Fostering global evolution

2019

THE PRESENT DOCUMENT WAS APPROVED BY THE BOARD OF DIRECTORS ON 5 MARCH 2020 AND SUBSEQUENTLY WITHDRAWN ON 30 MARCH 2020.

FOR THE NEW VERSION, PLEASE REFER TO THE DOCUMENT APPROVED ON 30 MARCH 2020.

Annual Report

Prysmian Group

Linking the Future

Prysmian Group

Linking the Future

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 Prysmian Group. By their nature, forward-looking statements involve risk and uncertainty because they depend on the occurrence of future events and circumstances. Actual results may differ materially from those reflected in forward-looking statements due to multiple factors.

Letter to Shareholders

Valerio Battista
Chief Executive Officer Prysmian Group

Work to consolidate the integration of General Cable within the Prysmian Group continued during 2019. The resulting generation of synergies worth Euro 140 million has exceeded all expectations.

This integration has helped the Prysmian Group to build a position as the only global leader with a model balanced by business segment and optimal geographical diversification. The absorption of General Cable has also significantly consolidated our ability to innovate and develop new solutions that satisfy the highest expectations of our customers, generating value for the Group.

Results for the year

The Prysmian Group achieved satisfactory results in 2019, with **strong cash generation**, even more than expected, and **an adjusted EBITDA in excess of one billion Euro (Euro 1.007 billion)**. The established profitability objectives were therefore achieved, with a 31.4% increase compared to Euro 767 million in 2018.

EBITDA rose to Euro 907 million (Euro 501 million in 2018, accounting for General Cable from 1 June 2018), including net expenses for corporate reorganisations, non-recurring net expenses and other non-operating net expenses, totalling Euro 100 million (Euro 192 million in 2018). Net profit improved significantly to Euro 296 million from Euro 58 million in 2018 (including General Cable since 1 June 2018). Group revenues totalled Euro 11.519 billion, in line with 2018.

The ***Energy*** division performed well, especially in terms of profitability, which increased by 35.9%; in particular, power distribution achieved a solid growth with an improving profitability.

A significant contribution was also made by the ***Projects*** business. The order backlog now exceeds Euro 2 billion once again, following the acquisition of major power interconnection work and projects for the cabling of offshore wind farms. These activities allow us to strengthen our position as an enabler of the transition to renewable sources of energy.

The performance of the ***Telecom*** business was also good. In this area we introduced a number of important innovations, such as a new cable with 6,912 fibres, the largest number in the industry, allowing ease of use and improved fibre management, and the first fibre in the world that can be bent at will - just 180 micron in diameter - with an unprecedented size reduction that allows for the miniaturisation of cables.

R&D leading innovation in the sector

With 900 professionals and 25 research centres throughout the world, the Prysmian Group is constantly committed to providing customers with the best cable infrastructure solutions. Addressing ever more sophisticated technological requirements, these solutions facilitate the power and data transmission processes while, at the same time, lowering the overall cost of cabling solutions for the customer.

The Group is also striving to develop technological innovations that lower energy and water consumption and reduce the greenhouse gas emissions of our manufacturing facilities. The Design to Cost (DTC) programme is committed to use the best materials, adopting efficient processes and implementing innovative projects to achieve cost savings in excess of Euro 45 million, with over 1,300 projects completed at our manufacturing plants during 2019.

R&D investment of Euro 106 million in 2019 was mainly dedicated to the ever more advanced search for EHV electricity transmission systems that can be buried, for longer and more efficient cables that can be laid at ever greater depth and for optical fibre solutions with the largest number of cables in a miniaturised space for easy use in the field. In order to achieve this, the Prysmian Group collaborates with more than 50 research centres and universities and launched about 180 new product families during 2019, not least thanks to the acceleration driven by General Cable from the third quarter onwards. The Group's new products generated Euro 800 million, compared to Euro 496 million in 2018, with a 12.3% ongoing growth - 10.1% in Q3 2018 - led by North America and the Telecom area. Today, the Prysmian Group holds around 5,900 patents.

We have achieved world leadership in the sector of cables and systems for power distribution and telecommunications, with over 80 new products in the context of innovation and more than 500 new solutions in the product development area.

Integrated sustainability

Sustainability has always been in our DNA, enabling us to direct the strategies of the Prysmian Group towards the provision of concrete help in tackling the greatest global challenges, with a clear and determined action plan.

As a consequence of this, the Group also improved its ranking in the main **sustainability indexes** during 2019, and was included for the first time - as the only player in the sector - in the Dow Jones Sustainability World and STOXX Global ESG Indexes, reaching the Ecovadis Gold level and confirming the good performance achieved in other ESG indexes, such as CDP Climate Change, Standard Ethics and FTSE4Good.

In addition, a new set of medium-term sustainability goals has been defined and constant efforts are being made to improve the sustainability of production processes, with a view to lowering CO_2 emissions by 2-3% by 2022.

In fact, our new ambitious goal is to **generate 50% of Group revenues from low carbon-enabling products in 2022**, in line with our effort to tightly integrate ESG topics within the growth strategy.

On the People front, the Group makes **Diversity & Inclusion** a central activity, with a view to raising the percentage of women executives to 14-18% (12% in 2019) and ensuring that 40% of white-collar new hires are women.

In order to further improve the commitment of the entire organisation to achieve the 2022 sustainability goals, the annual and long-term employee incentive plans have been linked to a significant selection of those objectives. We have also **launched a share incentive plan for 800 key people within the Group, which includes ESG goals among the four key drivers of value creation**. This Plan envisages granting new ordinary shares serviced by a bonus increase in share capital, in order to strengthen the commitment of the company and management to the creation of sustainable value over time for all stakeholders.

Prysmian for the energy transition

Signature of the new Green Plan by the European Commission in December 2019 seeks to make Europe carbon neutral by 2050, highlighting the priority need for an integrated energy market that is both digitalised and interconnected with renewable sources. That said, the development of renewable energy in Europe, North America and the Asian countries with the largest impact on CO_2 emissions is still heavily restricted by the high cost of production and the need for substantial investment.

Accordingly, **the Prysmian Group is deeply committed to promoting the development of smarter and more sustainable electricity grids**. In order to achieve the ambitious decarbonisation objective set by Europe, the European Commission estimates that offshore wind energy needs will reach 450 GW by 2050. To deliver this, the offshore wind power sector will need an efficient, sustainable and reliable electricity transmission system, capable of supporting the transition to renewable energy at ever more competitive costs.

In practical terms, it will only be possible to achieve the objectives set recently by the European Commission and the UN SDGs for the coming decade if efforts are made to lower the production cost of renewables to the level enjoyed by fossil fuels.

The Prysmian Group seeks to be the **go-to technology player in this scenario, facilitating the production and transmission of cleaner, more intelligent, more efficient and competitive energy**, so that power can be transferred from the location of renewable production (offshore wind farms) to the place of consumption (communities and urban centres).

Creation of value for our shareholders

Based on the positive results achieved in 2019, we are glad to recommend to the Shareholders' Meeting an increased dividend of Euro 0.5 per share, confirming the ability of the Group to generate value for its shareholders.

Group Annual Report


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GROUP ANNUAL REPORT

Directors' Report

Directors and Auditors

BOARD OF DIRECTORS(3)

Chairman	Claudio De Conto(*)(2)
Chief Executive Officer & General Manager	Valerio Battista
Directors	Maria Elena Cappello(**) Monica de Virgiliis(**)(2) Francesco Gori(**)(1)(4) Joyce Victoria Bigio(**)(1) Massimo Battaini Pier Francesco Facchini Maria Letizia Mariani(**)(1) Fabio Ignazio Romeo Paolo Amato(**)(2) Mimi Kung(**)

BOARD OF STATUTORY AUDITORS(4)

Chairman	Pellegrino Libroia
Standing Statutory Auditors	Laura Gualtieri Paolo Francesco Lazzati
Alternative Statutory Auditors	Michele Milano Claudia Mezzabotta

Independent Auditors(5)	EY S.p.A.

(*) Independent director as per Italian Legislative Decree 58/1998.
(**) Independent director as per Italian Legislative Decree 58/1998 and Italy's Corporate Governance Code issued by Borsa Italiana S.p.A.
(1) Members of the Control and Risks Committee.
(2) Members of the Compensation, Nominations and Sustainability Committee.
(3) Appointed by the Shareholders' Meeting on 12 April 2018.
(4) Appointed by the Shareholders' Meeting on 5 June 2019.
(5) Appointed by the Shareholders' Meeting on 16 April 2015.

Preface

In compliance with the provisions of art. 5, par. 3 (b) of Italian Legislative Decree 254/2016, the Group has prepared its Consolidated Non-Financial Statement in a separate document (Sustainability Report 2019). This document, covering environmental, social and personnel-related matters, respect for human rights, and the fight against active and passive corruption, aims to provide its users with an understanding of the Group's business, its performance, results and impact.

The Consolidated Non-Financial Statement 2019, drawn up in accordance with the GRI Sustainability Reporting Standards (published by the GRI - Global Reporting Initiative - in 2016), was approved by the Board of Directors on 5 March 2020. As required by Italian Legislative Decree 254/2016, this document is submitted to a limited review by the independent auditors, in accordance with the International Standard on Assurance Engagement (ISAE 3000 Revised). The document is available on the Group's website at **www.prysmiangroup.com.**

Financial highlights

MAIN FINANCIAL AND OPERATING DATA(*)

(in millions of Euro)

	2019	2018 Combined(**)	2018(***)	% change Combined	2017
Sales	11,519	11,523	10,104	0.0%	7,904
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	983	708	634	38.9%	694
Adjusted EBITDA (1)	1,007	767	693	31.4%	736
EBITDA (2)	907		501		660
Adjusted operating income (3)	689		466		559
Operating income	569		215		424
Profit/(loss) before taxes	444		103		325
Net profit/(loss)	296		58		237

(in millions of Euro)

	31.12.2019	31.12.2018 (***)	Change	31.12.2017
Net capital employed	5,236	5,059	177	2,430
Employee benefit obligations	494	463	31	355
Equity	2,602	2,374	228	1,639
of which attributable to non-controlling interests	187	188	(1)	188
Net financial debt	2,140	2,222	(82)	436

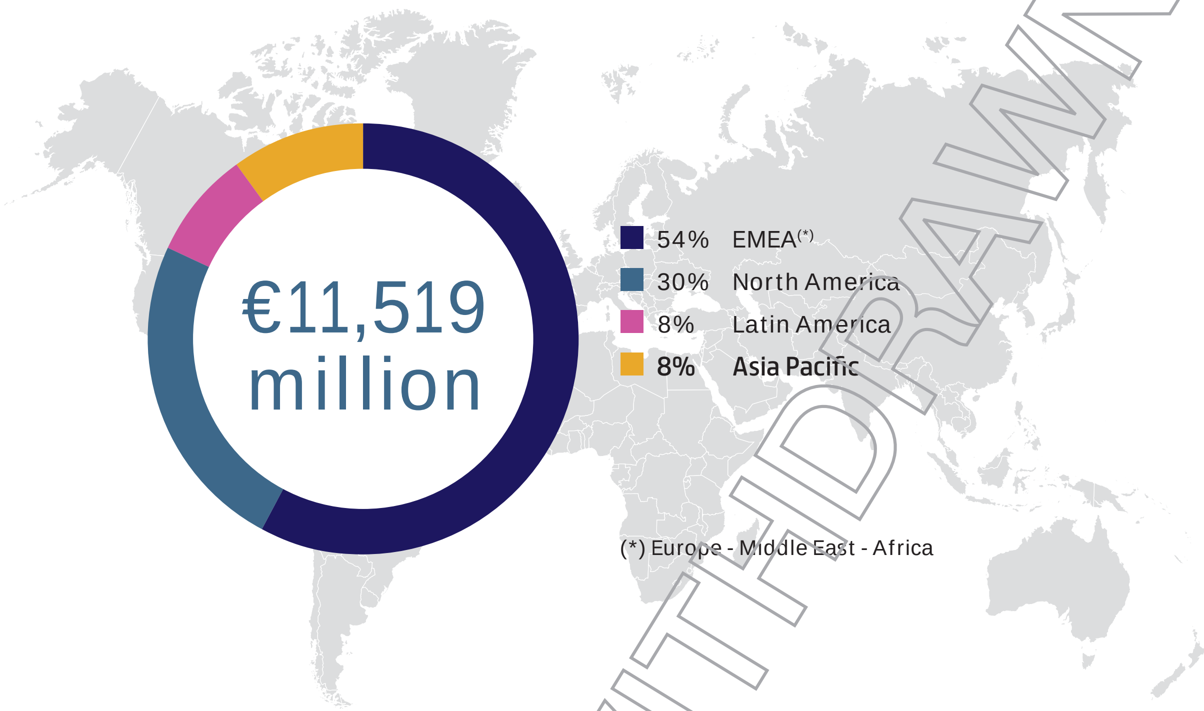
(in millions of Euro)

	2019	2018	% change	2017
Net capital expenditure (4)	248	278	-10.8%	254
Of which for acquisition of Huan Shen Huan assets	-	-		*35*
Employees (at period-end)	28,714	29,159	-1.5%	21,050
Earnings/(loss) per share				
– basic	1.11	0.24		1.14
– diluted	1.11	0.24		1.11
Number of patents (5)	5,881	5,627		4,871
Number of plants	106	112		82

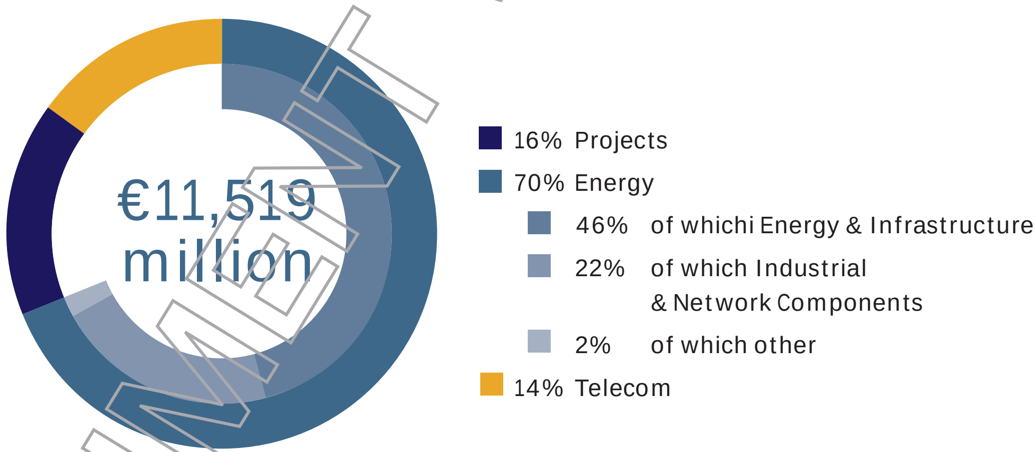
The 2019 figures include the impact of applying IFRS 16 for the first time, with effect from 1 January 2019 using the modified retrospective method, meaning that prior year comparatives are unaffected by the new standard. In addition, the 2017 figures reflect no impact from the consolidation of General Cable, effective as from 1 June 2018.

(1) Adjusted EBITDA is defined as EBITDA before income and expense for company reorganisation, non-recurring items and other non-operating income and expense.
(2) EBITDA is defined as earnings/(loss) for the year, before the fair value change in metal derivatives and in other fair value items, amortisation, depreciation and impairment, finance costs and income, dividends from other companies and taxes.
(3) Adjusted operating income is defined as operating income before income and expense for company reorganisation, non-recurring items and other non-operating income and expense, and before the fair value change in metal derivatives and in other fair value items.
(4) Net capital expenditure reflects cash inflow from disposals of Assets held for sale and outflow for additions to Property, plant and equipment and Intangible assets not acquired under specific financing arrangements, meaning that additions of leased assets are excluded.
(5) These are the total number of patents, comprising patents granted plus patent applications pending worldwide.
(*) All percentages contained in this report have been calculated with reference to amounts expressed in thousands of Euro.
(**) Results of General Cable consolidated for the period 1 January - 31 December 2018.
(***) Results of General Cable consolidated with effect from 1 June 2018. The previously published comparative figures have been revised after finalising the General Cable purchase price allocation. More details can be found in the Explanatory Notes: Section C. Restatement of comparative figures.

SALES 2019 BY GEOGRAPHICAL AREA



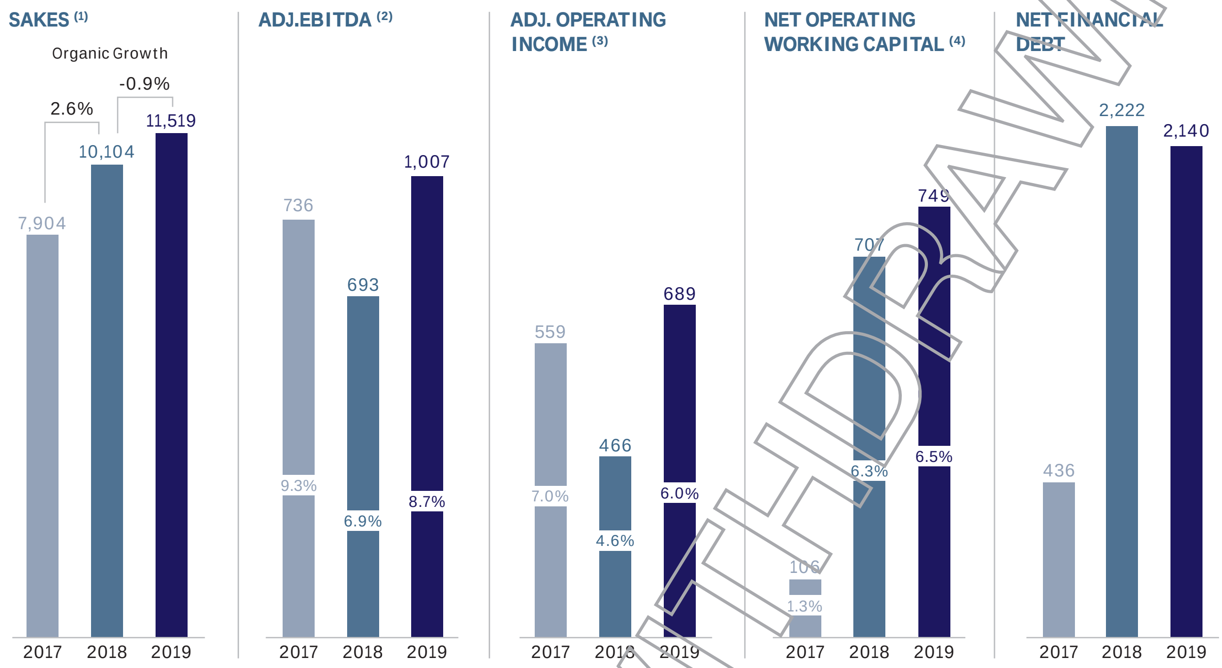
SALES 2019 BY BUSINESS AREA



Source IPCC

KEY FINANCIALS

Amounts in millions of Euro – Percentages on sales



(1) Organic growth is defined as growth in sales calculated net of changes in the scope of consolidation, changes in commodity prices and exchange rate effects. The results of General Cable have been consolidated with effect from 1 June 2018. The previously published figures for 2018 have been revised after finalising the General Cable purchase price allocation. More details can be found in the Explanatory Notes: Section C. Restatement of comparative figures.
(2) Adjusted EBITDA is defined as EBITDA before income and expense for company reorganisation, non-recurring items and other non-operating income and expense. The results of General Cable have been consolidated with effect from 1 June 2018.
(3) Adjusted operating income is defined as operating income before income and expense for company reorganisation, non-recurring items and other non-operating income and expense, and before the fair value change in metal derivatives and in other fair value items. The results of General Cable have been consolidated with effect from 1 June 2018.
(4) Net Operating Working Capital is defined as Net Working Capital excluding the effect of derivatives. The percentage is calculated as Net Working Capital/Annualised last-quarter sales. The previously published figures for 2018 have been revised after finalising the General Cable purchase price allocation. More details can be found in the Explanatory Notes: Section C. Restatement of comparative figures.

Highlights 2019

The fingerprint of cables that provides information in real time

PRY-ID is the intelligent, innovative solution launched by Prysmian that provides real-time access to key information about cables and accessories: case type, length, source, components connected. This represents a type of "fingerprint" for cables, which translates into cost savings and enhanced safety by making it easier to locate cables and components reliably within buildings

PRY-ID

Intelligent virtual assistant for managing drums and electrical cables

ALESEA is the new IoT solution that provides virtual assistance in the management of drums: this is the first innovation from Corporate Hangar, the innovation hub of Prysmian. An intelligent device is installed on the drum and cloud infrastructure makes it possible to file and process the data, accessible via an intuitive web platform. To date, over 1,000 Alesea devices have been tested in 7 countries.

ALESEA

Innovative technology for monitoring networks

PRY-CAM is proprietary Prysmian technology for monitoring, managing and assessing the condition of electrical systems, innovatively drawing on a series of products to record all key parameters (partial discharges, current, voltage, temperature, humidity etc.) and facilitate efficient management using a predictive approach.

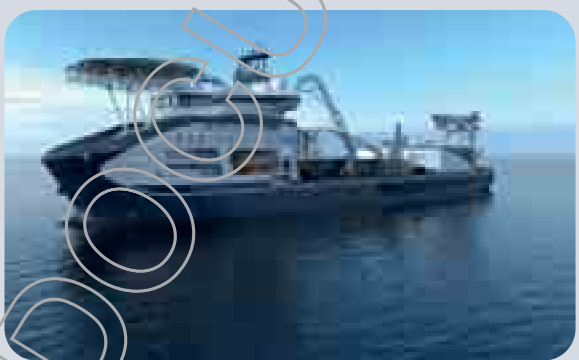
PRY-CAM

A Brand of Prysmian Group

FLEXRIBBON

FlexRibbon is the optical fibre cable with the largest number of fibres in the world: using extremely flexible fibre ribbons, almost 7,000 fibres can be fitted into a low-diameter cable. This makes it possible to insert the largest possible number of fibres into the space available, miniaturising the cable.

The leonardo da vinci, the largest cable-laying ship in the world, has a low environmental impact

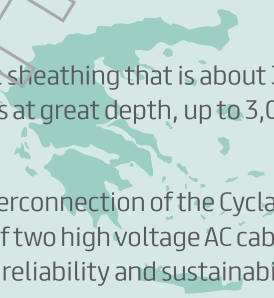


Prysmian has begun construction of the "Leonardo da Vinci", the largest cable-laying ship in the world. This vessel is designed to be the most efficient and effective on the market, with increased capacity and greater versatility for the implementation of projects. The ship will be equipped with leading systems for reaching and holding position at sea, while its engines and propulsion systems have been designed specifically to reduce the environmental impact. The new vessel will be fully operational by 2Q 2021.

BENDBRIGHT^{XS} 180µm - Revolutionary innovation for broadband

Prysmian has launched the first fibre in the world that can be bent at will, with a diameter of 180 microns that allows cable miniaturisation at a level never before achieved. Optical fibre cables are a crucial part of the global transition to flexible and reliable connectivity. Their large number of fibres and reduced diameter makes installation quicker and cheaper. This innovation confirms the commitment of Prysmian to support the evolution of high density optical networks.

Interconnection of the Cycladic islands



Prysmian is achieving a new first thanks to a new cable with synthetic sheathing that is about 30% lighter than steel, thus paving the way to new scenarios in which installations at great depth, up to 3,000 metres, will be possible.

The Group is using this new technology for the undersea electrical interconnection of the Cycladic Islands, Evia, Andros and Tinos, involving the design, supply and installation of two high voltage AC cables that will increase energy transmission between the islands, ensuring solidity, reliability and sustainability.

VIKING, THE RECORD-BREAKING CABLE

Prysmian will implement the Viking Link project, the record interconnection that will link the United Kingdom and Denmark. The Group will be responsible for the turnkey design, production and installation of the longest power interconnection in the world, with 1,250 km of submarine cables and about 135 km of terrestrial cables in the United Kingdom.

Dow Jones Sustainability Index 2019: important recognition

The Prysmian Group was included in the Dow Jones Sustainability World for the first time in 2019. This is the largest international index for the assessment of performance in environmental, social and governance (ESG) terms. Inclusion in this index recognises the efforts made by Prysmian to define a sustainable business approach and serve as an enabler in developing the best cable and optical fibre technologies, thus supporting the transition towards a more sustainable use of energy resources, digitalisation and the decarbonisation of economies.

The DJSI is based on the appraisals of RobecoSAM ESG, which awarded Prysmian a score of 84/100 and a Silver Sustainability Yearbook Award 2020.

The Prysmian Group, a global leader

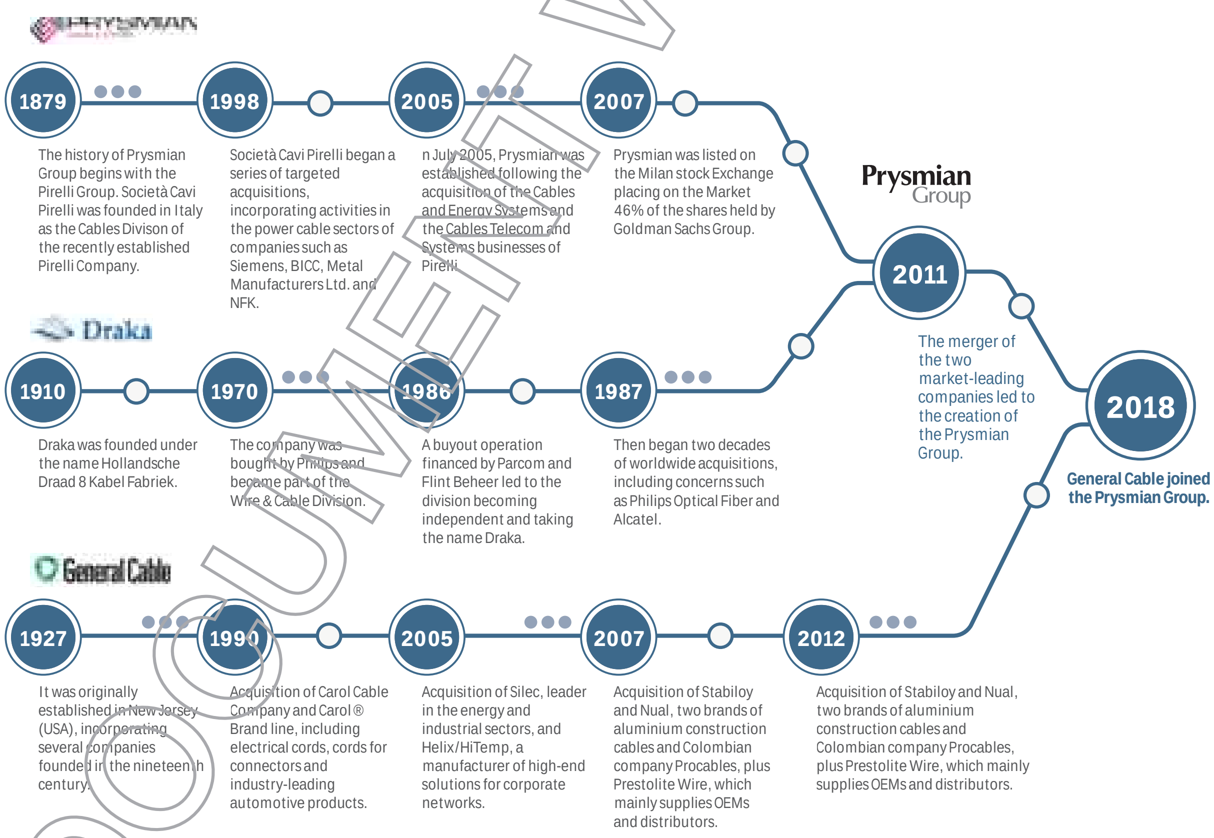
World leader in the supply of power and telecom cables.

With sales in excess of Euro 11.5 billion, approximately 29,000 employees and 106 plants in more than 50 countries, the Group has a consolidated presence in technologically advanced markets. The broadest range of products, services, technologies and know how are offered to manufacturers that use cabling systems in the production and distribution of energy and telecommunications.

Established at the end of the 1800s as Pirelli Cables, the Prysmian Group has grown by acquisitions: from absorption of the activities of Siemens and Nokia in the power cables sector, to the more recent acquisition of the Draka group, based in the Netherlands, and, in 2018, to the takeover of General Cable, a US group.

The history of the Group spans the entire cables industry, with aggregations that sustained expansion of the products and services offered, with constant innovations, improving standards and a greater geographical presence, which is a significant strength when serving regional market needs.

Industry leadership extends to business control and a proven ability to identify synergies and lower costs rapidly, ensuring operational efficiency at the highest level within the sector.



A history of innovation

At the start of the 20th century, Prysmian Group laid the first telecommunications cables that linked the Americas and Europe. Cables and optical fibres supplied by Prysmian Group comprise a significant part of the main electricity grids and telecommunications networks around the world, with installations in such iconic buildings as the Burj Khalifa in Dubai, The Shard in London, the World Trade Center in New York and the Guggenheim Museum in Bilbao.

Prysmian submarine cables are integral to numerous key projects of global importance: from the Hudson Transmission Project linking New York and New Jersey to the Empire Wind project, which is one of the first offshore wind farm projects on a commercial scale developed by Equinor in New York State, as well as Vineyard WIND 1, the first large-scale offshore wind farm project in the United States, which is situated more than 15 miles off the coast of Massachusetts.


