for the related exchange rates.

In such an economic context, the Group's expectation for FY 2016 is that demand in the cyclical businesses of medium voltage cables for utilities and building wires will record a slight volume recovery on the previous year with price stabilisation. In the Energy Projects segment, the Group confirms an improving trend with growth in the Submarine business, general stability in the High Voltage underground business and a slight contraction in SURF. With reference to the Submarine cables business, the plan initiated in response to the problems in performing the Western Link project is proceeding as expected. In the Oil & Gas cables business, the drop in oil prices and consequent reduction in oil industry investments are likely to continue to have a negative impact on the Group's activities. The Telecom business is expected to see continued recovery in demand for optical fibre cables in 2016 albeit at a slower pace than in 2015 and with fluctuations dependent on actual progress in the execution of projects to upgrade networks to optical fibre.

In addition, exchange rate effects are forecast to have a negative impact on the FY 2016 results, assuming constancy of the rates at the start of the year, purely as a result of translating profits expressed in other currencies into the Group's reporting currency.

Lastly, the Prysmian Group will carry on throughout 2016 to rationalise its activities with the objective of achieving the projected cost efficiencies and greater competitiveness in all areas of the business.

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 2015.

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 2015.

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 C. 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, 24 February 2016

FOR THE BOARD OF DIRECTORS
THE CHAIRMAN
Massimo Tononi

Prysmian Group

CONSOLIDATED FINANCIAL REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	Note	31 December 2015	of which related parties (Note 33)	31 December 2014	of which related parties (Note 33)
Non-current assets					
Property, plant and equipment	1	1,551		1,414	
Intangible assets	2	722		561	
Equity-accounted investments	3	177	177	225	225
Available-for-sale financial assets	4	12		12	
Derivatives	8	1		1	
Deferred tax assets	16	83		115	
Other receivables	5	26		27	
Total non-current assets		**2,572**		**2,355**	
Current assets					
Inventories	6	979		981	
Trade receivables	5	1,098	7	952	7
Other receivables	5	687	4	766	3
Financial assets held for trading	7	87		76	
Derivatives	8	26		29	
Cash and cash equivalents	9	547		494	
Total current assets		**3,424**		**3,298**	
Assets held for sale	10	119		7	
Total assets		**6,115**		**5,660**	
Equity attributable to the Group:		**1,278**		**1,150**	
Share capital	11	22		21	
Reserves	11	1,042		1,014	
Net profit/(loss) for the year		214		115	
Equity attributable to non-controlling interests:		**146**		**33**	
Share capital and reserves		146		33	
Net profit/(loss) for the year		-		-	
Total equity		**1,424**		**1,183**	
Non-current liabilities					
Borrowings from banks and other lenders	12	1,141		817	
Other payables	13	16		13	
Provisions for risks and charges	14	52		74	
Derivatives	8	21		5	
Deferred tax liabilities	16	63		53	
Employee benefit obligations	15	341		360	
Total non-current liabilities		**1,634**		**1,322**	
Current liabilities					
Borrowings from banks and other lenders	12	262		568	
Trade payables	13	1,377	5	1,415	4
Other payables	13	984	5	827	4
Derivatives	8	43		47	
Provisions for risks and charges	14	275		269	
Current tax payables		27		29	
Liabilities held for sale	10	89		-	
Total current liabilities		**3,057**		**3,155**	
Total liabilities		**4,691**		**4,477**	
Total equity and liabilities		**6,115**		**5,660**	

CONSOLIDATED INCOME STATEMENT

(in millions of Euro)

	Note	2015	of which related parties (Note 33)	2014	of which related parties (Note 33)
Sales of goods and services	17	7,361	53	6,840	43
Change in inventories of work in progress, semi-finished and finished goods	18	(44)		28	
Other income	19	104	4	113	3
of which non-recurring other income	*36*	*54*		*37*	
Raw materials, consumables used and goods for resale	20	(4,484)	(35)	(4,303)	(20)
Fair value change in metal derivatives		(27)		7	
Personnel costs	21	(1,001)	(12)	(948)	(6)
of which non-recurring personnel costs	*36*	*(38)*		*(52)*	
of which personnel costs for stock option fair value		*(25)*		*(3)*	
Amortisation, depreciation, impairment and impairment reversals	22	(171)		(188)	
of which non-recurring (impairment) and impairment reversals	*36*	*(21)*		*(44)*	
Other expenses	23	(1,378)	(1)	(1,280)	(1)
of which non-recurring (other expenses) and releases	*36*	*(17)*		*2*	
Share of net profit/(loss) of equity-accounted companies	24	39	39	43	43
Operating income		**399**		**312**	
Finance costs	25	(530)		(479)	
of which non-recurring finance costs	*36*	*(8)*		*(18)*	
Finance income	26	441		339	
of which non-recurring finance income	*36*	*13*		*4*	
Profit/(loss) before taxes		**310**		**172**	
Taxes	27	(96)		(57)	
Net profit/(loss) for the year		**214**		**115**	
Attributable to:					
Owners of the parent		214		115	
Non-controlling interests		-		-	
Basic earnings/(loss) per share (in Euro)	28	1,00		0,54	
Diluted earnings/(loss) per share (in Euro)	28	1,00		0,54	

Prysmian Group

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Euro)

	2015	2014
Net profit/(loss) for the year	**214**	**115**
- items that may be reclassified subsequently to profit or loss:		
Fair value gains/(losses) on cash flow hedges - gross of tax	1	(8)
Fair value gains/(losses) on cash flow hedges - tax effect	-	2
Release of cash flow hedge reserve after discontinuing cash flow hedging - gross of tax	2	4
Release of cash flow hedge reserve after discontinuing cash flow hedging - tax effect	(1)	(1)
Currency translation differences	(44)	32
Total items that may be reclassified, net of tax	**(42)**	**29**
- items that will NOT be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on employee benefits - gross of tax	23	(50)
Recognition of pension plan asset ceiling	-	8
Actuarial gains/(losses) on employee benefits - tax effect	(4)	11
Total items that will NOT be reclassified, net of tax	**19**	**(31)**
Total comprehensive income/(loss) for the year	**191**	**113**
Attributable to:		
Owners of the parent	192	111
Non-controlling interests	(1)	2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of Euro)

	Share capital	Riserva Cash flow hedges	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
Capital contributions	-	-	-	-	-	-	-	-
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**

(in millions of Euro)

	Share capital	Riserva Cash flow hedges	Currency translation reserve	Other reserves	Net profit / (loss) for the year	Equity attributable to the Group	Non-controlling interests	Total
Balance at 31 December 2014	**21**	**(11)**	**(126)**	**1,151**	**115**	**1,150**	**33**	**1,183**
Allocation of prior year net result	-	-	-	115	(115)	-	-	-
Dividend distribution	-	-	-	(90)	-	(90)	(1)	(91)
Fair value - stock options	-	-	-	25	-	25	-	25
Capital contributions	1	-	-	-	-	1	2	3
Change in scope of consolidation	-	-	-	-	-	-	113	113
Total comprehensive income/(loss) for the year	-	2	(43)	19	214	192	(1)	191
Balance at 31 December 2015	**22**	**(9)**	**(169)**	**1,220**	**214**	**1,278**	**146**	**1,424**

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 10 and IFRS 11.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Euro)

	2015	of which related parties (Note 33)	2014	of which related parties (Note 33)
Profit/(loss) before taxes	310		172	
Depreciation, impairment and impairment reversals of property, plant and equipment	138		137	
Amortisation and impairment of intangible assets	33		51	
Results of operating and financial investment and divestment activities	(36)		(30)	
Share of net profit/(loss) of equity-accounted companies	(39)	(39)	(43)	(43)
Share-based payments	25		3	
Fair value change in metal derivatives and other fair value items	27		(7)	
Net finance costs	89		140	
Changes in inventories	81		(76)	
Changes in trade receivables/payables	(54)	1	(16)	4
Changes in other receivables/payables	216	-	90	(12)
Changes in receivables/payables for derivatives	-		1	
Taxes paid	(71)		(72)	
Dividends received from equity-accounted companies	17	17	36	36
Utilisation of provisions (including employee benefit obligations)	(87)		(193)	
Increases in provisions (including employee benefit obligations)	48		170	
A. Net cash flow provided by/(used in) operating activities	**697**		**363**	
Acquisitions [(1)]	(138)		9	
Investments in property, plant and equipment	(204)		(143)	
Disposals of property, plant and equipment and assets held for sale	10		6	
Investments in intangible assets	(6)		(18)	
Investments in financial assets held for trading	(48)		(8)	
Disposals of financial assets held for trading	16		25	
B. Net cash flow provided by/(used in) investing activities	**(370)**		**(129)**	
Capital contributions and other changes in equity	3		-	
Purchase of treasury shares	-		(20)	
Dividend distribution	(91)		(90)	
Repayment of non-convertible bond - 2010	(400)		-	
EIB loan	(8)		100	
Issuance of non-convertible bond - 2015	739		-	
Early repayment of credit agreement	(400)		(184)	
Finance costs paid [(2)]	(518)		(440)	
Finance income received [(3)]	418		330	
Changes in other net financial payables	11		46	
C. Net cash flow provided by/(used in) financing activities	**(246)**		**(258)**	
D. Currency translation gains/(losses) on cash and cash equivalents	**(16)**		**8**	
E. Total cash flow provided/(used) in the year (A+B+C+D)	**65**		**(16)**	
F. Net cash and cash equivalents at the beginning of the year	**494**		**510**	
G. Net cash and cash equivalents at the end of the year (E+F)	**559**		**494**	
Cash and cash equivalents reported in consolidated statement of financial position	**547**		**494**	
Cash and cash equivalents included in assets held for sale	**12**		**-**	

(1) The figure for 2015 primarily refers to the acquisition of Gulf Coast Downhole Technology for Euro 32 million (paid as at 31 December 2015) and of Oman Cables Industry (SAOG) for Euro 105 million, net of the company's acquisition-date cash and cash equivalents. The figure for 2014 referred to the receipt of Euro 15 million for the purchase price adjustment regarding Global Marine Systems Energy Ltd and to the payment of Euro 6 million for the acquisition of 34% of the subsidiary AS Draka Keila Cables.

(2) Finance costs paid of Euro 518 million include interest payments of Euro 46 million in 2015 (Euro 53 million in 2014).

(3) Finance income received of Euro 418 million includes interest income of Euro 10 million in 2015 (Euro 7 million in 2014).

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

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

A.1 SIGNIFICANT EVENTS IN 2015

Mergers & Acquisitions

Acquisition of Gulf Coast Downhole Technologies (GCDT)

The Prysmian Group signed an agreement on 24 September 2015 to acquire 100% of Gulf Coast Downhole Technologies (GCDT), a privately-owned US company, for an initial consideration, subject to adjustment, of approximately USD 45 million. There is also an earn-out determined on an average combined EBITDA in the next three years, with the maximum pay-out capped at about USD 21 million.

Based in Houston, GCDT is active in the design and supply of innovative downhole equipment for the Oil & Gas industry, with turnover of approximately USD 34 million in 2014. GCDT products are installed in oil and gas wells around the world and consist of integral components in the systems that provide downhole control, injection, flow assurance and monitoring. GCDT's customer base covers a wide range of oil and gas field service companies; GCDT products are installed in facilities operated around the globe by major oil and gas producers like Chevron, ExxonMobil and Shell.

GCDT is a perfect fit for the Group's expansion strategy in the business of Subsea Umbilicals, Risers and Flowlines (SURF) and complements its Draka-branded DHT product range.

The closing transaction was completed on 1 October 2015, meaning that the accounting effects have been reflected as from that date.

Further information can be found in Section E. Business combinations.

Acquisition of majority stake in Oman Cables Industry (SAOG)

On 16 December 2015, Prysmian Group signed an agreement to increase its interest in Oman Cables Industry (SAOG) to approximately 51%, thereby acquiring a majority stake and control of the company. Prysmian Group, which already owned 34.78% of the company, purchased an additional interest of approximately 16% for consideration of around Euro 110 million.

With turnover of Euro 664 million in 2015 and about 800 employees in its two production facilities, Oman Cables Industry is a top cable manufacturer in the Gulf region and is listed on the Muscat Stock Exchange.

Further information can be found in Section E. Business combinations.

Finance Activities

Bond issuance

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

Consequently, on 30 March 2015 Prysmian S.p.A. completed the placement with institutional investors of an unrated bond, on the Eurobond market, for a total nominal value of Euro 750 million. The bond, with an issue price of Euro 99.002, has a 7-year maturity and will pay a fixed annual coupon of 2.50%.

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

Prysmian has used the bond issue proceeds to redeem the Euro 400 million Eurobond that matured on 9 April 2015 and to repay early the Term Loan Facility 2011 for Euro 400 million.

Other significant events

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 18 February 1999 - 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and The Goldman Sachs Group Inc. for the alleged infringement in the period 29 July 2005 - 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has 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. The applications to intervene presented by

Prysmian, Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. have all been accepted by the General Court of the European Union. Prysmian has not incurred any financial outlay as a result of this decision having elected, pending the outcome of the appeals, to provide bank guarantees as security against payment of 50% of the fine imposed by the European Commission (amounting to approximately Euro 52 million) for the alleged infringement in both periods. As far as Prysmian is aware, Pirelli & C. S.p.A. has also provided the European Commission with a bank guarantee for 50% of the value of the fine imposed for the alleged infringement in the period 18 February 1999 - 28 July 2005. Pirelli & C. S.p.A. has also brought a civil action against Prysmian Cavi e Sistemi S.r.l. in the Milan Courts, in which it demands to be held harmless for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. Prysmian Cavi e Sistemi S.r.l. started legal proceedings in February 2015, requesting that the claims brought by Pirelli & C. S.p.A. be rejected in full and that it should be Pirelli & C. S.p.A. which holds harmless Prysmian Cavi e Sistemi S.r.l., with reference to the alleged infringement in the period 18 February 1999 - 28 July 2005, for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. The proceedings have since been stayed by order of the court concerned in April 2015, pending the outcome of the appeals made against the European Commission's decision by both Prysmian and Pirelli in the European Courts. Pirelli has challenged this decision before the Court of Cassation, Italy's highest court of appeal.

Following detailed and careful analysis of the European Commission's ruling, and given the fact that this ruling has been appealed and so could be submitted to second-instance judgement, as well as the fact that the investigation initiated by the Canadian Antitrust Authority had ended without any sanctions for Prysmian, it was decided already back in 2014 to release part of the existing provision.

Furthermore, during the last few months of 2015 the US Department of Justice formally closed its previously initiated investigation without charges against Prysmian.

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

The above events have resulted in a reassessment of the risks associated with the investigations in progress and the consequent recognition in the 2015 income statement of a net release for Euro 29 million.

Western HVDC Link Contract (UK)

Over the course of 2015, the Group's income statement benefited from Euro 30 million in connection with the Western HVDC Link (UK) contract. This was the net effect of several factors such as the increased efficiency of the production process, in turn permitting faster execution of the project itself, as well as stronger contractual guarantees and longer project timing agreed with the customer.

Plant closures

On 27 February 2015, Prysmian Cavi e Sistemi Italia S.r.l. informed trade union representatives of the closure of the Ascoli Piceno plant, employing 114 people, dictated by the need to optimise overall country manufacturing footprint through improved utilisation of production capacity, as well as overall economic performance through economies of scale.

After a series of meetings at Italy's Ministry of Economic Development, on 15 May an agreement was signed with plant union representatives and provincial and national unions that ratified the plant's closure on the same date and the contents of the social plan.

In addition to the usual voluntary redundancy packages and use of the available social safety nets, the social plan has offered employees the opportunity to relocate to the plants in Merlino and Arco Felice or, alternatively, to be included in an outplacement program within the local area, also involving a possible re-industrialisation of the site. Both these activities are being managed by a specialist advisor.

Share buy-back and disposal programme and Long-term incentive plan 2015-2017

The Shareholders' Meeting held on 16 April 2015 authorised a share buy-back and disposal programme, revoking at the same time the previous authorisation under the shareholder resolution dated 16 April 2014. This programme provides the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total cannot exceed 10% of share capital, equal to 18,847,439 ordinary shares as at the date of 16 April 2015, after deducting the treasury shares already held by the Company.

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

The reasons behind the introduction of the Plan are:

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

During the extraordinary session of the above meeting, the shareholders authorised an increase in share capital by a maximum amount of Euro 536,480, through the issue of up to 5,364,800 new ordinary shares with a nominal value of Euro 0.10 each, to be allotted for no consideration to Group employees who are beneficiaries of the above incentive plan.

Audit firm engagement

On 16 April 2015, the Shareholders' Meeting approved the engagement of Reconta Ernst & Young S.p.A. to perform the statutory audit of the accounts for financial years included in the nine-year period from 2016 to 2024.

Group employee share purchase plan (YES Plan)

Based on the applications received in February 2015, company shares were purchased on the Milan Stock Exchange during July 2015 for those employees who had signed up to the plan's second cycle.

On 25 August 2015, an additional purchase window was opened for plan participants in the "Manager" category who had already bought shares in the July 2015 purchase window and who were so entitled under the plan's regulations.

In November 2015, employees were informed that the plan's third cycle scheduled for 2016 was open for application. Employees had until the end of December 2015 to apply for this third cycle and to communicate how much they intended to invest. The total amount collected will be used to make purchases of the Company's shares on the Milan Stock Exchange in July 2016.

The consolidated financial statements contained herein were approved by the Board of Directors on 24 February 2016.

In application of art. 264b HGB of the German Commercial Code ("Handelsgesetzbuch"), the present financial statements exempt Draka Comteq Berlin GMBH & Co.KG and Draka Comteq Germany GMBH & Co.KG. from the requirement to present statutory financial statements.

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

B. ACCOUNTING POLICIES AND STANDARDS

The main accounting policies and standards used to prepare the consolidated financial statements and Group financial information are set out below.

B.1 BASIS OF PREPARATION

The present financial statements have been prepared on a going concern basis, with the directors having assessed that there are no financial, operating or other kind of indicators that might provide evidence of 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 C. Financial risk management and Section C.1 Capital risk management of these Explanatory Notes contain a description of how the Group manages financial risks, including liquidity and capital risks.