THE SHARD. LONDRA


HUDSON TRANSMISSION PROJECT. NEW YORK-NEW JERSEY


GUGGENHEIM MUSEUM. BILBAO


BURJI KHALIFA. DUBAI


WTC. NEW YORK

Global presence

NORTH AMERICA

CANADA
U,S,A,

23 plants

LATAM

ARGENTINA
BRAZIL
CHILE
COLOMBIA
COSTA RICA
ECUADOR
MEXICO

13 plants

EUROPE

CZECH REPUBLIC
ESTONIA
FINLAND
FRANCE
GERMANY
HUNGARY
ITALY
NORWAY
PORTUGAL
ROMANIA
RUSSIA
SLOVAKIA
SPAIN
SWEDEN
THE NETHERLANDS
U,K,

50 plants

MEAT

ANGOLA
IVORY COAST
OMAN
TUNISIA
TURKEY

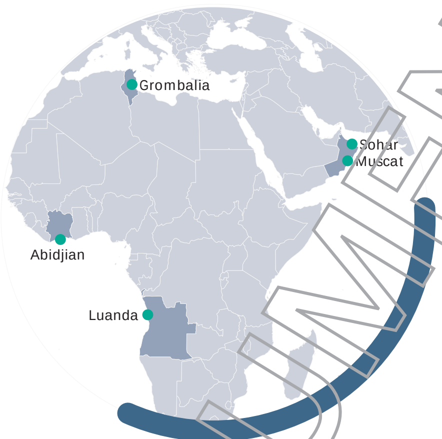
6 plants

APAC

AUSTRALIA
CHINA
INDIA
MALAYSIA
INDONESIA
NEW ZEALAND
PHILIPPINES
THAILAND

14 plants

Key
- Energy
- Telecom
- Shared



+50 countries

106 plants

25 R&D centers

about **29** thousand employees

3 ships equipped

Vision, Mission, Values

VISION

We believe in the efficient, effective and sustainable supply of energy and information as the main driver for the development of community.

MISSION

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

VALUES

DRIVE. Our objective is to guide the evolution of our sector: we develop our people and our business, following a clear strategy while anticipating customer needs.

TRUST. We intend to create an environment that inspires trust, where diversity and collaboration are recognised and people are empowered to make decisions with integrity.

SIMPLICITY. Our challenge is to simplify all that we can, focusing on activities that generate considerable value and timely decisions that enhance the results achieved by the Group.

Business Areas

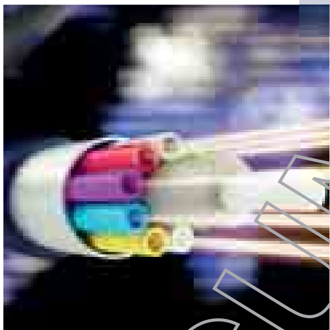
Following the acquisition of General Cable (2018), the structure of the Group - with applications in over one hundred sectors - was organised into a matrix of reference markets and business units.

Energy

The Energy business area comprises businesses offering a complete and innovative product portfolio designed to meet the many diverse demands of the market. It is organised as follows: Energy & Infrastructure, which includes Trade & Installers, Power Distribution and Overhead Transmission Lines, and Industrial and Network Components, which includes Oil & Gas, Downhole Technology, Elevators, Automotive, Network Components and Specialties & OEM, serving in turn the following sectors: Cranes, Mining, Railways, Rolling Stock, Marine and Renewables (cables for applications in the solar energy industry and for the operation of wind turbines).

Projects

This business area comprises high-tech and high value-added businesses focused on the design, production and customisation of HV cabling systems for terrestrial and submarine applications. The Group develops pioneering "turnkey" submarine cable systems for installation at depths of up to 3,000 metres, assisted by its cable-laying fleet comprising the Giulio Verne, the Cable Enterprise and the Ulisse. Prysmian Group also offers advanced services for submarine interconnections between countries and between offshore wind farms and the mainland, used for both the generation and distribution of electricity.



Telecom

The Telecom business area comprises businesses devoted to making the cabling systems and connectivity products used in tlc networks. The product portfolio includes optical fibre, optical cables, connectivity components and accessories, OPGW (Optical Ground Wire) and copper cables. The Group is also among the leaders in the production of optical fibre - the essential component of all types of optical cables. A wide range of optical fibres is designed and made using proprietary technology to cater to the broadest possible spectrum of customer applications: single-mode, multimode and specialty fibres. In both cables and connectivity, the Group focuses on the design of products that provided greater density in a smaller diameter, with ease of use and optimal fibre management.

The PROJECT business area generated Euro 1,844 million in 2019, representing 16% of the Group's total revenues, while the ENERGY business area generated Euro 8,027 million or 70% of revenues; lastly, the TELECOM business area generated Euro 1,648 million, contributing 14% of revenues.

A business model balanced by segment and geographical area

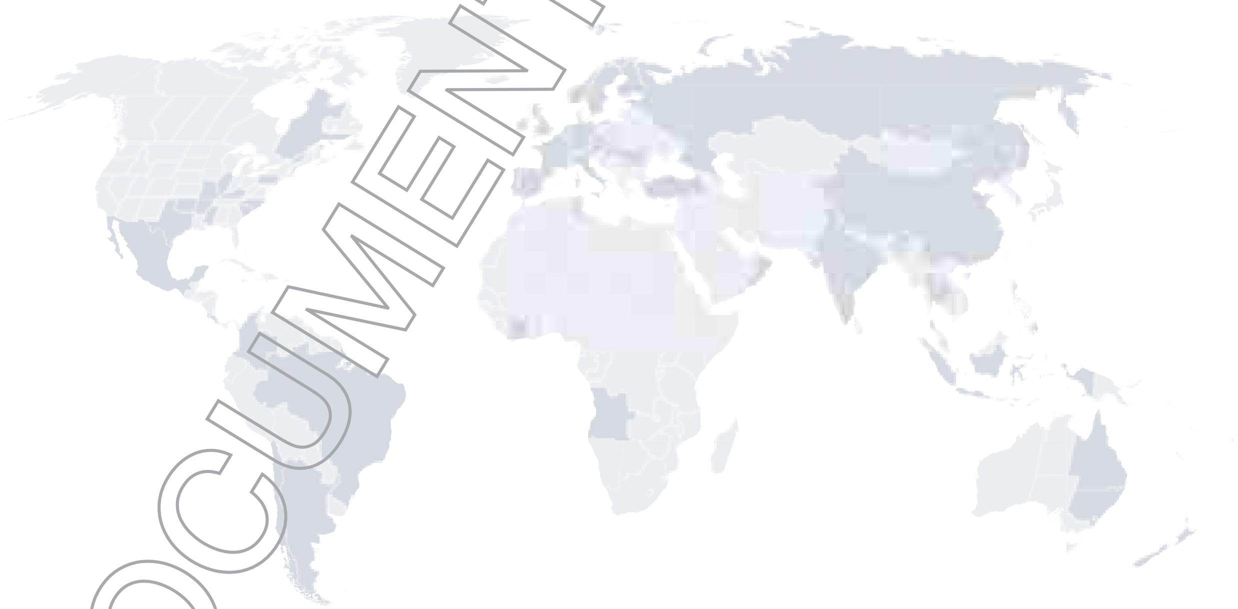
The diversified portfolio of activities is a strength for the Prysmian Group, as the only global leader with a business model balanced among areas with differing profiles, where each segment plays a precise role in the overall strategy, considering stability, growth potential and the generation of opportunities.

Historically, the Energy area has delivered the most stable results, while the Projects and Telecom areas have been marked by greater volatility.

Acquisitions have always fit in with the strategy of maintaining balance: General Cable enabled the Group to diversify geographically, with strong exposure to the North American market, which is structured differently with more consolidated dynamics.

Additionally, while the positioning of the Prysmian Group as a cable manufacturer remains central, part of its activities make it a network solution provider, drawing on the ability to integrate ever more closely the various components - engineering, installation, network monitoring and after-sales services - in order to provide value-added services that ensure recurring revenue streams and build long-term partnerships with customers.

Alongside this, the Group is also able to identify and develop value-added market niches - such as elevator cables, cables for multimedia applications, solutions produced by Prysmian Electronics - while releasing the synergies needed to be cost-effective and offer end-to-end solutions integrated with advanced digital equipment.



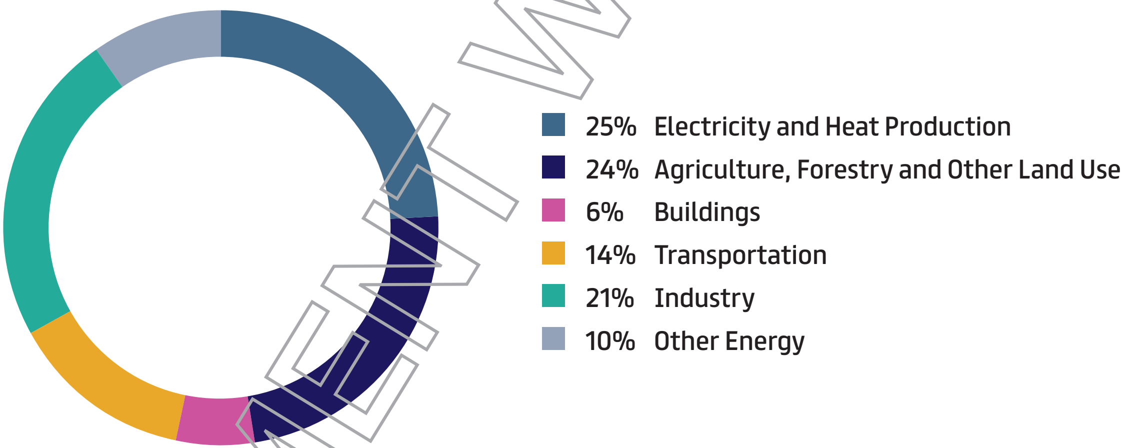
Prysmian Group for the energy transition

The energy transition from fossil fuels to renewable sources is one of the greatest and most urgent challenges faced by humanity. The production of electricity and heat generates 25% of all global CO_2 emissions.

Europe was one of the first economies to make formal commitments, establishing the objectives for 2030: 40% reduction in greenhouse gas emissions with respect to the 1990 level; 32% of energy needs met by renewable sources and an improvement in energy efficiency by at least 32.5%[1]. Signature of the new Green Plan by the European Commission in December 2019 seeks to make Europe carbon neutral by 2050, highlighting the priority need for an integrated energy market that is digitalised and interconnected with renewable sources.

That said, the development of renewable energy in Europe, North America and the Asian countries with the largest impact on CO_2 emissions is still heavily restricted by the need for substantial investment.

CO_2 EMISSIONS BY SECTOR: TACKLING THE ELECTRICITY SECTOR WILL NOT BE ENOUGH



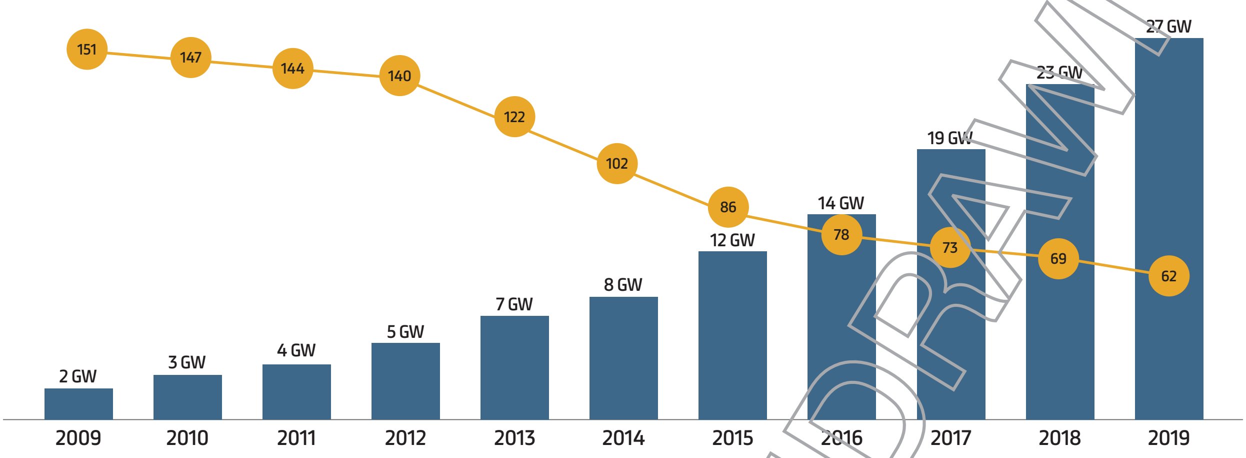
Source: IPCC.

Accordingly, the Prysmian Group is deeply committed to supporting the development of smarter and more sustainable electricity grids. In order to achieve the ambitious decarbonisation objective set by Europe, the European Commission estimates that the offshore wind energy needed by 2050 will total 450 GW.

To deliver this, the offshore wind power sector will need an efficient, sustainable and reliable electricity transmission system, capable of supporting the transition to renewable energy at ever more competitive costs

(1) The 2030 climate and energy framework published by the European Commission.

As the cost of offshore wind has declined. installations have soared
Offshore wind: Global installed capacity (GW. navy bars) vs LCOE in Europe (€/MWh)



Goldman Sachs Global Investment Research. IRENA.

So it is necessary to develop a grid that facilitates a cost-effective energy transition, maintaining adequate resources while, at the same time, enabling system operators to cope with variable models of consumption and demand. In a "No Grid" scenario by 2040, ENTSO-E has shown that failure to invest in the transmission system could increase the marginal price by 3% -29%, depending on the region, and endanger the security of the electricity supply as well.

EURO **43** BN YEAR — extra cost of 'no grid' scenario by 2040

EURO **114** BN — investments in grid infrastructure for transmission and storage projects by 2030

Data source: ENTSO-E.

In concrete terms, it will only be possible to achieve the objectives set recently by the European Commission and the UN SDGs for the coming decade if efforts are made to lower the production cost of renewables to the level enjoyed by fossil fuels.

The Prysmian Group seeks to be the go-to technology player in this scenario, facilitating the production and transmission of cleaner, more intelligent and more efficient and competitive energy, so that power can be transferred from the location of renewable production (offshore wind farms) to the place of consumption (communities and urban centres).

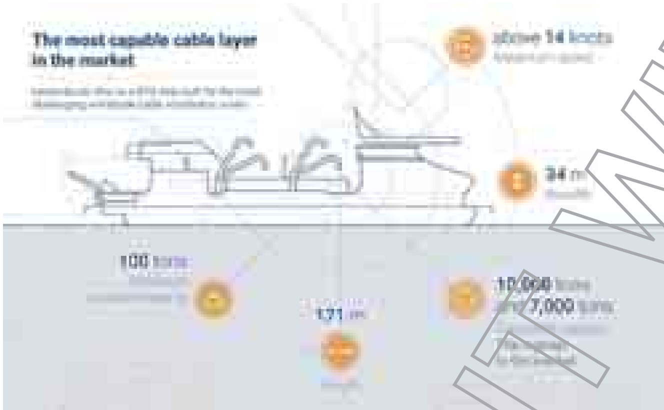
Cable technology will be decisive in this scenario, making it possible to improve the grids needed for this energy transition, while optical fibre will enable the digitalisation of society as an essential step in the development of a low-carbon economy and a new growth model.

The Prysmian Group promotes cable solutions that support the move towards this low-carbon economy, with positive effects on climate change. Indeed, in 2019, 48% of total Group revenues were attributable, based on the Climate Bond Initiative taxonomy, to products that facilitate achievement of the target set by COP 21 in the 2015 Paris Agreements and, in general, an energy transition that contributes to the decarbonisation of the economy and the digitalisation of networks.

THE LARGEST CABLE-LAYING VESSEL IN THE WORLD

The Leonardo da Vinci cable-laying vessel is now under construction. Named after the celebrate genius, inventor and engineer, this ship will strengthen the ability of Prysmian to execute projects and our reputation as a "one-stop-shop" service provider. The Leonardo da Vinci, which joins the current Prysmian fleet of three vessels, will be the best performing cable-laying vessel in the world.

With a length of about **170 m** and a beam of about **34 m**, the Leonardo da Vinci is designed to guarantee greater capacity and versatility in the execution of projects, due to such advanced functionality as: ability to install at **depths of more than 3,000 m**, due in part to a new generation of cable technology with lighter shielding; maximum speed in excess of 14 knots; **2 carousels** of 7,000 and 10,000 tonnes, representing the **greatest capacity available on the market** and reducing the plant-site transportation time and, therefore, improving overall project efficiency; **2 independent laying lines** to increase operational **flexibility**; pulling force in excess of 180 tonnes that enables complex installation operations to be carried out, supporting a series of burial systems and equipment, such as the submarine plough and the Hydroplow. The ship will be equipped with leading **DP3** systems for reaching and holding position at sea, while its engines and propulsion systems have been designed specifically to ensure their **reduced environmental impact**. All equipment for the handling and installation of cables was designed by Prysmian.



length of about
170m
beam of about
34m

As an industry leader, we seek to make a stable contribution to the modernisation of the entire sector and to improve Group processes constantly, in a proactive manner, in order to make them more efficient and sustainable. We achieve this by collaborating with international research centres and universities, with our suppliers throughout the entire production chain and with our customers, with which we have developed long-term co-innovation processes and partnerships.

The Prysmian Group is committed to making constant innovations that enhance the performance of terrestrial and submarine HV cables, which are key to the development of power grids.

Cable technology in support of the energy transition

Cables (especially HV terrestrial and submarine cables) are and will be an essential component in completing the energy transition, as they are responsible for the generation of electricity by offshore wind farms and for the interconnections between systems and countries, thus supporting the implementation of more integrated, efficient and sustainable electricity grids.

More specifically:

cables represent the **backbone** of electricity grids, the components without which it would not be possible to transmit and transport energy from one country to another;

cables (especially terrestrial and submarine cables) make **the entire electricity grid more efficient**, facilitating the exchange of energy between different countries / consumption areas with different consumption models, thus enabling consumers to obtain access to cheaper and cleaner energy;

submarine cables transmit electricity from the sea, where the wind farms are located, to the land, where the primary distribution network is located;

Terrestrial cables transmit electricity from the areas in which it is generated (the landfall of submarine cables) to the places in which it is consumed.

Prysmian roadmap for innovation

In particular, research efforts are focused on a number of main objectives:

cables that can be installed at **ever greater depths** and in any marine environment, even reaching a depth of 3,000 metres;

ever longer interconnections, to link countries that are far apart;

cables for the **wind farms furthest from land** (e.g. floating wind farms), located in the most windswept areas;

increase **the intrinsic reliability** of cables, **limiting their dispersion**, and equipping them with sensors capable of monitoring the system;

increase **cable productivity,** contributing to a significant reduction in system installation costs. In particular, more productive and reliable cables help to optimise installation costs (fewer trenches and therefore easier access to the permits needed to complete an interconnection).

In the same way, the objective in the optical fibre sector is to ensure ever greater levels of flexibility, without loss of signal quality, and to prepare for the 5G challenge that will require the market to install new infrastructure to an almost unprecedented extent.

Sustainability in Prysmian Group

SUSTAINABILITY IS IN OUR DNA

Sustainability plays a central role for the Prysmian Group, committed to promoting a business model that integrates economic, social and environmental responsibility in all aspects and activities of the Group.

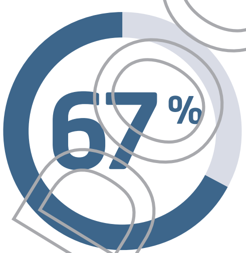
The Prysmian Group promotes a business model based on the concept of shared value through a strategic approach that considers the following elements to be key: listening to and actively involving all internal and external stakeholders, dedicating constant attention to the evolving global and industry context, and planning for the future in a responsible manner that considers the environment and society.

The strength of this approach is the constant monitoring of the Group's sustainability performance along the entire value chain, with the aim not only of assessing performance ex post, but also of developing a proactive attitude in decision-making processes, able to anticipate and seize the new opportunities. ESG (Environment, Social and Governance) matters are absolutely integral to the sustainability strategy adopted by the Group, which has four main aspects:

PUBLIC COMPANY

We are a public company and, as such, it is fundamental to align the interests of the Group with those of our stakeholders. We have always maintained open and transparent dialogue with our shareholders, employees, customers and suppliers, the institutions and the communities in which we work. In order to ensure their confidence and support, we strive to maintain high governance standards and practices: for example, 67% of Board members are independent. As a public company, the shareholders' meetings of the Prysmian Group provide an important opportunity for discussion, involvement and agreement among all shareholders. Participation is lively and proactive. For example, the meeting held to approve the 2018 financial statements was attended by more than 1,530 shareholders, in person or by proxy, representing 61% of the share capital of Prysmian Group. In addition, our open and transparent relations with the market and investors translate into over 500 meetings each year, as well as other contacts.

Integrity as a corporate value is expressed using a series of instruments: the Code of Ethics, the anti-corruption policy, privacy and data protection, and the Helpline programme for reporting actual, apparent or potential infringements of the law. Prysmian Group is a company made of people: out of 29,000 employees, more than 9,200, owning about 1.5% of the share capital, have subscribed to the "YES" share ownership programme - investing directly and expressing their confidence in the Company.



of Board members are Independent

1,530

Shareholders who attended the 2018 Financial Statements approval

2 ESG IS INTEGRAL TO THE GROUP STRATEGY

We strive to align the management objectives of the Group with the sustainability KPIs and, to this end, we have adopted a scorecard that enables us to manage social, economic and environmental matters as a part of our business activities. The Prysmian Group's scorecard comprises 14 objectives with a business impact. These are clear and measurable objectives identified with reference to 3 parameters: the 17 Sustainable Development Goals for 2030 (SDGs) defined by the United Nations, requests from major International Sustainability Indexes and the needs and expectations of our stakeholders, which are mapped each year via the Group's stakeholder engagement initiatives.

Scorecard 14 objectives

3 REMUNERATION POLICY ALIGNED WITH ESG CRITERIA

The incentive scheme for all managers within the Prysmian Group is linked to the achievement of objectives for the improvement of our ESG parameters. The 2019 Remuneration Policy adopted by the Group includes a system of variable remuneration based partly on performance on sustainability matters and, in particular, on the positioning of the Group in the three main sustainability indexes - Dow Jones Sustainability Index, CDP Index, EcoVadis Index - and partly on the progress made on implementing the action plans for three matters of importance to the business: the level of gender diversity in management, the reduction of CO_2 emissions and occupational health and safety.

GENDER BALANCE EMISSIONS HEALTH AND SAFETY

4

A CLEAR AND AMBITIOUS ACTION PLAN

The Prysmian Group has implemented concrete actions designed to achieve the sustainability objectives identified in the scorecard. The main actions include:

11 SUSTAINABLE CITIES AND COMMUNITIES

MAKE CITIES AND HUMAN SETTLEMENTS INCLUSIVE, SAFE, RESILIENT AND SUSTAINABLE
Increase the percentage of cables covered by the carbon footprint calculation: to this end, a platform has been implemented that can calculate the carbon footprint of various types of cable (Common Analysis).

7 AFFORDABLE AND CLEAN ENERGY

ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL
Develop innovative solutions that contribute actively to the transition towards the use of renewable sources and the digitalisation of networks, such as cables for the production and distribution of solar and wind energy, undersea cables for interconnections between countries and optical fibre cables.

13 CLIMATE ACTION

TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS, REGULATING EMISSIONS AND PROMOTING THE DEVELOPMENT OF RENEWABLE ENERGY
Increase the number of plants with environmental, health and safety management certification. Investments and other initiatives designed to reduce GHG emissions.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS
Increase third-party audits in specific areas, such as governance, the environment and human resources.

5 GENDER EQUALITY

ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS
Increase the percentage of women in executive positions via the adoption of specific "diversity and inclusion" programmes, such as the "Side-by-Side" project for the promotion of diversity within the business, and the mentoring of female talents, such as the WLP (Women Leadership Programme).

The long-term strategy translates into a search for stable equilibrium, balancing the adoption of innovative and efficient processes [**organisation**], the responsible management of performance throughout the entire value chain [**operations**], the safeguarding of personnel and the recognition of talent [**people**].

Sustainability therefore plays a central role for the Group, which is committed to promoting a business model that integrates economic, social and environmental responsibility in all its aspects.

Our approach recognises the key importance of listening to and actively involving all internal and external stakeholders, dedicating constant attention to the evolution of the global and industry context, and acting responsibly towards the environment and society as a whole.

In this sense, the Prysmian Group recognises the responsibility deriving from our industry leadership role in facilitating the energy and digital transition to a new development model focused on renewable energy and decarbonisation.

As such, the objectives of the Prysmian Group include designing the advanced infrastructure for the transmission and distribution of energy and data needed for the development of economies, and well as for growth and progress in developing countries.

Corporate Governance

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

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

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

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

Once again in 2019, Prysmian continued to abide by the Corporate Governance Code(1). Further information about:

(i) compliance with the principles and recommendations of the Corporate Governance Code and the reasons for any non-compliance with one or more of its provisions and;

(ii) any corporate governance practices actually applied by the Company going above and beyond statutory or regulatory obligations;

can be found in the "Report on Corporate Governance and Ownership Structure", approved by the Board of Directors and available in the Investor Relations/Corporate Governance section of the company website at **www.prysmiangroup.com**.

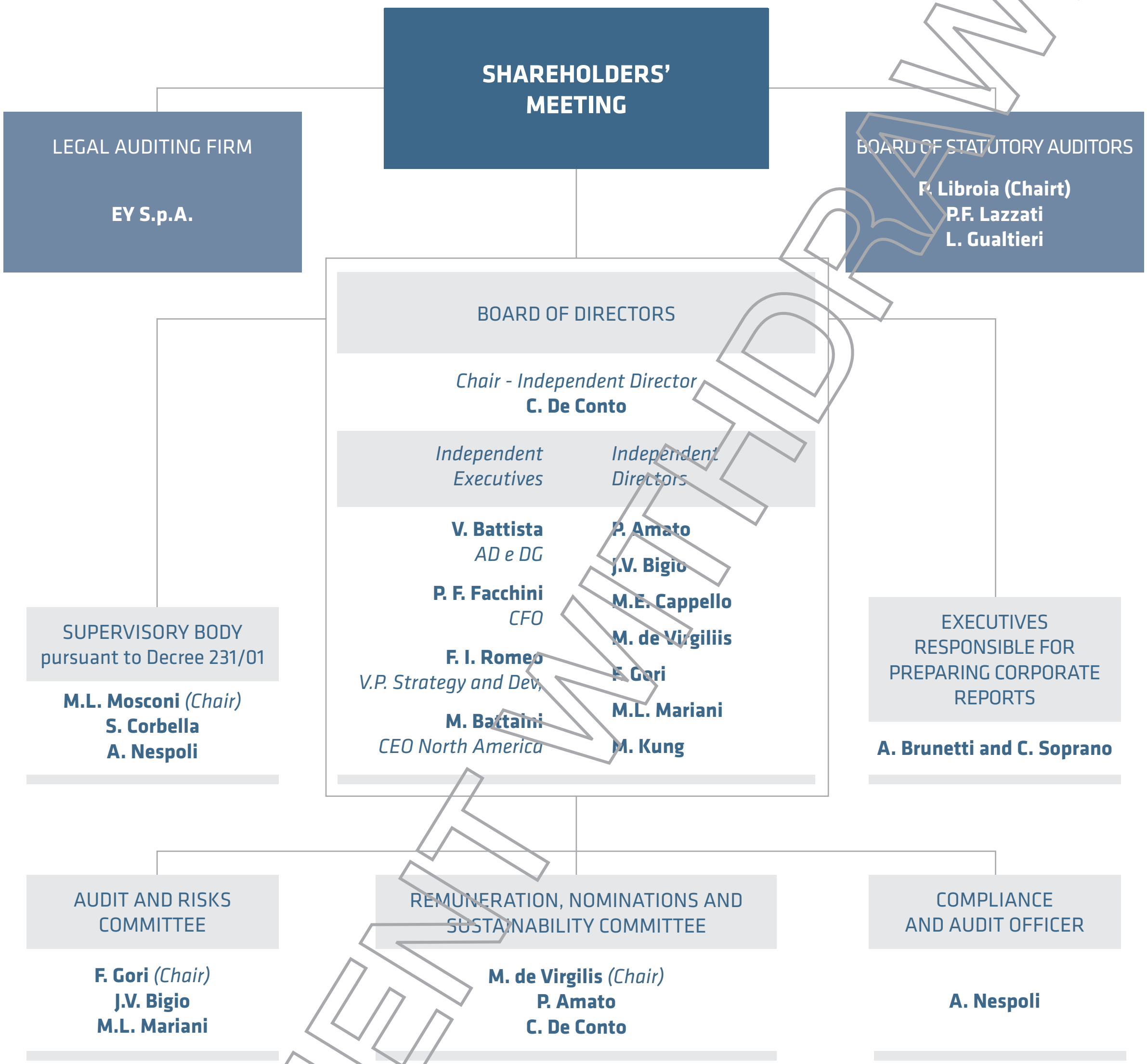
Corporate Governance Structure

The model of governance and control adopted by Prysmian is the traditional one, with the presence of a general meeting of the shareholders, a Board of Directors and a Board of Statutory Auditors. 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 shaping strategy, 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 affairs.

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

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 twelve members - who will remain in office until the date of the annual general meeting called to approve the financial statements for the year ended 31 December 2020 - of whom eight are non-executive.

Seven of the Directors are men and five women, with five of them in the 45-55 age bracket and seven in the over-55 bracket.

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

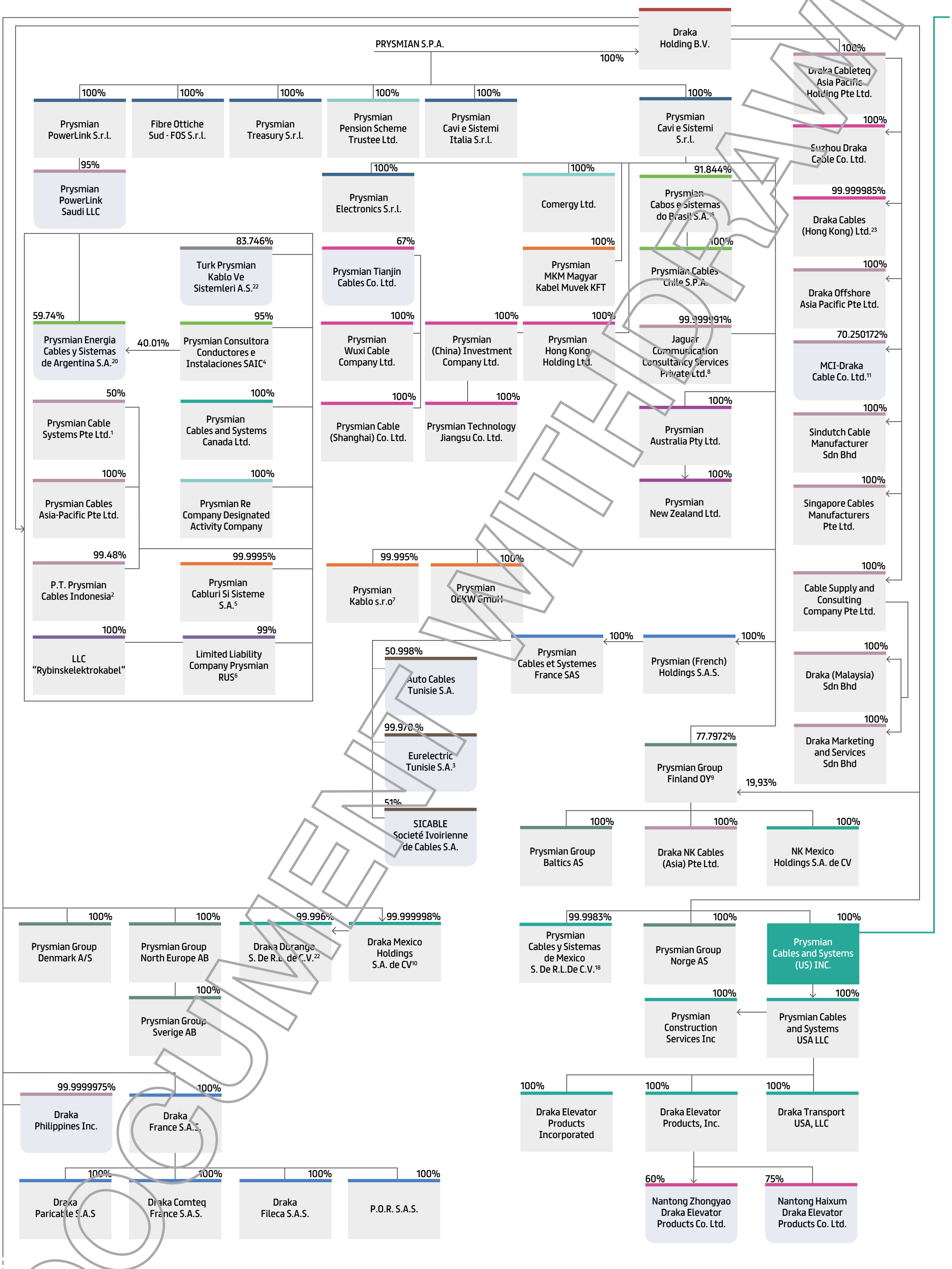
Management of the business is the responsibility of the Directors, who take the actions necessary to implement the corporate purpose. The Board of Directors is also responsible for the Group's internal control and risk management system, requiring it to verify the system's adequacy and adopt specific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

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

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

CORPORATE STRUCTURE

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



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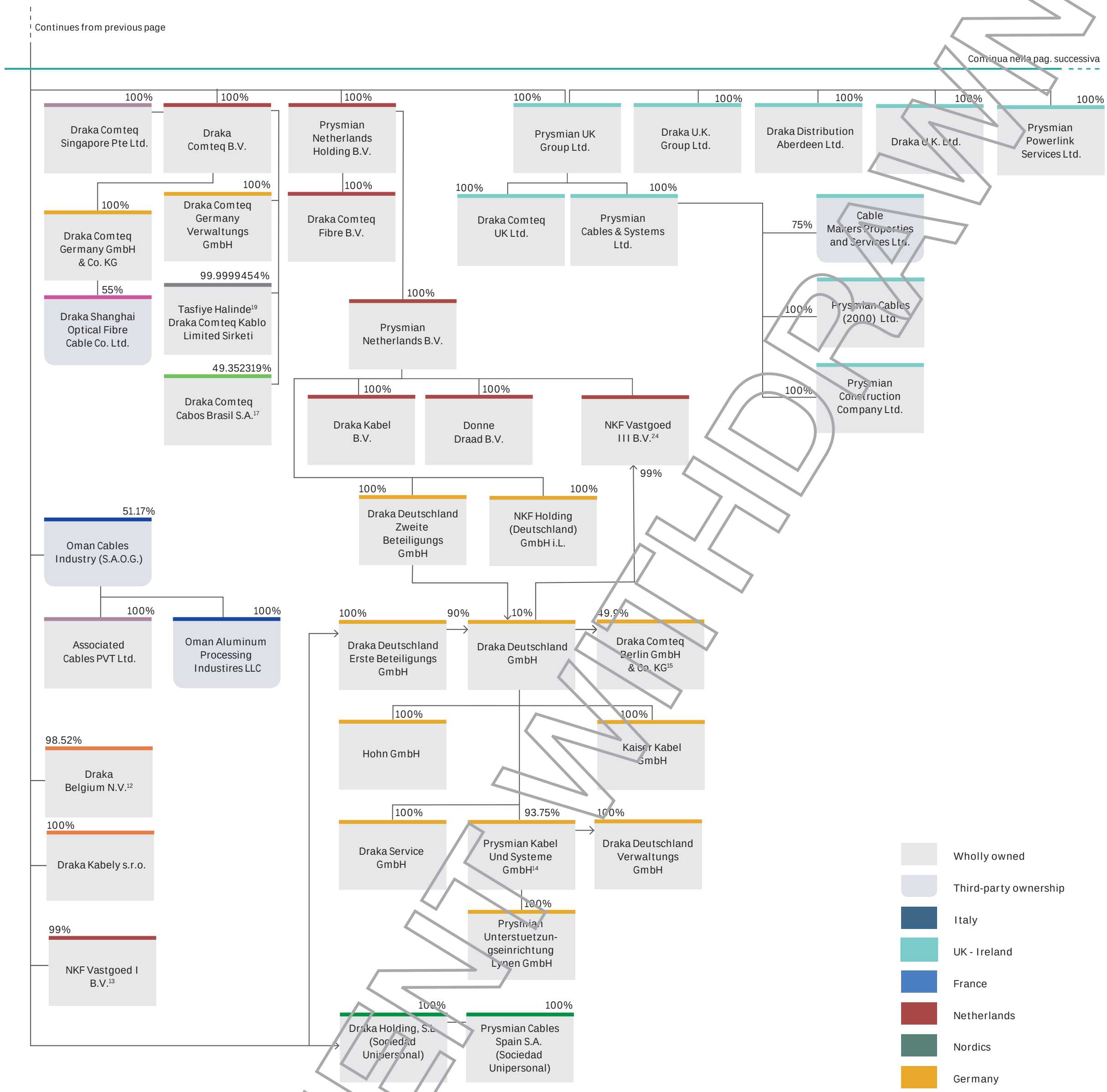
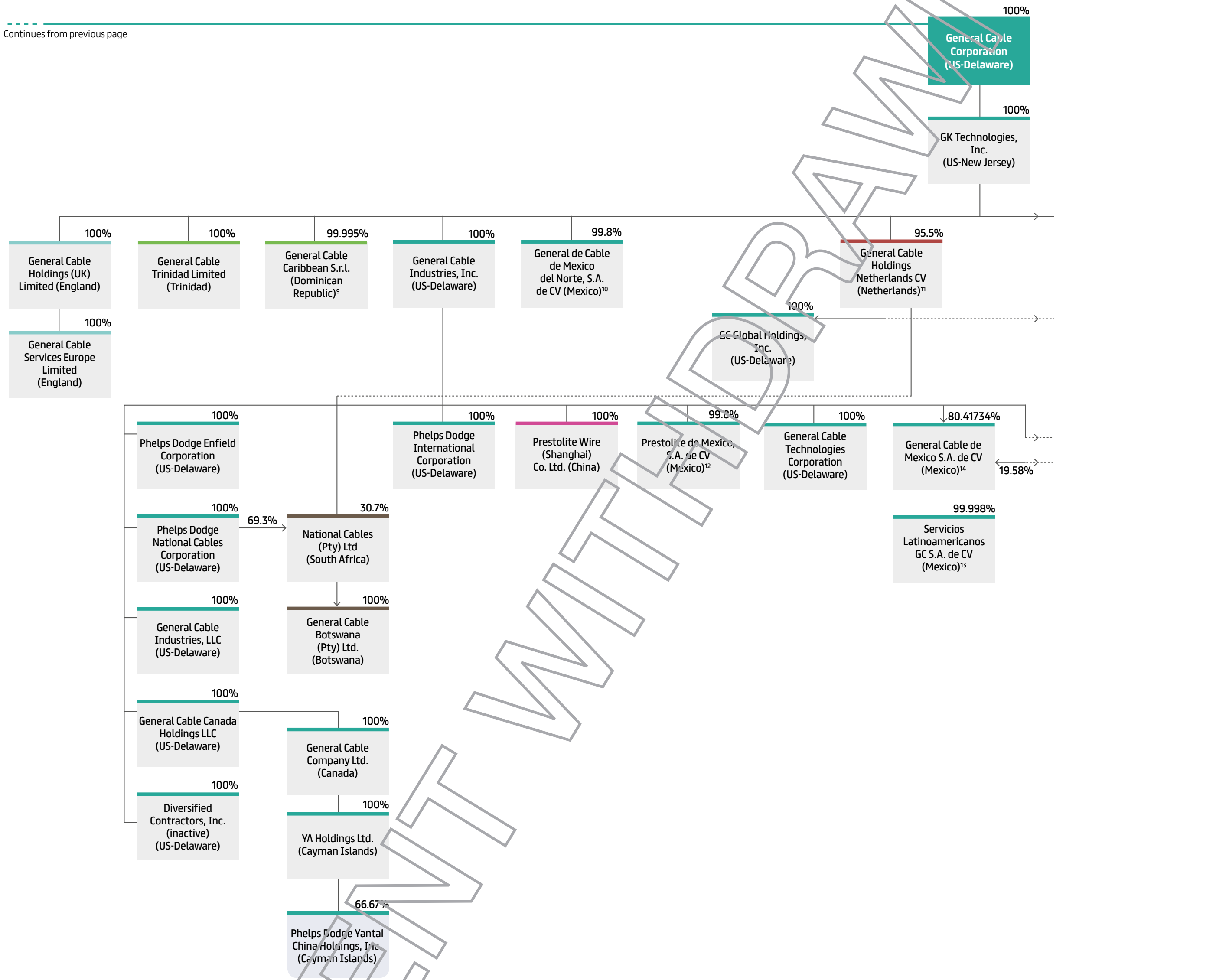


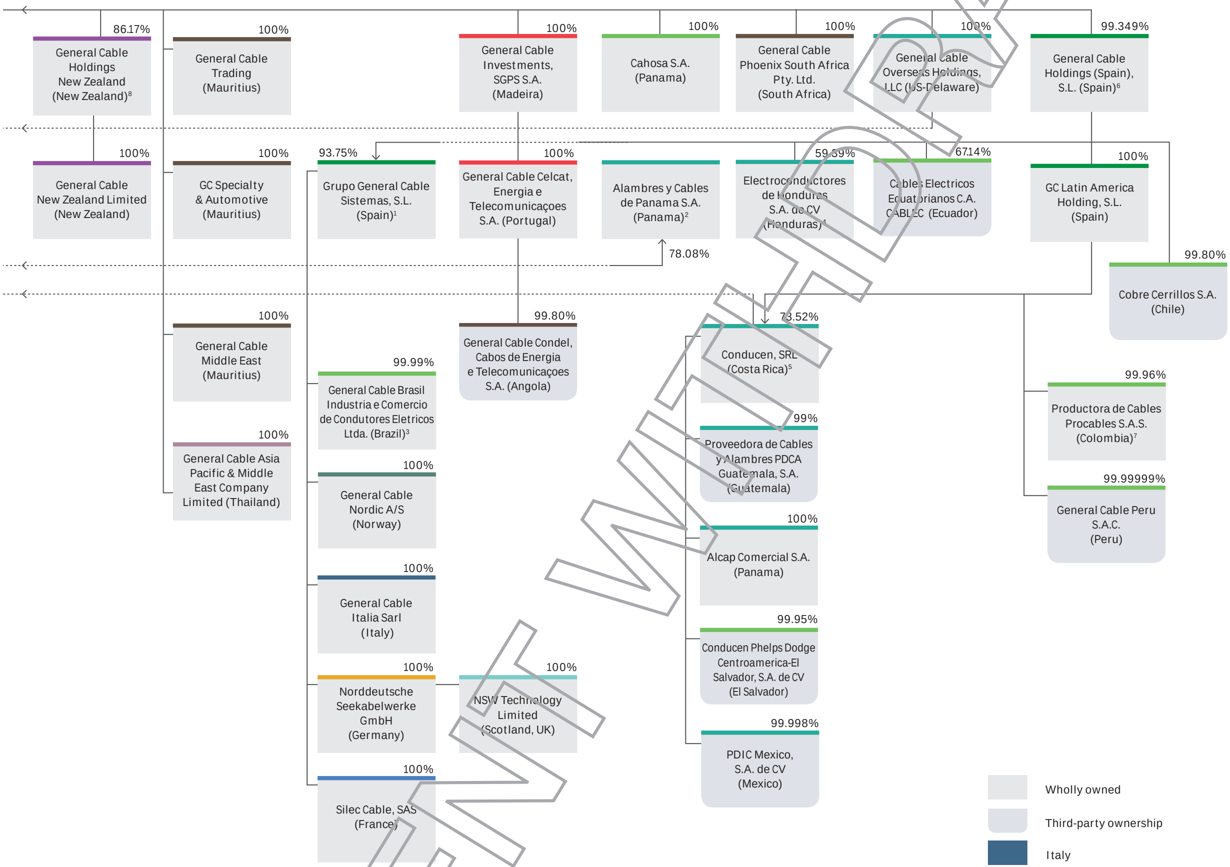
- Wholly owned
- Third-party ownership
- Italy
- UK - Ireland
- France
- Netherlands
- Nordics
- Germany
- Spain
- Danubian Area
- Switzerland
- Oceania
- ASEAN
- China
- Russia
- South America
- North America
- Turkey
- Africa
- Luxembourg
- Oman

1. Prysmian Cables & Systems Ltd. 50%
2. Prysmian Cavi e Sistemi S.r.l. 0.52%
3. Prysmian (French) Holdings S.A.S. 0.005%, Prysmian Cavi and Sistemi S.r.l. 0.005%
4. Prysmian Cavi and Sistemi S.r.l. 5%
5. Prysmian Cavi and Sistemi S.r.l. 0.0005%
6. Prysmian Cavi and Sistemi S.r.l. 1%
7. Prysmian S.p.A. 0.005%
8. Prysmian S.p.A. 0,000009%
9. Draka Comteq B.V. 2.27%
10. Draka Comteq B.V. 0.000002%
11. Draka (Malaysia) Sdn Bhd 0.000023%, Sindutch Cable Manufacturer Sdn Bhd 0.000023%, Singapore Cables Manufacturers Pte Ltd 0.000023%
12. Draka Kabel B.V. 1.48%
13. Prysmian Netherlands B.V. 1%
14. Prysmian S.p.A. 6.25%
15. Prysmian Netherlands B.V. 50.10%
16. Prysmian S.p.A. 0.0401% Draka Holding B.V. 1.6874% Draka Comteq B.V. 6.42828%
17. Prysmian Cabos and Sistemas do Brasil S.A. 50.647681%
18. Draka Mexico Holdings S.A. de CV 0.0017%
19. Prysmian Netherlands B.V. 0.0000546%
20. Prysmian Cabos and Sistemas do Brasil S.A. 0,11%
21. Turk Prysmian Kablo Ve Sistemleri A.S. 0.705%
22. Draka Holding B.V. 0.004%
23. Cable Supply and Consulting Co. Pte Ltd. 0.0000015%
24. Prysmian Netherlands B.V. 1.00%

GENERAL CABLE

Structure chart as of 31 December 2018

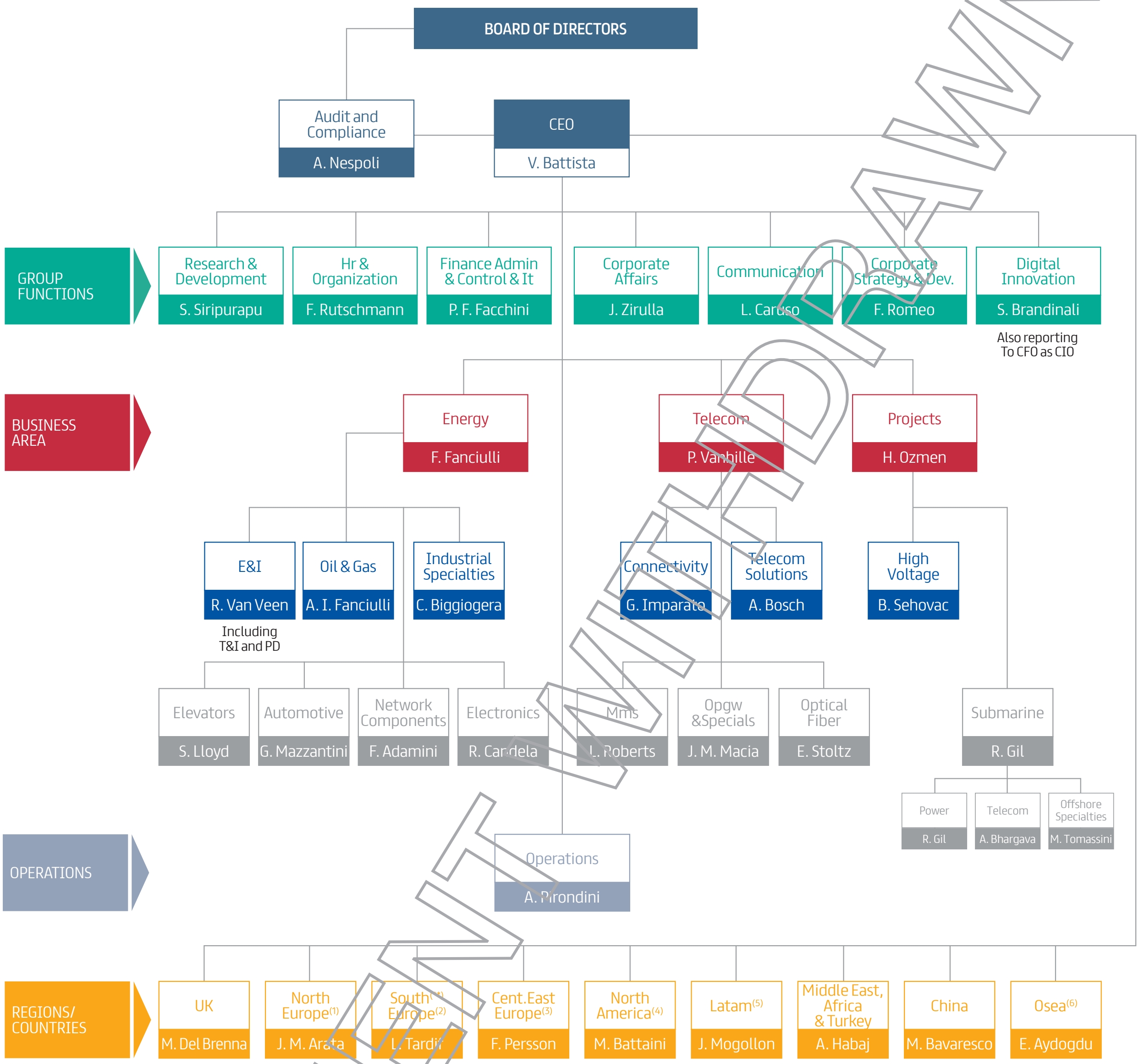




Wholly owned
Third-party ownership
Italy
UK - Ireland
France
Netherlands
Nordics
Germany
Spain
Portugal
Oceania
ASEAN
China
South America
North America
Africa

1. GC Latin America Holdings, S.L. 6.25%
2. Cahosa S.A. 21.92%
3. General Cable Holdings (Spain) S.L. 0.01%
4. Cahosa S.A. 40.61%
5. Cahosa S.A. 26.48%
6. General Cable Overseas Holdings, LLC 0.6510%
7. GK Technologies, Incorporated 0.04%
8. General Cable Industries, Inc. (US-Delaware) 12.96%
   GC Global Holdings, Inc. (US-Delaware) 0.87%
9. Diversified Contractors, Inc. 0.005%
10. General Cable Industries, Inc. (US-Delaware) 0.2%
11. GC Global Holdings, Inc. (US-Delaware) 1%
    Phelps Dodge National Cables Corporation (US-Delaware) 3.5%
12. GK Technologies, Incorporated 0.20%
13. General Cable Technologies Corporation (US-Delaware) 0.002%
14. General Cable Technologies Corporation 0.00000015%
    GK Technologies, Incorporated 0.00000015%

ORGANISATIONAL STRUCTURE(*)



Intermediate BU Integrated BU

(*) The organisation chart reflects the organisational structure as from February 2020.
(**) France delegated for Aerospace.
(1) NORTH EUROPE: Denmark, Estonia, Finland, Norway, Russia, Sweden, The Netherlands.
(2) SOUTH EUROPE: Belgium, France, Italy, Spain, Portugal, Tunisia, Ivory Coast and Angola.
(3) CENT-EAST EUROPE: Austria, Czech Republic, Germany, Hungary, Poland, Romania, Slovakia.
(4) NORTH AMERICA: Canada, USA.
(5) LATAM: Argentina, Brazil, Chile, Mexico, Peru, Central America, Columbia, Ecuador.
(6) OSEA: Australia & New Zeland, Indonesia, Malaysia, Philippines, Singapore, Thailand, India.

TOP MANAGERS

Directors

VALERIO BATTISTA

Chief Executive Officer & General Manager.
Chief Executive Officer Prysmian Group.

Born in Arezzo on 8 January 1957, Valerio Battista holds a degree in Mechanical Engineering from Florence University.

With more than 30 years of experience, he has extensive knowledge and a deep understanding of the industrial sector, gained first with Pirelli Group and then with Prysmian Group, which he has led since 2005.

He held positions of increasing responsibility within Pirelli Group, including for the restructuring and reorganisation of Pirelli Cavi, transformed between 2002 and 2004 into one of the most profitable and competitive organisations in its industry. In 2005, he played a key role in the creation of Prysmian Group, leading to its listing on the Stock Exchange in 2007.

The Group of which he is currently CEO is world leader in the energy and telecom cables industry, with approximately 29,000 employees and 106 plants worldwide. He has been President of Europacable since June 2014 and a member of the Board of Directors of Brembo S.p.A. since April 2017 serving as Lead Independent Director. He has sat on the Prysmian Board of Directors since December 2005.

He was elected for the current term of office by the Shareholders' Meeting on 12 April 2018 from the slate submitted by the Board of Directors, which obtained the majority of votes

MASSIMO BATTAINI

North America Chief Executive Officer.
Executive Director Prysmian Group.

Massimo Battaini is Chairman and CEO of Prysmian Group North America (Canada and United States), in charge of overseeing the entire North American business and the recent acquisition of General Cable. As part of this role, he focuses on customer relationships, sustainability and promotion of innovation to create new solutions for communities throughout the region and around the world. He has sat on the Prysmian Group Board of Directors since 2014. Before becoming North America CEO in June 2018, he was Senior Vice President and Executive Director of Prysmian Group's Energy Projects business.

Starting his career in Pirelli Group in 1987, he held various positions in R&D and Operations over an 18-year period. In charge of Business Development for the Tyres, Energy Cables and Telecom Cables businesses from 2000 to 2002, he was subsequently appointed Operations Director of Pirelli Group's Energy Cables and Telecom Cables divisions.

Following the creation of Prysmian Group in 2005 with the acquisition of Pirelli's energy and telecom cables divisions, he was appointed CEO of Prysmian UK. From 2011 to 2014 he served as Prysmian Group's Chief Operating Officer and later as Senior Vice President Energy Projects and Chairman and CEO of Prysmian PowerLink S.r.l. He became CEO of Prysmian Group North America in June 2018.

Battaini holds a degree in Mechanical Engineering from the Polytechnic University of Milan and an MBA from SDA Bocconi.

PIER FRANCESCO FACCHINI

Chief Financial Officer.
Executive Director.

Born in Lugo (Ravenna) on 4 August 1967, he obtained a degree in Business Economics from the "Luigi Bocconi" University in Milan in 1991 and then joined Nestlè Italia, where he held different posts in the Accounting and Finance department between 1991 and 1995. From 1995 to 2001, he worked for the Panalpina Group where he held the position of Regional Financial Controller for the Asia-Pacific region and CFO of Panalpina Korea (Seoul) and Panalpina Italia Trasporti Internazionali S.p.A.. In April 2001 he was appointed Finance Director of Fiat Auto's Consumer Services business unit, leaving in 2003 to become CFO of the Benetton Group, a post he held until November 2006. He has sat on the Prysmian Board of Directors since February 2007. He was elected for the current term of office by the Shareholders' Meeting on 12 April 2018 from the slate submitted by the Board of Directors, which obtained the majority of votes.

FABIO IGNAZIO ROMEO

Chief Strategy and Development Officer.
Executive Director.

Born in Rho (Milan) on 25 August 1955, he earned a degree in Electronic Engineering from the Polytechnic University of Milan in 1979, later followed by a Master›s degree and a Ph.D. in Electronic Engineering and Computer Sciences from the University of California, Berkeley, awarded in 1986 and 1989 respectively. Mr. Romeo began his career in 1981 at Tema (part of the ENI Group) as a designer of control systems for chemical plants. He moved to Honeywell in 1982 as a member of Technical Staff, later becoming Technical Advisor to the CEO. He joined Magneti Marelli›s Electronics Division in 1989 as Innovation Manager. In 1995, he was appointed Managing Director of the Rearview Mirrors Division, and in 1998 Managing Director of Magneti Marelli›s Electronic Systems Division. In 2001, he moved to Pirelli & C. S.p.A. Group as Director of the Truck Division within the Pirelli Tyre business unit. A year later, he took up the post of Utilities Director at the Pirelli Cables Division. In December 2004, he became Head of Prysmian Group›s Energy Cables and Systems Business Unit, holding this position until December 2013, when he was named Chief Strategy and Development Officer.

He has sat on the Prysmian Board of Directors since February 2007. He was elected for the current term of office by the Shareholders› Meeting on 12 April 2018 from the slate submitted by the Board of Directors, which obtained the majority of votes.

Senior Managers

ANDREA PIRONDINI

Chief Operating Officer.

Andrea Pirondini has been Chief Operating Officer of Prysmian Group since January 2014.

He holds 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 25-year period, both in the Tyres and Cables & Systems businesses, where he was involved in restructuring the manufacturing footprint of energy cables.

In 2012 he was appointed Chief Commercial Officer of Pirelli Tyre S.p.A, a position he held until December 2013.

FRANCESCO FANCIULLI

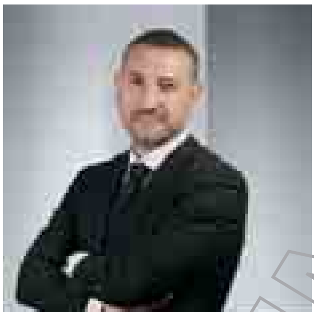
Senior Vice President Energy.

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

PHILIPPE VANHILLE

Senior Vice President Telecom.

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



HAKAN OZMEN

Senior Vice President Projects.

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

Prysmian and the financial markets

OWNERSHIP STRUCTURE

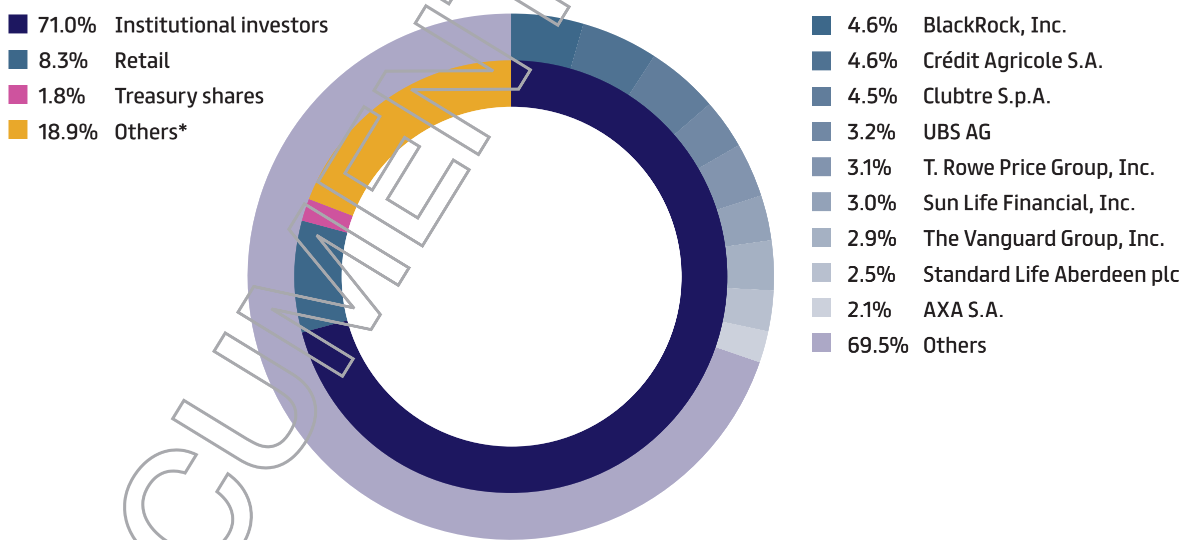
Prysmian Group has been a Public Company to all intents and purposes for many years with a free float of 100% of capital, of which around 70% held by institutional investors.

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

At 31 December 2019, the Company's free float was equal to 100% of the outstanding shares and significant shareholdings (in excess of 3%) accounted for approximately 23% of total share capital, meaning there were no majority or controlling interests. Prysmian is now one of Italy's few globally present industrial concerns to have achieved true Public Company status in recent years.

At 31 December 2019, the share capital of Prysmian S.p.A. amounted to Euro 26,814,424.60, comprising 268,144,246 ordinary shares with a nominal value of Euro 0.1 each. The ownership structure at this date is shown below.