In application of Legislative Decree 38 of 28 February 2005 "Exercise of the options envisaged by article 5 of European Regulation 1606/2002 on international accounting standards", the Company has prepared its consolidated financial statements in accordance with the international accounting and financial reporting standards (hereafter also "IFRS") adopted by the European Union.
The term "IFRS" refers to all the International Financial Reporting Standards, all the International Accounting Standards ("IAS"), and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").
IFRS have been applied consistently to all the periods reported in this document. The consolidated financial statements have been prepared in accordance with IFRS and related best practice; any future guidance and new interpretations will be reflected in subsequent years, in the manner established from time to time by the relevant accounting standards.
The Group has elected to present its income statement according to the nature of expenses, whereas assets and liabilities in the statement of financial position are classified as current or non-current. The statement of cash flows has been prepared using the indirect method. The Group has also applied the provisions of Consob Resolution 15519 dated 27 July 2006 concerning financial statement formats and the requirements of Consob Communication 6064293 dated 28 July 2006 regarding disclosures.

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

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 2015 and the year ended 31 December 2014. They have been adjusted, where necessary, to bring them into line with Group accounting policies and standards. All the companies included in the consolidation end their financial year at 31 December. It should be noted that Yangtze Optical Fibre and Cable Joint Stock Company Limited, consolidated using the equity method, has reported financial results for the first nine months of 2015; for consolidation purposes these figures have been combined with the 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 directly in equity any difference between the acquisition cost and the related share of net assets acquired;
- if non-controlling interests are acquired in entities previously not under the Group's control, and which result in it obtaining control, the Group accounts for this using the acquisition method, whereby the consideration transferred is equal to the acquisition-date fair value of the assets acquired and liabilities assumed or incurred. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss, if any, is recognised in the income statement;
- gains or losses arising on the disposal of ownership interests that result in a loss of control of consolidated companies are recognised in the income statement at the amount equal to the difference between the sale consideration and the corresponding share of consolidated equity sold;
- gains or losses from the deconsolidation of an investee's net assets, resulting from the difference between the fair value of the equity interest and the corresponding portion of equity, are recognised in "Finance income" and "Finance costs" respectively.

In compliance with IAS 32, put options over non-controlling interests in subsidiary companies are recognised in "Other payables" at their present value. The matching entry differs according to whether:

A. the minority shareholders have a direct interest in the performance of the subsidiary's business in relation to the transfer of the risks and rewards of the shares subject to the put option. One of the indicators that such interest exists is the fair value measurement of the option exercise price. In addition to the presence of this indicator, the Group will assess on a case-by-case basis the facts and circumstances characterising existing transactions. In these circumstances, the present value of the option is initially deducted from the equity reserves attributable to the Group. Any subsequent changes in the measurement of the option exercise price are recognised through the income statement, as "Other income" or "Other expenses".

B. the minority shareholders do not have a direct interest in the performance of the business (eg. predetermined option exercise price). The duly discounted option exercise price is deducted from the corresponding amount of capital and reserves attributable to non-controlling interests. Any subsequent changes in the measurement of the option exercise price follow the same treatment, with no impact on the income statement.

There are currently no instances 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 accounted for under this method has negative equity due to

losses, the book value of the investment is reduced to zero and additional losses are provided for and a liability is recognised, only to the extent that the Group is committed to fulfilling legal or constructive obligations of the investee company; changes in the equity of companies valued using the equity method which are not accounted for through profit or loss, are recognised directly in equity;

- unrealised gains arising from transactions between the Parent Company/subsidiaries and equity-accounted companies, are eliminated to the extent of the Group's interest in the investee company; unrealised losses are also eliminated unless they represent impairment.

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 2015, 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 2015, there are no consolidated companies that operate in hyperinflationary economies.

The exchange rates applied are as follows:

	Closing rates at		Average rates in	
	31 December 2015	31 December 2014	FY 2015	FY 2014
Europe				
British Pound	0.734	0.779	0.726	0,806
Swiss Franc	1.084	1.202	1.068	1,215
Hungarian Forint	315.98	315,540	310.005	308,706
Norwegian Krone	9.603	9.042	8.952	8,354
Swedish Krona	9,190	9.393	9.354	9,099
Czech Koruna	27.023	27.735	27.279	27,536
Danish Krone	7.463	7.445	7.459	7,455
Romanian Leu	4.524	4.483	4.445	4,444
Turkish Lira	3.183	2.826	3.021	2,910
Polish Zloty	4.264	4.273	4.184	4,184
Russian Rouble	80.674	72.337	68.124	50,952
North America				
US Dollar	1.089	1.214	1.11	1,329
Canadian Dollar	1.512	1.406	1.419	1,466
South America				
Brazilian Real	4.251	3.225	3.699	3,128
Argentine Peso	14.197	10.382	10.287	10,787
Chilean Peso	772.713	736.837	726.089	757,887
Mexican Peso	18.915	17.861	17.619	17,672
Oceania				
Australian Dollar	1,490	1.483	1.478	1,472
New Zealand Dollar	1.592	1.553	1.593	1,600
Africa				
CFA Franc	655.957	655.957	655.957	655,957
Tunisian Dinar	2,210	2.262	2.177	2,255
Asia				
Chinese Renminbi (Yuan)	7.061	7.536	6.974	8,186
United Arab Emirates Dirham	3,997	4.459	4,074	4,879
Hong Kong Dollar	8.438	9.417	8.602	10,302
Singapore Dollar	1.542	1.606	1.526	1,682
Indian Rupee	72.022	76.525	71.201	81,037
Indonesian Rupiah	15.039,990	15.076,100	14.871,954	15.748,918
Japanese Yen	131,070	145,230	134.318	140,306
Thai Baht	39.248	39,910	38.032	43,147
Philippine Peso	50.999	54.436	50.528	58,979
Omani Rial	0.419	0.467	0.427	0,511
Malaysian Ringgit	4.696	4.247	4.339	4,345
Qatari Riyal	3,963	4,421	4,039	4,838
Saudi Riyal	4.086	4.556	4.162	4,983

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 2015:

Name changes

On 5 January 2015, the Australian company Prysmian Power Cables and Systems Australia Pty Ltd. changed its name to Prysmian Australia Pty Ltd.

On 5 January 2015, the New Zealand company Prysmian Power Cables and Systems New Zealand Ltd. changed its name to Prysmian New Zealand Ltd.

On 15 December 2015, the Turkish company Draka Comteq Kablo Limited Sirketi changed its name to Tasfiye Halinde Draka Comteq Kablo Limited Sirketi after entering into liquidation.

On 15 December 2015, the Spanish company Draka NV Holding y CIA, Soc. Col. changed its name to Draka Holding, S.L.

On 16 December 2015, the Turkish company Draka Istanbul Asansor Ithalat Ihracat Uretim Ticaret Ltd. Sti changed its name to Tasfiye Halinde Draka Istanbul Asansor Ithalat Ihracat Uretim Ticaret Ltd after entering into liquidation.

Mergers

On 1 January 2015, the merger was completed of Prysmian Treasury (The Netherlands) B.V. into Draka Holding B.V.

On 12 January 2015, the merger was completed of Draka Denmark Holding A/S into Prysmian Denmark A/S.

On 5 May 2015, the merger was completed of Draka Comteq Iberica, S.L. (Sociedad Unipersonal) into Prysmian Spain, S.A. (Sociedad Unipersonal).

Liquidations

On 7 January 2015, the process of liquidating Prysmian Angel Tianjin Cable Co. Ltd was completed with the company's removal from the local company registry.

On 28 May 2015, the process of liquidating Prysmian Instalaciones Chile S.A. was completed with the company's removal from the local company registry.

On 17 November 2015, the process of liquidating Draka UK Pension Plan Trust Co. Ltd. was completed with the company's removal from the local company registry.

On 1 December 2015, the process of liquidating Prysmian Cables (Industrial) Ltd. Prysmian Cables (Supertension) Ltd. and Prysmian Telecom Cables and Systems Uk Ltd. was completed with the removal of these companies from the local company registry.

On 30 December 2015, the process of liquidating Draka Industrial Cable Russia LLC was completed with the company's removal from the local company registry.

New company formations

Prysmian PowerLink Asia Company Limited was formed on 9 July 2015. The company is wholly owned by Prysmian (China) Investment Company Ltd.

Acquisitions

On 1 October 2015, Draka Cableteq USA Inc acquired 100% of the US company Gulf Coast Downhole Technologies L.L.C.

On 21 December 2015, Draka Holding B.V. acquired an additional 16.39% stake in Oman Cables Industry S.A.O.G.

Disposals

On 9 November 2015, the consideration was received from the disposal of NK Wuhan Cable Co. Ltd, meaning that this company has been deconsolidated as from 31 October 2015. All the additional formalities were completed on 15 December 2015.

Appendix A to these notes contains a list of the companies included in the scope of consolidation at 31 December 2015.

B.3 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED IN 2015

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 2014, except for the accounting standards and amendments discussed below and obligatorily applied with effect from 1 January 2015 after being endorsed by the competent authorities.

The principal changes were as follows:

- *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. Its application has not entailed any significant changes for the Group.
- *Annual Improvements 2011-2013*, part of the programme of annual improvements to standards, effective from 1 January 2015. Their application has not entailed any significant changes for the Group.

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 applicable to 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 previous changes to IFRSs. The *Annual Improvements 2010-2012* are applicable retrospectively to financial years beginning on or after 1 February 2015.

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 applicable retrospectively to 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 applicable retrospectively to 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 provide a framework for determining when to recognise revenue and how much revenue to recognise. The standard therefore defines the following steps to follow for the recognition of revenue:

1) Identify the contract with the customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price;
4) Allocate the transaction price to the performance obligations in the contract;
5) Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

- classification and measurement of derivative instruments;
- impairment methodology for financial instruments;
- rules for the application of hedge accounting;
- 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 applicable to 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. As at the present document date, the European Union had not yet completed the endorsement process needed for the application of these amendments, which is deferred until completion of the IASB project on the equity method.

On 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. These improvements are applicable to financial years beginning on or after 1 January 2016.

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.

On 13 January 2016, the IASB published the new standard *IFRS 16 - Leases* which will replace *IAS 17*. The new accounting standard requires lessees to adopt a uniform accounting treatment for both operating and finance leases. In fact, IFRS 16 requires the lessee to recognise assets and liabilities for both operating and finance leases unless the lease term is 12 months or less or the underlying asset has a low value.
As at the present document date, the European Union had not yet completed the endorsement process needed for the application of this standard, which will apply to financial years beginning on or after 1 January 2019.

On 19 January 2016, the IASB published a number of amendments to *IAS 12 - Income Taxes*. These aim to clarify how to account for deferred tax assets related to debt instruments measured at fair value and will apply to financial years beginning on or after 1 January 2017.

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 Cables and Systems S.A. (Switzerland), P.T. Prysmian Cables Indonesia (Indonesia), Draka NK Cables (Asia) Pte Ltd (Singapore), Draka Philippines Inc. (Philippines), Prysmian Metals Limited (Great Britain), Draka Durango S. de R.L. de C.V., Draka Mexico Holdings S.A. de C.V. and NK Mexico Holdings S.A. de C.V. (Mexico) present their financial statements in a currency other than that of the country they operate in, as their main transactions are not conducted in the local currency but in the reporting currency.
Foreign currency exchange gains and losses arising on completion of transactions or on the year-end translation of assets and liabilities denominated in foreign currencies are recognised in the income statement.

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 case of the Prysmian Group, the smallest CGUs for the Energy Projects segment are identifiable 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 is the operating segment itself.

[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.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 for the purpose of selling in the near term. Derivatives are treated as securities held for trading, unless they are designated as hedging instruments and are therefore classified 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".

(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; such instruments belong to Level 1 of the fair value hierarchy.
If the market for a financial asset is not active (or refers to unlisted securities), the Group measures fair value using valuation techniques whose inputs are based on observable market-based data (Level 2) or unobservable data (Level 3). More details can be found in Section C.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 that 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 presented in Note 8. Derivatives. Movements in the "Cash flow hedge reserve" forming part of equity are reported in Note 11. Share capital and reserves.
The fair value of a hedging derivative is classified as a non-current asset or liability if the hedged item has a maturity of more than twelve months; if the maturity of the hedged item is less than twelve months, the fair value of the hedge is classified as a current asset or liability.
Derivatives not designated as 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 under the "Cash flow hedge reserve", but only to the extent that they relate to the effective portion of the hedge. When the effects of the hedged item are reported in profit or loss, the reserve is transferred to the income statement and classified in the same line items that report the effects of the hedged item. If a hedge is not fully effective, the change in fair value of its ineffective portion is immediately recognised in the income statement as "Finance income" or "Finance costs". If, during the life of a derivative, 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 the "Cash flow hedge reserve" representing the changes in the instrument's fair value recorded up to then remains in equity until the original hedged transaction occurs, at which point it is then taken to the income statement, where it is classified on the basis described above.

At 31 December 2015, 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.

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		•

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 AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale are classified as such if the carrying amount will be recovered principally through a sale transaction; for this to be the case, the sale must be highly probable and the related assets/liabilities must be available for immediate sale in their present condition. Assets/Liabilities held for sale are measured at the lower of carrying amount and fair value less costs to sell.

B.16 TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and subsequently 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 unconditional right to defer their payment for at least twelve months after the reporting date.

Borrowings from banks and other lenders are derecognised when they are extinguished and when the Group has transferred all the risks and costs relating to such instruments.

Purchases and sales of financial liabilities are accounted for on a settlement-date basis.

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. Obligations for defined benefit plans are determined annually by an independent actuary using the projected unit credit method. The present value of a defined benefit plan is determined by discounting the future cash flows at an interest rate equal to that of high-quality corporate bonds issued in the liability's settlement currency and which reflects the duration of the related pension plan. Actuarial gains and losses arising from the above adjustments and the changes in actuarial assumptions are recorded directly in equity.

Past service costs resulting from a plan amendment are recognised immediately 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.

Equity-settled share-based payments

Stock options are valued on the basis of the fair value determined on their grant date. This value is charged to the income statement on a straight-line basis over the option vesting period with a matching entry in equity. This recognition is based on an estimate of the number of stock options that will effectively vest in favour of eligible employees, taking into consideration any vesting conditions, irrespective of the market value of the shares.

B.19 PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised for losses and charges of a definite nature, whose existence is certain or probable, but the amount and/or timing of which cannot be determined reliably. A provision is recognised only when there is a current (legal or constructive) obligation for a future outflow of economic resources as the result of past events and it is likely that this outflow is required to settle the obligation. Such amount is the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material and the obligation settlement date can be estimated reliably, the provisions are stated at the present value of the expected outlay, using a rate that reflects market conditions, the variation in the cost of money over time, and the specific risk attached to the obligation.
Increases in the provision due to changes in the time value of money are accounted for as interest expense.
Risks for which the emergence of a liability is only possible but not remote are indicated in the disclosures about commitments and contingencies and no provision is recognised.
Any contingent liabilities accounted for separately when allocating the cost of a business combination, are valued at the higher of the amount obtained using the method described above for provisions for risks and charges and the liability's originally determined present value.
Further details can be found in Note 29. Contingent liabilities.

The provisions for risks and charges include the estimated legal costs to be incurred if such costs are incidental to the extinguishment of the provision to which they refer.

B.20 REVENUE RECOGNITION

Revenue is recognised at the fair value of the consideration received for the sale of goods and services in the ordinary course of the Group's business. Revenue is recognised net of value-added tax, expected returns, rebates and discounts.
Revenue is accounted for as follows:

(a) 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 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. 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 presented in the following sensitivity analyses has been determined net of tax, calculated using the Group's weighted average theoretical tax rate.

[a] Exchange rate risk

The Group operates worldwide and is therefore exposed to exchange rate risk caused by changes in the value of trade and financial flows expressed in a currency other than the unit of account of individual Group companies.

The principal exchange rates affecting the Group are:

- Euro/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;
- Brazilian Real/US Dollar: in relation to trade and financial transactions in US dollars by Brazilian companies on foreign markets and vice versa;
- Euro/Qatari Riyal: in relation to trade and financial transactions by Eurozone companies on the Qatari market;
- Euro/Norwegian Krone: in relation to trade and financial transactions by Eurozone companies on the Norwegian market and vice versa;
- Euro/Australian Dollar: in relation to trade and financial transactions by Eurozone companies on the Australian market and vice versa;
- Turkish Lira/US Dollar: in relation to trade and financial transactions in US dollars by Turkish companies on foreign markets and vice versa;
- Euro/Singapore Dollar: in relation to trade and financial transactions by Eurozone companies on the Singapore market and vice versa;

- Czech Koruna/Euro: in relation to trade and financial transactions by Czech companies on the Eurozone market and vice versa;
- Canadian Dollar/Euro: in relation to trade and financial transactions by Eurozone companies on the Canadian market and vice versa;
- Euro/Hungarian Forint: in relation to trade and financial transactions by Hungarian companies on the Eurozone market and vice versa.

In 2015, trade and financial flows exposed to the above exchange rates accounted for around 86.8% of the total exposure to exchange rate risk arising from trade and financial transactions (87.4% in 2014).
The Group is also exposed to appreciable exchange rate risks on the following exchange rates: Euro/Romanian Leu, Euro/Swedish Krona, Renmimbi/Singapore Dollar, Renmimbi/US Dollar; none of these exposures, taken individually, accounted for more than 1.8% of the overall exposure to transactional exchange rate risk in 2015.
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:

- Firm cash flows: invoiced trade flows and exposures arising from loans and borrowings;
- Projected cash flows: trade and financial flows arising from firm or highly probable contractual commitments.

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 2015 and 31 December 2014.