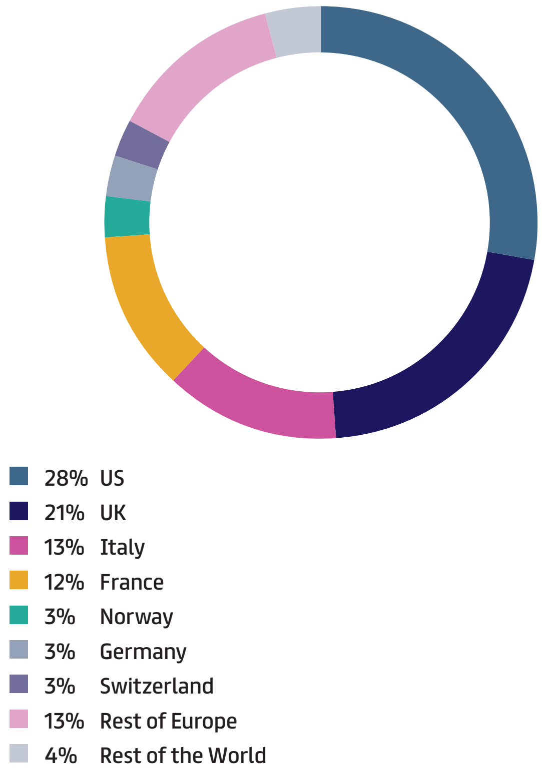
SHARE OWNERSHIP BY TYPE AND MAJOR SHAREHOLDERS



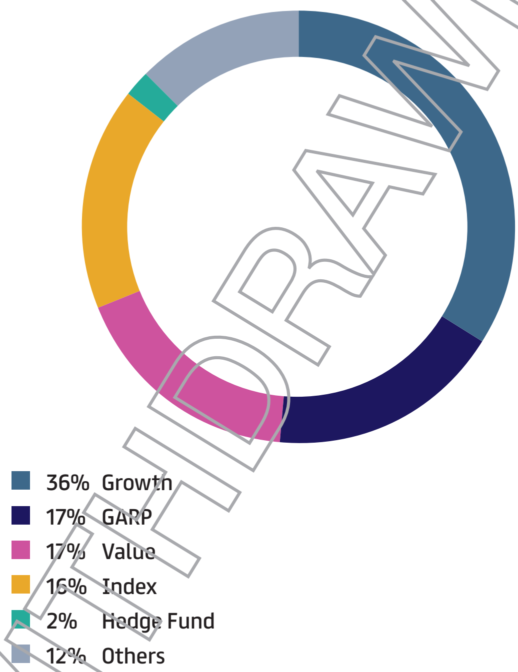
**Mainly comprises shares held by non-institutional investors and by third-party holders of shares for trading purposes.*

Source: Nasdaq, December 2019.

INSTITUTIONAL INVESTORS BY GEOGRAPHICAL AREA



INSTITUTIONAL INVESTORS BY INVESTMENT STYLE



Source: Nasdaq, December 2019.

The geographical ownership structure shows a predominant presence of the United States, which represents 28% of the institutional investor total, followed by the United Kingdom, which accounted for 21%, both basically the same as the previous year. Italy accounted for around 13% of the capital held by institutional investors, down from 2018, while France's share was slightly higher than the year before at about 12%. The proportion of Asian investors (primarily from Japan and Hong Kong) was basically stable.

Approximately 70% of the share capital held by institutional investors is represented by investment funds with Value, Growth or GARP strategies, therefore focused on a medium to long-term investment horizon. The proportion of investors adopting an Index investment strategy, based on the principal stock indexes, was stable compared with 2018, while the Hedge Fund component, focused on a shorter time horizon, decreased in weight to 2% of the total.

ANNUAL GENERAL MEETING

The Annual General Meeting saw participation by over 61% of share capital, with more than 1,530 shareholders present, in person or by proxy.

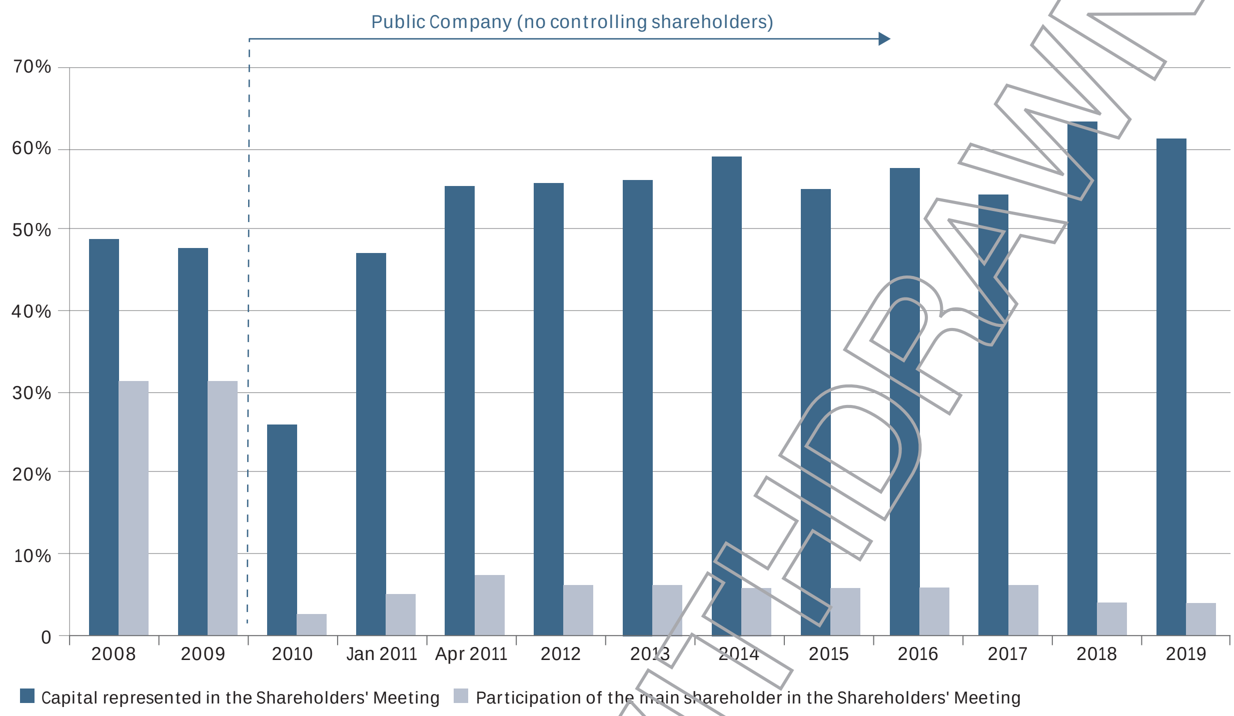
The Annual General Meeting of the shareholders of Prysmian S.p.A. was held, in single call, on 5 June 2019 to adopt resolutions on a number of items, including approval of the 2018 financial statements, allocation of profit for the year and declaration of a dividend, appointment of one Director, appointment of the Board of Statutory Auditors and its Chairman for the period 2019-2021, determination of the fees due to members of the Board of Statutory Auditors, authorisation of a share buyback programme, and consultation on remuneration policies. The meeting, attended in person or by proxy by over 1,530 shareholders, representing more than 61% of share capital, approved every item on the agenda by a wide majority.

The Annual General Meeting also approved the declaration of a dividend of Euro 0.43 per share, in line with the amount distributed the previous year. The dividend was paid on 26 June 2019, involving a total pay-out of approximately Euro 113 million.

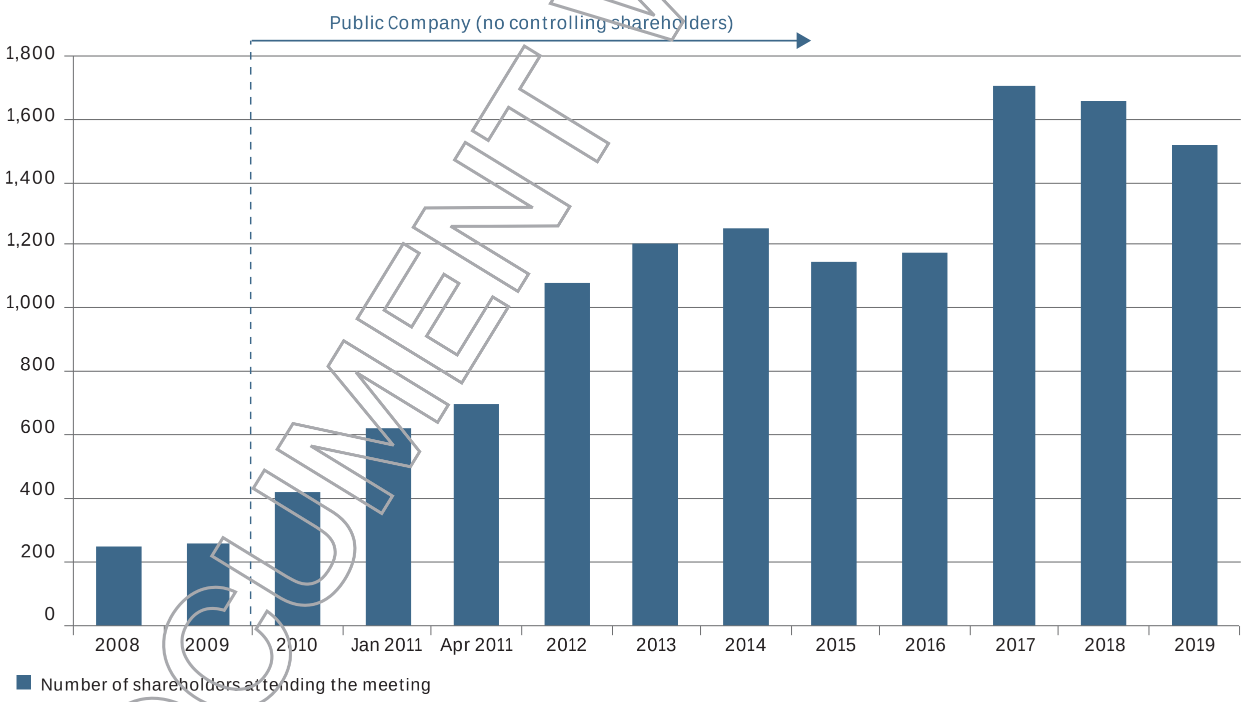
FINANCIAL CALENDAR

5 March 2020	Approval of the draft financial statements and consolidated financial statements as of 31 December 2019
28 April 2020	Shareholders' Meeting to approve the Annual Report as of 31 December 2019
12 May 2020	Approval of the quarterly financial report as of 31 March 2020
30 July 2020	Approval of the half-year financial report as of 30 June 2020
29 October 2020	Approval of the quarterly financial report as of 30 September 2020

SHAREHOLDERS' MEETING: REPRESENTED CAPITAL



ASSEMBLEA AZIONISTI: SHAREHOLDERS' MEETING: NUMBER OF PARTICIPANTS PRESENT OR REPRESENTED



FINANCIAL MARKET PERFORMANCE

Financial markets had a very positive year in 2019, with the main indexes sharply up, despite the accompanying uncertainties, including Brexit and the US-China trade negotiations.

Prysmian S.p.A. was floated on the Italian Stock Exchange on 3 May 2007 and since September 2007 has been included in the FTSE MIB index, comprising the top 40 Italian companies by capitalisation and stock liquidity. The Prysmian stock has since entered the principal world and sector indexes, including the Morgan Stanley Capital International index and the Stoxx Europe 600, made up of the largest companies by capitalisation, and the FTSE4Good, composed of a select basket of listed companies that demonstrate excellent Environmental, Social and Governance (ESG) practice. In 2019, Prysmian Group was also included for the first time in the Dow Jones Sustainability World, one of the most important international sustainability indexes for tracking the ESG performance of some 2,700 companies.

The main Eurozone stock indexes enjoyed a positive performance in 2019, primarily driven by those in Italy (FTSE MIB +28.3%), followed by France (CAC40 +26.4%) and Germany (DAX30 +25.5%). The indexes in Spain and the UK grew by a more sedate but positive +11.8% (IBEX 35) and +12.1% (FTSE 100) respectively. The US stock market also had a very strong 2019, with all three main indexes sharply up: S&P 500 +28.9%; Nasdaq Composite +35.2% and Dow Jones Industrial +22.3%. Among the major emerging country indexes, the Brazilian market index (Bovespa) recorded a 31.6% increase, supported by encouraging signs of economic rebound and newfound political stability. In China, the Shanghai Composite index climbed by 22.3%, while the Hang Seng index in Hong Kong managed a more subdued +9.1%, reflecting the uncertainty created by the protests affecting the country during the year.

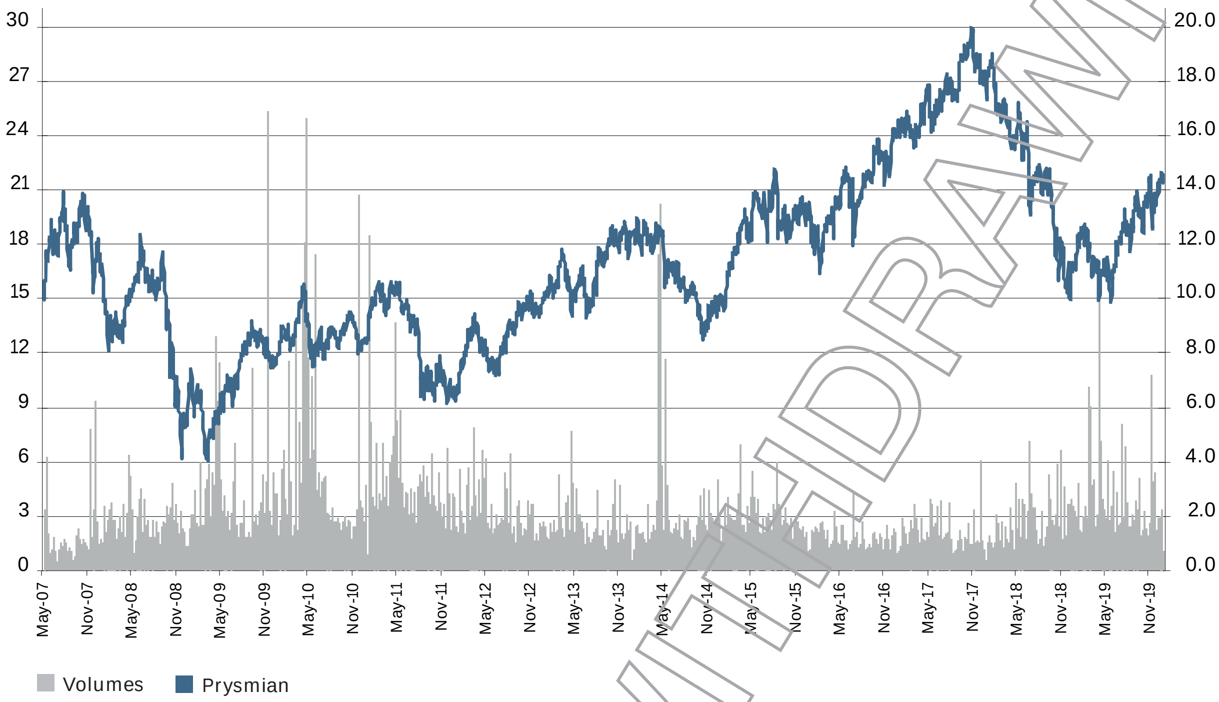
The Prysmian stock gained 27.4% in 2019, closing the year at Euro 21.49 per share compared with Euro 16.87 at the end of 2018. Its performance tracked that of the Italian market and was slightly below that of its sector of reference (Capital Goods Industrial Services), whose STOXX Europe 600/Ind Goods & Svcs index closed 2019 up 32.1%.

The average share price was Euro 18.55 in 2019, down from Euro 22.17 in 2018. Including dividend pay-outs, the Total Shareholder Return (TSR) offered by the Prysmian stock was +30.5% in 2019 and +97.4% since its date of listing. Excluding the contribution of dividends and so just considering the change in price, the performance was +27.4% in 2019 and +48.2% since listing.

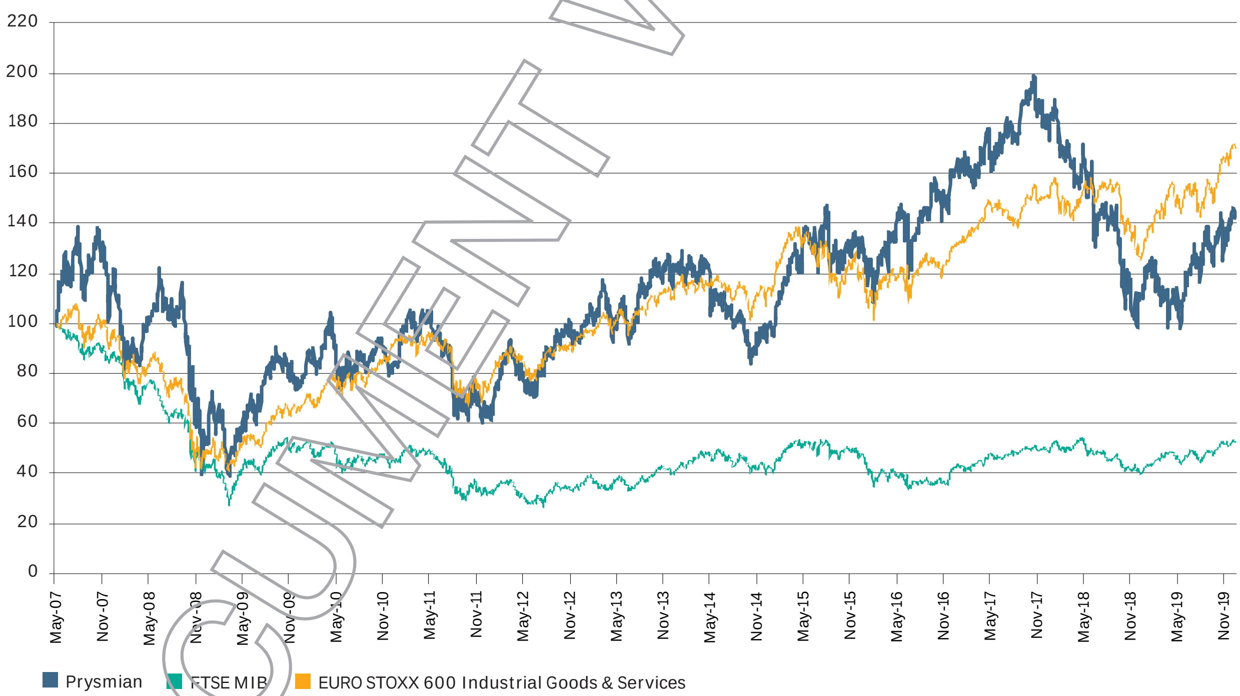
Looking at the stock's performance over the four quarters of 2019, the last three quarters saw a steadily rising trend, in contrast with a flat first-quarter (0.0%), partly in response to the technical faults detected in the Western Link in February 2019. More details about the Western Link can be found in "Significant Events during the Year" in the next section of this report.

The Group's solidity, the gradual recognition of the high potential of the General Cable acquisition to create shareholder value, thanks to the synergies achieved and expected, the high geographical complementarity achieved by combining the two companies, and the expectations for growth, have allowed the Prysmian stock to retain its strong market appeal, confirmed by financial analyst recommendations at year end, of which 75% were "Buy" and 19% "Hold".

PERFORMANCE OF PRYSMIAN STOCK SINCE IPO



PERFORMANCE OF PRYSMIAN STOCK



During 2019, the stock's liquidity saw average daily trading volumes of approximately 1.7 million shares, with an average daily turnover of Euro 31 million.

PRYSMIAN STOCK: PRINCIPAL DATA

(€)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007*
Price at 31 December	21.49	16.87	27.19	24.40	20.26	15.15	18.71	15.01	9.60	12.75	12.19	11.10	16.89
Change over period	27.4%	-38.0%	11.4%	20.4%	33.7%	-19.0%	24.7%	56.4%	-24.7%	4.6%	9.8%	-34.3%	12.6%
Average price	18.55	22.17	26.31	20.93	19.10	16.38	16.68	13.00	12.90	13.13	10.60	13.76	18.36
Maximum price	22.06	28.54	30.00	24.42	22.23	19.54	19.30	15.43	15.95	15.81	13.84	18.54	21.00
Minimum price	14.93	14.97	23.34	16.45	14.43	12.78	14.03	9.77	9.25	11.27	6.10	6.21	15.34
Market capitalization at period end	5.762 Mil	4.523 Mil	5.913 Mil	5.288 Mil	4.319 Mil	3.283 Mil	4.015 Mil	3.220 Mil	2.057 Mil	2.321 Mil	2.209 Mil	2.004 Mil	3.040 Mil
Average capitalization	4.975 Mil	5.361 Mil	5.701 Mil	4.536 Mil	4.140 Mil	3.521 Mil	3.578 Mil	2.787 Mil	2.701 Mil	2.388 Mil	1.918 Mil	2.482 Mil	3.305 Mil
Average daily trading volume	1.7 Mil	1.3 Mil	1.0 Mil	1.0 Mil	1.4 Mil	1.4 Mil	1.2 Mil	1.5 Mil	2.2 Mil	2.3 Mil	1.9 Mil	1.3 Mil	1.0 Mil
Average daily turnover	31 Mil	28 Mil	26 Mil	20 Mil	27 Mil	23 Mil	20 Mil	20 Mil	28 Mil	30 Mil	19 Mil	18 Mil	17 Mil
Number of shares at 31 December	268,144,246	268,144,246	217,482,754	216,720,922	216,720,922	216,712,397	214,591,710	214,508,781	214,393,481	182,029,302	181,235,039	180,546,227	180,000,000

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

Source: data derived from Nasdaq Inc.

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 based on the highest standards of accuracy, clarity and transparency. Its conduct and procedures are designed to provide the market with credible information, with the goal of boosting market confidence in the group by seeking to encourage a long-term investment approach, avoiding unequal access to information and ensuring effective compliance with the principle that all existing and potential investors have the right to receive the same information so as to make informed investment decisions.

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

Intense contact with the financial market during 2019 on more than 500 occasions involved 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, North America and Asia, and took part in conferences organised by leading international brokers. In addition, the increasing attention paid to the Group's activities by socially responsible investors (SRI) was confirmed by the growing numbers at dedicated SRI meetings and road shows. Lastly, the Group organised several visits during the year for institutional investors and financial analysts to tour its factories and R&D centres, in order to give them a deeper understanding of its products and production processes.

Coverage of the Prysmian stock remained very high and geographically diversified. There are 19 independent analysts who regularly cover the Prysmian stock: Banca Akros, Banca Profilo, Banca IMI, Barclays Capital, BofA Merrill Lynch, Citi, Credit Suisse, Equita, Exane BNP Paribas, Fidentiis, Goldman Sachs, Hammer Partners, HSBC, Intermonte, JP Morgan, Kepler Cheuvreux, Mediobanca, Morgan Stanley and Société Générale.

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	**Maria Cristina Bifulco - IR Director**
+39 02 6449 1	+39 02 6449 51400
investor.relations@prysmiangroup.com	mariacristina.bifulco@prysmiangroup.com

Significant events during the year

MERGERS & ACQUISITIONS

Binding offer from Carlisle Companies Incorporated to acquire the business of Draka Fileca SAS

On 22 October 2019, the Group announced it had received a binding offer of Euro 73 million from Carlisle Companies Incorporated to acquire the business of Draka Fileca SAS (directly or through one of the Carlisle subsidiaries).

The transaction is subject to consultation with Fileca's employee representative bodies in France and to regulatory clearance.

Fileca was acquired by Prysmian in 2011 as part of the Draka acquisition and is a global supplier of cable solutions for the space and aerospace industries. The company, based in Sainte-Genevieve, France, generated revenues of Euro 44 million and Adjusted EBITDA of around Euro 5 million in 2018.

The transaction is expected to complete by the end of the H1 2020.

FINANCE ACTIVITIES

Mediobanca loan and partial repayment of the Bridge Loan

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

New revolving credit facility agreement

On 3 April 2019, the Group renewed its Euro 1,000 million long-term revolving credit facility with a syndicate of leading Italian and international banks. The five-year credit facility replaces the Syndicated Revolving Credit Facility 2014, which was extinguished at the same time. The funds are available for business and working capital needs, including the refinancing of existing facilities.

Intesa Sanpaolo loan and partial repayment of the Bridge Loan

On 11 October 2019, the Group entered into an agreement with Intesa Sanpaolo for a Euro 150 million long-term loan for 5 years from the date of signing, with a bullet repayment at maturity. A partial repayment of Euro 150 million against the Bridge Loan was made on 18 October 2019. On the same date, the value of interest rate swaps arranged against the Bridge Loan was reduced by Euro 50 million to bring notional value into line with the underlying hedged amount.

CDP Loan

On 28 October 2019, the Group entered into an agreement with Cassa Depositi e Prestiti Spa (CDP) for a Euro 100 million long-term loan for four and a half years from the date of signing, with a bullet repayment at maturity. The purpose of this loan is to finance part of the Group's capital expenditure and expenditure on research, development and innovation in Italy and Europe.

Long-term incentive plan 2018-2020

In light of the effects of the Western Link project on the Group's results, the Board of Directors has decided, as recommended by the Compensation, Nominations and Sustainability Committee, to revoke the long-term incentive plan 2018-2020 approved by the Shareholders' Meeting on 12 April 2018. At the Committee's recommendation, the Board will present the forthcoming Shareholders' Meeting with a proposal to adopt a long-term incentive plan structured in accordance with best market practices. As a result of this decision, the 2019 MBO has been recognised in profit or loss for the year since it will no longer be co-invested following the long-term incentive plan's revocation. This has had the result of raising personnel costs by Euro 12 million, reflecting the combined effect of recognising the 2019 MBO of Euro 15 million and reversing the fair value of stock options for Euro 3 million.

NEW INDUSTRIAL PROJECTS AND INITIATIVES

Development of power transmission grid in Washington D.C.

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

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

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

Contract to develop cable system for the first "floating" offshore wind farm in France

On 19 March 2019, the Group signed a letter of award with PGL (Provence Grand Large), part of EDF Renewables. The project, worth approximately Euro 30 million for the construction of an end-to-end submarine cable solution, is expected to be commissioned in 2021.

Contract to develop cable system for a "floating" offshore wind farm in the United States

On 16 May 2019, the Group was awarded a contract worth approximately Euro 200 million by Vineyard Wind LLC to develop a submarine power cable system which will deliver renewable energy to the mainland power grid.

The Group will be responsible for the engineering, manufacture, installation and commissioning of an HVAC (High Voltage Alternating Current) cable system composed of two 220 kV three-core cables with extruded XLPE insulation, requiring a total of 134 km in submarine cables which will be manufactured at the Group's centres of excellence in Pikkala (Finland) and Arco Felice (Italy).

Dolwin5 project to connect new wind farms to mainland German grid

On 18 June 2019, the Group was awarded a major contract worth approximately Euro 140 million by the Dutch-German grid operator TenneT for the connection of new offshore wind farms to the mainland German grid.

The end-to-end solution will link the DolWin epsilon offshore converter platform, located approximately 100 km offshore in the German North Sea, to the mainland Emden/Ost converter station, with the purpose of transmitting the renewable energy generated to the German grid.

The Group's centres of excellence in Pikkala (Finland) and Gron (France) will manufacture the submarine and land cables required for this project, which is scheduled for completion by mid-2024.

Successful completion of qualification testing of P-Laser and XLPE HVDC 525 kV cable systems

On 1 July 2019, the Group announced it had successfully completed stringent qualification testing in accordance with international standards, meaning it is now ready to launch two new 525 kV extruded land cable systems, one qualified with P-Laser and the other with XLPE insulation. These cable systems are designed for extra high voltages and have large conductor cross-sectional areas to ensure high power transmission capacity over long distances with less environmental impact on the land crossed.

P-Laser is the first 100% recyclable eco-friendly high-performance cable technology, utilising a 'zero-gas' process which reduces CO_2 emissions by up to 30%, while the XLPE qualified system uses a new insulating compound specially for HVDC applications.

Contract for Viking Link project

On 23 July 2019, the Group received a letter of award from National Grid Viking Link Limited and Energinet for the construction of Viking Link, the first submarine cable connection between the United Kingdom and Denmark. Worth close to Euro 700 million, the end-to-end contract involves the engineering, manufacture and installation of the world's longest interconnector, with 1,250 km of cable for the submarine route and approximately 135 km of land cables on the UK side, corresponding to 4 out of the 5 lots awarded. The project is due to be completed by the end of 2023.

Contract for inter-array cables for offshore wind farms in the Netherlands

On 29 July 2019, the Group was awarded a project worth around Euro 30 million by Vattenfall, a leading European energy company, to supply submarine inter-array cable systems for the Hollandse Kust Zuid III and IV offshore wind farms in the Netherlands.

The cables, which will be manufactured at the Prysmian centre of excellence in Nordenham (Germany), are due to be delivered in 2022.

Contract to supply wind turbine cable solutions in 2020

On 21 October 2019, the Group was awarded a global contract by Siemens Gamesa Renewable Energy, world leader in the wind power industry, to supply it with wind turbine tower and nacelle cable solutions. The contract includes products and services from Prysmian Group's wind portfolio of low voltage cable solutions for nacelle platforms, low voltage tower cables and medium voltage tower solutions, specifically designed and optimised to operate under high torsion, mechanical and chemical stress as well as wide temperature swings.

Successful completion of HDVC testing of the submarine COBRAcable linking the Netherlands and Denmark

On 4 November 2019, the Group announced it had successfully completed the HVDC test on the COBRAcable submarine interconnector linking the Netherlands and Denmark.

The announcement was made during COBRAcable's official inauguration, held simultaneously in Eemshaven (Netherlands) and Endrup (Denmark), in the presence of Dutch and Danish officials, confirming successful completion of trial operations by the contractors.

Prysmian had been awarded this project in February 2016 by TenneT TSO B.V. and Energinet SOV, operators of the Dutch and Danish transmission systems respectively.

Successful completion of the DolWin3 offshore wind farm project

On 13 November 2019, the Group announced the successful commissioning of electrical connections for the DolWin3 offshore wind farm in the North Sea to the German transmission grid.

The Group had been awarded this contract in February 2013 by Alstom Grid (now GE Grid GmbH) acting on behalf of TenneT, the Dutch-German transmission system operator.

The cables were produced at Prysmian Group's centres of technological and manufacturing excellence in Arco Felice (Italy), Pikkala (Finland) and Delft (Netherlands).

Successful completion of MON.ITA interconnector

On 15 November 2019, the Group announced the inauguration of the MON.ITA interconnector, the contract for which awarded by Terna Rete Italia S.p.A. in October 2012.

Contract to connect an offshore wind farm to the UK electricity grid

On 28 November 2019, the Group announced it had been awarded a contract worth over Euro 100 million by EDF Renewables for the construction of submarine and land cable systems to connect the Neart na Gaoithe (NnG) offshore wind farm to the Scottish mainland power grid. The Group is to provide an end-to-end service comprising the engineering, supply, installation and commissioning of two high voltage three-core extruded submarine export cables connecting the offshore wind farm to Thorntonloch, in East Lothian, Scotland. The Group will also supply two 220 kV extruded land cable circuits linking the point of landfall to the Crystal Rig substation and two 400 kV extruded land cable circuits to connect the Crystal Rig substation to the Scottish Power substation. The project will involve a 38 km submarine section and a 12 km onshore section.

The submarine cables, to be manufactured at the Prysmian centre of excellence in Pikkala (Finland), will be installed in 2021, while the land cables will be produced in Gron (France) and installed in 2020 and 2021. Offshore cable installation will be carried out by one of the Group's state-of-the-art cable-laying vessels. Project completion is scheduled for 2021.

Agreement for the supply of inter-array cables for the Empire Wind project

On 5 December 2019, the Group and Equinor announced an agreement for the supply of an inter-array submarine cable system for the Empire Wind project, an 816 MW offshore wind farm due to be built in New York State. The Group will be responsible for the engineering, supply and storage of approximately 150 km of inter-array cables, which will transmit power at twice the current industry standard ensured by 33 kV systems. The cables will be manufactured at the Prysmian centres of excellence in Montereau (France) and Nordenham (Germany), with this process scheduled for completion in summer 2022 followed by installation in 2023 and 2024.

Contract with Red Eléctrica de España for a new submarine power cable

On 12 December 2019, the Group was awarded a new contract worth about Euro 27 million by Red Eléctrica de España (REE), Spain's transmission system operator, to connect two Canary Islands (Lanzarote and Fuerteventura).

The turnkey interconnector project will link Playa Blanca, on the island of Lanzarote, to La Oliva, on the island of Fuerteventura, running along a submarine route of some 14 km and an onshore one of about 2 km.

The submarine and land cables will be produced, respectively, at the Prysmian centres of technological and manufacturing excellence located in Arco Felice (Italy) and Vilanova (Spain). Installation activities will be carried out by one of the Group's state-of-the-art cable laying vessels. Project handover and commissioning are scheduled for 2021.

Agreements with Terna to develop cable systems to upgrade the power grid in preparation for the Cortina Olympics and in Southern Italy

On 19 December 2019, following a public tender, the Group signed two major new cable solution agreements with Terna, through its subsidiary Terna Rete Italia S.p.A..

The first contract, worth Euro 50 million (inclusive of safety costs), is for a 150 kV HVAC cable to link the Zuel and Somprade power stations in the province of Belluno. Installation is scheduled for completion by the end of 2020 in time for the upcoming 2021 Alpine World Ski Championships in Cortina.

The second for a 150 kV HVAC cable is a framework agreement in support of investments to improve the performance and increase the reliability of the power transmission system in Southern Italy. This agreement is worth Euro 26 million, with an option for an additional Euro 26 million.

The cables for both projects will be manufactured at the plants in Pignataro Maggiore (Italy) and Gron (France).

OTHER SIGNIFICANT EVENTS

Western Link

Some faults were detected on 19 February 2019 and 6 April 2019 in the Western Link interconnector, resulting in its temporary switch-off.

In view of these faults and based on assessments by the technical experts, the Board of Directors decided to recognise provisions of Euro 95 million in the financial statements at 31 December 2018. These provisions were against contractual penalties, costs of repair, incidental expenditure, costs of producing an extra length of cable for any future repairs and costs of other repairs that might possibly be necessary in the foreseeable future.

Work to repair the above faults was completed in June 2019.

On 23 November 2019, the Group announced that the customer (National Grid Electricity Transmission and Scottish Power Transmission) had taken over operation of the cable.

On 12 January 2020, the Group was informed that the Western HDVC Link had tripped on 10 January 2020. Repairs were successfully completed on 7 February 2020 with the link restored to normal service and once more available to the customer, with whom there is an ongoing exchange to arrive at an acceptable definition of mutual expectations.

Approval of financial statements at 31 December 2018 and dividend distribution

On 5 June 2019, the shareholders of Prysmian S.p.A. approved the financial statements for 2018 and the distribution of a gross dividend of Euro 0.43 per share, for a total of some Euro 113 million. The dividend was paid out from 26 June 2019 to shares outstanding on the record date of 25 June 2019, with the shares going ex-dividend on 24 June 2019.

Plan to close the Manlleu and Montcada i Reixac production facilities in Spain

On 2 October 2019, it was formally announced that a collective dismissal procedure for organisational and production reasons would be initiated for the entire workforce at the Manlleu and Montcada i Reixac production facilities in Catalonia, Spain.

The process of consulting the unions and negotiating the terms of plant closure commenced on 22 October 2019 with a first formal meeting with a trade union delegation of worker representatives from both sites.

On 22 November, after several meetings, the parties reached an agreement which was ratified the following day by worker assemblies at the two factories, with an overwhelming 98% level of approval.

The total number of workers involved is 487 (of whom 334 in Manlleu and 153 in Montcada i Reixac).

On the basis of the agreements reached so far, the directors have decided to recognise appropriate provisions in the financial statements.

Antitrust: European Commission ruling against Group companies (formerly part of General Cable)

In a ruling handed down on 14 November 2019, the Court of Justice of the European Union dismissed General Cable's appeal against the European Commission's Antitrust decision dated 2 April 2014, thus conclusively confirming the fine previously imposed under that same decision. As a result, the Group has gone ahead and paid a fine for Euro 2 million.

Plan to close the production facility in Neumünster (Germany)

On 29 November 2019, the German company Prysmian Kabel und Systeme GmbH announced it intended to commence a process of informing and consulting employees about a collective redundancy procedure for the entire workforce of the Neumünster plant (Germany), which would affect 14 employees.

The Neumünster facility performs harnessing activities which will be transferred to the plants in Wuppertal and Neustadt.

Industrial activities are expected to cease by the end of March 2020, resulting in the plant's closure. A social plan has been drawn up with the factory union, which offers employees the option of relocating to other German plants or a redundancy incentive for those who decide to leave the Group.

Exclusion of PIS and COFINS taxes from calculation of ICMS tax in Brazil

During the last part of the year ended 31 December 2019, final rulings were handed down on 10 tax cases that granted the Group's Brazilian companies the right to exclude the taxes PIS and COFINS for the years from 1992 to 2018 from the calculation base of ICMS (a state tax on the movement of goods, the provision of transportation services between states and municipalities and telecommunication services). The consolidated income statement at 31 December 2019 reports a positive impact of Euro 28 million on the net result for the year.

Business environment

MACROECONOMIC ENVIRONMENT

Global macroeconomic conditions softened progressively over the course of 2019. The world economy continued to grow, but by less than in 2018 due to a slowing in advanced economies, including the Eurozone, as well as emerging ones (India).

After a positive start to the year, trade tensions, especially between the US and China, gradually increased, triggering significant tariff rises between these countries and a general deterioration in global business sentiment. The macroeconomic indicators for Europe also signal a slowdown in the economic cycle. According to the latest International Monetary Fund estimates*, global growth in 2019 is expected to be +2.9%, the lowest level in 10 years. This growth rate, well below the +3.6% recorded in 2018, reflects slower growth in both developed economies (from +2.2% in 2018 to +1.7% estimated in 2019) and emerging ones (from +4.5% to +3.7%).

Many factors of uncertainty and risk have weighed on the expansion of international economic activity: trade negotiations between the US and China, growing geopolitical tensions (particularly those between the US and Iran) and the process and manner of the UK's departure from the European Union.

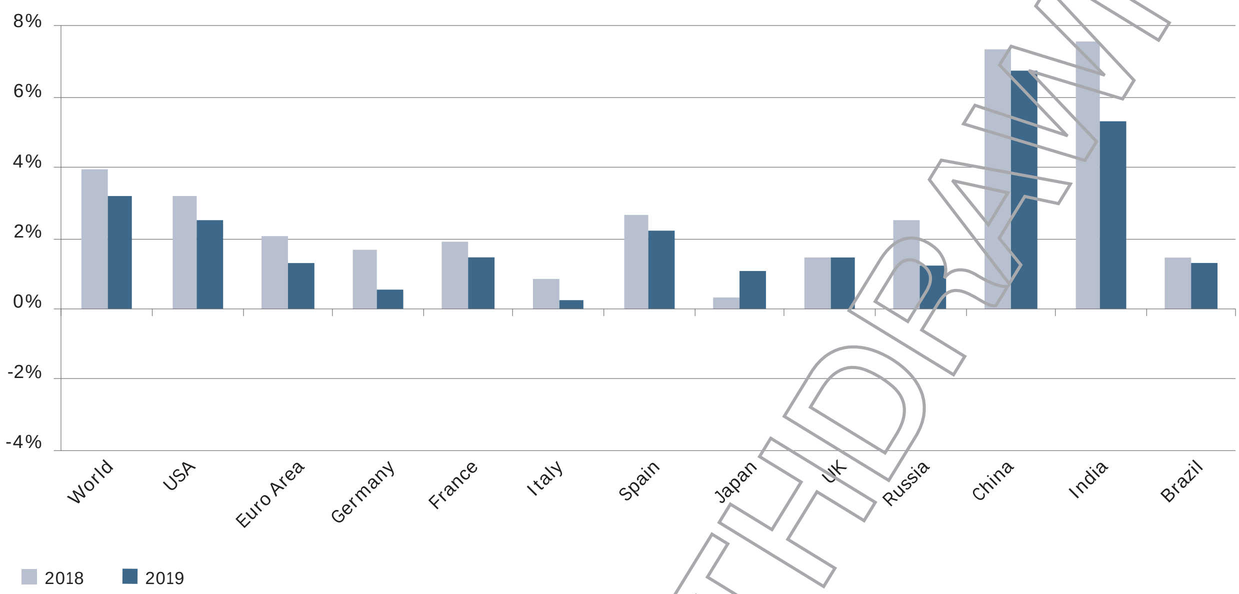
As regards the Eurozone, economic growth was weaker than in 2018, despite the European Central Bank's continued pursuit of expansionary monetary policies. In addition to trade tensions, the slowdown was also affected by specific factors, such as the high uncertainty surrounding a negative outcome to the Brexit negotiations or the turmoil in the automotive sector, causing production to falter in the main car-making nations (Germany, Italy). The Eurozone is expected to have grown by +1.2% in 2019, down from +1.9% in 2018, with GDP growth in retreat for basically all the continent's major economies: in Germany, down from +1.5% to +0.5%, Italy from +0.8% to +0.2%, France from +1.7% to +1.3% and Spain from +2.4% to +2.0%.

In the UK, growth should have stayed at +1.3%, in line with 2018 after slowing from +1.8% in 2017.

The United States is estimated to have grown by +2.3% in 2019, down from +2.9% in 2018 and partly reflecting the effects of the US Administration's expansionary fiscal policies.

China is estimated to have grown by +6.1%, down from +6.6% in the previous year. The Brazilian economy is estimated to have grown for the third year in a row (+1.2%), in the wake of the 2016 recession.

GDP GROWTH BY COUNTRY 2018-2019



(*) Source: IMF, World Economic Outlook Update – January 2020.

CABLE INDUSTRY TRENDS

2019 was a weak year for the global cables market, for both power and optical cables, mainly due to worse-than-expected demand in China and India and a significant contraction in Western Europe.

World demand for power cables was subdued in 2019, mainly because of softer-than-expected demand in China and India and a significant contraction in Western Europe, particularly in Germany, the country most affected by automotive industry downturn. Demand in China, alone by far the largest market for power cables, was weighed down not only by the automotive industry and trade tensions with the United States, but also by waning government investment in the electricity network. On the positive side, Spain continued to record one of the highest rates of growth in demand, driven mainly by the construction sector. In the United States, production of power cables grew at a faster pace than the previous year, also benefiting from protectionist measures implemented by the Administration.

In the case of the optical cables market, it was a year of soft demand, excess capacity, rising stock levels and falling fibre prices. Demand for optical fibre cables was slightly down on 2018, mainly due to the retreat in the Chinese market, which alone accounts for more than 50% of the global total. In India, the third largest optical cable market in the world, telecom operators cut back their consumption of optical cables in 2019 mainly due to financial problems. In North America and Europe, consumption of optical fibre cables continued to expand, although at a slower pace than in 2018. Partly thanks to renewed political stability, South America saw resumed investment by its major telco's, primarily in optical cables.

The various segments of Prysmian Group's market had a mixed performance in 2019, featuring higher demand for optical fibre cables in the first half of the year followed by a slower second half, a solid trend for the Energy & Infrastructure business, driven by Power Distribution, and generally stable demand for industrial cables, despite differences between the various business lines and geographical areas.

The submarine cables business saw signs of a market recovery in 2019, with a number of large strategic contracts awarded during the year, including Viking Link, the first submarine cable interconnector between the UK and Denmark, worth nearly Euro 700 million, and contracts for the cabling of offshore wind farms like the Vineyard in the USA and Dolwin5 in Germany.

Tendering activities, initiated in late 2018, for the major Suedlink, Suedostlink and A–Nord underground HVDC cable projects in Germany, are progressing as expected, with negotiations and award of the initial contracts due in the first half of 2020.

The market is expected to grow over the medium term, especially the Offshore Wind segment, fostered by the continuous reduction in electricity generation costs.

During 2019, the Trade & Installers business saw a slight dip in demand not only in most of the European countries served, especially in North Europe and the UK due to Brexit-related uncertainties, but also in North America and the Middle East. APAC, however, reported a positive trend, in line with market expectations. The Power Distribution business confirmed the signs of market recovery emerging in the last quarter of 2018 within Europe. Beyond Europe, demand grew in North America and Oman, while remaining stable in APAC; the situation in LATAM remained challenging, with recent changes in the utilities market still in the process of consolidation. The Overhead Transmission Lines business saw a year-on-year decline in its North American volumes, in line with market expectations, although more than offset by growth in LATAM.

Trends in Industrial cable markets displayed considerable inconsistencies within the various business lines and between the different geographical areas. In fact, while some market segments showed growing demand, like certain OEM sectors (such as Nuclear, Mining, Marine, and Infrastructure), and others were stable, like Rolling stock, other segments reported lower volumes in specific countries due to delays in investment projects in areas of national interest, like Railways and Cranes. The Renewables business experienced an uptick in demand for Solar products but a lull in the Wind sector.

The Automotive market saw volumes contract in North America and signs of slowing in Europe as well, while remaining largely stable in LATAM and APAC. The Elevator market recorded growth in all geographical areas, particularly in North America and APAC.

With regard to its Telecom business, the Group enjoyed a good first half of the year, primarily due to steady growth in demand for optical fibre and special cables serving major investment projects. However, this growth turned negative in the second half of 2019, reflecting a slowing in order intake due to overstocking by some customers.

Volume trends in Europe were positive and prices stable. Among the Group’s major contracts are those with leading operators in Europe engaged in the construction of backhaul links and FTTH connections. In North America, the development of new ultra-broadband networks is generating a steady increase in domestic demand from which Prysmian Group is benefiting. Australia, on the other hand, reported less brisk demand than in the previous year.

Growth in the Multimedia Solutions business reflected increased volumes in the North American market, primarily related to the acquisition of General Cable, and in the European market for copper data transmission cables. A similar, albeit weaker, trend to the European one was observed in South America.

Lastly, copper cables continued their steady decline with the retirement of traditional networks in favour of new-generation ones

Group performance and results

INTRODUCTION

In keeping with the integration process, initiated last year, as from financial year 2019 the Group's results are being analysed as a whole (with no distinction between the two groups of Prysmian and General Cable). The figures for 2019 are compared respectively with those reported in the prior year Consolidated Financial Statements and, in the case of the key performance indicators (Sales and Adjusted EBITDA), with combined amounts, which incorporate General Cable's results as if consolidated from 1 January 2018.

The combined figures are not to be treated as pro-forma ones, even if they have been restated using Prysmian Group's main accounting principles and policies.

FINANCIAL PERFORMANCE

(in millions of Euro)

	2019	2018 - Combined (*)	2018(**)	% change Combined	% change Consol	2017
Sales	11,519	11,523	10,104	0.0%	14.0%	7,904
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	983	708	634	38.9%	55.0%	694
% of sales	8.5%	6.1%	6.3%			8.8%
Adjusted EBITDA	**1,007**	**767**	**693**	**31.4%**	**45.3%**	**736**
% of sales	8.7%	6.7%	6.9%			9.3%
EBITDA	**907**		**501**		**81.0%**	**660**
% of sales	7.9%		5.0%			8.4%
Fair value change in metal derivatives	15		(48)			12
Fair value stock options	1		(6)			(49)
Amortisation, depreciation, impairment and impairment reversal	(354)		(232)			(199)
Operating income	**569**		**215**		**164.7%**	**424**
% of sales	4.9%		2.1%			5.4%
Net finance income/(costs)	(125)		(112)			(99)
Profit/(loss) before taxes	**444**		**103**		**331.1%**	**325**
% of sales	3.9%		1.0%			4.1%
Taxes	(148)		(45)			(88)
Net profit/(loss)	**296**		**58**		**410.3%**	**237**
% of sales	2.6%		0.6%			3.0%
Attributable to:			-			-
Owners of the parent	292		58			241
Non-controlling interests	4		-			(4)
Reconciliation of Operating Income/EBITDA to Adjusted Operating Income/Adjusted EBITDA						
Operating income (A)	**569**		**215**		**164.7%**	**424**
EBITDA (B)	**907**		**501**		**81.0%**	**660**
Adjustments:			-			-
Company reorganisation	85		66			30
Non-recurring expenses/(income)	(32)		94			18
Other non-operating expenses/(income)	47		32			28
Total adjustments (C)	**100**		**192**			**76**
Fair value change in metal derivatives (D)	(15)		48			(12)
Fair value stock options (E)	(1)		6			49
Assets impairment and impairment reversal (F)	36		5			22
Adjusted operating income (A+C+D+E+F)	**689**		**466**		**47.9%**	**559**
Adjusted EBITDA (B+C)	**1,007**		**693**		**45.3%**	**736**

(*) These figures include General Cable for the period 1 January - 31 December 2018.
(**) The results of General Cable have been consolidated with effect from 1 June 2018. The previously published comparative figures have been revised after finalising the General Cable purchase price allocation. More details can be found in the Explanatory Notes: Section C. Restatement of comparative figures.

The Group's Adjusted EBITDA for 2019 was up on the corresponding combined figure for 2018, reflecting all the various factors described below.

The *Projects* segment posted a decline in Adjusted EBITDA, excluding Western Link effects, but a strong fourth-quarter.

During the year, successful project execution resulted in the completion of major contracts worth in excess of Euro 2 billion (Borwin 3, Cobra, Dolwin 3, Mon.Ita, Western Link).

Order intake in the period took the segment's order backlog back above the Euro 2 billion mark, of which Euro 1.3 billion for the Submarine business. The new orders were won also thanks to the ongoing transition of energy systems to renewable sources.

The *Energy and Infrastructure* business, with a solid performance in North America and LATAM, posted a positive set of results, especially for Power Distribution. There was also a recovery in the Overhead Transmission Lines business in North America and LATAM.

The *Industrial & Network Components business* improved its profitability, primarily thanks to the OEM, Renewables and Network Components businesses.

The *Telecom* segment enjoyed solid growth in the first six months, turning negative in the second half due to slower order intake. Adjusted EBITDA, excluding the contribution from the associate YOFC and several one-off effects recorded in the previous year, was up despite the negative impact of lower volumes and price pressure, nonetheless partially absorbed by better cost efficiencies. Also of note was the good performance of the Multimedia Solutions business in North America. However, the contribution from the associate YOFC more than halved compared with the previous year.

The Group's sales in 2019 came to Euro 11,519 million, compared with Euro 11,523 million on a combined basis for 2018, posting a negative change of Euro 4 million.

The factors behind this change were:

- negative organic sales growth, excluding effects of the Western Link project, causing a decrease of Euro 104 million (-0.9%);
- favourable exchange rate trends and net currency effects accounted for on completion of projects, generating an increase of Euro 341 million (+3.0%);
- fluctuation in the price of metals (copper, aluminium and lead), causing a sales price decrease of Euro 241 million (-2.1%).

Negative organic sales growth of -0.9%, excluding Western Link effects, is analysed between the three operating segments as follows:

- *Projects*: -5.8%
- *Energy*: +0.0%
- *Telecom*: +0.4%

The Group's Adjusted EBITDA came to Euro 1,007 million, inclusive of Euro 47 million in IFRS 16 effects, posting an increase of Euro 240 million on the corresponding 2018 combined figure of Euro 767 million (+31.3%). In light of the above effects, Adjusted EBITDA for the Projects segment, excluding Western Link effects of Euro 165 million in 2018, decreased by Euro 41 million, while the Energy segment enjoyed an increase of Euro 109 million. Excluding the smaller contribution of the associate YOFC and other one-off factors for Euro 37 million, the Telecom segment recorded an increase of Euro 12 million. Adjusted EBITDA was also negatively affected by recognition of the 2019 MBO in profit or loss since it would no longer be co-invested after revoking the long-term incentive plan, adding Euro 15 million to personnel costs. Adjusted EBITDA also benefited from Euro 47 million on first-time adoption of IFRS 16.

EBITDA is stated after net expenses for company reorganisation, net non-recurring expenses and other net non-operating expenses, totalling Euro 100 million (Euro 192 million in 2018). These adjustments primarily reflect Euro 85 million in reorganisation costs.

Amortisation, depreciation and impairment amounted to Euro 354 million in 2019, reporting a year-on-year increase of Euro 122 million, most of which attributable to the consolidation of General Cable for the whole of 2019, rather than just 7 months in 2018, and to the adoption of IFRS 16, accounting for Euro 44 million of the variation. Impairment losses totalling Euro 36 million include Euro 22 million to write off all the plant and machinery, equipment, other assets and assets under construction in the *Energy* segment's Oceania South East Asia (OSEA) regional CGU, and Euro 14 million in other write-downs, mainly at the production facilities in Manlleu and Montcada i Reixac (Catalonia, Spain), involved in restructuring processes, more details of which can be found in the section on "Significant events during the year". The fair value change in metal derivatives was a positive Euro 15 million in 2019, compared with a negative Euro 48 million in 2018.

The Group's operating income came to Euro 569 million, compared with Euro 215 million in 2018, reflecting an increase of Euro 354 million.

Net finance costs amounted to Euro 125 million in 2019, compared with Euro 112 million in the previous year. The increase is mainly attributable to this year's consolidation of General Cable for a full 12 months as opposed to just 7 months the previous year.

Net profit for 2019 was Euro 296 million, almost all attributable to the Group (Euro 292 million), compared with Euro 58 million in 2018, all attributable to the Group.

The results of the operating segments are analysed in the following pages on a combined basis, therefore incorporating the results of General Cable as from 1 January 2018.

Review of Projects Operating Segment

(in millions of Euro)

	2019	2018 Combined*	Var, %	2018**	2017
Sales	1,844	1,750	5.4%	1,635	1,533
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**228**	**100**	**128.3%**	**89**	**277**
% of sales	12.3%	5.7%		5.4%	18.0%
Adjusted EBITDA	**228**	**100**	**128.3%**	**89**	**278**
% of sales	12.4%	5.7%		5.4%	18.0%
Adjustments	(23)			(105)	(20)
EBITDA	**205**			**(16)**	**258**
% of sales	11.1%			-0.9%	16.6%
Amortisation and depreciation	(64)			(54)	(50)
Adjusted operating income	**164**			**35**	**228**
% of sales	8.9%	-		2.1%	14.7%

(*) These figures include General Cable for the period 1 January - 31 December 2018.
(**) The previously published comparative figures have been revised after finalising the General Cable purchase price allocation. More details can be found in the Explanatory Notes: Section C. Restatement of comparative figures.

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

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

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

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

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

MARKET OVERVIEW

The Submarine Power cables business saw signs of a market recovery in 2019, with a number of large strategic contracts awarded during the second half of the year; in addition, several bids are now at an advanced stage of the tendering process, with their award expected in the next few months. This market is expected to grow over the medium term, especially the Offshore Wind segment, fostered by the continuous reduction in electricity generation costs.

The Submarine Telecom cables business performed well, with the award of a number of major contracts, now in the process of fulfilment.

In the High Voltage Underground business, the HVAC market was largely stable in Europe and mixed in other countries, while the HVDC market, typically for interconnections, was very quiet following completion of projects awarded in recent years and the near-term absence of new start-ups since tendering activities are still in progress. North America recorded an upturn in demand, while Southeast Asia enjoyed a partial recovery after a first-half downturn. Tendering activities, initiated in late 2018, for the major Suedlink, Suedostlink and A-Nord underground HVDC cable projects in Germany, are progressing as expected, with negotiations and award of the initial contracts due in the first half of 2020.

The Offshore Specialties business continued to experience declining prices and volumes.

FINANCIAL PERFORMANCE

Sales to third parties by the Projects segment amounted to Euro 1,844 million in 2019, compared with the 2018 combined figure of Euro 1,750 million, recording a positive change of Euro 94 million (+5.4%).

The factors behind this change were:

- negative organic sales growth, excluding effects of the Western Link project, producing a decrease of Euro 101 million (-5.8%)
- favourable exchange rate trends and net currency effects accounted for on completion of projects, generating an increase of Euro 195 million (+11.2%)
- zero impact on sales prices from metal price fluctuations.

The organic growth of the Projects segment is largely due to a significant fourth-quarter recovery in the phasing of ongoing Submarine projects, combined with the fact that business volumes were low in the corresponding quarter of 2018; this effect was partially neutralised by a contraction in volumes and prices in the Offshore Specialties business and by lower sales volumes in some High Voltage markets, primarily France, South America and APAC.

The Submarine Telecom business saw volumes and profitability grow thanks to specific contracts won during the year and already at an advanced stage of execution.

The main Submarine Power projects on which work was performed during the period were: the interconnector between Norway and the UK (North Sea Link), the interconnector between the Netherlands and Denmark (CoBRA cable), the interconnection between France and the UK (IFA2), the Hainan2 project in China and the interconnection projects in the Philippines and Bahrain.

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

The value of the Group's Submarine Power order backlog increased during the year, with the award of several major projects (worth Euro 1.3 billion) in the period, including the Viking Link interconnector. The order backlog was worth more than Euro 1.7 billion at the end of 2019, mainly consisting of the following contracts: the interconnector between Norway and the UK (North Sea Link); the interconnection between France and the UK (IFA2); the interconnection projects in the Philippines and Bahrain; the offshore projects in France; the Capri-Sorrento interconnection project in Italy; and contracts to supply inter-array cables for the Hornsea2 and Borssele III and IV wind farms; also included in the order backlog are the recently acquired contracts for the Dolwin5 offshore wind project in Germany and the interconnector between the UK and Denmark (Viking Link).

The value of the Group's High Voltage order backlog is stable compared with the end of 2018 at around Euro 310 million.

Adjusted EBITDA came to Euro 228 million in 2019, up Euro 128 million from Euro 100 million the year before; excluding the Euro 165 million in extra costs for the Western Link project recorded in 2018, Adjusted EBITDA would have been below the previous year, mainly due to a number of reworks, and to the different mix of projects under execution in the Submarine Power business. The High Voltage business performed less well than the year before, during which a number of high margin HVDC interconnection projects were completed. The Offshore Specialties business had a similar performance to the previous year, while the 2019 results of the Submarine Telecom business were considerably higher. The adoption of IFRS 16 benefited Adjusted EBITDA by Euro 7 million in 2019.

Review of Energy Operating Segment

(in millions of Euro)

	2019	2018(*) Combined	% change	2018	2017
Sales	8,027	8,139	-1.4%	6,975	5,113
Adjusted EBITDA before share of net profit/ (loss) of equity-accounted companies	**503**	**368**	**36.8%**	**316**	**240**
% of sales	6.3%	4.5%		4.5%	4.7%
Adjusted EBITDA	**505**	**372**	**35.9%**	**320**	**244**
% of sales	6.3%	4.6%		4.6%	4.8%
Adjustments	(60)			(71)	(23)
EBITDA	**445**			**249**	**221**
% of sales	5.5%			3.6%	4.3%
Amortisation and depreciation	(182)			(126)	(86)
Adjusted operating income	**323**			**194**	**158**
% of sales	4.0%			2.8%	3.1%

(*) These figures include General Cable for the period 1 January - 31 December 2018.

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

Sales to third parties by the Energy operating segment amounted to Euro 8,027 million in 2019, compared with the 2018 combined figure of Euro 8,139 million, posting a negative change of Euro 112 million (-1.4%), the main components of which are as follows:

- organic sales change of Euro 4 million (0.0%);
- increase of Euro 128 million (+1.5%) linked to positive exchange rate fluctuations;
- sales price decrease of Euro 236 million (-2.9%) for metal price fluctuations.

L'Adjusted EBITDA came to Euro 505 million in 2019, up Euro 133 million (+35.9%) from Euro 372 million in 2018. This increase has been partly generated by cost structure rationalisation following the acquisition of General Cable and by adoption of IFRS 16 (benefiting the 2019 figure by Euro 33 million).