(in millions of Euro)				
		2015		2014
	-5%	+5%	-5%	+5%
Euro	(2.47)	2.23	(1.70)	1.54
US Dollar	(0.88)	0.80	(0.91)	0.82
Other currencies	(1.55)	1.41	(0.80)	0.72
Total	**(4.90)**	**4.44**	**(3.41)**	**3.08**

(in millions of Euro)				
		2015		2014
	-10%	+10%	-10%	+10%
Euro	(5.21)	4.26	(3.59)	2.93
US Dollar	(1.86)	1.52	(1.91)	1.57
Other currencies	(3.28)	2.68	(1.68)	1.37
Total	**(10.35)**	**8.46**	**(7.18)**	**5.87**

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 2015 and 31 December 2014.

(in millions of Euro)

		2015		2014
	-5%	+5%	-5%	+5%
US Dollar	5.97	(6.60)	0.85	(0.94)
United Arab Emirates Dirham	0.40	(0.44)	1.85	(2.04)
Qatari Riyal	2.59	(2.87)	2.71	(2.99)
Euro	1.01	(1.11)	0	0
Other currencies	0.16	(0.17)	0.58	(0.64)
Total	**10.13**	**(11.19)**	**5.99**	**(6.61)**

(in millions of Euro)

		2015		2014
	-10%	+10%	-10%	+10%
US Dollar	11.39	(13.92)	1.62	(1.98)
United Arab Emirates Dirham	0.76	(0.93)	3.53	(4.31)
Qatari Riyal	4.95	(6.05)	5.17	(6.31)
Euro	1.92	(2.35)	0	0
Other currencies	0.30	(0.37)	1.10	(1.34)
Total	**19.32**	**(23.62)**	**11.42**	**(13.94)**

The above analysis ignores the effects of translating the equity of Group companies whose functional currency is not the Euro.
Further details can be found in the individual notes to the financial statements.

[b] Interest rate risk

The interest rate risk to which the Group is exposed is mainly on long-term financial liabilities, carrying both fixed and variable rates.

Fixed rate debt exposes the Group to a fair value risk. The Group does not operate any particular hedging policies in relation to the risk arising from such contracts.
Variable rate debt exposes the Group to a rate volatility risk (cash flow risk). In order to hedge this risk, the Group can use derivative contracts that limit the impact of interest rate changes on the income statement.
The Group Finance Department monitors the exposure to interest rate risk and adopts appropriate hedging strategies to keep the exposure within the limits defined by the Group Administration, Finance and Control Department, arranging derivative contracts, if necessary.

The following sensitivity analysis shows the effects on consolidated net profit of an increase/decrease of 25 basis points in interest rates on the interest rates at 31 December 2015 and 31 December 2014, assuming that all other variables remain equal.

The potential effects shown below refer to net liabilities representing the bulk of Group debt at the reporting date and are determined by calculating the effect on net finance costs following a change in annual interest rates.
The net liabilities considered for sensitivity analysis include variable rate financial receivables and payables, cash and cash equivalents and derivatives whose value is influenced by rate volatility.

(in millions of Euro)

		2015		2014
	-0.25%	+0.25%	-0.25%	+0.25%
Euro	(0.32)	0.32	0.10	(0.10)
US Dollar	(0.02)	0.02	(0.03)	0.03
British Pound	(0.06)	0.06	(0.05)	0.05
Other currencies	(0.37)	0.37	(0.38)	0.38
Total	**(0.77)**	**0.77**	**(0.36)**	**0.36**

At 31 December 2015, there were no derivatives designated as cash flow hedges; 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.

[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 48.5% of the Group's total cost of materials in 2015 (51.2% in 2014), 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 2015 and 31 December 2014, assuming that all other variables remain equal.

(in millions of Euro)

		2015		2014
	-10%	+10%	-10%	+10%
LME	(23.76)	23.76	(12.63)	12.63
COMEX	(0.81)	0.81	0.21	(0.21)
SFE	(4.28)	4.28	(5.42)	5.42
Total	**(28.85)**	**28.85**	**(17.84)**	**17.84**

The potential impact shown above is solely attributable to increases and decreases in the fair value of derivatives on strategic material prices which are directly attributable to changes in the prices themselves. It does not refer to the impact on the income statement of the purchase cost of strategic materials.

[d] Credit risk

Credit risk is connected with trade receivables, cash and cash equivalents, financial instruments, and deposits with banks and other financial institutions.

Customer-related credit risk is managed by the individual subsidiaries and monitored centrally by the Group Finance Department. The Group does not have excessive concentrations of credit risk. It nonetheless has procedures aimed at ensuring that sales of products and services are made to reliable customers, taking account of their financial 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 2015 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 2015 (like at 31 December 2014) 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 2015	31 December 2014
Cash and cash equivalents	547	494
Financial assets held for trading	87	76
Undrawn committed lines of credit	1,050	1,470
Total	**1,684**	**2,040**

Undrawn committed lines of credit at 31 December 2015 refer to the Syndicated Revolving Credit Facility 2014 (Euro 1,000 million) and to the Revolving Credit Facility 2014 (Euro 50 million); undrawn committed lines at 31 December 2014 comprised Euro 1,400 million in respect of the Syndicated Revolving Credit Facilities 2011 and 2014 and Euro 70 million in respect of the Revolving Credit Facility 2014.

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 2015
	Due within 1 year	Due between 1 - 2 years	Due between 2 - 5 years	Due after 5 years
Borrowings from banks and other lenders	287	80	411	749
Finance lease obligations	2	3	4	10
Derivatives	43	10	11	-
Trade and other payables	2,361	6	6	4
Total	**2,693**	**99**	**432**	**763**

(in millions 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	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 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 2015					
	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	-	1,098	-	-	-	-
Other receivables	-	713	-	-	-	-
Financial assets held for trading	87	-	-	-	-	-
Derivatives (assets)	23	-	-	-	-	4
Cash and cash equivalents	-	547	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	1,403	-
Trade payables	-	-	-	-	1,377	-
Other payables	-	-	-	-	1,000	-
Derivatives (liabilities)	-	-	-	51	-	13

(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

C.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 (ie. 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 2015 and 31 December 2014 are shown below:

(in millions of Euro)	31 December 2015	31 December 2014
Net financial position	750	802
Equity	1,424	1,183
Total capital	**2,174**	**1,985**
Gearing ratio	**34.50%**	**40.40%**

C.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:

(a) the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability; and

(b) whether the entity can enter into a transaction for the asset or liability at the price in that market at the measurement date.

Level 2: fair value is determined using valuation techniques where the input is based on observable market data. The inputs for this level include:

(a) quoted prices for similar assets or liabilities in active markets;

(b) quoted prices for identical or similar assets or liabilities in markets that are not active;

(c) inputs other than quoted prices that are observable for the asset or liability, for example:

   i. interest rate and yield curves observable at commonly quoted intervals;
   ii. implied volatilities;
   iii. credit spreads;

(d) market-corroborated inputs.

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

The following tables present the assets and liabilities that are measured at fair value:

(in millions of Euro)

				31 December 2015
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value				
through profit or loss:				
Derivatives	1	22	-	23
Financial assets held for trading	72	15	-	87
Hedging derivatives	-	4	-	4
Available-for-sale financial assets	-	-	12	12
Total assets	**73**	**41**	**12**	**126**
Liabilities				
Financial liabilities at fair value				
through profit or loss:				
Derivatives	4	47	-	51
Hedging derivatives	-	13	-	13
Total liabilities	**4**	**60**	**-**	**64**

(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**

Financial assets classified in fair value Level 3 have reported no significant movements in either 2015 or 2014.

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

During 2015 there were no transfers of financial assets and liabilities between the different levels of the fair value hierarchy.

VALUATION TECHNIQUES

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

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

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

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

An increase/decrease in the Group's credit rating at 31 December 2015 would not have had significant effects on net profit at that date.

D. 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 a change in whose 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 the accounting standards adopted and related impairment testing procedures, the Group tests annually whether Goodwill has suffered an impairment loss. Goodwill has been allocated to the operating segments of Energy Projects, Energy Products and Telecom and tested at this level. The recoverable amount has been determined by calculating value in use. This calculation requires the use of estimates.

During 2015, the Prysmian Group increased the value of its assets, recorded as Goodwill, by Euro 157 million; this increase refers to the acquisition of controlling interests in Oman Cables Industry S.A.O.G. (Euro 139 million) and Gulf Coast Downhole Technologies (Euro 18 million).

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 on past experience. If an impairment loss is identified, the Group will determine the amount of such impairment using those valuation techniques deemed suitable. Correct identification of indicators of potential impairment, as well as its very estimation, depend on factors which can vary over time, thus influencing the judgements and estimates made by management.

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 written down the assets of the Brazil CGU within the Energy Products segment.

The outcome of impairment tests at 31 December 2015 does not mean that future results will be the same, especially in the event of currently unforeseeable developments in the business environment.

Further information can be found in Note 1. Property, plant and equipment.

(c) Depreciation and amortisation

The cost of property, plant and equipment and intangible assets is depreciated/amortised on a straight-line basis over the estimated useful lives of the assets concerned. The useful economic life of Group property, plant and equipment and intangible assets is determined by management when the asset is acquired. This is based on past experience for similar assets, market conditions and expectations regarding future events that could impact useful life, including developments in technology. Therefore, actual economic life may differ from estimated useful life. The Group periodically reviews technological and industry developments to update residual useful lives. This periodic update may lead to a variation in the depreciation/amortisation period and therefore also in the depreciation/amortisation charge for future years.

(d) Recognition of construction contract revenues and costs

The Group uses the percentage of completion method to account for construction contracts. The margins recognised in the income statement depend on the progress of the contract and its estimated margins upon completion. This means that if work-in-progress and margins on as yet incomplete work are to be correctly recognised, management must have correctly estimated contract costs, potential contract variations, as well as delays, and any cost overruns and penalties that might reduce the expected profit. The percentage of completion method requires the Group to estimate contract 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 many transactions for which the relevant taxes are difficult to estimate at year end. The Group records liabilities for tax risks on the basis of estimates, possibly made with the assistance of outside experts.

(f) Inventory valuation

Inventories are recorded at the lower of purchase cost (measured using the weighted average cost formula for non-ferrous metals and the FIFO formula for all others) and net realisable value, net of selling costs. Net realisable value is in turn represented by the value of firm orders in the order book, or otherwise by the replacement cost of supplies or raw materials. If significant reductions in the price of non-ferrous metals are followed by order cancellations, the loss in the value of inventories may not be fully offset by the penalties charged to customers for cancelling their orders.

(g) Employee benefit obligations

The present value of the pension plans reported in the financial statements depends on an independent actuarial calculation and on a number of different assumptions. Any changes in assumptions and in the discount rate used are duly reflected in the present value calculation and may have a significant impact on the consolidated figures. The assumptions used for the actuarial calculation are examined by the Group annually.

Present value is calculated by discounting future cash flows at an interest rate equal to that on high-quality corporate bonds issued in the currency in which the liability will be settled and which takes account of the duration of the related pension plan.

Further information can be found in Note 15. Employee benefit obligations and Note 21. Personnel costs.

(h) Incentive plans

The employee share purchase plan involves granting shares to almost all of the Group's employees. The operation of this plan is described in Note 21. Personnel costs.

The grant of shares 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.

The incentive plan for 2015-2017 involves granting options to some of the Group's employees and co-investing part of their annual bonuses. These benefits are granted subject to the achievement of operating and financial performance objectives and the continuation of a professional relationship for the three-year period 2015-2017. The plan's financial and economic impact has therefore been estimated on the basis of the best possible estimates and information currently available.

More details can be found in Note 21. Personnel costs.

E. BUSINESS COMBINATIONS

Gulf Coast Downhole Technologies (GCDT)

The Prysmian Group signed an agreement on 24 September 2015 to acquire 100% of Gulf Coast Downhole Technologies (GCDT), a privately-owned US company, for an initial consideration, subject to adjustment, of approximately USD 45 million. There is also an earn-out determined on an average combined EBITDA in the next three years, with the maximum pay-out capped at about USD 21 million. The closing transaction was completed on 1 October 2015, meaning that its accounting effects have been reflected as from that date.

As at 31 December 2015, the purchase consideration amounted to Euro 44 million, of which Euro 32 million already paid at the closing. Acquisition-related costs, classified in "Other expenses", amount to around Euro 0.6 million, before tax effects of some Euro 0.2 million.

In compliance with IFRS 3, the fair values of the assets, liabilities and contingent liabilities have been determined on a provisional basis in view of the fact that some valuation processes were incomplete at the present reporting date.

These provisional amounts may undergo adjustment over the course of the 12-month period from the acquisition date.

(in millions of Euro)	
Acquisition price (A)	41
Liability for price adjustment and earn out (B)	3
Fair value of net assets acquired (C)	26
Goodwill (A)+(B)-(C)	**18**
Purchase consideration	44
Outstanding liability for the acquisition	(12)
Cash and cash equivalents held by acquiree	-
Acquisition cash flow	**32**

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

(in millions of Euro)

	Fair value
Property, plant and equipment	1
Intangible assets	23
Inventories	5
Trade and other receivables	12
Trade and other payables	(2)
Provisions for risks	(4)
Borrowings from banks and other lenders	0
Deferred taxes	(9)
Cash and cash equivalents	0
Net assets acquired (C)	**26**

Intangible assets

The fair value measurement has identified additional values of Euro 14 million for customer relationships and of Euro 9 million for patents, licences and trademarks.

The acquisition has given rise to a provisional amount of Euro 18 million in goodwill, which has been recorded in "Intangible assets". If the company had been consolidated from 1 January 2015, its incremental contribution to sales of goods and services would have been Euro 21 million, while its contribution to the financial result for 2015 would have been Euro 0.8 million.

Oman Cables Industry (SAOG)

On 16 December 2015, the Prysmian Group signed an agreement to increase its interest in Oman Cables Industry (SAOG) to approximately 51%, thereby acquiring a majority stake and control of the company. The Prysmian Group, which already owned 34.78% of the company, purchased an additional interest of approximately 16% for consideration of around Euro 110 million.

Acquisition-related costs, classified in "Other expenses", amount to around Euro 0.4 million, before tax effects of some Euro 0.1 million.

In compliance with IFRS 3, the fair values of the assets, liabilities and contingent liabilities have been determined on a provisional basis in view of the fact that the valuation processes had not yet been started at the present reporting date.

These provisional amounts may undergo adjustment over the course of the 12-month period from the acquisition date.

(in millions of Euro)

Acquisition price (A)	105
Other consideration related to acquisition	5
Previously held assets (B) (*)	127
Fair value of net assets acquired (C)	94
Goodwill (A)+(B)-(C)	**138**
Purchase consideration	110
Cash and cash equivalents held by acquiree	5
Acquisition cash flow	**105**

(*)This includes Euro 44 million for remeasuring the value of the previously held equity interest in this company.

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

(in millions of Euro)

	Fair value
Property, plant and equipment	94
Intangible assets	0
Available-for-sales financial assets	1
Financial assets held for trading	3
Inventories	90
Trade and other receivables	174
Trade and other payables	(41)
Deferred taxes	(3)
Borrowings from banks and other lenders	(87)
Employee benefit and other obligations	(15)
Cash and cash equivalents	5
Previously held assets	(127)
Net assets acquired (C)	**94**

The acquisition, completed late in December 2015, has given rise to a provisional amount of Euro 139 million in goodwill, which has been recorded in "Intangible assets". If the company had been consolidated from 1 January 2015, its incremental contribution to sales of goods and services would have been Euro 664 million, while its contribution to the Group's financial result for 2015 would have been Euro 7 million.

F. SEGMENT INFORMATION

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

The operating performance of the business is evaluated with reference to the following operating segments:

- Energy Projects;
- Energy Products;
- Telecom.

Segment information is currently structured in the same way as the report periodically prepared for the purpose of reviewing business performance. This report presents operating performance by macro type of business (Energy Projects, Energy Products 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 (eg. 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 but not by operating segment.

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

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

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

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

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

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

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

Assets and liabilities by operating segment are not included in the data reviewed by management and so, as permitted by IFRS 8, this information is not presented in the current report.

F.1 OPERATING SEGMENTS

The following tables present information by operating segment.

(in millions of Euro)

								2015
	Energy Products				Energy Projects	Telecom	Corporate	Group Total
	E&I	Industrial & NWC	Other	Total Products				
Sales [1]	2,795	1,749	121	4,665	1,587	1,109	-	7,361
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**111**	**112**	**2**	**225**	**246**	**113**	-	**584**
% of sales	4.0%	6.4%		4.8%	15.5%	10.2%		7.9%
Adjusted EBITDA (A)	**128**	**113**	**2**	**243**	**246**	**134**	-	**623**
% of sales	4.6%	6.5%		5.2%	15.5%	12.1%		8.5%
EBITDA (B)	**154**	**92**	**(4)**	**242**	**269**	**119**	**(8)**	**622**
% of sales	5.5%	5.3%		5.2%	17.0%	10.7%		8.4%
Amortisation and depreciation (C)	(35)	(25)	(2)	(62)	(44)	(44)	-	(150)
Adjusted operating income (A+C)	**93**	**88**	-	**181**	**202**	**90**	-	**473**
% of sales	3.3%	5.0%		3.9%	12.7%	8.1%		6.4%
Fair value change in metal derivatives (D)								(27)
Fair value stock options (E)								(25)
Asset (impairment) and impairment reversal (F)				(19)	-	(2)		(21)
Operating income (B+C+D+E+F)								**399**
% of sales								5.4%
Finance costs								441
Finance income								(530)
Taxes								(96)
Net profit/(loss) for the year								**214**
% of sales								2.9%
Attributable to:								
Owners of the parent								214
Non-controlling interests								-

Reconciliation of EBITDA to Adjusted EBITDA								
EBITDA (A)	**154**	**92**	**(4)**	**242**	**269**	**119**	**(8)**	**622**
Non-recurring expenses/(income):								
Company reorganisation	14	18	3	35	4	10	4	53
Antitrust	-	-	-	-	(29)	-	-	(29)
Effect of consolidating Oman Cables Industry	(44)	-	-	(44)	-		-	(44)
Other net non-recurring expenses	4	3	3	10	2	5	4	21
Total non-recurring expenses/(income) (B)	**(26)**	**21**	**6**	**1**	**(23)**	**15**	**8**	**1**
Adjusted EBITDA (A+B)	**128**	**113**	**2**	**243**	**246**	**134**	**(0)**	**623**

[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.