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

ENERGY & INFRASTRUCTURE

(in millions of Euro)

	2019	2018(*) Combined	% change	2018(**)	2017
Sales	5,285	5,318	-0.6%	4,462	3,271
Adjusted EBITDA before share of net profit/ (loss) of equity-accounted companies	**307**	**199**	**54.1%**	**163**	**128**
% of sales	5.8%	3.7%		3.7%	3.9%
Adjusted EBITDA	**308**	**202**	**52.8%**	**166**	**130**
% of sales	5.8%	3.8%		3.7%	4.0%
Adjusted operating income	**185**			**80**	**73**
% of sales	3.5%			1.8%	2.2%

(*) These figures include General Cable for the period 1 January - 31 December 2018.
(**) The comparative figures reflect a reclassification within the Energy operating segment between the E&I and Industrial & NWC businesses for better allocation of the figures of the Omani subsidiary. The results of General Cable have been consolidated for the period 1 June - 31 December 2018.

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

During 2019, the Trade & Installers business saw a slight dip in demand not only in most of the European countries served, especially in North Europe and the UK due to Brexit-related uncertainties, but also in the Middle East and North America. APAC, however, reported a positive trend, in line with market expectations.

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

In 2019, the Power Distribution business confirmed the signs of a European market recovery emerging towards the end of 2018, particularly in Germany, the Danube area and North Europe, while experiencing a contraction in demand in South Europe.

Performance also improved in North America, also thanks to Wind market demand which benefited from Production Tax Credit (PTC), a tax incentive based on generated production and which is expected to be extended until mid-2020.

Demand was up in OMAN, while remaining stable in APAC; the situation in LATAM, however, remained challenging with recent changes in the utilities market still in the process of consolidation.

The Overhead Transmission Lines business saw a year-on-year decline in its North American volumes, in line with market expectations, although more than offset by growth in LATAM.

FINANCIAL PERFORMANCE

Sales to third parties by the *Energy & Infrastructure* business area amounted to Euro 5,285 million in 2019, compared with the 2018 combined figure of Euro 5,318 million, posting a negative change of Euro 33 million (-0.6%), the main components of which are as follows:

- positive organic sales growth of Euro 38 million (+0.7%);
- positive change of Euro 71 million (+1.4%) for exchange rate fluctuations;
- sales price decrease of Euro 142 million (-2.7%) for metal price fluctuations.

Prysmian Group has carried on its strategy for the Trade & Installers business of focusing on relationships with top international customers and of developing tactical actions to avoid losing sales opportunities, by differentiating its offer in the various markets and by increasing its market share in specific geographical areas.

The Trade & Installers business enjoyed positive organic sales growth, albeit punctuated by certain geographical differences, and an improvement in profitability, especially in North America and LATAM.

The Power Distribution business's growth varied by region: strong in North America, positive in East Europe and the Middle East but in retreat in APAC. There was an overall improvement in profitability, driven above all by North America and LATAM, despite strong price pressure in Europe.

Given the factors described above, Adjusted EBITDA for 2019 came to Euro 308 million, compared with Euro 202 million the year before, reflecting an increase of Euro 106 million (+52.8%), part of which due to adoption of IFRS 16 (benefiting 2019 by Euro 20 million).

INDUSTRIAL & NETWORK COMPONENTS

(in millions of Euro)

	2019	2018(*) Combined	% change	2018(**)	2017
Sales	2,492	2,527	-1.4%	2,277	1,693
Adjusted EBITDA before share of net profit/ (loss) of equity-accounted companies	**195**	**171**	**14.3%**	**155**	**113**
% of sales	7.8%	6.8%		6.8%	6.7%
Adjusted EBITDA	**196**	**172**	**13.7%**	**156**	**115**
% of sales	7.9%	6.8%		6.8%	6.8%
Adjusted operating income	**140**			**118**	**88**
% of sales	5.6%			5.2%	5.2%

(*) These figures include General Cable for the period 1 January - 31 December 2018.
(**) The comparative figures reflect a reclassification within the Energy operating segment between the E&I and Industrial & NWC businesses for better allocation of the figures of the Omani subsidiary. The results of General Cable have been consolidated for the period 1 June - 31 December 2018.

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

Prysmian also offers a wide range of products for the petrochemicals sector able to serve every onshore and offshore need, including the design and supply of systems for power transmission and data communication from offshore platforms and/or floating hydrocarbon storage vessels to the well-heads; flexible offshore pipes for hydrocarbon transport; Downhole Technology (DHT) solutions, which include steel tubing encased cables to control and power monitoring systems inside extraction wells both offshore and onshore.

The range of products for the petrochemicals industry also includes low and medium voltage power cables, and instrumentation and control cables. The onshore product range is able to support applications in all three segments of the petrochemical production chain: Upstream, Midstream and Downstream.

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

MARKET OVERVIEW

Markets for Industrial cables displayed considerable inconsistencies within the various business lines and between the different geographical areas. In fact, while some market segments showed growing demand, like certain OEM sectors (such as Nuclear, Mining, Marine and Infrastructure), and others were stable, like Rolling stock, other segments reported lower volumes in specific countries due to delays in investment projects in areas of national interest, like Railways and Cranes. The Renewables business experienced an uptick in demand for Solar products but a lull in the Wind sector.

O&G demand bounced back strongly in Europe and North America compared with the previous year and picked up in APAC, mainly due to project phasing. Offshore activities continued to report a low level of demand, putting pressure not only on the major Asian shipyards (in Singapore and Korea) but also on the oil companies. After a brief revival, mainly in North America, the drilling market remained stable, like the MRO sector (Maintenance, Repair and Overhaul).

The Downhole Technology business showed growth. The ESP (Electro Submersible Pump) business remained stable.

The Elevator market recorded growth in all geographical areas, particularly in North America and APAC.

The Automotive market saw volumes contract in North America and signs of slowing in Europe as well, while remaining stable in LATAM and APAC. Despite strong growth in the market for electric cars and good performance in the premium market, the latter region reported a sharp downturn at the mid and low end of the market. The tendency for cable manufacturers to intercept the market upstream continued.

The network components market reported growing volumes both for medium voltage products and HV and EHV ones.

FINANCIAL PERFORMANCE

Sales to third parties by the *Industrial & Network Components* business area amounted to Euro 2,492 million in 2019, compared with the 2018 combined figure of Euro 2,527 million, recording a negative change of Euro 35 million (-1.4%), the main components of which are as follows:

- negative organic sales growth of Euro 42 million (-1.7%);
- positive change of Euro 53 million (+2.1%) for exchange rate fluctuations;
- sales price decrease of Euro 46 million (-1.8%) for metal price fluctuations.

All the Industrial & Network Components business lines had a positive performance in 2019, except for Automotive due to the general market conditions.

The Oil & Gas business witnessed a higher level of demand for onshore projects activities than in the previous year. The business's overall margins remained largely stable despite lower turnover related to project phasing and despite a reduction in higher-margin MRO and offshore volumes.

The Downhole Technology business confirmed the signs of improving demand, primarily thanks to resumed activity in the Middle East.

Specialties, OEM and Renewables recorded growth in North America and LATAM, especially in the areas of mining, nuclear and solar applications. The Elevator business upped its profitability after suffering the previous year from strong pressures in the Chinese market and from the impact of unfavourable exchange rates on its major exposure in the North American market.

The Automotive business's year-on-year performance reflected a reduction in volumes on the American and European markets and continued price pressure on low-margin products; these impacts were partially mitigated by the strategy of focusing on top-end segments and of improving industrial performance.

The Network Components business showed solid growth, primarily driven by the European market and with medium voltage products outperforming high voltage ones.

Given the factors described above, Adjusted EBITDA for 2019 came to Euro 196 million, up from Euro 172 million the year before, reflecting an increase of Euro 24 million (+13.7%), part of which due to adoption of IFRS 16 (benefiting 2019 by Euro 12 million).

OTHER

(in millions of Euro)

	2019	2018(*) Combined	2018	2017
Sales	250	294	236	149
Adjusted EBITDA before share of net profit/ (loss) of equity-accounted companies	1	(2)	(2)	(1)
Adjusted EBITDA	1	(2)	(2)	(1)
Adjusted operating income	(2)		(4)	(3)

(*) Results of General Cable consolidated for the period 1 January - 31 December 2018

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

Review of Telecom Operating Segment

(in milioni di Euro)

	2019	2018(*) Combined	% change	2018	2017
Sales	1,648	1,634	0.8%	1,494	1,258
Adjusted EBITDA before share of net profit/ (loss) of equity-accounted companies	**252**	**240**	4.8%	**229**	**177**
% of sales	15.3%	14.7%		15.4%	14.0%
Adjusted EBITDA	**274**	**295**	-7.2%	**284**	**214**
% of sales	16.6%	18.0%		19.0%	17.0%
Adjustments	-			22	(8)
EBITDA	**274**			**306**	**206**
% of sales	16.6%			20.5%	16.4%
Amortisation and depreciation	(72)			(47)	(41)
Adjusted operating income	**202**			**237**	**173**
% of sales	12.3%			15.9%	13.8%

(*) These figures include General Cable for the period 1 January - 31 December 2018.

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

MARKET OVERVIEW

The global optical fibre cables market experienced a slight contraction in 2019 compared with the previous year. Softer demand in fast-developing markets (China) was partially counterbalanced by growth in the APAC market. Optical fibre cable consumption was stable in North America, but slightly higher in Europe thanks to plans under the Digital Agenda for Europe 2025. The latter envisages the provision of three levels of minimum service depending on the type of user. In fact, government offices and entities like schools and hospitals will benefit from a bandwidth of at least 1 Gb/s. Likewise, the entire residential population will be connected with 100 Mb/s, while all urban areas and transport corridors should have broadband mobile coverage with 5G technology. In Europe, the network architectures used vary as decided by each individual country.

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

Partly thanks to renewed political stability, South America saw resumed investment by its major teleco's, primarily in optical fibre cables.

The copper cable market is slowing due to the maturity of the products concerned. The decline in this market was increasingly evident in 2019, with high demand for internet access causing major operators to opt to renew their networks using optical fibre, rather than perform maintenance or upgrade work on existing networks. It is still worth remaining in this segment since the gradual decommissioning of assets by competitor cable manufacturers nonetheless offers attractive opportunities.

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

FINANCIAL PERFORMANCE

Sales to third parties by the *Telecom* operating segment came to Euro 1,648 million at the end of 2019, compared with the combined figure of Euro 1,634 million in 2018.

The change of Euro 14 million (+0.8%) is explained by:

- organic sales growth of Euro 7 million (+0.4%), mainly thanks to minor volume growth for optical fibre cables;
- negative change of Euro 5 million (-0.4%) in sales prices for metal price fluctuations;
- positive change of Euro 12 million (+0.8%) for exchange rate fluctuations.

The organic growth in 2019 sales reflects the positive trend already observed the previous year, and was primarily the result of year-on-year growth in demand for optical fibre and special cables serving major investment projects. It should be noted, however, that this growth turned negative in the second half of 2019.

Volume trends in Europe were positive and prices stable in the first three quarters of the year. A slowing in orders in the last few months of 2019 was accompanied by a drop in prices. Among the Group's major contracts are those with leading operators in Europe engaged in the construction of backhaul links and FTTH connections. In the Netherlands, work continues on the plan to develop the network in rural areas, while Swisscom is in the process of implementing a national plan in Switzerland. In France, the "Trés Haut Débit" broadband project continues to be rolled out. In addition, British Telecom has announced a new FTTH project to connect 3 million "premises" in 8 cities by 2020.

In North America, the development of new ultra-broadband networks generated steady demand compared with the year before. Australia reported less brisk demand than in the previous year.

Brazil and Argentina saw the major telecom carriers increase their investments in optical fibre cables.

Lastly, copper cables continued their steady decline with the retirement of traditional networks in favour of new-generation ones.

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

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

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

Adjusted EBITDA for 2019 came to Euro 274 million, reporting a decrease of Euro 21 million (-7.2%) from Euro 295 million in 2018. This decline is due to the negative results of the associate Yangtze Optical Fibre and Cable Joint Stock Limited Company in China, involving a negative impact of some Euro 33 million, as only partially offset by the positive effect of Euro 7 million from the first-time adoption of IFRS 16 in 2019.

Results by Geographical Area

(in millions of Euro)

	Sales		Adjusted EBITDA	
	2019	2018(*) Combined	2019	2018(*) Combined
EMEA(**)	6,196	6,239	491	348
North America	3,441	3,298	352	242
Latin America	931	1,003	102	76
Asia Pacific	951	983	62	101
Total	**11,519**	**11,523**	**1,007**	**767**

(*) These figures include General Cable for the period 1 January - 31 December 2018.
(**) EMEA = Europe, Middle East and Africa.

As stated in the Explanatory Notes to this Annual Report, the Group's operating segments are: *Energy*, *Projects* and *Telecom*, reflecting the structure used in the periodic reports prepared to review business performance. The primary performance indicator used in these reports, presented by macro type of business (Energy, Projects and *Telecom*), is Adjusted EBITDA, defined as earnings (loss) for the period before non-recurring items, the fair value change in metal price derivatives and in other fair value items, amortisation, depreciation and impairment, finance costs and income and taxes.

In order to provide users of the financial statements with information that is more consistent with the Group's greater geographical diversification following the General Cable acquisition, Sales and Adjusted EBITDA have been reported above by geographical area, even though the primary operating segments remain those by business. For this purpose, 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.

EMEA

The EMEA region's organic sales growth, including the impact of Western Link, was negative in 2019 compared with the previous year, at -2.4%. Excluding the *Projects* operating segment, organic growth would have been -1.3%. Ignoring provisions of Euro 165 million recorded in 2018 for the Western Link project, Adjusted EBITDA was lower, with the decrease due to the *Projects* operating segment, which nonetheless enjoyed a fourth-quarter upturn, albeit spoiled by a *Telecom* downturn in the same quarter.

North America

North America had positive organic sales growth of +2.6% in 2019 compared with the previous year. Excluding the *Projects* segment, this growth would have been +1.9%. The E&I business and the *Telecom* operating segment's MMS business particularly accounted for this positive sales performance, even though *Telecom* started to flag in the fourth quarter of 2019.

The increase in Adjusted EBITDA also reflects the high degree of integration achieved with General Cable.

LATAM

LATAM had positive organic sales growth of +0.7% in 2019 compared with the previous year. Excluding the *Projects* segment, this growth would have been +2.0%.

The increase in Adjusted EBITDA was driven by strong performance in the Energy operating segment (by both the *E&I* and *Industrial & Network Components* businesses), by accelerated integration with General Cable, helping improve margins, and by cross-selling activities allowing the Group to seize new growth opportunities.

APAC

APAC had negative organic sales growth of -4.5% in 2019 compared with the previous year. Excluding the *Projects* segment, this growth would have been -1.4%.

Adjusted EBITDA turned down sharply on the previous year especially in the *Telecom* operating segment, partly reflecting the smaller contribution from the associate YOFC and lower sales volumes in Australia. The *Energy* segment result was nonetheless stable.

Group Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

	31.12.2019	31.12.2018 (*)	Change	31.12.2017
Net fixed assets	5,301	5,101	200	2,610
Net working capital	755	692	63	128
Provisions and net deferred taxes	(820)	(734)	(86)	(308)
Net capital employed	**5,236**	**5,059**	**177**	**2,430**
Employee benefit obligations	494	463	31	355
Total equity	2,602	2,374	228	1,639
of which attributable to non-controlling interests	187	188	(1)	188
Net financial debt	2,140	2,222	(82)	436
Total equity and sources of funds	**5,236**	**5,059**	**177**	**2,430**

(*) The previously published comparative figures have been revised after finalising the General Cable purchase price allocation. More details can be found in the Explanatory Notes: Section C. Restatement of comparative figures.

NET FIXED ASSETS

(in millions of Euro)

	31.12.2019	31.12.2018 (*)	Change	31.12.2017
Property, plant and equipment	2,804	2,629	175	1,646
Intangible assets	2,154	2,162	(8)	735
Equity-accounted investments	314	294	20	217
Other investments at fair value through other comprehensive income	13	13	-	12
Assets held for sale (**)	16	3	13	-
Net fixed assets	**5,301**	**5,101**	**200**	**2,610**

(*) The previously published comparative figures have been revised after finalising the General Cable purchase price allocation. More details can be found in the Explanatory Notes: Section C. Restatement of comparative figures.
(**) Excluding the value of financial assets and liabilities held for sale.

At 31 December 2019, net fixed assets amounted to Euro 5,301 million, compared with Euro 5,101 million at 31 December 2018, posting an increase of Euro 200 million mainly due to the combined effect of the following factors:

- Euro 274 million in net capital expenditure on property, plant and equipment and intangible assets;
- Euro 354 million in depreciation, amortisation and impairment charges for the year;
- Euro 211 million in increases in property, plant and equipment on adoption of IFRS 16;
- Euro 50 million in positive currency translation differences affecting property, plant and equipment and intangible assets;
- Euro 7 million from the disposal of the offices in Barcelona (Spain);
- Euro 20 million for the net increase in equity-accounted investments, mainly comprising Euro 24 million for the share of net profit/(loss) of equity-accounted companies, less Euro 9 million in dividend receipts plus Euro 3 million in positive currency translation differences;
- Euro 3 million from the disposal of the plant in Delfzijl (Netherlands);
- reclassification to Assets held for sale of Euro 14 million in other assets and Euro 10 million in other liabilities in respect of Draka Fileca SAS, for which a binding purchase offer has been received from Carlisle Companies Incorporated.

NET WORKING CAPITAL

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

(in millions of Euro)

	31.12.2019	31.12.2018 (*)	Change	31.12.2017
Inventories	1,523	1,511	12	954
Trade receivables	1,475	1,635	(160)	1,131
Trade payables	(2,062)	(2,132)	70	(1,686)
Other receivables/(payables)	(187)	(307)	120	(293)
Net operating working capital	**749**	**707**	**42**	**106**
Derivatives	6	(15)	21	22
Net working capital	**755**	**692**	**63**	**128**

(*) The previously published comparative figures have been revised after finalising the General Cable purchase price allocation. More details can be found in the Explanatory Notes: Section C. Restatement of comparative figures.

Net working capital of Euro 755 million at 31 December 2019 was Euro 63 million higher than the corresponding figure of Euro 692 million at 31 December 2018. Net operating working capital amounted to Euro 749 million (6.5% of annualised sales) at 31 December 2019, an increase of Euro 42 million from Euro 707 million (6.3% of sales) at 31 December 2018, reflecting the following factors:

- a decrease in working capital employed in multi-year Submarine projects, reflecting their stage of completion relative to their respective contractual deadlines, and inclusive of payments relating to the Western Link project;
- a reduction in working capital due to a decrease in without-recourse factoring of trade receivables;
- an increase associated with currency translation differences.

EQUITY

The following table reconciles the Group's equity and net profit/(loss) for 2019 with the corresponding figures reported by Prysmian S.p.A., the Parent Company.

(in millions of Euro)

	Equity at 31 December 2019	Net profit/ (loss) 2019	Equity at 31 December 2018	Net profit/ (loss) 2018
Parent Company Financial Statements	**2,161**	**179**	**2,102**	**96**
Share of equity and net profit of consolidated subsidiaries, net of carrying amount of the related investments	485	289	298	102
Reversal of dividends distributed to the Parent Company by consolidated subsidiaries	-	(154)	-	(139)
Deferred taxes on earnings/reserves distributable by subsidiaries	(30)	(14)	(16)	-
Elimination of intercompany profits and losses included in inventories	(14)	(4)	(10)	(1)
Non-controlling interests	(187)	(4)	(188)	-
Consolidated Financial Statements	**2,415**	**292**	**2,186**	**58**

NET FINANCIAL DEBT

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

(in millions of Euro)

	31.12.2019	31.12.2018	Change	31.12.2017
Long-term financial payables				
CDP Loans	100	100		100
EIB Loans	118	135	(17)	152
Non-convertible bond	746	745	1	743
Convertible Bond 2017	478	467	11	456
Term Loan	995	993	2	-
Bridge Loan	-	500	(500)	-
UniCredit Loan	199	199	-	-
Mediobanca Loan	100	-	100	-
Intesa Loan	149	-	149	-
Derivatives	15	8	7	-
Lease liabilities	135	11	124	12
Other financial payables	12	11	1	3
Total long-term financial payables	**3,047**	**3,169**	**(122)**	**1,466**
Short-term financial payables				
CDP Loans	100	-	100	-
EIB Loans	17	17	-	17
Non-convertible bond	14	14	-	14
Convertible bond 2013	-	-	-	283
Term Loan	1	1	-	-
Derivatives	10	8	2	1
Lease liabilities	44	1	43	1
Other financial payables	36	65	(29)	55
Total short-term financial payables	**222**	**106**	**116**	**371**
Total financial liabilities	**3,269**	**3,275**	**(6)**	**1,837**
Long-term financial receivables	2	2	-	2
Long-term bank fees	4	-	4	1
Financial assets at amortised cost	4	5	(1)	4
Short-term derivatives	6	2	4	1
Short-term financial receivables	2	7	(5)	7
Short-term bank fees	2	1	1	2
Financial assets at fair value through profit or loss	27	25	2	38
Financial assets at fair value through other comprehensive income	11	10	1	11
Financial assets held for sale	1		1	
Cash and cash equivalents	1,070	1,001	69	1,335
Total financial assets	**1,129**	**1,053**	**76**	**1,401**
Net financial debt	**2,140**	**2,222**	**(82)**	**436**

Net financial debt of Euro 2,140 million at 31 December 2019 has decreased by Euro 82 million from Euro 2,222 million at 31 December 2018. The main factors contributing to this change are summarised in the comments on the statement of cash flows in the next section.

STATEMENT OF CASH FLOWS

(in millions of Euro)

	2019	2018	Change	2017
EBITDA	**907**	**501**	**406**	**660**
Changes in provisions (including employee benefit obligations) and other movements	(72)	147	(219)	-
Gains)/losses on disposal of property, plant and equipment, intangible assets	(1)	(37)	36	(2)
Share of net profit/(loss) of equity-accounted companies	(24)	(59)	35	(42)
Net cash flow from operating activities (before changes in net working capital)	**810**	**552**	**258**	**616**
Changes in net working capital	67	4	63	85
Taxes paid	(111)	(110)	(1)	(104)
Dividends from investments in equity-accounted companies	9	16	(7)	10
Net cash flow from operating activities	**775**	**462**	**313**	**607**
Cash flow from acquisitions and/or disposals	(7)	(1,290)	1,283	(7)
Net cash flow used in operating investing activities	(248)	(278)	30	(254)
of which for investment in Huan Shen Huan	-	-	-	(35)
Free cash flow (unlevered)	**520**	**(1,106)**	**1,626**	**346**
Net finance costs	(94)	(84)	(10)	(70)
Free cash flow (levered)	**426**	**(1,190)**	**1,616**	**276**
Share buyback	-	-	-	(100)
Dividend distribution	(119)	(105)	(14)	(101)
Capital contributions and other changes in equity	2	496	(494)	3
Net cash flow provided/(used) in the year	**309**	**(799)**	**1,108**	**78**
Opening net financial debt	**(2,222)**	**(436)**	**(1,786)**	**(537)**
Net cash flow provided/(used) in the year	309	(799)	1,108	78
Equity component of Convertible Bond 2017	-	-	-	48
Conversion of Convertible Bond 2013	-	283	(283)	13
Net financial debt General Cable	-	(1,215)	1,215	-
Increase due to IFRS 16	(211)	-	(211)	-
Other changes	(16)	(55)	39	(38)
Closing net financial debt	**(2,140)**	**(2,222)**	**82**	**(436)**

Net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 810 million at the end of 2019.

The decrease in net working capital, described earlier, provided Euro 67 million in cash flow. After Euro 111 million in tax payments and Euro 9 million in dividend receipts, operating activities in 2019 therefore provided a net cash inflow of Euro 775 million.

Acquisitions and/or disposals during the year produced a net outflow of Euro 7 million, due to the purchase of non-controlling interests in subsidiaries.

Net operating capital expenditure used Euro 248 million in cash in 2019, a large part of which relating to projects to increase and rationalise production capacity and to develop new products.

In addition, Euro 94 million in net finance costs were paid and Euro 119 million in dividends were distributed during the year.

Although net financial debt benefited from Euro 309 million in net cash inflows for the year, it was also affected by an increase of Euro 211 million in financial liabilities recognised on adoption of IFRS 16.

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 accepted ones required by IFRS.

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

The alternative indicators used for reviewing the income statement include:

- **Adjusted operating income**: si operating income before income and expense for company reorganisation(1), before non-recurring items(2), as presented in the consolidated income statement, before other non-operating income and expense(3) and before the fair value change in metal derivatives and in other fair value items. The purpose of this indicator is to present the Group's operating profitability without the effects of events considered to be outside its recurring operations
- **EBITDA**: operating income before the fair value change in metal price derivatives and in other fair value items and before amortisation, depreciation and impairment. The purpose of this indicator is to present the Group's operating profitability before the main non-monetary items;
- **Adjusted EBITDA**: EBITDA as defined above calculated before income and expense for company reorganisation, before non-recurring items, as presented in the consolidated income statement, and before other non-operating income and expense. The purpose of this indicator is to present the Group's operating profitability before the main non-monetary items, without the effects of events considered to be outside the Group's recurring operations;
- **Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies**: si intende l'EBITDA rettificato sopra descritto calcolato prima delle quote di risultato di società valutate a patrimonio netto;
- **Organic growth**: growth in sales calculated net of changes in the scope of consolidation, changes in metal prices and exchange rate effects.

(1) Income and expense for company reorganisation: these refer to income and expense that arise as a result of the closure of production facilities and/or as a result of projects to enhance the organisational structure's efficiency.
(2) Non-recurring income and expense: these refer to income and expense related to unusual events that have not affected the income statement in past periods and that will probably not affect the results in future periods.
(3) Other non-operating income and expense: these refer to income and expense that management considers should not be taken into account when measuring business performance.

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

- **Net fixed assets:** sum of the following items contained in the statement of financial position:
  - Intangible assets;
  - Property, plant and equipment;
  - Equity-accounted investments;
  - Other investments at fair value through other comprehensive income;
  - Assets held for sale involving Land and Buildings.
- **Net working capital:** sum of the following items contained in the statement of financial position:
  - Inventories;
  - Trade receivables;
  - Trade payables;
  - Other non-current receivables and payables, net of long-term financial receivables classified in net financial debt;
  - Other current receivables and payables, net of short-term financial receivables classified in net financial debt;
  - Derivatives net of financial instruments for hedging interest rate and currency risks relating to financial transactions, classified in net financial debt;
  - Current tax payables;
  - Assets and liabilities held for sale involving current assets and liabilities.
- **Net operating working capital:** sum of the following items contained in the statement of financial position:
  - Inventories;
  - Trade receivables;
  - Trade payables;
  - Other non-current receivables and payables, net of long-term financial receivables classified in net financial debt;
  - Other current receivables and payables, net of short-term financial receivables classified in net financial debt;
  - Current tax payables.
- **Provisions and net deferred taxes:** sum of the following items contained in the statement of financial position:
  - Provisions for risks and charges – current portion;
  - Provisions for risks and charges – non-current portion;
  - Provisions for deferred tax liabilities;
  - Deferred tax assets.
- **Net capital employed:** sum of Net fixed assets, Net working capital and Provisions.
- **Employee benefit obligations** and **Total equity**:
  - these indicators correspond to Employee benefit obligations and Total equity reported in the statement of financial position.

- **Net financial debt:** sum of the following items:
  - Borrowings from banks and other lenders – non-current portion;
  - Borrowings from banks and other lenders – current portion;
  - Derivatives on financial transactions recorded as Non-current derivatives and classified under Long-term financial receivables;
  - Derivatives on financial transactions recorded as Current derivatives and classified under Short-term financial receivables;
  - Derivatives on financial transactions recorded as Non-current derivatives and classified under Long-term financial payables;
  - Derivatives on financial transactions recorded as Current derivatives and classified under Short-term financial payables;
  - Medium/long-term financial receivables recorded in Other non-current receivables;
  - Bank fees on loans recorded in Other non-current receivables;
  - Short-term financial receivables recorded in Other current receivables;
  - Bank fees on loans recorded in Other current receivables;
  - Financial assets at amortised cost;
  - Financial assets at fair value through profit or loss;
  - Financial assets at fair value through other comprehensive income;
  - Cash and cash equivalents.

Reconciliation between the Reclassified Statement of Financial Position presented in the Directors' Report and the Statement of Financial Position contained in the Consolidated Financial Statements and Explanatory Notes at 31 December 2019

(in millions of Euro)

		Note	31.12.2019 Partial amounts from financial statements	31.12.2019 Total amounts from financial statements	31.12.2018 (*) Partial amounts from financial statements	31.12.2018 (*) Total amounts from financial statements
Net fixed assets						
Property, plant and equipment		1		2,804		2,629
Goodwill and other intangible assets		2		2,154		2,162
Equity-accounted investments		3		314		294
Other investments at fair value through other comprehensive income		4		13		13
Assets and liabilities held for sale		10		16		3
Total net fixed assets	A			**5,301**		**5,101**
Net working capital						
Inventories	B	6		1,523		1,511
Trade receivables	C	5		1,475		1,635
Trade payables	D	13		(2,062)		(2,132)
Other receivables/payables net	E			(187)		(307)
of which:						
Other receivables - non-current			*32*		*31*	
Tax receivables		5	*10*		*6*	
Receivables from employees		5	*1*		*2*	
Advances to suppliers		5	*4*		*4*	
Other		5	*17*		*19*	
Other receivables - current			*812*		*659*	
Tax receivables		5	*227*		*158*	
Receivables from employees and pension plans		5	*-*		*3*	
Advances to suppliers		5	*15*		*23*	
Other		5	*120*		*115*	
Construction contracts		5	*450*		*360*	
Other payables - non-current			*(11)*		*(12)*	
Tax and social security payables		13	*(2)*		*(3)*	
Payables to employees		13	*(1)*		*-*	
Other		13	*(8)*		*(9)*	
Other payables - current			*(969)*		*(953)*	
Tax and social security payables		13	*(201)*		*(163)*	
Advances from customers		13	*(357)*		*(332)*	
Payables to employees		13	*(160)*		*(176)*	
Accrued expenses		13	*(139)*		*(140)*	
Other		13	*(112)*		*(142)*	
Current tax payables			*(51)*		*(32)*	
Total net operating net working capital	**F=B+C+D+E**			**749**		**707**
Derivatives	G		6		(15)	
of which:						
Forward currency contracts on commercial transactions (cash flow hedges) - current		*8*	*1*		*(7)*	
Forward currency contracts on commercial transactions - current		*8*	*(3)*		*(4)*	
Metal derivatives - non-current		*8*	*4*		*1*	
Metal derivatives - current		*8*	*4*		*(5)*	
Total net working capital	H = F+G			**755**		**692**

(in millions of Euro)

		Note	31.12.2019 Partial amounts from financial statements	31.12.2019 Total amounts from financial statements	31.12.2018 (*) Partial amounts from financial statements	31.12.2018 (*) Total amounts from financial statements
Provisions for risks and charges - non-current		14		(60)		(51)
Provisions for risks and charges - current		14		(717)		(635)
Deferred tax assets		16		170		190
Deferred tax liabilities		16		(213)		(238)
Total provisions	I			**(820)**		**(734)**
Net capital employed	L = A+H+I			**5,236**		**5,059**
Employee benefit obligations	M	15		**494**		**463**
Total equity	N	11		**2,602**		**2,374**
of which attributable to non-controlling interests				*187*		*188*
Net financial debt						
Total long-term financial payables	O			**3,047**		**3,169**
CDP Loans		12	100		100	
EIB Loans		12	118		135	
Non-convertible bond		12	746		745	
Convertible bond 2017		12	478		467	
Term Loan		12	995		993	
Bridge Loan		12	-		500	
UniCredit Loan		12	199		199	
Mediobanca Loan		12	100		-	
Intesa Loan		12	149		-	
Derivatives		5	15		8	
of which:						
Interest rate swaps		*8*	*15*		*8*	
Lease liabilities			135		11	
Other payables			12		11	
Total short-term financial payables	P			**222**		**106**
CDP Loans		12	100		-	
EIB Loans		12	17		17	
Non-convertible bond		12	14		14	
Term Loan		12	1		1	
Derivatives		8	10		8	
of which:						
Interest rate swaps		*8*	*6*		*6*	
Forward currency contracts on financial transactions		*8*	*4*		*2*	
Lease liabilities		12	44		1	
Other payables		12	36		65	
Total financial liabilities	Q = O+P			**3,269**		**3,275**
Long-term financial receivables	R	5	(2)		(2)	
Long-term bank fees	R	5	(4)		-	
Short-term financial receivables	R	5	(2)		(7)	
Short-term derivatives	R	8	(6)		(2)	
of which:						
Forward currency contracts on financial transactions (current)		*8*	*(6)*		*(2)*	
Short-term bank fees	R	5	(2)		(1)	
Financial assets at amortised cost	S			(4)		(5)
Financial assets at fair value through other comprehensive income	T	4		(11)		(10)
Financial assets at fair value through profit or loss	U	7		(27)		(25)
Financial assets held for sale		10		(1)		-
Cash and cash equivalents	V	9		(1,070)		(1,001)
Total financial assets	Z = R+S+T+U+V			**(1,129)**		**(1,053)**
Total net financial debt	W = Q+Z			**2,140**		**2,222**
Total equity and sources of funds	Y = M+N+W			**5,236**		**5,059**

(*) The previously published comparative figures have been revised after finalising the General Cable purchase price allocation. More details can be found in the Explanatory Notes: Section C. Restatement of comparative figures.

Reconciliation between the principal income statement indicators and the Income Statement contained in the Consolidated Financial Statements and Explanatory Notes for 2019

(in millions of Euro)

		2019 Amounts from income statement	2018(*) Amounts from income statement
Sales	A	11,519	10,104
Change in inventories of finished goods and work in progress		(16)	(84)
Other income		96	139
Raw materials, consumables and goods		(7,218)	(6,542)
Personnel costs		(1,539)	(1,260)
Other expenses		(1,958)	(1,921)
Operating costs	B	**(10,635)**	**(9,668)**
Share of net profit/(loss) of equity-accounted companies	C	24	59
Fair value stock options	D	(1)	6
EBITDA	E = A+B+C+D	**907**	**501**
Other non-recurring expenses and revenues	F	*32*	*(94)*
Personnel costs for company reorganisation	G	*(69)*	*(57)*
Other costs and revenues for company reorganisation	H	*(16)*	*(9)*
Other non-operating expenses	I	*(47)*	*(32)*
Total adjustments	L = F+G+H+I	(100)	(192)
Adjusted EBITDA	M = E-L	**1,007**	**693**
Share of net profit/(loss) of equity-accounted companies	N	*24*	*59*
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	O = M-N	**983**	**634**

(in millions of Euro)

		2019 Amounts from income statement	2018 Amounts from income statement
Operating income	A	**569**	**215**
Other non-recurring expenses and revenues		32	(94)
Personnel costs for company reorganisation		(69)	(57)
Other costs and revenues for company reorganisation		(16)	(9)
Other non-operating expenses		(47)	(32)
Total adjustments to EBITDA	B	**(100)**	**(192)**
Fair value change in metal derivatives	C	15	(48)
Fair value stock options	D	1	(6)
Non–recurring impairment and releases	E	(36)	(5)
Adjusted operating income	F=A-B-C-D-E	**689**	**466**

(*) The results of General Cable have been consolidated for the period 1 June - 31 December 2018. The previously published comparative figures have been revised after finalising the General Cable purchase price allocation. More details can be found in the Explanatory Notes: Section C. Restatement of comparative figures.

Risk factors and uncertainties

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

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

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

Prysmian Group Risk Model

STRATEGIC

- Macroeconomic, demand trends & Competitive environment
- Stakeholder expectations and Corporate Social Responsibility
- Key customer & business partners
- Emerging country risk
- Law & regulation evolution
- Research & Development
- M&A / JVs and integration process
- Operative CAPEX
- Strategy implementation
- Organizational framework & governance

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 / liabilities
- Product quality / liabilities
- Environmental
- Information Technology
- Human Resources
- Outsourcing

LEGAL & COMPLIANCE

- Intellectual Property rights
- Compliance to laws and regulations
- Compliance to Code of Ethics, Policies & Procedures

PLANNING & REPORTING

- Budgeting & Strategic planning
- Tax & Financial Planning
- Management reporting
- Financial reporting

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

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

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

- **economic-financial impact** on expected EBITDA or cash flow, net of any insurance coverage and countermeasures in place, and/or qualitative impact on reputation and/or operational efficiency/ continuity, measured on a scale that goes from *negligible* (1) to *critical* (4);
- **probability** that a particular event may occur within the specific planning period, measured on 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 on a scale that goes from *adequate* (green) to *inadequate* (red).

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

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

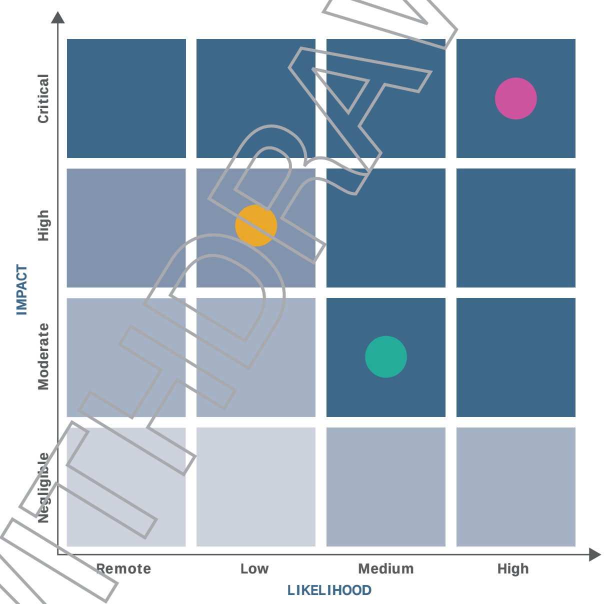
RISK ASSESSMENT CRITERIA

Assessment Criteria

- **Impact**
- **Probability**
- **Level of Risk Management**

Level of Risk Management

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



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

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

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

In 2019, this process involved the main business/function managers of the Group, allowing the most significant risk factors to be identified, assessed and managed; this process also covered factors related to the Group's economic, environmental and social sustainability, to ensure lasting value creation for shareholders and stakeholders.

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

The main risk factors have also considered those able to have an impact on economic, environmental and social sustainability. More details can be found in the annual Sustainability Report, available on the Company's website at **www.prysmiangroup.com** in the section media/media-library/sustainability-report.

Financial risks are discussed in detail in the Explanatory Notes to the Consolidated Financial Statements in Section D (Financial Risk Management). As stated in the Explanatory Notes to the Consolidated Financial Statements (Section B.1 Basis of preparation), the Directors have assessed that there are no financial, operating or other kind of indicators that might provide evidence of the Group's inability to meet its obligations in the foreseeable future and particularly in the next 12 months. In particular, based on its financial performance and cash generation in recent years, as well as its available financial resources at 31 December 2019, the Directors believe that, barring any unforeseeable extraordinary events, there are no material uncertainties, such as to cast significant doubts upon the business's ability to continue as a going concern.

STRATEGIC RISKS

Risks associated with the competitive environment

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

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

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

Risks associated with changes in macroeconomic conditions and demand

Factors such as trends in GDP and interest rates, the ease of getting credit, the cost of raw materials, and the general level of energy consumption, significantly affect the energy demand of countries which, in the face of persistent economic difficulties, then reduce investments that would otherwise develop the market. Government incentives for alternative energy sources and for developing telecom networks also face reduction for the same reason. Prysmian Group's transmission business (high voltage submarine cables) and Power Distribution and Telecom businesses, all highly concentrated in the European market, are being affected by shifting contractions of demand within 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 and, on the other, a strategy to reduce costs by rationalising its manufacturing footprint around the world in order to mitigate possible negative effects on the Group's performance in terms of lower sales and shrinking margins.

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

Key customer dependency risks

The many and diverse types of customers (power transmission and telecom systems operators, distributors, installers, etc.) and their distribution across an equally wide number of different countries mitigate customer dependency risk at a group level.

However, in some countries and businesses, one customer may account for a significant share of the total, like for example the Offshore Specialties business, where Prysmian Group has an important business relationship with Petrobras, a Brazilian oil company, for the supply of umbilical cables, developed and manufactured at the factory in Vila Velha, Brazil. Given this country's ongoing economic problems, in turn depressing the local umbilical cables market, and growing competitive pressures surrounding product technological innovation, business sustainability in Brazil could be impacted, in whole or in part.

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

Risk of instability in the Group's countries of operation

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

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

FINANCIAL RISKS

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

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

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

Risks associated with availability of financial resources and their cost

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

Given the current amount of financial resources and undrawn committed credit lines, totalling in excess of Euro 2 billion at 31 December 2019, and six-monthly monitoring[1] of financial covenant compliance (fully satisfied at 31 December 2019), the Group is of the opinion that this risk is significantly mitigated and that it is able to raise sufficient financial resources and at a competitive cost. A more detailed analysis of the risk in question, including a description of the Group's principal sources of finance, can be found in the Explanatory Notes to the Consolidated Financial Statements.

Exchange rate volatility

Prysmian Group operates internationally and is therefore exposed to exchange rate risk on the currencies of the different countries in which it operates. 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. Exchange rate volatility is monitored both locally and centrally, by the Group Finance department, also using specific indicators designed to intercept potential risk situations which, when thought to exceed the defined tolerance limits, will trigger immediate mitigating actions.

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

Interest rate volatility

Changes in interest rates affect the market value of 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 is able to 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.

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

Credit risk

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

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

Liquidity risk

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

With regard to 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 availability of sufficient committed credit lines, and timely renegotiation of loans before their maturity. Due to the dynamic nature of the business in which Prysmian Group operates, the Group Finance department prefers flexible forms of funding in the form of committed credit lines.

As at 31 December 2019, the Group's total financial resources and undrawn committed credit lines came to in excess of Euro 2 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.

Commodity price volatility risk

The main commodities purchased by 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 variations in the price of copper, aluminium and lead, although less relevant, 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 the risk of price volatility in the underlying assets.

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

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

OPERATIONAL RISKS

Liability for product quality/defects

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

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

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

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

The application of such penalties, the obligation to pay damages as well as indirect effects on the supply chain in the event of late delivery or manufacturing problems, could significantly affect project performance and hence the Group's margins. Possible damage to market reputation cannot be ruled out. Given the complexity of "turnkey" projects, Prysmian has implemented a quality management process involving a wide range of tests on 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 from the manufacturing stage through to delivery.

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

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

Business interruption risk due to dependence on key assets

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

Work began in 2018 on building the "Leonardo da Vinci", a new cable-laying vessel with a best-in-class specification. As a result, the risk of dependence on the "Giulio Verne" has reduced significantly.

Prysmian addresses asset dependency risk by having:

- a systematic Loss Prevention program, managed centrally by the Risk Management department, which, through periodic on-site inspections, allows the adequacy of existing systems of protection to be assessed and any necessary remedial actions decided to mitigate the estimated residual risk. As at 31 December 2019, the Group's operating plants were sufficiently protected and there were no significant exposures to risk. All the plants have been classified as "Excellent Highly Protected Rated (HPR)", "Good HPR" or "Good not HPR", in accordance with the methodology defined by internationally recognised best practices in the field of Risk Engineering & Loss Prevention;
- specific disaster recovery & business continuity plans which allow appropriate countermeasures to be activated as soon as possible in order to minimise the impact of a catastrophic event and to manage any consequent crisis;
- specific insurance schemes covering damage to assets and loss of associated contribution margin due to business interruption, such as to minimise the financial impact of this risk on cash flow.

Environmental risks

The Group's production activities in Italy and abroad are subject to specific environmental regulations, amongst which those concerning the management of raw materials, energy resources and hazardous substances, of water discharges, air emissions, waste, including pollution prevention and minimisation of impacts on environmental factors (soil, subsoil, water resources, atmosphere).

Such regulations are enforcing increasingly strict standards on companies, which are therefore obliged to incur significant compliance costs.

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

The percentage of Prysmian production sites, including former General Cable ones, certified under ISO 14001 and OHSAS 18001/ ISO 45001 amounts to 82% and 70% respectively. In addition, other types of organisation within the Group have also been certified, such as R&D, installation activities, kitting and distribution centres, etc.

With the aim of raising the percentage of certified sites still further, a four-year program of "new" certifications has been established involving many former General Cable production units, where the initial objective will be to assess their environmental, health and safety risks, in line with the Group's systematic approach.

Cyber security risks

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

Furthermore, since 2016 Prysmian Group has started to implement a structured and integrated process for managing cyber security risks which, under the leadership of the Group IT Security function, in partnership with the Risk Management department, aims to strengthen the Group's IT systems and platforms and introduce robust mechanisms to prevent and control any cyberattacks. A precise Information Security strategy has been defined in this regard that clarifies the governance structure adopted by the Group and the guidelines for managing cyber risk in connection with IT architectures and business processes. A special Information Security Committee, consisting of the key figures involved in managing cyber risk (2), has been appointed with the mission of defining the strategic and operational Cyber Security objectives, of coordinating the main initiatives undertaken, and of examining and approving policies, operating procedures and instructions. The Committee is convened on a periodic basis (twice a year) and in any case upon the occurrence of any extraordinary events or crises. Lastly, specific e-learning training sessions have been provided to all the Group's IT staff with the aim of raising their awareness of this issue.

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

LEGAL AND COMPLIANCE RISKS

Compliance risks associated with Code of Ethics, Policies and Procedures

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

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

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

In today's increasingly globalised business environment, with a proliferation of channels and ways to access information, as well as growth in the volume and types of data managed, Prysmian is addressing the various data management issues, ranging from compliance with recent legislation to defence against potential threats to confidentiality, integrity and availability of information.

Accordingly, it is fundamental to have an overall view when managing sensitive information, not only with respect to regulatory compliance - as described in the Group's Annual Report, under Risk Factors and Uncertainties - but also with respect to security and business priorities.

Furthermore, Europe's General Data Protection Regulation (GDPR), which came into force in May 2018, has now become one of the main reference points for a renewed commitment to data protection, particularly personal data.

The personal data protection program adopted by Prysmian is based on the following key elements, involving the entire corporate structure:

- Implementation of a data-based model, through mapping the personal data processed by company departments and keeping a record of processing activities;
- Definition of a governance model, intended to comply with the requirements of the GDPR and other emerging data protection regulations, featuring:
  - an organisational structure under which the Data Protection Officer (DPO) serves in an advisory and monitoring capacity where personal data management is concerned, with the duties and related responsibilities delegated to those materially engaged in data processing activities;
- A set of policies and documents supporting the model (company policies, disclosure statements, internal appointments, clauses applicable to suppliers, etc.);
- Adoption of appropriate technical and organisational measures to ensure a level of security appropriate to the risk, also with the help of new tools such as Data Protection Impact Assessment introduced by the GDPR;
- Definition of communication and training material specifically for those parties identified within the data protection organisational model, so that all the parties involved are aware of the revised regulatory requirements and take steps to fulfil them;

- Review of video surveillance systems, with particular reference to the new European guidelines and the regulations applicable in Italy.

Monitoring and support has been provided to Prysmian's many European legal entities in applying the model to ensure its consistent application and the establishment of an internationally shared corporate culture in this regard.

The activities to comply with the recent European legislation will be capitalised on as much as possible in the compliance activities required by other national regulations, including the *"Ley General de Proteccion de Datos"* which is about to become applicable in Brazil and is based on the same principles.

Following the acquisition of General Cable, a process of monitoring and support was initiated to roll out Prysmian's centrally-defined data protection model to the newly acquired legal entities, again with the aim of implementing a data protection model that is as uniform, consistent and compliant as possible with the GDPR rules and the new data protection regulations applicable to Prysmian.

Risks of non-compliance with anti-bribery legislation

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

The Group's business model, with a global presence in over 50 countries and a multitude of product applications, brings it into constant contact with numerous third parties (suppliers, intermediaries, agents and customers). In particular, the management of large international projects in the Energy (submarine and high voltage) and Oil & Gas businesses involves having business relationships even in countries with a potential risk of corruption (as per the Corruption Perception Index [3]), often through local commercial agents and public officials.

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

In continuity with the previous year, Prysmian Group moved forward in 2019 with the activities defined in its Anti-Bribery Compliance Program, inspired by the ISO 37001 guidelines for Anti-bribery management systems, published on 15 October 2016 and intended to strengthen its monitoring of and focus on compliance issues. This program, in addition to providing greater control over the management of bribery risk, also aims to minimise the risk of punishment if crimes of corruption are committed by employees or third parties. The core of the ISO 37001 standard is the control of third parties (suppliers, intermediaries, agents and customers) through a due diligence system designed to reveal any critical issues or negative events that undermine the reputation of third parties with whom Prysmian Group deals.

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

In this regard, it is noted that in 2019 the Group implemented a "Third Party Program", a new Group Policy aimed at preventing and managing the risk of corruption arising from relationships with third parties (such as distributor agents, and certain categories of suppliers). In particular, prior to establishing any business relationship with third parties, it is mandatory to perform - through a dedicated online platform - due diligence checks on the third party. As a result, each third party receives a risk rating (high, medium, low) and is consequently submitted to an approval process, differing according to the level of risk.

Following the acquisition of General Cable, Prysmian Group's Anti-Bribery Compliance Program has been updated and expanded to include the additional activities in this area envisaged by the General Cable Compliance Program.

In addition, during 2019 General Cable and Prysmian's compliance policies were revised, updated and merged in order to have single documents valid for the entire Group.

With specific reference to the anti-bribery program, the relevant Policy and the Policy on Gifts and Entertainment Expenses were both revised.

Lastly, in line with the Group's ongoing commitment to ensure that the financial and personal interests of its employees and consultants do not conflict with the ability to perform their duties in a professional, ethical and transparent manner, a new policy on Conflict of Interest was issued in 2019.

The new policy requires all employees and consultants to disclose all potential conflicts of interest, which will then be duly analysed and evaluated in order to agree on any necessary corrective actions to mitigate or eliminate the conflict.

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

Risks of non-compliance with antitrust law

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

In keeping with the priorities identified by the ERM process, the Board of Directors has adopted an Antitrust Code of Conduct that all Group employees, Directors and managers are required to know and observe in the conduct of their duties and in their dealings with third parties.

Like with other Policies, following the acquisition of General Cable, the Antitrust Code of Conduct has also been updated in order to have a single document, valid for the entire Prysmian Group and designed to provide an overview of the problems associated with applying antitrust law and the consequent standards of conduct to follow.

In addition, more detailed documents on the antitrust regulations in force in the European Union and North America have been adopted.

The Antitrust Code of Conduct is an integral part of the training program and is intended to provide an overview of the issues concerning application of EU and Italian competition law on collusive practices and abuse of dominant positions, within which specific situations are assessed on a case-by-case basis. These activities represent a further step in establishing an "antitrust culture" within the Group by promoting knowledge and heightening individual accountability for professional duties arising under antitrust legislation. In this context, specific classroom training continued in 2019, mostly for the Group's sales force and organised in collaboration with external lecturers and legal advisors, as did e-learning modules, available on the company intranet and aimed at continuously supporting and raising awareness of and attention to this issue.

With regard to the antitrust investigations still in progress, details of which can be found in Note 14. Provisions for risks and charges in the Explanatory Notes to the Consolidated Financial Statements, the Group has a provision for risks and charges as at 31 December 2019 of approximately Euro 223 million. Despite the uncertainty of the outcome of the investigations in progress and potential legal action by customers as a result of the European Commission's decision adopted in April 2014, as described in the Explanatory Notes (Note 14. Provisions for risks and charges), the amount of this provision is considered to represent the best estimate of the liability based on the information now available.

Brexit risks

In June 2016 the UK electorate voted in a referendum to withdraw from the European Union (EU). In January 2020 the UK Parliament passed the Withdrawal Agreement Bill setting out the terms of Brexit. Since the referendum vote, uncertainty surrounding Brexit has reduced the level of investment in the UK and suppressed GDP growth. Although a withdrawal agreement has now been negotiated in principle, uncertainty will continue to effect investments and consumption, which consequently will impact company profitability. The risk of a no deal Brexit still remains if a long-term relationship agreement is not successfully negotiated; this risk is expected to generate a significant negative impact for UK demand and investments in the medium term with a limited impact also at EU level.

Business interruption risk due to the COVID-19 coronavirus

Since January 2020, the spread in China of the new coronavirus, known as COVID-19, has had a significant impact on the country's manufacturing and commercial activities and consequently also on its imports from and exports to the rest of the world due to restrictions on the movement of people and goods.

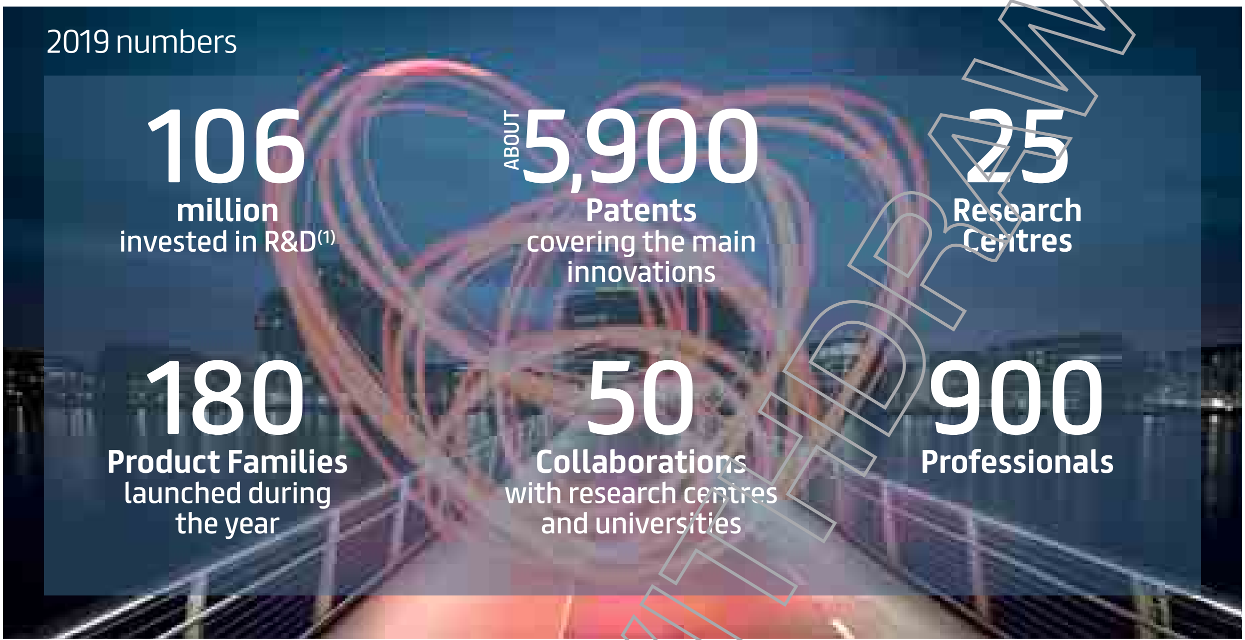
The Group has adopted the highest possible standards of safety and monitoring to manage and control the advance of COVID-19. In particular, it has put mitigation actions in place to protect employees, involving stepped up health and hygiene procedures, especially in the most affected areas of China and Northern Italy. The Group has promoted remote working and to date no employees are infected and all the plants of its subsidiaries are open and operational (including those in China and Northern Italy). Therefore, no significant interruption has been recorded in either production or activities involving the supply chain. In addition, a crisis committee has been set up to review the situation on a daily basis.

It cannot be ruled out that the evolution of events both in China and the rest of the world may have significant effects. With regard to the associate YOFC, we are unable to make any risk assessment in the absence of public information about it.

PLANNING AND REPORTING RISKS

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

Sustainable innovation



A total of 900 professionals are dedicated to innovation in 25 R&D centres throughout the world. The R&D headquarter is based in Milan, next to the HQ of the Prysmian Group.

Prysmian Group is committed to giving customers – mainly telco operators and utilities – the best cabled infrastructure solutions with the best possible performance in the field.

The role of cables - from those for low, medium and high voltage electricity, to those for special applications and communications, and to cables for the transmission and distribution of data and telephony services - is crucial, given that by meeting ever more sophisticated requirements they make possible the transmission of power and data.

The Group focuses on increasing the efficiency and reliability of the transmission and distribution of energy from renewable sources, reducing at the same time the total cost of cabling solutions for our customers.

At the same time, the Group is also committed to the development of technological innovations that lower energy and water consumption and reduce the greenhouse gas emissions of our manufacturing facilities. These projects deliver improved productivity and lower the consumption of materials, thus reducing the environmental impact of products.

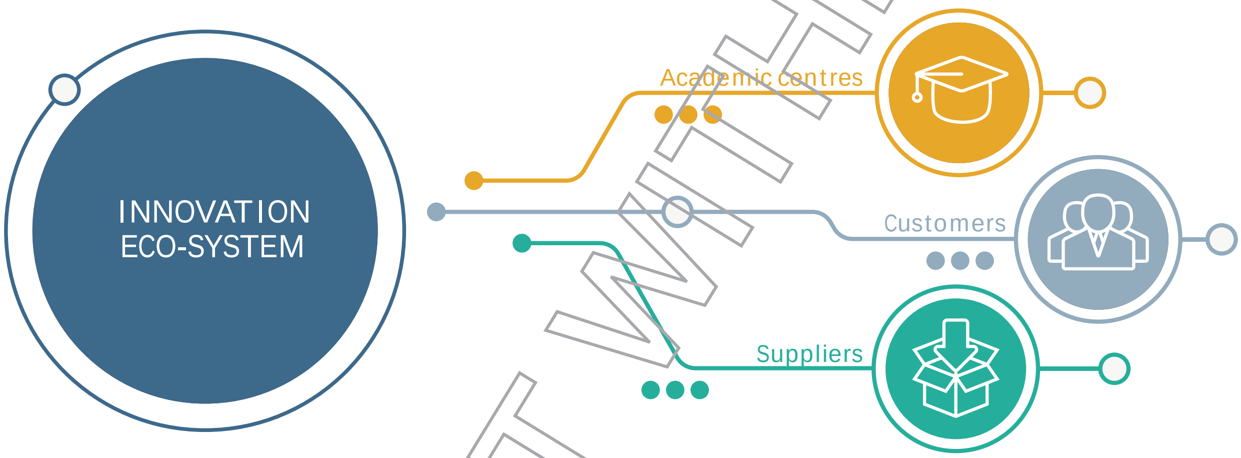
The Design to Cost (DTC) programme represents a tangible initial example of this orientation. Using the best materials, adopting efficient processes and implementing innovative projects, this programme has achieved cost savings totalling more than Euro 45 million, with more than 1,300 projects completed at our manufacturing plants during 2019.

(1) Euro 96 million in operating expenses and Euro 10 million in investment expenditure.

INNOVATION ECO-SYSTEM

When carrying out research, the Prysmian Group is aware that today - as evidenced by the SDGs - it is essential to develop partnerships with all relevant stakeholders : from the academic world to independent research centres, from suppliers and all supply chain counterparties to our customers, whose collaboration and feedback are extremely important for the identification of those requirements that need the greatest attention.

Accordingly, in order to work on innovation and carry out research, the Prysmian Group has created an eco-system in close contact with customers and suppliers, as well as with the best universities in the world, in order to focus the objectives when releasing synergies and collaborating in the areas of innovation of greatest interest for their environmental impact and the evolution of the sector.



PARTNERSHIPS

Prysmian and General Cable have established consolidated collaborative relations with more than 50 major universities and research centres around the world. These collaborations, strategic for the Prysmian Group, support cutting-edge technological research and allow the adoption of state-of-the-art innovations in all areas relevant to the wire and cable industry.