(in millions of Euro)

								2014
	Energy Products				Energy Projects	Telecom	Corporate	Group Total
	E&I	Industrial & NWC	Other	Total Products				
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%		3.9%	8.4%	7.4%		5.3%
Fair value change in metal derivatives (D)								7
Fair value stock options (E)								(3)
Asset (impairment) and impairment reversal (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)
Effect of YOFC dilution	-	-	-	-	-	(8)	-	(8)
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 previous years.

F.2 GEOGRAPHICAL AREAS

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

(in millions of Euro)

	2015	2014
Sales of goods and services	**7,361**	**6,840**
EMEA*	**4,619**	**4,381**
(of which Italy)	1,116	919
North America	**1,182**	**1,018**
Latin America	**565**	**550**
Asia Pacific	**995**	**891**

*EMEA: Europe, Middle East and Africa.

No individual customer accounted for more than 10% of the Group's total sales in either 2015 or 2014.

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 2014	255	492	453	26	41	147	1,414
Movements in 2015:							
- Business combinations	-	24	60	7	1	3	95
- Investments	-	6	37	8	2	151	204
- Disposals	(1)	(1)	(1)	-	-	-	(3)
- Depreciation	-	(26)	(74)	(7)	(13)	-	(120)
- Impairment	-	(4)	(10)	(1)	-	(3)	(18)
- Impairment reversals	-	-	-	-	-	-	-
- Currency translation differences	1	(4)	(4)	(1)	2	(1)	(7)
- Reclassifications to Assets held for sale	-	(8)	(2)	-	-	(6)	(16)
- Other	(3)	14	32	5	43	(89)	2
Total movements	(3)	1	38	11	35	55	137
Balance at 31 December 2015	252	493	491	37	76	202	1,551
Of which:							
- Historical cost	258	709	1,178	101	143	207	2,596
- Accumulated depreciation and impairmen	(6)	(216)	(687)	(64)	(67)	(5)	(1,045)
Net book value	252	493	491	37	76	202	1,551

(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 impairmen	(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.

Gross capital expenditure on property, plant and equipment came to Euro 204 million in 2015.

This expenditure in 2015 can be analysed as follows:

- Euro 92 million, or 45% of the total, for projects to increase and technologically upgrade production capacity and develop new products. In particular, these projects have concerned the plants in Pikkala (Finland) and Arco Felice (Italy) to assure production capacity for the Submarine business, the plants in Abbeville (United States) and Slatina (Romania) to meet growing demand for medium and high voltage cables in their respective markets, the plant in Kistelek (Hungary) with regard to the supply of low voltage cables to Central European markets and the plant in Suzhou (China) to expand the product range;
- Euro 64 million, or 31% of the total, for multiple projects to improve industrial efficiency and rationalise production capacity. Such projects have particularly concerned the plant in Battipaglia (Italy), involving not only completion of the trigeneration system, intended to generate electricity and reuse exhaust gases for air conditioning with a consequent significant saving in energy costs, but

also other work on machinery with the intent of reducing fibre manufacturing costs. Significant investments were also made in the metallurgy area, following the Group's decision to complete the vertical production process at some of its plants (Schuylkill Haven and Abbeville in North America, Suzhou in China). Lastly, other investments were made in the plants in Douvrin (France) and Eindhoven (Netherlands) in order to improve efficiency and reduce optical fibre manufacturing costs;

- Euro 48 million, or 24% of the total, for structural work. This mainly related to construction of the Group's new headquarters in the Bicocca district of Milan, to refurbishment of the Arco Felice docking facilities, as well as extensive work on buildings and production lines to comply with the latest regulations.

There are liens for Euro 6 million against the value of machinery in connection with long-term loans (Euro 10 million at 31 December 2014).

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".
Such impairment testing has resulted in the full impairment of Plant and machinery, Equipment, and Assets under construction primarily in the CGU Energy Products - Brazil (Euro 13 million). In this particular case, the cash flow forecasts for 2016-2018 have been determined by projecting forward the cash flows expected by management in 2016 (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 Brazil CGU is 16.4%.The perpetuity growth rate (G) projected after 2018 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 5 million in additional impairment losses in 2015, comprising Euro 2 million to write down the site in Ascoli Piceno (Italy) and other minor impairment losses.
"Buildings" include assets under finance lease with a net book value of Euro 15 million at 31 December 2015, compared with Euro 17 million at 31 December 2014. 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 2014	13	5	380	33	117	13	561
Movements in 2015:							
- Business combinations	8	1	157	-	14	-	180
- Investments	-	-	-	-	5	3	8
- Internally generated intangible assets	-	-	-	1	-	2	3
- Disposals	-	-	-	-	-	-	-
- Amortisation	(8)	(2)	-	(8)	(12)	-	(30)
- Impairment	-	-	-	-	(1)	(2)	(3)
- Currency translation differences	-	-	2	-	4	(3)	3
- Other	1	1	-	2	(1)	(3)	-
Total movements	1	-	159	(5)	9	(3)	161
Balance at 31 December 2015	14	5	539	28	126	10	722
Of which:							
- Historical cost	55	57	559	87	218	31	1,007
- Accumulated amortisation and impairmen	(41)	(52)	(20)	(59)	(92)	(21)	(285)
Net book value	14	5	539	28	126	10	722

(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 impairmen	(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.

Gross capital expenditure on intangible assets came to Euro 11 million in 2015, and primarily referred to:

- Euro 3 million for continuation of the SAP Consolidation project, aimed at standardising the information system throughout the Group;
- Euro 5 million finite-life intangible assets acquired separately from but in connection with the acquisition of an additional equity interest in Oman Cables Industry SAOG;
- the remainder for specific Research and Development projects.

As at 31 December 2015, the Prysmian Group had capitalised Euro 539 million in Goodwill. As described earlier, the acquisition in 2015 of the US company Gulf Coast Downhole Technologies has resulted in the recognition of Euro 18 million in goodwill, while the acquisition of the majority stake in Oman Cables Industry (SAOG) has resulted in the recognition of Euro 139 million in goodwill.

As described in Note 1. Property, plant and equipment, at 31 December 2015 the Prysmian Group has reviewed whether there was any evidence that its CGUs might be impaired, and has then tested for impairment those CGUs potentially at "risk".

This test has led to the recognition of Euro 3 million in impairment losses against Other intangible assets and Intangibles in progress in the CGU Energy Products - Brazil.

Goodwill impairment test

As reported earlier, management reviews operating performance by macro type of business. Goodwill has therefore been monitored internally at the level of the three operating segments: Energy Projects, Energy Products and Telecom.

The following table reports the amount of goodwill allocated to each operating segment:

(in millions of Euro)

	31 December 2014	Currency translation differences	Gulf Coast Downhole Technologies	Oman Cables Industry	31 December 2015
Energy Products goodwill	213	-	-	139	352
Energy Projects goodwill	80	3	18	-	101
Telecom goodwill	87	(1)	-	-	86
Total goodwill	**380**	**2**	**18**	**139**	**539**

Forecast cash flows have been calculated using the post-tax cash flows expected by management for 2016, projected 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 2017-2018 assuming 3% expected annual growth. A terminal value has been estimated to reflect CGU value after this period; this value has been determined assuming a 2% perpetuity 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 allocation of goodwill). In particular, in percentage terms, recoverable amount exceeds carrying amount by 950% for the Energy Projects operating segment, by 64% for the Energy Products operating segment, and by 84% for the Telecom operating segment. It should be noted that the discount rate at which recoverable amount is equal to carrying amount is 61.2% for the Energy Projects operating segment, 10.7% for the Energy Products operating segment and 12.6% for the Telecom operating segment (compared with a WACC of 7.4% used for all three operating segments), while, in order to determine the same match for growth rates, the growth rate would have to be negative for all segments.

3. EQUITY-ACCOUNTED INVESTMENTS

These are detailed as follows:

(in millions of Euro)

	31 December 2015	31 December 2014
Investments in associates	172	219
Investments in joint ventures	5	6
Total equity-accounted investments	**177**	**225**

Movements over the period are as follows:

(in millions of Euro)

			31 December 2015
	Investments in associates	Investments in joint ventures	Total
Opening balance	219	6	225
Movements:			
- Business combinations	(127)	-	(127)
- Currency translation differences	13	-	13
- Effect of consolidating Oman Cables Industry	44	-	44
- Share of net profit/(loss)	39	-	39
- Dividends	(16)	-	(16)
- Other movements	-	(1)	(1)
Total movements	**(47)**	**(1)**	**(48)**
Closing balance	**172**	**5**	**177**

(in millions of Euro)

			31 December 2014
	Investments in associates	Investments in joint ventures	Total
Opening balance	199	6	205
Movements:			
- Effect of YOFC dilution	8	-	8
- Currency translation differences	4	-	4
- Investments	-	-	-
- Share of net profit/(loss)	43	-	43
- Dividends	(36)	-	(36)
- Other movements	1	-	1
Total movements	**20**	**-**	**20**
Closing balance	**219**	**6**	**225**

Details of investments in equity-accounted companies are as follows:

(in millions of Euro)

	31 December 2015	31 December 2014
Yangtze Optical Fibre and Cable Joint Stock Limited Company	129	109
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd.	24	21
Oman Cables Industry (SAOG)	-	67
Kabeltrommel Gmbh & Co.K.G.	8	8
Elkat Ltd.	5	8
Rodco Ltd.	3	3
Eksa Sp.Zo.o	3	3
Total investments in associates	**172**	**219**
Power Cables Malaysia Sdn Bhd	4	5
Precision Fiber Optics Ltd.	1	1
Total investments in joint ventures	**5**	**6**
Total investments in equity-accounted companies	**177**	**225**

Investments in associates

Information about the nature of the main investments in associates:

Company name	Registered office	% owned
Yangtze Optical Fibre and Cable Joint Stock Limited Company	China	26,37%
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd	China	44,78%
Kabeltrommel Gmbh & Co.K.G.	Germany	43,18%
Elkat Ltd.	Russia	40,00%

Yangtze Optical Fibre and Cable Joint Stock Limited Company, a Chinese company formed in 1988, is a listed company whose main shareholders are: China Telecommunications Corporation, Wuhan Yangtze Communications Industry Group Company Ltd. and Prysmian Group. The company is one of the industry's most important manufacturers of optical fibre and cables. Its products and solutions are sold in more than 50 countries, including the United States, Japan, the Middle East and Africa.
The company was listed on the Main Board of the Hong Kong Stock Exchange in December 2014. Further to the listing and the related capital increase, the Group's holding fell from 37.5% to 28.12%. Following the company's new share issue in December 2015, the Group's interest went down to 26.37%. This dilution has resulted in the recognition of a non-recurring gain of Euro 0.4 million.
At 31 December 2015, the fair value of the investment in Yangtze Optical Fibre and Cable Joint Stock Limited Company was Euro 200 million, compared with a carrying amount of Euro 129 million.

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

For Oman Cables Industry SAOG, please refer to Section E. Business Combinations.

Kabeltrommel Gmbh & Co. K.G. is a German company that heads a consortium for the production, procurement, management and sale of disposable and reusable cable carrying devices (drums). The services offered by the company include both the sale of cable drums, and the complete management of logistics services such as drum shipping, handling and subsequent retrieval. The company operates primarily in the German market.

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

The following table 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 2015	31 December 2014
Opening balance	194	78
Reclassification from investments in joint ventures to associates	-	105
Net profit/(loss) for the year	39	18
Dividends received	(16)	(8)
Currency translation differences	13	-
Other movements	(127)	1
Effect of consolidating Oman Cables Industry	44	-
Closing balance	147	194
Effects of YOFC dilution	8	8
Goodwill	17	17
Carrying amount of investments	172	219

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.		Yangtze Optical Fibre and Cable Joint Stock Limited Company		Elkat Ltd.		Yangtze Optical Fibre and Cable Joint Stock Limited Company	
	31 December 2015 (*)	31 December 2014	31 December 2015	31 December 2014	30 September 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Non-current assets	n.a	86	n.a	11	n.a	245	n.a	5	12	10
Current assets	n.a	257	n.a	16	n.a	589	n.a	23	55	43
Total assets	n.a	343	n.a	27	1,016	834	n.a	28	67	53
Equity	n.a	179	n.a	14	456	348	n.a	25	37	33
Non-current liabilities	n.a	12	n.a	8	n.a	145	n.a	-	3	2
Current liabilities	n.a	152	n.a	5	n.a	341	n.a	3	27	18
Total liabilities	n.a	164	n.a	13	560	486	n.a	3	30	20
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Sales of goods and services	664	593	n.a	30	683	694	n.a	168	96	67
Net profit/(loss) for the year	50	39	n.a	4	52	57	n.a	6	4	3
Comprehensive income/(loss) for the year	46	39	n.a	4	53	59	n.a	6	4	3
Dividends received	7	5	n.a	2	4	28	n.a	-	-	-

(*) A majority stake in Oman Cables Industry (SAOG) was acquired in December 2015 and so this company has now been consolidated line-by-line.

In the case of Yangtze Optical Fibre and Cable Joint Stock Limited Company, a company listed on the Hong Kong Stock Exchange, the above figures reflect its latest published financial results for the first nine months of 2015.

Investments in joint ventures

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

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

Power Cables Malaysia Sdn Bhd is a joint venture based in Malaysia between the Prysmian Group and Lembaga Tabung Angkatan Tentera (LTAT), a Malaysian government retirement benefits fund. The company 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 investments in joint ventures:

(in millions of Euro)	Power Cables Malaysia		Precision Fiber Optics	
	2015	2014	2015	2014
Non-current assets	11	12	-	-
Current assets	12	7	3	4
of which Cash and cash equivalents	-	-	2	3
Equity	9	11	3	4
Non-current liabilities	1	1	-	-
of which Financial liabilities	-	-	-	-
Current liabilities	13	7	-	-
of which Financial liabilities	6	-	-	-
	2015	2014	2015	2014
Sales of goods and services	27	18	2	4
Amortisation, depreciation and impairment	(1)	(1)	n.a.	n.a.
Profit/(loss) before taxes	-	(2)	-	1
Taxes	-	1	-	-
Net profit/(loss) for the year	-	(1)	-	1
Other comprehensive income	-	-	-	-
Comprehensive income/(loss) for the year	-	(1)	-	1
Dividends received	-	-	-	-

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

These are detailed as follows:

(in millions of Euro)	31 December 2015	31 December 2014
Non-current	12	12
Current	-	-
Total	**12**	**12**

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 reflect shareholdings considered instrumental to the Group's business.
Available-for-sale financial assets have not reported any significant movements during the year.

Available-for-sale financial assets comprise:

(in millions of Euro)

	Type of financial asset	% owned by the Group	31 December 2015	31 December 2014
Ravin Cables Limited	unlisted shares	51%	9.00	9.00
Tunisie Cables S.A.	unlisted shares	7.55%	0.91	0.90
Cesi Motta S.p.A.	unlisted shares	6.48%	0.58	0.60
Medgrid SAS	unlisted shares	9.30%	-	0.60
Voltimum S.A.	unlisted shares	13.71%	0.27	0.30
Líneas de Transmisión del Litoral S.A.	unlisted shares	5.50%	-	0.05
Other			1.14	0.84
Total non-current			**11.9**	**12.29**

Available-for-sale financial assets are denominated in the following currencies:

(in millions of Euro)

	31 December 2015	31 December 2014
Euro	2	2
Tunisian Dinar	1	1
Indian Rupee	9	9
Total	**12**	**12**

Available-for-sale financial assets are classified in Level 3 of the fair value hierarchy.

5. TRADE AND OTHER RECEIVABLES

These are detailed as follows:

(in millions of Euro)

			31 December 2015
	Non-current	Current	Total
Trade receivables	-	1,150	1,150
Allowance for doubtful accounts	-	(52)	(52)
Total trade receivables	-	**1,098**	**1,098**
Other receivables:			
Tax receivables	9	148	157
Financial receivables	1	8	9
Prepaid finance costs	4	2	6
Receivables from employees	1	3	4
Pension plan receivables	-	2	2
Construction contracts	-	426	426
Advances to suppliers	-	13	13
Other	11	85	96
Total other receivables	**26**	**687**	**713**
Total	**26**	**1,785**	**1,811**

(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

At 31 December 2015, the line-by-line consolidation of Oman Cables Industry (SAOG) has resulted in the recording of Euro 170 million in trade receivables and Euro 3 million in other receivables.

Trade receivables

The gross amount of past due receivables that are totally or partially impaired is Euro 182 million at 31 December 2015 (Euro 211 million at 31 December 2014).

The ageing of past due impaired receivables is as follows:

(in millions of Euro)

	31 December 2015	31 December 2014
1 to 30 days past due	73	77
31 to 90 days past due	38	45
91 to 180 days past due	18	24
181 to 365 days past due	15	20
More than 365 days past due	38	45
Total	182	211

The value of trade receivables past due but not impaired is Euro 102 million at 31 December 2015 (Euro 30 million at 31 December 2014). These receivables mainly relate to customers in the Energy Projects operating segment, which, given the nature of these counterparties, are not considered necessary to impair.

The ageing of receivables that are past due but not impaired is as follows:

(in millions of Euro)

	31 December 2015	31 December 2014
1 to 30 days past due	26	16
31 to 90 days past due	6	3
91 to 180 days past due	2	1
181 to 365 days past due	66	8
More than 365 days past due	2	2
Total	**102**	**30**

The value of trade receivables not past due is Euro 866 million at 31 December 2015 (Euro 769 million at 31 December 2014). 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 2015	31 December 2014
Euro	774	744
US Dollar	286	311
Omani Rial	173	0
Chinese Renminbi (Yuan)	108	155
Turkish Lira	106	76
Brazilian Real	73	114
British Pound	66	88
Qatari Riyal	40	35
Australian Dollar	15	37
Canadian Dollar	15	17
Swedish Krona	14	14
Romanian Leu	11	10
Singapore Dollar	12	11
Argentine Peso	6	11
Other currencies	112	122
Total	**1,811**	**1,745**

The allowance for doubtful accounts amounts to Euro 52 million at 31 December 2015 (Euro 58 million at the end of 2014). Movements in this allowance are shown in the following table:

(in millions of Euro)

	31 December 2015	31 December 2014
Opening balance	**58**	**53**
Movements:		
- Business combinations	-	-
- Increases in allowance	7	10
- Releases	(5)	(3)
- Bad debt write-offs	(3)	(2)
- Currency translation differences and other movements	(5)	-
Total movements	**(6)**	**5**
Closing balance	**52**	**58**

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 6 million at 31 December 2015, refer to prepaid expenses in connection with the Group's Revolving Credit Facilities, of which Euro 2 million classified as current assets and Euro 4 million classified as non-current assets. These prepaid expenses relate to the Revolving Credit Facility 2014 and the Syndicated Revolving Credit Facility 2014. At 31 December 2014, the corresponding figure for prepaid finance costs regarding Revolving Credit Facilities was Euro 8 million, of which Euro 3 million classified as current assets and Euro 5 million as non-current assets.

"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 2015	31 December 2014
Construction contract revenue to date	5,001	4,277
Amounts invoiced	(5,027)	(4,116)
Net amount due from/(to) customers for construction contracts	**(26)**	**161**
Of which:		
Other receivables for construction contracts	426	447
Other payables for construction contracts	(452)	(286)

The following table shows the revenue and costs incurred in 2015 and 2014:

(in millions of Euro)

	2015	2014
Revenue	1,057	837
Costs	(875)	(722)
Gross margin	**182**	**115**

6. INVENTORIES

These are detailed as follows:

(in millions of Euro)	31 December 2015	31 December 2014
Raw materials	300	292
of which allowance for obsolete and slow-moving raw materials	*(35)*	*(47)*
Work in progress and semi-finished goods	242	241
of which allowance for obsolete and slow-moving work in progress and semi-finished goods	*(9)*	*(5)*
Finished goods (*)	437	448
of which allowance for obsolete and slow-moving finished goods	*(58)*	*(50)*
Total	**979**	**981**

(*) Finished goods also include goods for resale.

At 31 December 2015, the line-by-line consolidation of Oman Cables Industry (SAOG) has resulted in the recording of Euro 90 million in inventories.

7. FINANCIAL ASSETS HELD FOR TRADING

These are detailed as follows:

(in millions of Euro)	31 December 2015	31 December 2014
Listed securities	72	67
Unlisted securities	15	9
Total	**87**	**76**

Financial assets held for trading basically refer to units in funds that mainly invest in short and medium-term government securities. These assets are mostly held by subsidiaries in Brazil and Argentina which invest temporarily available liquidity in such funds.
The listed securities primarily refer to investments in funds denominated in Brazilian reals.

Movements in these assets are analysed as follows:

(in millions of Euro)

	31 December 2015	31 December 2014
Opening balance	76	93
Movements:		
- Business combinations	3	-
- Currency translation differences	(24)	-
- Purchase of securities	48	8
- Disposal of securities	(16)	(25)
Total movements	11	(17)
Closing balance	87	76

8. DERIVATIVES

These are detailed as follows:

(in millions of Euro)

	31 December 2015	
	Asset	Liability
Non-current		
Interest rate swaps (cash flow hedges)	-	-
Forward currency contracts on commercial transactions (cash flow hedges)	-	2
Total hedging derivatives	-	2
Forward currency contracts on commercial transactions	1	2
Metal derivatives	-	17
Total other derivatives	1	19
Total non-current	1	21
Current		
Forward currency contracts on commercial transactions (cash flow hedges)	4	11
Total hedging derivatives	4	11
Forward currency contracts on commercial transactions	9	7
Forward currency contracts on financial transactions	8	3
Interest rate swaps	-	1
Metal derivatives	5	21
Total other derivatives	22	32
Total current	26	43
Total	27	64

Prysmian Group

(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		
Interest rate swaps (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
Interest rate swaps	-	-
Metal derivatives	5	11
Total other derivatives	18	28
Total current	29	47
Total	30	52

Interest rate swaps have a notional value of Euro 200 million at 31 December 2015 (the same as at December 2014), and refer to derivatives whose hedge accounting was discontinued in 2014. These financial instruments convert the variable interest rate component into a fixed rate of between 1.1% and 1.7%.

Forward currency contracts have a notional value of Euro 1,797 million at 31 December 2015 (Euro 1,679 million at 31 December 2014); total notional value at 31 December 2015 includes Euro 713 million in derivatives designated as cash flow hedges (Euro 512 million at 31 December 2014).

At 31 December 2015, like at 31 December 2014, almost all the derivative contracts had been entered into with major financial institutions.

Metal derivatives have a notional value of Euro 580 million at 31 December 2015 (Euro 523 million at 31 December 2014). The notional value for 2015 includes Euro 44 million for metal derivatives classified as available-for-sale assets.

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 2015
	Gross derivatives	Amounts offset	Derivatives recognised in statement of financial position	Amounts not offset (1)	Net derivatives
Assets					
Forward currency contracts	22	-	22	(8)	14
Interest rate swaps	-	-	-	-	-
Metal derivatives	5	-	5	(4)	1
Total assets	**27**	-	**27**	**(12)**	**15**
Liabilities					
Forward currency contracts	25	-	25	(8)	17
Interest rate swaps	1	-	1	-	1
Metal derivatives	38	-	38	(4)	34
Total liabilities	**64**	-	**64**	**(12)**	**52**

(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**

(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)

		2015		2014
	Gross reserve	Tax effect	Gross reserve	Tax effect
Opening balance	**(14)**	**3**	**(10)**	**2**
Changes in fair value	(24)	9	(11)	3
Reserve for other finance costs/(income)	-	-	4	(1)
Reserve for exchange losses/(gains)	5	(2)	(5)	1
Reclassification to other reserves	-	-	-	-
Release to finance costs/(income)	-	-	-	-
Discontinued hedge accounting for interest rate swaps	2	(1)	4	(1)
Release to construction contract costs/(revenues)	18	(5)	4	(1)
Closing balance	**(13)**	**4**	**(14)**	**3**

The early repayment of the remaining balance on the Term Loan Facility 2011 on 29 May 2015 has triggered the discontinuance of hedge accounting for the related interest rate cash flow hedges, resulting in the recognition of Euro 1 million in net losses for hedge ineffectiveness, net of tax.

Prysmian Group

9. CASH AND CASH EQUIVALENTS

These are detailed as follows:

(in millions of Euro)

	31 December 2015	31 December 2014
Cash and cheques	4	1
Bank and postal deposits	543	493
Total	**547**	**494**

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

Cash and cash equivalents managed by the Group's treasury company amount to Euro 302 million at 31 December 2015, compared with Euro 226 million at 31 December 2014.

Further details about the change in cash and cash equivalents can be found in Note 37. Statement of cash flows.

10. ASSETS ANS LIABILITIES HELD FOR SALE

These are detailed as follows:

(in millions of Euro)

	31 December 2015	31 December 2014
Assets held for sale:		
Land	-	7
Buildings	8	-
Plant and machinery	8	-
Intangible assets	-	-
Other assets	103	-
Total Assets held for sale:	**119**	**7**
Liabilities held for sale:		
Other liabilities	89	-
Total Liabilities held for sale:	**89**	**-**

Movements in assets held for sale are analysed as follows:

(in millions of Euro)

	31 December 2015	31 December 2014
Opening balance	7	12
- Disposals	(7)	(6)
- Currency translation differences	1	-
- Reclassification	118	1
Total movements	112	(5)
Closing balance	119	7

Movements in liabilities held for sale are analysed as follows:

(in millions of Euro)

	31 December 2015	31 December 2014
Opening balance	-	-
- Reclassification	89	-
Total movements	89	-
Closing balance	89	-

The movements in Assets and Liabilities held for sale mainly refer to assets and liabilities of other Group companies, amounting to Euro 119 million and Euro 89 million respectively, which met the criteria for classification in this line item at 31 December 2015.
Management expects the assets classified in this line item to be sold within the next 12 months.

Assets held for sale are classified in Level 3 of the fair value hierarchy.

11. SHARE CAPITAL AND RESERVES

Consolidated equity has recorded an increase of Euro 241 million since 31 December 2014, mainly reflecting the effect of:

- negative currency translation differences of Euro 44 million;
- the release of a positive Euro 1 million, net of tax, from the cash flow hedge reserve as a result of discontinuance of cash flow hedge accounting, following early repayment of the Term Loan Facility 2011;
- the positive post-tax change of Euro 1 million in the fair value of derivatives designated as cash flow hedges;
- the positive change of Euro 25 million in the share-based compensation reserve linked to the stock option plan;
- the positive change of Euro 19 million in the reserve for actuarial gains on employee benefits;

- the positive change of Euro 113 million to account for the net effect of recording non-controlling interests after acquiring a majority stake in and consequent control of Oman Cables Industry SAOG;
- capital payments of Euro 3 million;
- the net profit for the year of Euro 214 million;
- the distribution of Euro 91 million in dividends.

At 31 December 2015, the share capital of Prysmian S.p.A. comprises 216,720,922 shares with a total value of Euro 21,672,092.20.

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

	Ordinary shares	Treasury shares	Total
Balance at 31 December 2013	**214,591,710**	**(3,039,169)**	**211,552,541**
Capital increase (1)	2,120,687	-	2,120,687
Allotments and sales (2)	-	208,851	208,851
Balance at 31 December 2014	**216,712,397**	**(2,830,318)**	**213,882,079**
	Ordinary shares	**Treasury shares**	**Total**
Balance at 31 December 2014	**216,712,397**	**(2,830,318)**	**213,882,079**
Capital increase (1)	8,525	-	8,525
Allotments and sales (3)	-	123,142	123,142
Balance at 31 December 2015	**216,720,922**	**(2,707,176)**	**214,013,746**

(1) Capital increase following exercise of the options under the Long-term incentive plan 2011-2013.

(2) 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 buy-back of 1,390,000 shares.

(3) Allotment of 5,665 treasury shares under the Long-term incentive plan 2011-2013 and of 106,975 treasury shares under the Group employee share purchase plan (YES Plan), as well as sale of 16,167 shares to serve this plan.

Treasury shares

Movements in treasury shares during the year referred solely to allotments under stock option plans:

- during 2015, the number of treasury shares decreased by 5,665 for allotments under the Long-term incentive plan 2011-2013.
- the number of treasury shares recorded a further decrease of 117,477 for allotments to employees participating in the YES employee share purchase plan.

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

	Number of shares	Total nominal value (in Euro)	% of share capital	Average unit value (in Euro)	Total carrying value (in Euro)
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	(1,598,851)	(159,885)	-	10,139	(16,209,987)
At 31 December 2014	**2,830,318**	**283,032**	**1,31%**	**12,021**	**34,023,369**
- Purchases	-	-	-	-	-
- Allotments under stock option plans	(123,142)	(12,314)	-	12,031	(1,481,526)
At 31 December 2015	**2,707,176**	**270,718**	**1,25%**	**12,021**	**32,541,843**

Share buy-back and disposal programmes

The Shareholders' Meeting held on 16 April 2015 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 must not exceed, at any time, 10% of share capital, equating to 18,847,439 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 Shareholders' Meeting: the authorisation to dispose of treasury shares has no time limit.

12. BORROWINGS FROM BANKS AND OTHER LENDERS

These are detailed as follows:

(in millions of Euro)

			31 December 2015
	Non-current	Current	Total
Borrowings from banks and other financial institutions	108	246	354
Non-convertible bond	740	14	754
Convertible bond	279	1	280
Finance lease obligations	14	1	15
Total	**1,141**	**262**	**1,403**

(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**

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

(in millions of Euro)

	31 December 2015	31 December 2014
Credit Agreements:		
- Term Loan Facility 2011	-	398
- Syndicated Revolving Credit Facility 2014	-	-
EIB Loan	92	101
Revolving Credit Facility 2014	50	30
Other borrowings	212	151
Borrowings from banks and other financial institutions	**354**	**680**
Non-convertible bond	754	415
Convertible bond	280	272
Total	**1,388**	**1,367**

Credit Agreements:

The Prysmian Group had the following Credit Agreements in place during the course of 2015:

Credit Agreement 2011

The Credit Agreement 2011, originally entered into on 7 March 2011, was extinguished early on 29 May 2015.

Syndicated Revolving Credit Facility 2014

On 27 June 2014, Prysmian S.p.A. signed an agreement (the "Credit Agreement 2014") under which a syndicate of premier banks made available a long-term credit facility for Euro 1,000 million (the "Syndicated Revolving Credit Facility 2014"). The facility, which expires on 27 June 2019, can also be used for the issue of guarantees. This new revolving facility was intended to refinance the existing facilities and the Group's other operating activities. As at 31 December 2015, this facility had not been drawn down.

In addition to the Credit Agreement described above, the Group's other major credit agreements at the reporting date were 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 2015, the Revolving Credit Facility 2014 had been drawn down by Euro 50 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.

Following repayment of the first instalment in August 2015, the outstanding amount of the loan at 31 December 2015 was Euro 92 million.

The fair value of the EIB Loan at 31 December 2015 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 2015 and 31 December 2014:

(in millions of Euro)

			31 December 2015
	Total lines	Drawn	Undrawn
Credit Agreements:			
Term Loan Facility 2011	-	-	-
Revolving Credit Facility 2011	-	-	-
Syndicated Revolving Credit Facility 2014	1,000	-	1,000
Total Credit Agreements	**1,000**	**-**	**1,000**
EIB Loan	92	(92)	-
Revolving Credit Facility 2014	100	(50)	50
Total	**1,192**	**(142)**	**1,050**

(in millions of Euro)

			31 December 2014
	Total lines	Drawn	Undrawn
Credit Agreements:			
Term Loan Facility 2011	400	(400)	-
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**

The Revolving Credit Facilities are intended to finance ordinary working capital requirements.

Bonds

The Prysmian Group had the following bonds outstanding as at 31 December 2015:

Non-convertible bond issued in 2015

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

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

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

The fair value of the non-convertible bond is Euro 746 million at 31 December 2015. 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 Bond was 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	21
Interest - monetary accrued	11
Interest - monetary paid	(9)
Related costs	(4)
Balance at 31 December 2015	**280**

The fair value of the convertible bond (equity component and debt component) is Euro 337 million at 31 December 2015 (Euro 306 million at 31 December 2014), of which the fair value of the debt component was Euro 287 million (Euro 264 million at 31 December 2014). 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).

In addition, during 2015 the following bond was redeemed at maturity:

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, had a 5-year term and paid a fixed annual coupon of 5.25%. The bond settlement date was 9 April 2010. The bond was admitted to the Luxembourg Stock Exchange's official list and was traded on the related regulated market. At 31 December 2014, the fair value of the non-convertible bond had been Euro 410 million.

The 2010 bond was redeemed at its maturity on 9 April 2015.

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 (2)	Convertible bond	Other borrowings / Finance lease obligations (3)	Total
Balance at 31 December 2014	398	101	415	272	199	1,385
Business combinations	-	-	-	-	87	87
Reclassification to Assets held for sale	-	-	-	-	(10)	(10)
Currency translation differences	-	-	-	-	(16)	(16)
New funds	-	-	739	-	38	777
Repayments	(400)	(8)	(400)	-	(41)	(849)
Drawdown of revolving facilities	-	-	-	-	20	20
Amortisation of bank and financial fees and other expenses	2	-	1	-	-	3
Interest and other movements	-	(1)	(1)	8	-	6
Total movements	(398)	(9)	339	8	78	18
Balance at 31 December 2015	-	92	754	280	277	1,403

(in millions of Euro)

	Credit Agreements (1)	EIB Loan	Non-convertible bond (2)	Convertible bond	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

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 10 and IFRS 11.

(1) "Credit Agreements" in 2014 reflect movements in the Term Loan Facilities 2010 and 2011, the Revolving Credit Facilities 2010 and 2011 and the Syndicated Revolving Credit Facility 2014; this same item in 2015 reflects movements in the Term Loan Facility 2011, the Revolving Credit Facility 2011 and the Syndicated Revolving Credit Facility 2014.

(2) "New funds" pertaining to the non-convertible bond in 2015 are stated net of transaction costs and issue discount totalling Euro 11 million.

(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 2015	31 December 2014
Due within 1 year	1	2
Due between 1 and 5 years	8	7
Due after more than 5 years	10	12
Minimum finance lease payments	19	21
Future interest costs	(4)	(3)
Finance lease obligations	15	18

Finance lease obligations are analysed by maturity as follows:

(in millions of Euro)	31 December 2015	31 December 2014
Due within 1 year	1	2
Due between 1 and 5 years	5	5
Due after more than 5 years	9	11
Total	**15**	**18**

The following tables provide a breakdown of borrowings from banks and other lenders by maturity and currency at 31 December 2015 and 2014:

(in millions of Euro)						31 December 2015
	Variable interest rate				Fixed interest rate	Total
	EUR	USD	GBP	Other currencies	Euro and other currencies	
Due within 1 year	82	10	-	94	76	262
Due between 1 and 2 years	17	-	-	-	18	35
Due between 2 and 3 years	17	4	-	-	288	309
Due between 3 and 4 years	17	-	-	-	3	20
Due between 4 and 5 years	17	-	-	-	1	18
Due after more than 5 years	17	-	-	-	742	759
Total	**167**	**14**	-	**94**	**1,128**	**1,403**
Average interest rate in period, as per contract	1.2%	2.3%		6.9%	3.1%	2.9%
Average interest rate in period, including IRS effect (a)						

a) Interest rate swaps were affected by the discontinuance of hedge accounting in the early part of 2015.

(in millions of Euro)						31 December 2014
	Variable interest rate				Fixed interest rate	Total
	EUR	USD	GBP	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 (b)	2.1%	2.2%	0.0%	8.3%	4.9%	3.9%

b) Interest rate swaps have been put in place 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-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.

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 2015	31 December 2014
Long-term financial payables			
- Term Loan Facility 2011		-	400
- Bank fees		-	(2)
Credit Agreements	12	-	398
EIB Loan	12	75	92
Non-convertible bond	12	740	-
Convertible bond	12	279	271
Finance leases	12	14	16
Interest rate swaps	8	-	3
Other financial payables	12	33	40
Total long-term financial payables		**1,141**	**820**
Short-term financial payables			
- Term Loan Facility 2011	12	-	-
- Bank fees	12	-	-
Credit Agreements	12	-	-
EIB Loan	12	17	9
Non-convertible bond	12	14	415
Convertible bond	12	1	1
Finance leases	12	1	2
Interest rate swaps	8	1	-
Forward currency contracts on financial transactions	8	3	8
Revolving Credit Facility 2014	12	50	30
Other financial payables	12	179	111
Total short-term financial payables		**266**	**576**
Total financial liabilities		**1,407**	**1,396**
Long-term financial receivables	5	1	2
Long-term bank fees	5	4	5
Forward currency contracts on financial transactions (current)	8	8	5
Short-term financial receivables	5	8	9
Short-term bank fees	5	2	3
Financial assets held for trading	7	87	76
Cash and cash equivalents	9	547	494
Net financial position		**750**	**802**

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 2015	31 December 2014
Net financial position - as reported above		**750**	**802**
Long-term financial receivables	5	1	2
Long-term bank fees	5	4	5
Net forward currency contracts on commercial transactions	8	8	11
Net metal derivatives	8	33	5
Recalculated net financial position		**796**	**825**

Prysmian Group

13. TRADE AND OTHER PAYABLES

These are detailed as follows:

(in millions of Euro)

			31 December 2015
	Non-current	Current	Total
Trade payables	-	1,377	1,377
Total trade payables	-	**1,377**	**1,377**
Other payables:			
Tax and social security payables	4	105	109
Advances from customers	-	518	518
Payables to employees	-	70	70
Accrued expenses	-	129	129
Other	12	162	174
Total other payables	**16**	**984**	**1,000**
Total	**16**	**2,361**	**2,377**

(in millions of Euro)

			31 December 2014
	Non-current	Current	Total
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**

At 31 December 2015, the line-by-line consolidation of Oman Cables Industry (SAOG) has resulted in the recording of Euro 40 million in trade payables and Euro 1 million in other payables.

Trade payables include around Euro 162 million (Euro 176 million at 31 December 2014) 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 452 million at 31 December 2015 compared with Euro 286 million at 31 December 2014. 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.

The following table breaks down trade and other payables according to the currency in which they are expressed:

(in millions of Euro)

	31 December 2015	31 December 2014
Euro	1,181	1,214
US Dollar	262	371
British Pound	222	151
Turkish Lira	144	6
Qatari Riyal	135	14
Chinese Renminbi (Yuan)	128	170
Brazilian Real	90	125
Australian Dollar	35	34
Romanian Leu	34	28
Omani Rial	32	13
Canadian Dollar	14	15
Swedish Krona	12	13
Malaysian Ringgit	10	14
Other currencies	78	87
Total	**2,377**	**2,255**

14. PROVISIONS FOR RISKS AND CHARGES

These are detailed as follows:

(in millions of Euro)

			31 December 2015
	Non-current	Current	Total
Restructuring costs	-	32	32
Contractual and legal risks	13	197	210
Environmental risks	-	6	6
Tax inspections	15	8	23
Contingent liabilities	3	4	7
Other risks and charges	21	28	49
Total	**52**	**275**	**327**

(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**

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 2014	33	234	6	34	3	33	343
Business combinations	-	-	-	-	4	11	15
Increases	27	55	-	4	-	17	103
Utilisations	(26)	(11)	-	(2)	-	(3)	(42)
Releases	(1)	(69)	-	(12)	-	(8)	(90)
Currency translation differences	-	1	(1)	(2)	-	(2)	(4)
Reclassification to liabilities held for sale	-	(1)	-	-	-	-	(1)
Other	(1)	1	1	1	-	1	3
Total movements	(1)	(24)	-	(11)	4	16	(16)
Balance at 31 December 2015	32	210	6	23	7	49	327

The provision for restructuring costs reports a net decrease of Euro 1 million.
In particular, Euro 27 million in new provisions has been recognised during the period, while Euro 26 million has been utilised, mostly in connection with projects underway in the Netherlands, Italy and France.

The provision for contractual and legal risks, amounting to Euro 210 million at 31 December 2015, has decreased by Euro 24 million since 31 December 2014, mainly due to a net reduction of Euro 27 million in the provision for antitrust investigations in various 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, Canada and the United States have all 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, with the hearing to discuss the case held recently.
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 in 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.
On 2 April 2014, the European Commission adopted a decision under which it found that, between 18 February 1999 and 28 January 2009, the world's largest cable producers, including Prysmian Cavi e Sistemi S.r.l., adopted anti-competitive practices in the European market for high voltage submarine and underground power cables. The European Commission held Prysmian Cavi e Sistemi S.r.l. jointly liable with

Pirelli & C. S.p.A. for the alleged infringement in the period 18 February 1999 - 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and The Goldman Sachs Group Inc. for the alleged infringement in the period 29 July 2005 - 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian has filed an appeal against this decision with the General Court of the European Union along with an application to intervene in the appeals respectively lodged by Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. against the same decision. Both Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. have in turn submitted applications to intervene in the appeal brought by Prysmian against the European Commission's decision. The applications to intervene presented by Prysmian, Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. have all been accepted by the General Court of the European Union. Prysmian has not incurred any financial outlay as a result of this decision having elected, pending the outcome of the appeals, to provide bank guarantees as security against payment of 50% of the fine imposed by the European Commission (amounting to approximately Euro 52 million) for the alleged infringement in both periods. As far as Prysmian is aware, Pirelli & C. S.p.A. has also provided the European Commission with a bank guarantee for 50% of the value of the fine imposed for the alleged infringement in the period 18 February 1999 - 28 July 2005. Pirelli & C. S.p.A. has also brought a civil action against Prysmian Cavi e Sistemi S.r.l. in the Milan Courts, in which it demands to be held harmless for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. Prysmian Cavi e Sistemi S.r.l. started legal proceedings in February 2015, requesting that the claims brought by Pirelli & C. S.p.A. be rejected in full and that it should be Pirelli & C. S.p.A. which holds harmless Prysmian Cavi e Sistemi S.r.l., with reference to the alleged infringement in the period 18 February 1999 - 28 July 2005, for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. The proceedings have since been stayed by order of the court concerned in April 2015, pending the outcome of the appeals brought against the European Commission's decision by both Prysmian and Pirelli in the European Courts. Pirelli has challenged this decision before the Court of Cassation, Italy's highest court of appeal.

It also noted that the Australian and Spanish antitrust authorities have respectively initiated proceedings to verify the existence of anti-competitive practices by local cable manufacturers and distributors, including the Group's foreign subsidiaries based in these countries. As regards the proceedings initiated by the Australian antitrust authorities, the hearing began at the end of November 2015. The Directors are of the opinion not to make any provision for the risks arising from these proceedings.

Also in 2015, National Grid and Scottish Power, two British operators, have filed claims in the High Court in London against certain cable manufacturers, including Prysmian Group, to obtain compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in the decision adopted in April 2014. The Group companies concerned were notified of this initial court filing during the month of May 2015 and presented their defence early in October 2015, along with the summons of other parties censured in the European Commission's decision. Among the parties involved in this action, Pirelli & C. S.p.A. has requested the London High Court to decline its jurisdiction or nonetheless to stay the proceedings in its regard pending the outcome of the civil action previously brought by Pirelli against Prysmian Cavi e Sistemi S.r.l. in the Milan Courts, in which it demands

to be held harmless for all claims made by the European Commission in implementation of the latter's decision and for any expenses related to such implementation.
During 2015, the amount of the provision has been adjusted to reflect the events described above as well as the effect of currency translation differences on the provisions pertaining to foreign jurisdictions. This adjustment has resulted in the recognition of a net release of Euro 29 million in the 2015 income statement.
As at 31 December 2015, the amount of the provision is approximately Euro 143 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.

In addition, during August 2015, two employees of a foreign subsidiary were the subject of court orders by the local authorities as part of an investigation into alleged misappropriation at the subsidiary's expense.
Following this notification, the Group instructed its advisors to review and assess a number of areas of potential risk and issues arising from possible breaches of internal procedures.
Although it is not possible to accurately quantify the risks, the results of this work to date lead to the Directors to believe that any liabilities triggered by such issues would nevertheless not be material for the Group.

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 2015	31 December 2014
Pension plans	258	275
Employee indemnity liability (Italian TFR)	20	24
Medical benefit plans	26	25
Termination and other benefits	37	36
Incentive plans	-	-
Total	**341**	**360**

Pension plan amendments in 2015

During 2015 there were no significant amendments to existing pension plans.

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 2015, the most significant plans in terms of accrued employee benefit liabilities are those managed in the following countries:

- Germany;
- Great Britain;
- France.

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 2015, the plans had an average duration of 15.4 years (15.7 years at 31 December 2014).

Total plan membership is made up as follows:

	31 December 2015	31 December 2014
	Number of participants	Number of participants
Active	923	975
Deferred	1,019	1,067
Pensioners	1,795	1,724
Total membership	**3,737**	**3,766**

The German plans do not have any assets that fund the liabilities, in line with the practice in this country; the Prysmian Group pays these benefits directly.

The benefits payable in 2016 will amount to Euro 6 million (the same as in 2015).

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 2015: the Draka pension fund and the Prysmian pension fund. Both are final salary plans, in which the retirement age is generally set at 65 for the majority of plan participants. Neither plan has admitted any new members or accrued any new liabilities since 2013. Currently all employees participate in defined contribution plans.

As at 31 December 2015, the plans had an average duration of approximately 19.8 years (approximately 20.3 years at 31 December 2014).

Total plan membership is made up as follows:

			31 December 2015			31 December 2014
	Draka pension fund	Prysmian pension fund	Total	Draka pension fund	Prysmian pension fund	Total
	Number of participants	Number of participants	Number of participants	Number of participants	Number of participants	Number of participants
Active	N/A	N/A	N/A	N/A	N/A	N/A
Deferred	527	582	1,109	563	615	1,178
Pensioners	438	352	790	411	327	738
Total membership	**965**	**934**	**1,899**	**974**	**942**	**1,916**

Both plans operate under trust law and are managed and administered by a Board of Trustees on behalf of members and in accordance with the terms of the Trust Deed and Rules and current legislation. The assets that fund the liabilities are held by the Trust, for both plans.

For the purposes of determining the level of funding, the Trustees appoint an actuary to value the plans every three years, with annual updates. The latest valuations of the Draka pension fund and the Prysmian pension fund were conducted as at 25 March 2013 and 31 December 2014 respectively. The latter valuation is in progress and will be 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 3.3 million a year for the Draka pension fund (Euro 1.8 million at 31 December 2014) 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 larger proportion of its assets in equities; the fund's investment split is as follows: 18% in equities, 37% in bonds and 45% in other financial instruments. The Prysmian pension fund has invested its assets as follows: 41% in bonds and the remaining 59% in other financial instruments.

The main risk for the Prysmian Group in Great Britain is that mismatches between the expected return and the actual return on plan assets would require contribution levels to be revised.

The liabilities and service costs are sensitive to the following variables: life expectancy of plan participants and future growth in benefit levels. Another variable to consider when determining the amount of the liability is the discount rate, identified by reference to market yields of AA corporate bonds denominated in GB pounds.

France

There were five pension plans in operation in France at 31 December 2015, of which four retirement benefit plans that are unfunded in accordance with French legislation, and one funded plan.

All the generally set the retirement age at 63. All the plans are open to new members, except for the funded plan which does not admit new members or accrue new liabilities. As at 31 December 2015, the plans had an average duration of approximately 10.5 years (10.9 years at 31 December 2014).

Total plan membership is made up as follows:

	31 December 2015	31 December 2014
	Number of participants	Number of participants
Active	1,807	1,809
Deferred	N/A	N/A
Pensioners	24	24
Total membership	**1,831**	**1,833**

In the case of the unfunded plans, the company pays the amount accrued when employees leave the company.

The principal risk for the Prysmian Group in France is salary growth, which affects the benefits that the company has to pay the employee. The benefits vest only upon attaining retirement age; consequently, the cost to the company will depend on the probability that an employee does not leave the company before that date. There are no life expectancy risks relating to these plans. The liabilities and service costs are sensitive to the following variables: inflation, salary growth, life expectancy of plan participants and the discount rate, identified by reference to market yields of AA corporate bonds denominated in Euro.

The main risks for the funded plan are connected to inflation and life expectancy, both of which affect contribution levels. The plan's assets are entirely invested in insurance funds, whose main risk is that a mismatch between the expected return and the actual return on plan assets would require contribution levels to be revised.

Pension plan obligations and assets are analysed as follows at 31 December 2015 and 31 December 2014:

(in millions of Euro)

					31 December 2015
	Germany	Great Britain	France	Other countries	Total
Funded pension obligations:					
Present value of obligation	-	196	3	73	272
Fair value of plan assets	-	(134)	(3)	(62)	(199)
Asset ceiling	-	-	-	(1)	(1)
Unfunded pension obligations:					
Present value of obligations	154	-	21	10	185
Total	**154**	**62**	**21**	**20**	**257**

(in millions of Euro)

					31 December 2014
	Germany	Great Britain	France	Other countries	Total
Funded pension obligations:					
Present value of obligation	-	190	4	73	267
Fair value of plan assets	-	(126)	(3)	(62)	(191)
Asset ceiling	-	-	-	-	-
Unfunded pension obligations:					
Present value of obligations	167	-	20	12	199
Total	**167**	**64**	**21**	**23**	**275**

At 31 December 2015, "Other countries" mainly refer to:

- United States: funded pension obligations have a present value of Euro 32 million compared with a fair value of Euro 26 million for plan assets;
- Netherlands: funded pension obligations have a present value of Euro 26 million compared with a fair value of Euro 26 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 9 million compared with a fair value of Euro 9 million for plan assets;
- Sweden: unfunded pension obligations have a present value of Euro 7 million.

Changes during the year in pension plan obligations are analysed as follows:

(in millions of Euro)

	2015	2014
Opening defined benefit obligation	**466**	**470**
Business combinations	-	-
Current service costs	2	3
Interest costs	14	17
Plan participants' contributions	-	-
Administrative costs and taxes	-	-
Actuarial (gains)/losses recognised in equity - Salary increase assumptions	(3)	(4)
Actuarial (gains)/losses recognised in equity - Demographic assumptions	(3)	6
Actuarial (gains)/losses recognised in equity - Financial assumptions	(15)	66
Disbursements from plan assets	(12)	(12)
Disbursements paid directly by the employer	(8)	(8)
Plan settlements	1	(84)
Currency translation differences	14	15
Reclassifications and legislative amendments to existing plans	-	(3)
Total movements	**(10)**	**(4)**
Closing defined benefit obligation	**456**	**466**

Changes during the year in pension plan assets are analysed as follows:

(in millions of Euro)

	2015	2014
Opening plan assets	**191**	**243**
Business combinations	-	-
Interest income on plan assets	7	9
Actuarial gains/(losses) recognised in equity	(2)	23
Contributions paid in by the employer	13	14
Contributions paid in by plan participants	-	-
Disbursements	(20)	(20)
Plan settlements	-	(89)
Currency translation differences	10	11
Total movements	**8**	**(52)**
Closing plan assets	**199**	**191**

At 31 December 2015, pension plan assets consisted of equities (12.7% versus 13.3% in 2014), government bonds (19.6% versus 21.8% in 2014), corporate bonds (20.1% versus 19.5% in 2014), and other assets (47.6% versus 45.4% in 2014).

Movements in the asset ceiling over the period are as follows:

(in millions of Euro)

	2015	2014
Opening asset ceiling	-	3
Interest costs	-	-
Changes in assets recognised in equity	(1)	(3)
Currency translation differences	-	-
Total movements	**(1)**	**(3)**
Closing asset ceiling	**(1)**	**-**

Pension plan costs recognised in the income statement are analysed as follows:

(in millions of Euro)

					2015
	Germany	Great Britain	France	Other countries	Total
Personnel costs	1	-	1	1	3
Interest costs	3	8	1	2	14
Expected returns on plan assets	-	(5)	-	(2)	(7)
Total pension plan costs	**4**	**3**	**2**	**1**	**10**

(in millions of Euro)

					2014
	Germany	Great Britain	France	Other countries	Total
Personnel costs	1	-	(1)	7	7
Interest costs	4	7	1	5	17
Expected returns on plan assets	-	(5)	-	(4)	(9)
Total pension plan costs	**5**	**2**	**-**	**8**	**15**

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 2015
	Germany		Great Britain		France	
Interest rate	2.22%		3.80%		1.50%	
Expected future salary increase	1.75%		N/A		1.75%	
Expected increase in pensions	1.75%		3,30%		1.75%	
Inflation rate	1.75%		N/A		N/A	
Life expectancy at age 65:	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
People currently aged 65	19.63	23.69	22.10	24.10	24.16	27.63
People currently aged 50	21.63	25.60	23.30	25.50	26.23	29.84

						31 December 2014
	Germany		Great Britain		France	
Interest rate	2.03%		3.70%		1.75%	
Expected future salary increase	2.00%		N/A		2,00%	
Expected increase in pensions	2.00%		3.30%		2,00%	
Inflation rate	2.00%		N/A		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	23.58	27.03
People currently aged 50	21.50	25.47	23.70	25.70	25.64	29.23

The following table presents a sensitivity analysis of the effects of an increase/decrease in the most significant actuarial assumptions used to determine the present value of benefit obligations, namely the interest rate, inflation rate and life expectancy.

Inflation rate sensitivity includes those effects relating to assumptions about salary increases and increases in benefits.

						31 December 2015
	Germany		Great Britain		France	
	decrease -0.50%	increase +0.50%	decrease -0.50%	increase +0.50%	decrease -0.50%	increase +0.50%
Interest rate	7.70%	-6.96%	10.02%	-8.82%	5.49%	-5.01%
	decrease -0.25%	increase +0.25%	decrease -0.25%	increase +0.25%	decrease -0.25%	increase +0.25%
Inflation rate	-2.24%	3.83%	-3.76%	3.84%	-3.05%	3.19%

			31 December 2015
	Germany	Great Britain	France
1-year increase in life expectancy	4.96%	2.87%	1.41%

						31 December 2014
	Germany		Great Britain		France	
	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%	5.55%	-5.06%
	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%	-2.89%	3.02%

			31 December 2014
	Germany	Great Britain	France
1-year increase in life expectancy	+4.96%	+2.71%	+1.34%

EMPLOYEE INDEMNITY LIABILITY

Employee indemnity liability refers to Italian companies only and is analysed as follows:

(in millions di Euro)

	2015	2014
Opening balance	**24**	**22**
Personnel costs	-	-
Interest costs	-	-
Actuarial (gains)/losses recognised in equity	(1)	3
Disbursements	(3)	(1)
Total movements	**(4)**	**2**
Closing balance	**20**	**24**

The net actuarial gains recognised at 31 December 2015 (Euro 1 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.

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 2015	31 December 2014
Interest rate	1.75%	1.50%
Expected future salary increase	1.75%	2.00%
Inflation rate	1.75%	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:

		31 December 2015		31 December 2014
	decrease -0.50%	increase +0.50%	decrease -0.50%	increase +0.50%
Interest rate	5.19%	-4.86%	5.21%	-4.80%
	decrease -0.25%	increase +0.25%	decrease -0.25%	increase +0.25%
Inflation rate	-1.60%	1.62%	-1.57%	1.60%

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 (unchanged since 31 December 2014).

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)

	2015	2014
Opening balance	**25**	**23**
Business combinations	-	-
Personnel costs	2	1
Interest costs	-	1
Plan settlements	-	-
Actuarial (gains)/losses recognised in equity - Salary increase assumptions	(3)	(4)
Actuarial (gains)/losses recognised in equity - Demographic assumptions	-	-
Actuarial (gains)/losses recognised in equity - Financial assumptions	-	3
Reclassifications	-	-
Disbursements	(1)	(1)
Currency translation differences	2	2
Total movements	**-**	**2**
Closing balance	**25**	**25**

The actuarial assumptions used to value medical benefit plans are as follows:

	31 December 2015		31 December 2014	
Interest rate	4.68%		4.43%	
Expected future salary increase	2.37%		2.85%	
Increase in claims	5.20%		5.33%	
Life expectancy at age 65:	**Male**	**Female**	**Male**	**Female**
People currently aged 65	21.84	23.77	22.61	24.43
People currently aged 50	22.67	24.81	23.79	25.59

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 2015		31 December 2014
	decrease -0.50%	increase +0.50%	decrease -0.50%	increase +0.50%
Interest rate	8.78%	-7.73%	+9.17%	-8.14%
	decrease -0.26%	increase +0.26%	decrease -0.26%	increase +0.26%
Inflation rate medical costs	-4.42%	4.83%	-4.38%	4.81%

	31 December 2015	31 December 2014
1-year increase in life expectancy	4.08	+3.83%

OTHER INFORMATION

Contributions to and payments of employee benefit obligations in 2016 will respectively amount to Euro 6 million (of which Euro 4 million in Great Britain) and Euro 13 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:

				2015
	Average	%	Closing	%
Blue collar	14,720	75%	14,417	75%
White collar and management	4,880	25%	4,899	25%
Total	**19,600**	**100%**	**19,316**	**100%**

				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%**

16. DEFERRED TAXES

These are detailed as follows:

(in millions of Euro)	31 December 2015	31 December 2014
Deferred tax assets:		
- Deferred tax assets recoverable after more than 12 months	47	77
- Deferred tax assets recoverable within 12 months	36	38
Total deferred tax assets	**83**	**115**
Deferred tax liabilities:		
- Deferred tax liabilities reversing after more than 12 months	(46)	(36)
- Deferred tax liabilities reversing within 12 months	(17)	(17)
Total deferred tax liabilities	**(63)**	**(53)**
Total net deferred tax assets (liabilities)	**20**	**62**

Movements in deferred taxes are analysed as follows:

(in millions of Euro)	Accumulated depreciation	Provisions (1)	Tax losses	Other	Total
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**
Business combinations	(11)	-	-	-	(11)
Currency translation differences	(3)	(3)	(1)	0	(7)
Impact on income statement	26	(9)	(8)	(30)	(21)
Impact on equity	-	(4)	-	(1)	(5)
Other and reclassifications	-	-	-	2	2
Balance at 31 December 2015	**(131)**	**103**	**53**	**(5)**	**20**

(*) The previously published prior year consolidated financial statements have been restated following the adoption of IFRS 10 and IFRS 11.

(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 691 million at 31 December 2015 (Euro 757 million at 31 December 2014), or for future deductible temporary differences of Euro 185 million at 31 December 2015 (Euro 228 million at 31 December 2014). Unrecognised deferred tax assets relating to these carryforward tax losses and deductible temporary differences amount to Euro 235 million at 31 December 2015 (Euro 298 million at 31 December 2014).

The following table presents details of carryforward tax losses:

(in millions of Euro)

	31 December 2015	31 December 2014
Carryforward tax losses	875	978
of which recognised as assets	184	221
Carryforward expires within 1 year	21	17
Carryforward expires between 2-5 years	168	144
Carryforward expires beyond 5 years	28	145
Unlimited carryforward	656	672

17. SALES OF GOODS AND SERVICES

These are detailed as follows:

(in millions of Euro)

	2015	2014
Finished goods	5,829	5,499
Construction contracts	1,057	837
Services	63	110
Other	412	394
Total	**7,361**	**6,840**

18. CHANGE IN INVENTORIES OF WORK IN PROGRESS, SEMI-FINISHED AND FINISHED GOODS

This is detailed as follows:

(in millions of Euro)

	2015	2014
Finished goods	(48)	18
Work in progress	4	10
Total	**(44)**	**28**

19. OTHER INCOME

This is detailed as follows:

(in millions of Euro)

	2015	2014
Rental income	1	1
Insurance reimbursements and indemnities	3	38
Gains on disposal of property	1	1
Other income	45	36
Non-recurring other income:		
Effect of YOFC dilution	-	8
Effect of consolidating Oman Cables Industry	44	-
Acquisition purchase price adjustment	-	22
Non-recurring other income	10	7
Total non-recurring other income	**54**	**37**
Total	**104**	**113**

Non-recurring income includes Euro 44 million from the revaluation of the Group's existing interest in Oman Cables Industry SAOG after acquiring an additional stake in this company.

20. RAW MATERIALS, CONSUMABLES USED AND GOODS FOR RESALE

These are detailed as follows:

(in millions of Euro)

	2015	2014
Raw materials	4,457	4,354
Change in inventories	27	(51)
Total	**4,484**	**4,303**

21. PERSONNEL COSTS

Personnel costs are detailed as follows:

(in millions of Euro)

	2015	2014
Wages and salaries	735	693
Social security	145	160
Fair value - stock options	25	3
Pension plans	3	-
Employee indemnity costs	-	-
Medical benefit costs	1	1
Termination and other benefits	-	8
Other personnel costs	53	31
Short-term incentive plans	-	-
Medium/long-term incentive plans	1	-
Non-recurring personnel costs:		
Company reorganisation	38	42
Pension plan amendments		7
Non-recurring other costs	-	3
Total non-recurring personnel costs	**38**	**52**
Total	**1,001**	**948**

Share-based payments

At 31 December 2015 and 31 December 2014, 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.

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% 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 join the Plan, the amount they intended to invest in the first purchase window and the method of payment. The sum collected in April 2014, totalling Euro 6.4 million, was used to make purchases of the Company's ordinary shares on the Milan Stock Exchange over a period of 5 consecutive business days in 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.

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 in 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.

In December 2014, employees were informed that the plan's second cycle scheduled for 2015 was open for application. Employees had until the third week of February 2015 to sign up for the second cycle and to communicate how much they intended to invest. The total amount collected was used to make purchases of the Company's shares on the Milan Stock Exchange over a period of five consecutive business days in July 2015. The number of treasury shares allotted to each participant was determined by taking into account the average share purchase price (Euro 18.8768), the individual investment and the applicable discount.

On 25 August 2015, an additional purchase window was opened for plan participants in the "Manager" category, like in June 2014. The total of Euro 0.6 million collected in this 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 in September 2015. The number of treasury shares allotted to each participant was determined by taking into account the average share purchase price (Euro 18.8988), the individual investment and the applicable discount.

In November 2015, employees were informed that the plan's third cycle scheduled for 2016 was open for application. Employees had until the end of December 2015 to apply for this third cycle and to communicate how much they intended to invest. The total amount collected will be used to make purchases of the

Company's shares on the Milan Stock Exchange over a period of five consecutive business days in July 2016.

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)	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 cost of Euro 2 million for the fair value of options granted under this plan has been recognised as "Personnel costs" in the income statement for the year ended 31 December 2015.
The following table provides additional details about movements in the plan:

	31 December 2015	31 December 2014
	Number of options	Number of options
Options at start of year	164,009	300,682
Granted (*)	-	43,725
Change in expected participations (**)	(3,518)	(17,748)
Cancelled	-	-
Exercised	(117,477)	(162,650)
Options at end of year	43,014	164,009
of which vested at end of year	-	-
of which exercisable	-	-
of which not vested at end of year	43,014	164,009

(*) The number of options refers to participations in 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 participations in the first and second purchase windows.

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

Long-term incentive plan 2015-2017

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

The reasons behind the introduction of the Plan are:

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

The Plan covers around 300 employees of Group companies and involves the grant of options, the number of which depends on the achievement of common business and financial performance objectives for all participants.

The Plan consists of two parts:

- Co-investment;
- Performance Shares.

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

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

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

	Number options	Exercise price
Options at start of year	-	-
Granted	4,994,039	-
Variation for target remeasurement	(130,679)	-
Cancelled	-	-
Exercised	-	-
Options at end of year	4,863,360	-
of which vested at end of year	-	-
of which exercisable	-	-
of which not vested at end of year	4,863,360	-

A total cost of Euro 23 million for the fair value of options granted under this plan has been recognised as "Personnel costs" in the income statement for the year ended 31 December 2015.

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

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

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

As at 31 December 2015, there are no outstanding loans or guarantees by the Parent Company or its subsidiaries to any of the directors, senior managers or statutory auditors.

22. AMORTISATION, DEPRECIATION AND IMPAIRMENT

These are detailed as follows:

(in millions of Euro)

	2015	2014
Depreciation of buildings, plant, machinery and equipment	107	104
Depreciation of other property, plant and equipment	13	10
Amortisation of intangible assets	30	30
Non-recurring impairment:		
Net impairment of property, plant and equipment	18	23
Net impairment of intangible assets	3	21
Total non-recurring impairment	**21**	**44**
Total	**171**	**188**

23. OTHER EXPENSES

These are detailed as follows:

(in millions of Euro)

	2015	2014
Professional services	39	34
Insurance	56	46
Maintenance costs	70	64
Selling costs	72	70
Utilities	141	138
Travel costs	43	40
Vessel charter	66	65
Increases in/(releases of) provisions for risks	25	21
Losses on disposal of assets	1	-
Sundry expenses	125	117
Other costs	723	687
Non-recurring other expenses:		
Business combinations	15	6
Antitrust	(29)	(31)
Environmental remediation and other costs	-	-
Non-recurring other expenses	31	23
Total non-recurring other expenses	**17**	**(2)**
Total	**1,378**	**1,280**

The Group incurred Euro 73 million in research and development costs in 2015 (Euro 71 million in 2014).

24. SHARE OF NET PROFIT/(LOSS) OF EQUITY-ACCOUNTED COMPANIES

This is detailed as follows:

(in millions of Euro)

	2015	2014
Share of net profit/(loss) of associates	39	43
Share of net profit/(loss) of joint ventures	-	-
Total	**39**	**43**

Further information can be found in Note 3. Equity-accounted investments.

25. FINANCE COSTS

These are detailed as follows:

(in millions of Euro)

	2015	2014
Interest on syndicated loans	4	9
Interest on non-convertible bond	19	21
Interest on convertible bond - non-monetary component	8	8
Interest on convertible bond - monetary component	4	4
Amortisation of bank and financial fees and other expenses	4	7
Employee benefit interest costs	9	11
Other bank interest	15	17
Costs for undrawn credit lines	5	5
Sundry bank fees	16	12
Non-recurring other finance costs	6	14
Other	8	22
Finance costs	**98**	**130**
Net losses on forward currency contracts	-	12
Non-recurring net losses on interest rate swaps	2	4
Losses on derivatives	**2**	**16**
Foreign currency exchange losses	430	333
Total finance costs	**530**	**479**

Non-recurring other finance costs mainly include Euro 1 million for the accelerated amortisation of bank fees relating to the Credit Agreement 2011 after its early repayment on 29 May 2015, and Euro 5 million in interest and charges accruing on legal disputes.

26. FINANCE INCOME

This is detailed as follows:

(in millions of Euro)

	2015	2014
Interest income from banks and other financial institutions	10	7
Other finance income	2	1
Non-recurring other finance income	13	4
Finance income	**25**	**12**
Net gains on interest rate swaps	3	14
Net gains on forward currency contracts	14	-
Gains on derivatives	**17**	**14**
Foreign currency exchange gains	399	313
Total finance income	**441**	**339**

Non-recurring other finance income includes Euro 13 million in currency translation differences, of which Euro 2 million arising on the sale of NK Wuhan Cable Co. Ltd and Euro 11 million arising on the acquisition of control of Oman Cables Industry SAOG.

27. TAXES

These are detailed as follows:

(in millions of Euro)

	2015	2014
Current income taxes	75	73
Deferred income taxes	21	(16)
Total	**96**	**57**

The following table reconciles the effective tax rate with the Parent Company's theoretical tax rate:

(in millions of Euro)

	2015	Tax rate	2014	Tax rate
Profit/(loss) before taxes	310		173	
Theoretical tax expense at Parent Company's nominal tax rate	85	27.5%	48	27.5%
Differences in nominal tax rates of foreign subsidiaries	5	1.6%	-	0.3%
Unrecognised deferred tax assets	18	5.8%	12	6.9%
Net increase (release) of provision for tax disputes	-	0.0%	11	6.6%
IRAP (Italian regional business tax)	5	1.6%	7	3.8%
Taxes on distributable reserves	-	0.0%	(6)	(3,5%)
Utilisation of prior year credit for taxes paid abroad	4	1.2%	5	2.9%
Antitrust provision	(15)	(4.8%)	(8)	(4,8%)
Asset impairment	6	1.97%	7	3.90%
Effect of consolidating Oman Cables Industry	(7)	(2.1%)	-	0.0%
Non-deductible costs/ (non-taxable income) and other	(6)	(1.9%)	(19)	(10,7%)
Effective income taxes	**96**	**30.8%**	**57**	**33.0%**

28. EARNINGS/(LOSS) AND DIVIDENDS PER SHARE

Both basic and diluted earnings (loss) per share have been calculated by dividing the net result for the period attributable to owners of the parent by the average number of the Company's outstanding shares.
Diluted earnings/(loss) per share have been affected by the options relating to participation in the employee share purchase plan (YES Plan), but they have not been affected by the options relating to the convertible bond since the bond is currently out of the money, or by the options under the long-term incentive plan 2015-2017 since aggregate EBITDA at 31 December 2015 has not yet triggered their allotment.

(in millions of Euro)

	2015	2014
Net profit/(loss) attributable to owners of the parent	214	115
Weighted average number of ordinary shares (thousands)	213,944	212,373
Basic earnings per share (in Euro)	**1,00**	**0.54**
Net profit/(loss) attributable to owners of the parent	214	115
Weighted average number of ordinary shares (thousands)	213,944	212,373
Adjustments for:		
Dilution from incremental shares arising from exercise of stock options (thousands)	98	164
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	214,042	212,537
Diluted earnings per share (in Euro)	**1,00**	**0.54**

The dividend paid in 2015 amounted to approximately Euro 90 million (Euro 0.42 per share). A dividend of Euro 0.42 per share for the year ended 31 December 2015 will be proposed at the annual general meeting to be held on 13 April 2016 in a single call; based on the number of outstanding shares, the above dividend per share equates to a total dividend pay-out of approximately Euro 90 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 2015, 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 66 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 2015 and not yet reflected in the financial statements amount to Euro 53 million for investments in property, plant and equipment (Euro 37 million at the end of 2014); there were no commitments to third parties at 31 December 2015 for investments in intangible assets (Euro 1 million in 2014).

(b) Operating lease commitments

Future commitments relating to operating leases are as follows:

(in millions of Euro)

	2015	2014
Due within 1 year	25	18
Due between 1 and 5 years	35	30
Due after more than 5 years	9	7
Total	**69**	**55**

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 258 million at 31 December 2015 (Euro 262 million at 31 December 2014).

32. FINANCIAL COVENANTS

The credit agreements in place at 31 December 2015, 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
EIB Loan	5.50x	2.50x
Syndicated Revolving Credit Facility 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.

Default events

The main default events are as follows:

- default on loan repayment obligations;
- breach of financial covenants;
- breach of some of the non-financial covenants;
- declaration of bankruptcy or subjection of Group companies to other insolvency proceedings;
- issuance of particularly significant judicial rulings;
- occurrence of events that may adversely and significantly affect the business, the assets or the financial conditions of the Group.

Should a default event occur, the lenders are entitled to demand full or partial repayment of the amounts lent and not yet repaid, together with interest and any other amount due. No collateral security is required.

Actual financial ratios reported at period end are as follows:

	31 December 2015	31 December 2014
EBITDA / Net finance costs (1)	14.34x	5.82x
Net financial position / EBITDA (1)	1.06x	1.50x

(1) The ratios are calculated on the basis of the definitions contained in the relevant credit agreements.

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 related party disclosures also include the compensation paid to Directors, Statutory Auditors and Key Management Personnel.

All the above transactions form part of the Group's continuing operations.
The following tables provide a summary of related party transactions in the years ended 31 December 2015 and 31 December 2014:

(in millions of Euro)

					31 December 2015
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total
Equity-accounted investments	177	-	177	177	100.0%
Trade receivables	7	-	7	1,098	0.6%
Other receivables	4	-	4	713	0.6%
Trade payables	5	-	5	1,377	0.4%
Other payables	3	2	5	1,000	0.5%

(in millions of Euro)

					31 December 2014
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total
Equity-accounted investments	225	-	225	225	100.0%
Trade receivables	7	-	7	952	0.7%
Other receivables	3	-	3	793	0.4%
Trade payables	4	-	4	1,415	0.3%
Other payables	3	1	4	840	0.5%

(in millions of Euro)

					2015
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total
Sales of goods and services	53	-	53	7,361	0.7%
Other income	4	-	4	104	3.8%
Raw materials, consumables used and goods for resale	(35)	-	(35)	(4,484)	0.8%
Personnel costs	-	(12)	(12)	(1,001)	1.2%
Other expenses	-	(1)	(1)	(1,378)	0.1%
Share of net profit/(loss) of equity-accounted companies	39	-	39	39	100.0%

(in millions of Euro)

					2014
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total
Sales of goods and services	43	-	43	6,840	0.6%
Other income	3	-	3	113	2.7%
Raw materials, consumables used and goods for resale	(20)	-	(20)	(4,303)	0.5%
Personnel costs	-	(6)	(6)	(948)	0.6%
Other expenses	-	(1)	(1)	(1,280)	0.0%
Share of net profit/(loss) of equity-accounted companies	43	-	43	43	100.0%

Transactions with associates

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

Key management compensation

Key management compensation is analysed as follows:

(in thousands of Euro)	2015	2014
Salaries and other short-term benefits - fixed part	5,973	5,749
Salaries and other short-term benefits - variable part	889	-
Other benefits	327	362
Share-based payments	4,951	13
Total	**12,140**	**6,124**
of which Directors	8,206	3,261

At 31 December 2015, payables for key management compensation amount to Euro 1 million, while employee benefit obligations for key management compensation are Euro 0.3 million.

34. COMPENSATION OF DIRECTORS AND STATUTORY AUDITORS

The compensation of the executive and non-executive Directors of Prysmian S.p.A. came to Euro 8.74 million in 2015 (Euro 3.7 million in 2014). The compensation of the Statutory Auditors of Prysmian S.p.A. came to Euro 0.22 million in 2015, the same as in 2014. 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 2015.

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 17 million in 2015 and Euro 71 million in 2014.

(in millions of Euro)

	2015	2014
Non-recurring other income:		
Effect of consolidating Oman Cables Industry	44	-
Acquisition purchase price adjustment	-	22
Effect of YOFC change of control	-	8
Non-recurring other income	10	7
Total non-recurring other income	**54**	**37**
Non-recurring personnel costs:		
Company reorganisation	(38)	(42)
Pension plan amendments	-	(7)
Non-recurring other costs	-	(3)
Total non-recurring personnel costs	**(38)**	**(52)**
Non-recurring impairment:		
Impairment of property, plant and equipment	(18)	(41)
Impairment reversal of property, plant and equipment	-	18
Impairment of intangible assets	(3)	(21)
Total non-recurring impairment	**(21)**	**(44)**
Non-recurring other expenses/releases:		
Antitrust investigations	29	31
Company reorganisation	(15)	(6)
Environmental remediation and other costs	-	-
Non-recurring other expenses [1]	(31)	(23)
Total non-recurring other expenses	**(17)**	**2**
Non-recurring other finance costs:		
Non-recurring net losses on interest rate swaps	(2)	(4)
Non-recurring other finance costs	(6)	(14)
Non-recurring other foreign currency exchange losses	-	-
Total non-recurring other finance costs	**(8)**	**(18)**
Non-recurring other finance income:		
Non-recurring other finance income [2]	13	4
Total non-recurring other finance income	**13**	**4**
Total	**(17)**	**(71)**

[1] This includes a write-down of Euro 8 million against current assets relating to NK Wuhan Cables Co.

[2] The figure for 2015 refers to currency translation differences arising on the acquisition of the majority stake in Oman Cables Industry SAOG (for Euro 11 million) and on the sale of the subsidiary NK Wuhan Cables Co Ltd (for Euro 2 million).

Prysmian Group

37. STATEMENT OF CASH FLOWS

Net cash flow provided by operating activities in 2015 benefited from the increase of Euro 243 million in working capital during the year; after accounting for Euro 71 million in tax payments and Euro 17 million in dividend receipts from associates and joint ventures, net cash flow from operating activities was a positive Euro 697 million for the year.

Acquisitions and disposals during the year involved a net outlay of Euro 138 million, mainly attributable to the acquisition of a majority stake in Oman Cables Industry SAOG (for Euro 105 million net of the company's acquisition-date cash and cash equivalents) and the acquisition of Gulf Coast Downhole Technologies (for Euro 32 million as at 31 December 2015).
Net operating capital expenditure came to Euro 200 million in 2015, a large part of which relating to projects to increase, rationalise and upgrade production capacity and to develop new products. More details can be found in Note 1. Property, plant and equipment of these Explanatory Notes.

Cash flows provided by financing activities were influenced by the distribution of Euro 91 million in dividends. Finance costs paid, net of finance income received, came to Euro 100 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 2015 and 2014 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 2015	Fees relating to 2014
Audit services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.	834	860
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	524	752
	PricewaterhouseCoopers S.p.A.	Foreign subsidiaries	327	325
	PricewaterhouseCoopers Network	Foreign subsidiaries	2,713	3,656
Certification services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A.	149	71
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	124	110
	PricewaterhouseCoopers Network	Foreign subsidiaries	-	-
Other services	PricewaterhouseCoopers S.p.A.	Parent Company - Prysmian S.p.A. (1)	30	153
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	14	30
	PricewaterhouseCoopers Network	Foreign subsidiaries (2)	682	571
Total			**5,397**	**6,528**

(1) Audit support and other services.

(2) Tax and other services.

39. SUBSEQUENT EVENTS

New submarine link between the Netherlands and Denmark

On 1 February 2016, Prysmian Group was awarded a new contract worth around Euro 250 million for an HVDC (High Voltage Direct Current) submarine link between the Netherlands and Denmark, by TenneT TSO B.V. and Energinet.dk SOV, the respective operators of the Dutch and Danish power transmission grids. The COBRAcable ("COpenhagen BRussels Amsterdam" cable) will benefit the electricity grids in both countries concerned, by making Dutch capacity structurally available to Denmark and vice versa, by making the electricity supply more secure and by allowing connection to renewable energy sources at a later stage.
The COBRAcable will contribute to the creation of a sustainable international energy landscape, a key aim of the European Union, which is supporting the project through the EEPR (European Energy Programme for Recovery). The cable will be constructed using HVDC technology, which minimises transmission losses over long distances.
The cable will be produced at the plants in Arco Felice (near Naples, Italy) and Pikkala (near Helsinki, Finland), while submarine cable laying will be performed by the "Giulio Verne" and the "Cable Enterprise", the Group's own cable-laying vessels. The cable system is scheduled for delivery in the third quarter of 2018.

Plant closures

On 29 January 2016, Prysmian Câbles et Systèmes France presented the trade unions with a plan for the closure of the Anjy plant, currently employing 74 people, and the transfer of its production for the automotive business to the Velke Mezerice site. The plan also envisages investing in the nearby Draka Fileca plant in Sainte Genevieve, whose products serve the aviation industry, and which will involve the creation of 25 new jobs. At the same meeting, a plan was also presented to cease production at the Xoulces plant, employing 76 people, and to transfer it to the nearby plant in Neuf Pré, which produces accessories; the idea is to create a centre of excellence for accessories production in a more suitable facility than at present, while adding 38 jobs to this plant's existing workforce of 60.
Discussion of these plans will proceed in the manner established by the relevant legislation.

Creation of the Oil & Gas Business Unit

In January 2016, the Group modified its organisational structure with the creation of an Oil & Gas business unit, comprising the SURF and Oil & Gas businesses. The new organisational structure will facilitate the creation of synergies between the two businesses and allow major customers to be managed more efficiently.
The possible impacts on the segment reporting structure are currently being evaluated; this evaluation will be completed in the course of 2016.

Milan, 24 February 2016
ON BEHALF OF THE BOARD OF DIRECTORS
THE CHAIRMAN
Massimo Tononi

SCOPE OF CONSOLIDATION – APPENDIX A

The following companies have been consolidated line-by-line:

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Europe					
Austria					
Prysmian OEKW GmbH	Wien	Euro	2,053,008	100.00%	Prysmian Cavi e Sistemi S.r.l.
Belgium					
Draka Belgium N.V.	Antwerpen	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 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	129,026,210	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 Systemes 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.
		Euro	1	49.90%	Draka Deutschland GmbH
Draka Comteq Germany Verwaltungs GmbH	Koln	Euro	25,000	100.00%	Draka Comteq BV
Draka Comteq Germany GmbH & Co.KG	Koln	Euro	5,000,000	100.00%	Draka Comteq B.V.
Draka Deutschland Erste Beteiligungs- GmbH	Wuppertal	Euro	25,000	100.00%	Draka Holding B.V.
Draka Deutschland GmbH	Wuppertal	Euro	25,000	90.00%	Draka Deutschland Erste Beteiligungs GmbH
				10.00%	Draka Deutschland Zweite Beteiligungs GmbH

Prysmian Group

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Draka Deutschland Verwaltungs GmbH	Wuppertal	Deutsche Mark	50,000	100.00%	Draka Cable Wuppertal GmbH
Draka Deutschland Zweite Beteiligungs GmbH	Wuppertal	Euro	25,000	100.00%	Prysmian Netherlands B.V.
Draka Kabeltechnik GmbH	Wuppertal	Euro	25,000	100.00%	Draka Cable Wuppertal GmbH
Draka Service GmbH	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%	Prysmian 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.					
Prysmian Cables & Systems Ltd.	Eastleigh	British Pound	113,901,120	100.00%	Prysmian UK Group Ltd.
Prysmian Construction Company Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables (2000) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Prysmian Cables and Systems International Ltd.	Eastleigh	Euro	100,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Cable Makers Properties & Services Limited	Hampton	British Pound	33	74.99%	Prysmian Cables & Systems Ltd.
				25.01%	Third parties
Prysmian Metals Limited	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Comergy Ltd.	Eastleigh	British Pound	1,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Pension Scheme Trustee Limited	Eastleigh	British Pound	1	100.00%	Prysmian S.p.A.
Prysmian UK Group Ltd.	Eastleigh	British Pound	70,011,000	100.00%	Draka Holding B.V.
Draka Distribution Aberdeen Limited	Eastleigh	British Pound	1	100.00%	Prysmian UK Group Ltd
Draka Comteq UK Ltd.	Eastleigh	British Pound	9,000,002	100.00%	Prysmian UK Group Ltd
Draka UK Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian UK Group Ltd.
Draka UK Group Ltd.	Eastleigh	British Pound	822,000	100.00%	Prysmian UK Group Ltd.
Prysmian Powerlink Services Ltd.	Eastleigh	British Pound	46,000,100	100.00%	Prysmian UK Group Ltd.
Ireland					
Prysmian Financial Services Ireland Ltd.	Dublin	Euro	N/A	100.00%	Third parties
Prysmian Re Company Ltd.	Dublin	Euro	5,000,000	100.00%	Draka Holding B.V.
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

Prysmian Group

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
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.
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
Neva Cables Ltd	St. Petersburg	Russian Rouble	194,000	100.00%	Prysmian Finland OY

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. (Sociedad Unipersonal)	Vilanova I la Geltrù	Euro	58,178,234	100.00%	Draka Holding N.V. y CIA Soc. Col.
Marmavil.S.L. (Sociedad Unipersonal)	Santa Perpetua de Mogoda	Euro	3,006	100.00%	Draka Holding B.V.
Draka Holding NV Y CIA Soc. Col.	Santa Perpetua de Mogoda	Euro	24,000,000	99.99999%	Draka Holding B.V.
				0.00001%	Marmavil.S.L. (Sociedad Unipersonal)
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 SA	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
Tasfiye Draka Istanbul Asansor İthalat İhracat Üretim Ticaret Ltd. Şti.	Osmangazi-Bursa	Turkish new Lira	180,000	100.00%	Draka Holding B.V.
Tasfiye Draka Comteq Kablo Limited Sirketi	Osmangazi-Bursa	Turkish new Lira	45,818,775	99.99995%	Draka Comteq B.V.
				0.00005%	Prysmian Netherlands B.V.
Hungary					
Prysmian MKM Magyar Kabel 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.
Gulf Coast Downhole Technologies, LLC	Huston	US Dollar	0	100.00%	Draka Cableteq USA Inc.

Prysmian Group

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	69,024,900	91.858%	Prysmian Consultora Conductores e Instalaciones SAIC
				7.570%	Draka Holding B.V.
				0.263%	Prysmian Draka Brasil S.A
				0.309%	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 Surflex Umbilicais e Tubos Flexiveis do Brasil Ltda	Vila Velha	Brazilian Real	282,718,116	99.99%	Prysmian Cavi e Sistemi S.r.l.
				0.01%	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 SA
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.
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.
Africa					
Ivory Coast					
SICABLE - Sociète 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	2,050,000	99.970%	Prysmian Cables et Systèmes France S.A.S.
				0.005%	Prysmian (French) Holdings S.A.S.
				0.005%	Prysmian Cavi e Sistemi S.r.l.
				0.020%	Third parties

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Oceania					
Australia					
Prysmian Australia Pty Ltd.	Liverpool	Australian Dollar	56,485,736	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Telecom Cables & Systems Australia Pty Ltd.	Liverpool	Australian Dollar	0	100.00%	Prysmian Cavi e Sistemi S.r.l.
New Zealand					
Prysmian New Zealand Ltd.	Auckland	New Zealand Dollar	10,000	100.00%	Prysmian 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
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 Hong Kong Holding Ltd.	Hong Kong	Euro	59,500,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian (China) Investment Company Ltd.	Bejing	Euro	59,500,000	100.00%	Prysmian Hong Kong Holding Ltd.
Nantong Haixun Draka Elevator Products Co. LTD	Nantong	US Dollar	2,400,000	75.00%	Draka Elevator Product Inc.
				25.00%	Third parties
Nantong Zhongyao Draka Elevator Products Co. LTD	Nantong	US Dollar	2,000,000	75.00%	Draka Elevator Product Inc.
				25.00%	Third parties
Draka Cables (Hong Kong) Limited	Hong Kong	Hong Kong Dollar	6,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Shanghai Optical Fibre Cable Co Ltd.	Shanghai	US Dollar	15,580,000	55.00%	Draka Comteq Germany GmbH & Co.KG
				45.00%	Third parties
Suzhou Draka Cable Co. Ltd	Suzhou	Chinese Renminbi (Yuan)	174,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Prysmian PowerLink Asia Co. Ltd	Suzhou	Euro	0	100.00%	Prysmian (China) Investment Company Ltd.
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%	Draka Holding B.V.
				40.00%	Oman Cables Industry SAOG
Jaguar Communication Consultancy Services Private Ltd.	Mumbai	Indian Rupee	34,432,100	99.99997%	Prysmian Cavi e Sistemi S.r.l.
				0.00003%	Prysmian S.p.A.
Indonesia					
P.T.Prysmian Cables Indonesia	Cikampek	US Dollar	67,300,000	99.48%	Draka Holding B.V.
				0.52%	Prysmian Cavi e Sistemi S.r.l.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
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
Oman					
Oman Cables Industry (SAOG)	Al Rusayl	Omani Riyal	8,970,000	51.17%	Draka Holding B.V.
				48.83%	Third parties
Oman Aluminium Processing Industries LLC	Sohar	Omani Riyal	4,366,000	51.00%	Oman Cables Industry (SAOG)
				49.00%	Third parties
Singapore					
Prysmian Cables Asia-Pacific Pte Ltd.	Singapore	Singapore Dollar	213,324,290	100.00%	Draka Holding B.V.
Prysmian Cable Systems Pte Ltd.	Singapore	Singapore Dollar	25,000	50.00%	Draka Holding B.V.
				50.00%	Prysmian Cables & Systems Ltd.
Draka Offshore Asia Pacific Pte Ltd	Singapore	Singapore Dollar	51,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Cableteq Asia Pacific Holding Pte Ltd	Singapore	Singapore Dollar	28,630,542	100.00%	Draka Holding B.V.
Singapore Cables Manufacturers Pte Ltd	Singapore	Singapore Dollar	1,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Cable Supply and Consulting Company Pte Ltd	Singapore	Singapore Dollar	50,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd
Draka Comteq Singapore Pte Ltd	Singapore	Singapore Dollar	500,000	100.00%	Draka Comteq B.V.
Draka NK Cables (Asia) pte ltd	Singapore	Singapore Dollar	200,000	100.00%	Prysmian Finland OY
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:

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
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)	682,114,598	26.37%	Draka Comteq B.V.
				73.63%	Third parties
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.
Japan					
Precision Fiber Opticos 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

List of unconsolidated other investments:

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 2015 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 2015 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 2015:

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, 24 February 2016

Valerio Battista	Carlo Soprano	Andreas Bott
Chief Executive Officer	Managers responsible for preparing corporate accounting documents	

Consolidated Financial Report

AUDIT REPORT

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE 39 OF 27 JANUARY 2010

To the Shareholders of
Prysmian SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Prysmian Group, which comprise the statement of financial position as of 31 December 2015, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree 38/05.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Prysmian Group as of 31 December 2015 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree 38/05.

Emphasis of Matter

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. Our opinion is not modified in respect of this matter.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the directors' report and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion, as required by law, on the consistency of the directors' report and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree 58/98, which are the responsibility of the directors of Prysmian SpA, with the consolidated financial statements of the Prysmian Group as of 31 December 2015. In our opinion, the directors' report and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Prysmian Group as of 31 December 2015.

Milan, 23 March 2016

PricewaterhouseCoopers SpA

Stefano Bravo
(Partner)

PRYSMIAN GROUP **2015** ANNUAL REPORT