Among the numerous collaborations, those with the following bodies are particularly worthy of mention:

Politecnico di Milano (Italy)

Università degli Studi di Milano, Genova, Salerno, Palermo and Padova (Italy)

National Electrical Energy Research & Application Center (USA)

National Science Foundation High Voltage and Temperature IUCRC (USA)

Rice University (USA)

Purdue University (USA)

University of Cincinnati (USA)

Massachusetts Institute of Technology (USA)

Georgia Institute of Technology (USA)

University of South Carolina (USA)

University of Central Florida (USA)

Electric Power Research Institute (USA)

Oak Ridge National Laboratory (USA)

University of Quebec at Chicoutimi (Canada)

Centro de Pesquisa e Desenvolvimentoem Telecomunicações (Brazil)

Universidade de São Paulo (Brazil)

Universitat Politecnica de Catalunya (Spain)

Shanghai TICW (China)

National Chemical Laboratory (India)

Infosys Advanced Engineering Laboratory (India)

University of Applied Science Südwestfalen (Germany)

Fraunhofer Institute (Germany)

University of Lille 1 (France)

Nokia Bell Labs USA and (France)

University of Strasbourg (France)

Technical University of Eindhoven (Holland)

Nano Carbon Enhanced Materials Consortium (United Kingdom)

Norner (Norway)

The specific research carried out in 2019 includes:

- together with Rice University, the Company is striving to create an inter-sector consortium called CarbonHub and a think tank for obtaining clean energy from the hydrogen and advanced carbon materials that are co-produced efficiently and sustainably from natural gas and petroleum;
- together with the Fraunhofer Institute, we have developed optical fibre sensors based on Fibre Bragg Gratings;
- together with Università di Padova, we have perfected new materials that can be extruded for the insulation of fire-resistant cables, as a replacement for mica tapes;
- together with Politecnico di Milano and the University of Lille, we have developed a coating for optical fibres using bio-derived raw materials;
- together within the University of Strasbourg, we have obtained a good understanding of the mechanism for the decomposition of polymers during fires, which will provide a basis for developing a new line of LSOH compounds;
- together with Università di Palermo, we are working on the advanced characterisation and testing of high voltage cables and materials.

SPEAKING PLATFORMS

In the context of sharing the direction of research and best practices, the Prysmian Group and its managers have attended the most important international conferences held around the world, with a view of illustrating the active role played by the Group in guiding the changes currently under way.

In particular:

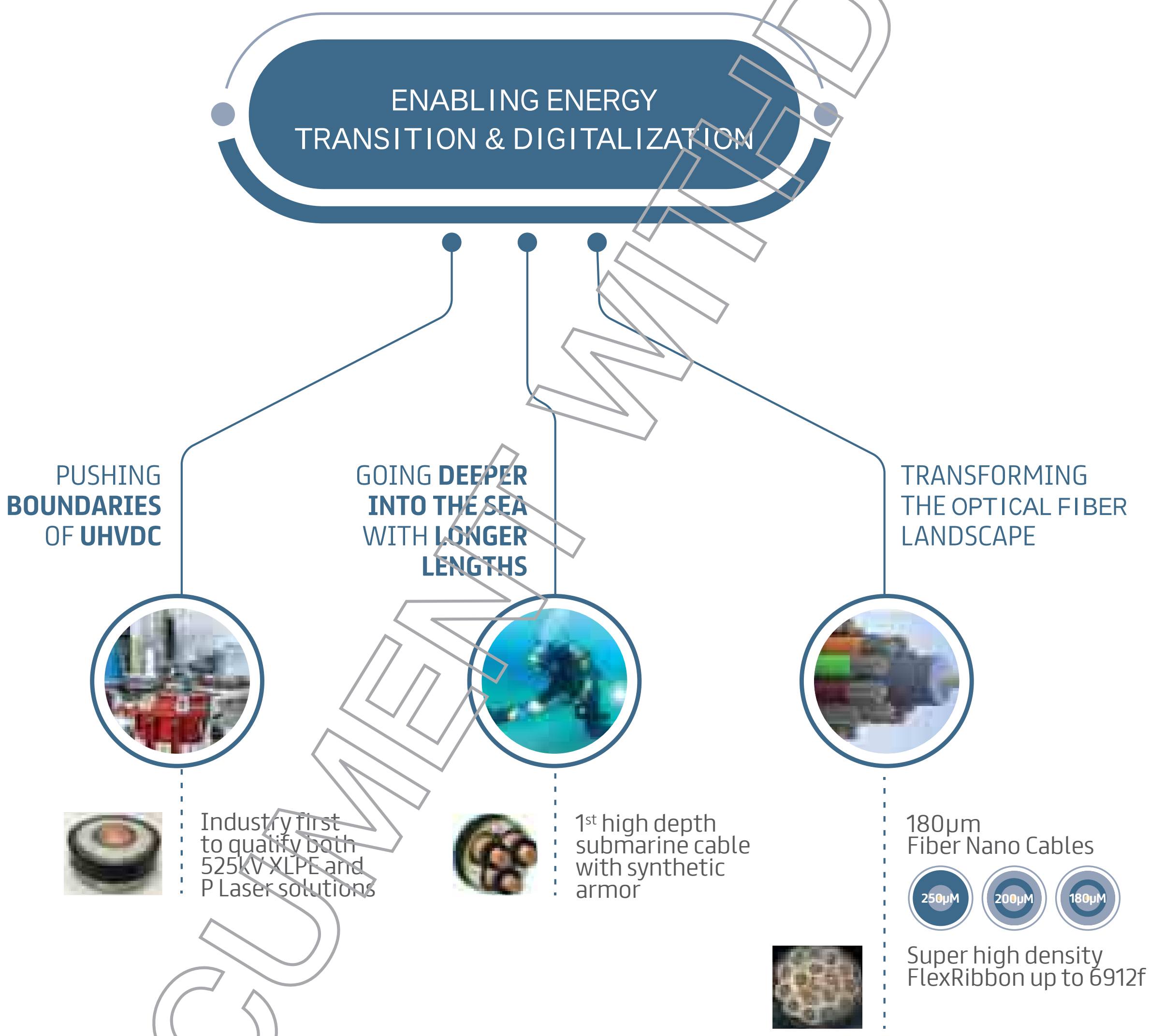
- OFC (Optical Fibre Conference), San Diego March 2019: attended with technical papers on optical fibres;
- FTTH Council Europe Conference, Amsterdam March 2019: speaking slot on telecom connectivity;
- NExsT Forum, New York, April 2019: event organised by Prysmian Group on the evolution of 5G in North America;
- IWCS (International Wire & Cables Symposium), Providence United States, October 2019: attended with technical papers on optical cables;
- CRU World Optical Fibre & Cable conference, Charlotte November 2019: presentation on future digital developments;
- Wind Europe Offshore 2019 (Copenhagen 2019): participation in the panel session on "How to deliver 450 GW by 2050";
- Wind Europe Conference & Exhibition 2019 (Bilbao 2019): participation at the Thought Leaders Forum, in the context of the session on "Innovation in subsea cables".

R&D BY THE PRYSMIAN GROUP: THE FOCUS

Core areas

The main aspect guiding the strategy of the Prysmian Group is the need to concentrate on factors that facilitate the development of cabled infrastructures for the transportation of electricity and information that, today, are essential elements in all current transformations of society, from the new electric mobility to smart cities, from the expansion of 5G to the use of artificial intelligence to collect and interpret data, and much more.

The ever more advanced search for EHV electricity transmission systems that can be buried, for longer and more efficient cables that can be laid at greater depth, for optical fibre solutions that can contain the largest number of cables in a miniaturised space and that can be used easily in the field, are therefore core areas in which the majority of the investment made by the Group is dedicated.



P-LASER SOLUTION. the first technology for fully-recyclable cables with top performance in terms of power and cost reduction

P-Laser power transmission and distribution cables provide an innovative solution that is more reliable and ecological. These cable systems are designed to provide optimal technical solutions for high power transmissions over long distances with minimal ground occupancy. P-Laser is the first technology for ecological, fully-recyclable high performance cables that use a "zero gas" process to reduce CO_2 emissions up to 30%.

This innovation also has strategic importance in the field of HVDC (high voltage direct current) cables, allowing the maximum level of transmissible power to reach 3.5 GW per dipole, with cost reductions up to 30% per MW transmitted. P-Laser cable is based on the use of a thermoplastic material patented by the Group, with a simplified production process and lower environmental impact than traditional cables insulated with cross-linked polyethylene. The cables can be produced continuously by a single process and no chemical reactions are required to obtain the highly stable electrical properties needed for HVDC systems, thus shortened production times and, consequently, the consumption of energy and related gas emissions. The application of P-Laser technology to underground and subsea HVDC cable systems is a first in the cables industry.

High depth submarine cables with synthetic armor

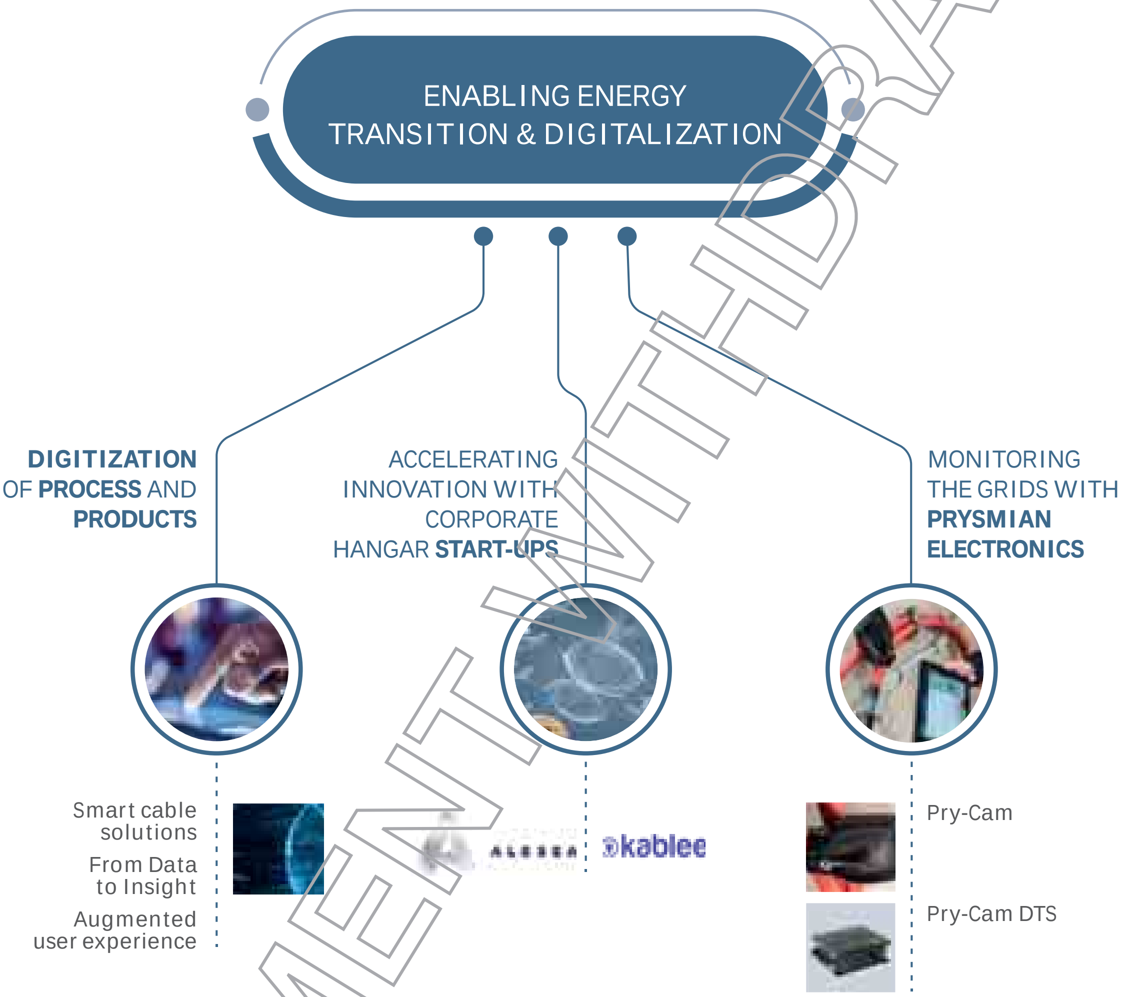
Submarine cables are now one of the most important factors for the energy transition. The production of electricity from renewable sources and the interconnection of grids are two main areas of massive development for subsea energy connections. Prysmian is achieving a new record in this field, with a new cable reinforced by synthetic armor that is about 30% lighter than the equivalent steel solution. The Group is using this new technology for the Cycladic Islands project, which involves the design, supply and installation of two HVAC cables, as well as the related land-based civil works. The system will increase energy transmission between the Cycladic Islands, ensuring solidity, reliability and sustainability.

BendBright^{XS} 180µm - the first bend insensitive fibre in the world

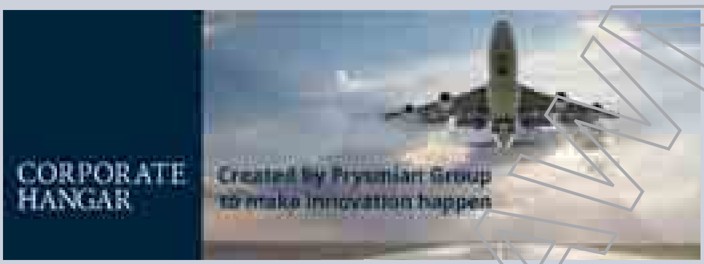
Prysmian has introduced a revolutionary innovation for the development of broadband telecommunications: the first bend insensitive fibre in the world, with a diameter of 180 microns that allows cable miniaturisation at a level never achieved before. Optical fibre cables bend insensitive are, in fact, a crucial part of the global transition to flexible and reliable connectivity. The large number of fibres and reduced diameter make installation quicker and cheaper. This innovation confirms the commitment of Prysmian to support the evolution of high density optical networks.

Another three areas of innovation

Prysmian Electronics, Corporate Hangar and the new area known as Digital Ambition represent further important areas of innovation. Prysmian Electronics has a vast range of sensors and monitoring systems for checking the grid and sending warning signals to our customers. Corporate Hangar is an accelerator of innovation that seeks to generate two start-ups every year in fields adjacent or complementary to the core business of Prysmian. Lastly, the Digital Ambition area strives to optimise business performance using digital solutions and develop new digital products that add value to the growth of the Group.



Corporate Hangar: infrastructure for open innovation by Prysmian Group



Corporate Hangar is an accelerator that supports the open innovation objectives of the Group, combining business modelling and strategic skills with the technical know-how provided by Prysmian Group employees.

After laying the groundwork for growth during 2018, Corporate Hangar and Prysmian Group founded the first two start-ups in 2019: Alesea, which provides virtual support for the management of drums and cables, and Kablee, an e-commerce platform for cables, which supports development of the business in new areas. The two initiatives are currently being developed at the Corporate Hanger accelerator, whose innovation pipeline comprises more than 10 additional ideas, including a full suite of services for operators in the field of renewable energy. Together with a network of external partners, Corporate Hanger is carrying out various research projects linked to the production of bioplastics and the creation of materials from the waste generated by industrial processes (e.g. the paper recycling process, the production of tequila) or from other green sources (e.g. bamboo), in order to make new, green and sustainable materials available (e.g. for drums). The end objective is to provide the Prysmian Group with alternatives for logistics and packaging that have a lower environmental impact, benefiting from the growth opportunities that derive from the more circular use of resources.

Alesea: intelligent virtual assistant for managing cable drums

Alesea is an IoT solution that provides virtual support for the management of drums. The system comprises an intelligent device installed on the drums, a cloud infrastructure for filing and processing data, and an intuitive web platform that indicates the location of the drums and the remaining quantity of cable on each. This complete inventory management service helps to reduce the overall cost of cable management, due to the better use of assets, greater operational efficiency, optimised logistics and the minimisation of waste, cable scrap and environmental impact. Since formal establishment in September 2019, more than 1,000 Alesea devices have been involved in pilot projects in Sweden, Finland, the United Kingdom, the Netherlands, Italy and now the United States, with the full commercial roll-out due to begin during the first quarter of 2020.

INNOVATION CONTEST: 500 ideas from all over the world

Supported by Corporate Hanger, Prysmian Group launched the first global innovation contest in spring 2019. Prysmian Group sales and R&D teams were eligible to participate in the innovation contest. Regardless of their roles in the corporate hierarchy, employees were invited to submit innovative ideas and solutions, relying on their profound knowledge of customer requirements and the Group's production processes.

By involving the global community, the purpose of the contest was to gather, select and develop innovative ideas that could strengthen the activities of the Group.

The contest was structured into 4 categories, each assigned to an internal Innovation Champion: Smart Solutions, Servitization, Sustainability and Out of the Box. The innovation contest was a great success, with almost 500 ideas submitted from all geographical areas.

NEW PRODUCTS INTRODUCTION (NPI)

The introduction of new products is tracked using an NPI vitality tool that measures the revenues generated from new products introduced in the last 3 years as a proportion of total revenues from all Group products. The main purpose of this tool is to increase awareness of the growing importance of innovation as a success factor and of the development of new products as a driver for improving the performance of the organisation. The merger with General Cable in 2018 consolidated our ability to create innovation in support of the R&D area and to develop new solutions that satisfy the greatest expectations of our customers, creating value for the Group.

The overall results of the Group were analysed in 2019 (without distinguishing between Prysmian and General Cable), identifying that the integration with General Cable has enhanced the focus on efficiency and technological innovation, with a strong contribution from the 866 new product families active in the third quarter of 2019, of which 51 were designed by General Cable North America.

The Group's new products generated Euro 800 million through Q3 2019, compared to Euro 496 million through Q3 2018. The NPI vitality increased from 10.1% in Q3 2018 to 12.3% in Q3 2019 - led by North America and the Telecom area.

The merger of PG and GCC has created a world leader in the supply of cables and systems for energy and telecommunications, with the following statistics:

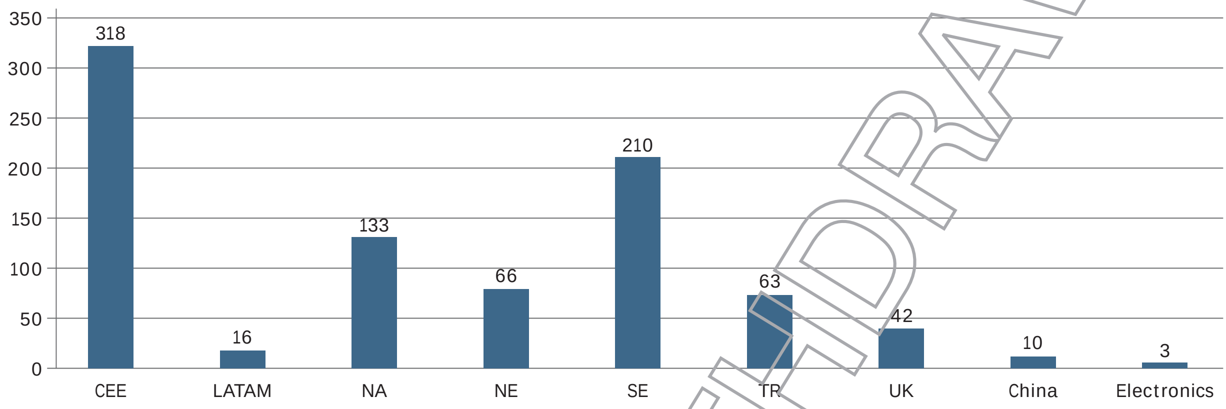
over **80** new products in the innovation category

over **500** new products in the product development category

The huge increase in the innovation category was due to the integration of General Cable NA (in innovation terms, sales of Euro 67 million), with overall growth of 2.0% (+1.4% with respect to Q3 2018).

The good results of the product development category were principally attributable to the Trade & Installers BU (49% of the entire category), up from 7.7% in Q3 2018 to 8.4% in the same quarter of 2019.

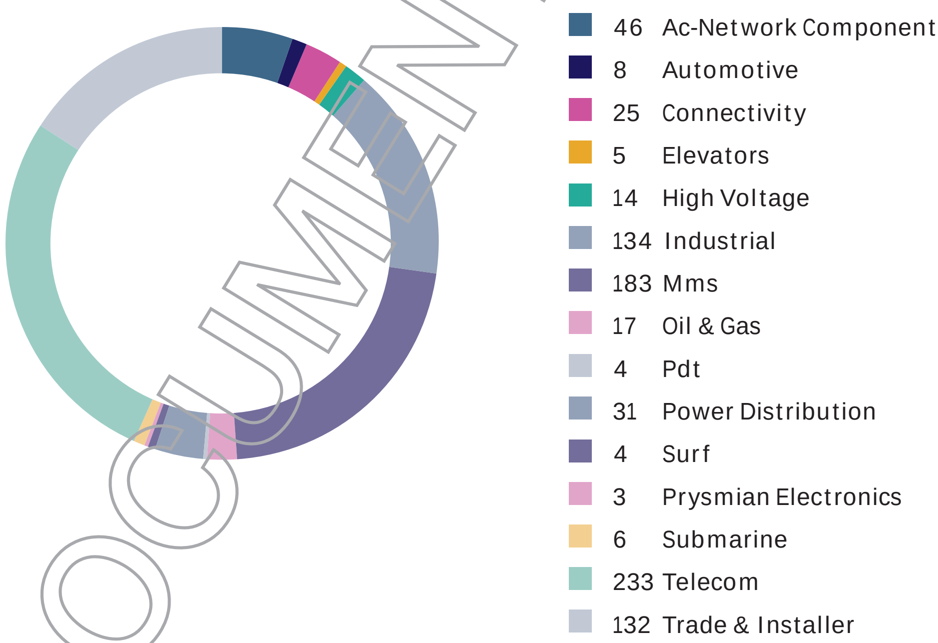
OVERALL NP RESULT - 2019 ACTIVE NEW PRODUCT FAMILIES BY REGION



Total

Number of families **866**

OVERALL NP RESULT - 2019 ACTIVE NEW PRODUCT FAMILIES BY BUSINESS UNIT



INNOVATIVE MATERIALS

Prysmian Group invests in advanced research to push the boundaries of innovation in the context of materials and surface science for the production of cables and accessories. The main results achieved during 2019 include:

- development of lead-free insulating compounds for SPEED line HV accessories; materials already tested on model cables in the laboratory, with moulding planned at the Livorno plant;
- complete industrialisation of a new sheathing material for the Oil & Gas sector, which will reduce costs due to an improved resistance to oils with respect to the original compound;
- new PVC formulations with improved flame-resistant properties, enabling the Giovinazzo plant to produce smaller and more competitive cables;
- development of a new LS0H compound for the sheathing of low voltage cables, able to significantly improve the speed of extrusion without affecting cable performance;
- development of a new class of compounds without halogens but with flame retardant properties, intended to be lighter with improved performance; in-depth analysis of the combustion mechanism, to better understand the phenomenon and produce compounds whose performance reflects those concepts;
- development of a new method for measuring the conductivity of gases produced by the combustion of mica glass tapes and compounds for fire-resistant cables consistent with the type of materials used in this application. This will be used scrupulously to understand the reliability of measurements and their applicability in predicting the quality of a material;
- in the field of low-weight submarine reinforcements, collaboration continues with a producer of ultra-high molecular weight polyethylene (UHMWPE) fibres, while the industrialisation of aramid fibre reinforcements has been completed;
- research into a new formulation for the coating of optical fibres using ecologically sustainable raw materials has been completed. The performance of the primary coating is good, while that of the secondary coating still needs improvement;
- completion of the assessment of polyamids, with the introduction of a new class and the start of evaluation work on a new type of polymer with an improved environmental impact, to replace PA for the sheathing of optical cables and electric cables;
- evaluation of nanocarbon structures, such as carbon nanotubes (CNTs) and graphene, to replace metal as lightweight high performance conductors.

RATIONALISATION AND MANAGEMENT OF MATERIALS

Work on the approval of alternative materials, especially those of major technical or commercial importance, is continuing throughout the Group to reduce the use of single suppliers. The new version for the preparation of supply specifications (PrySpec) is currently being introduced in all countries where the Group operates. In addition, the compounds database (CompounDS) has been supplemented by including all compounds normally purchased by the Group. A new formulations database has been created to manage more effectively the use and distribution of compounds at Group level.

MONITORING OF HAZARDOUS SUBSTANCES

Development work is progressing in France on a system for the monitoring of hazardous substances, with a view to report their presence (classified in accordance with the REACH/RoHS regulations) in all products managed using CA/SAP, and warning about any concentration of hazardous substances that exceeds the maximum allowed threshold. The system is based on a special routine developed in SAP that makes possible to carry out a detailed analysis of the materials (BOM) comprising the product and identify any hazardous substances. This analysis is made possible by applying a specific flag to the raw materials used to produce cables, in a given country, which contains an hazardous substance. Obviously enough, the first task is to gather the necessary information from suppliers about the possible presence of hazardous substances in their raw materials. This information can be obtained from the material safety data sheets (MSDS) or from a specific declaration released by the supplier.

The system is already in use in France and can provide this type of information, on demand, for a specific product or a limited series of products. If the concentration of hazardous materials exceeds the maximum allowed threshold, a specific declaration is prepared for the end customer.

The system is now being extended to other countries in southern Europe (Italy and Spain) and to Germany. These countries are currently collecting information from the suppliers of raw materials, with a view to activating the SAP system in early 2020. This new SAP system may also be applied in other regions/countries during 2020.

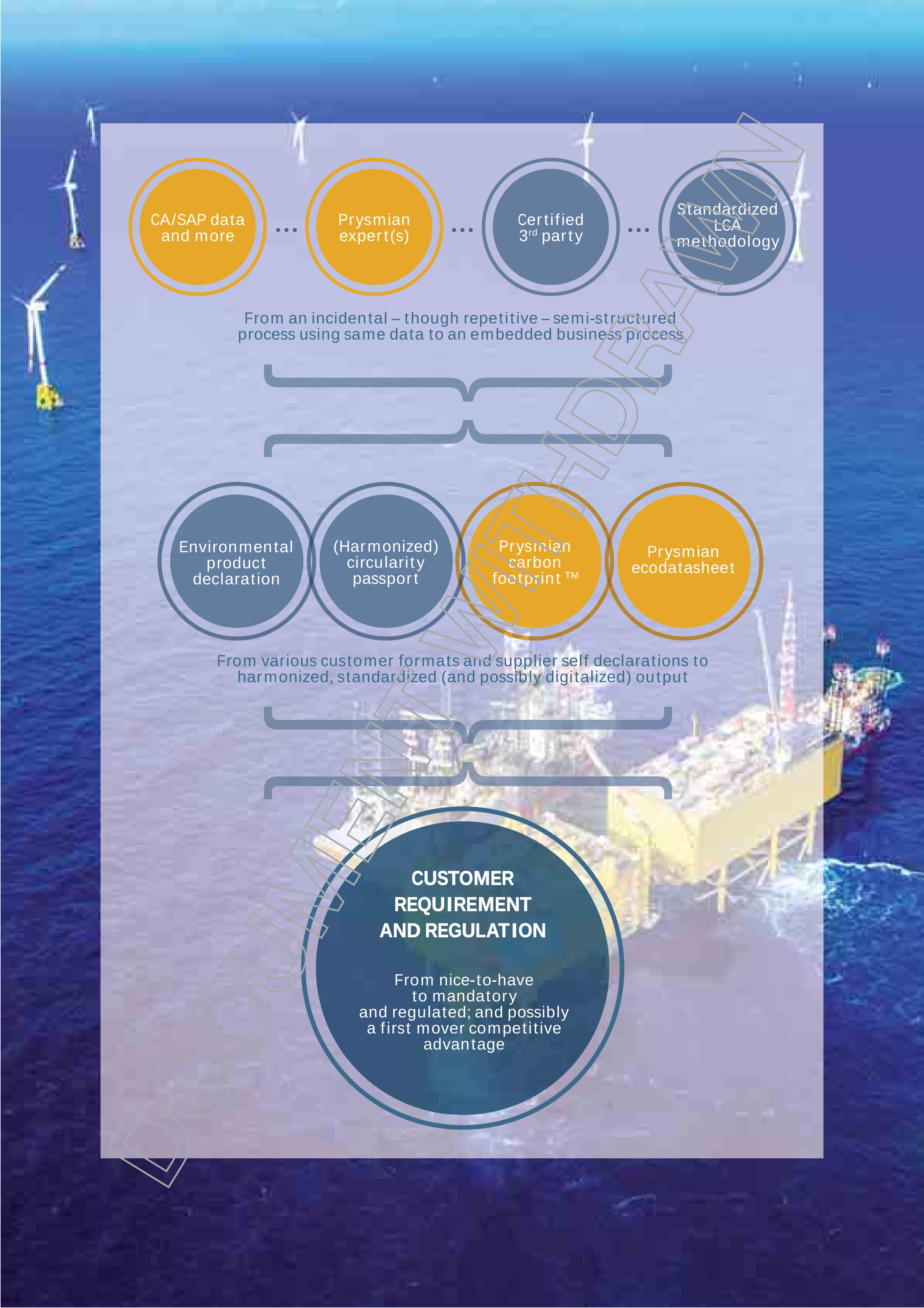
CARBON FOOTPRINT (CFP)

The new functionality added to the cable design system – the Common Analisi platform - makes possible to calculate the environmental parameters of each product and is applicable in full within the pre-existing Prysmian Group perimeter. There are two outcomes: carbon footprint and recycling potential. The CFP is expressed in kgs of CO_2 associated with the standard length (1 km) of the cable and includes the impact of the materials and processes. The recycling potential of the raw materials used to produce the cable is calculated, considering the portion recoverable at the end-of-life and the portion that will have to be treated as waste or incinerated. The new functionality, proprietary to Prysmian, is currently being extended to the General Cable area, where the Common Analisi and SAP1 Client platforms are being implemented. This includes, in particular, the Iberian peninsula, Brazil (operational from July 2019), France and Chile (scheduled for year end). For the remaining areas, especially GCC NA, the new functionality will be included in Cable Builder, the software that (by 2022) will become the cable design tool for the entire Company.

The CFP data for materials obtained from the new version of the Ecoinvent database (Ecoinvent 3.3) was input to the Common Analisi platform in January 2019, replacing the CFP data obtained from the previous version (Ecoinvent 3.2).

Based on the CA calculations, environmental certification has been obtained for a series of cables produced for a global operator of power grids (DSO), which is currently adding the environmental impact of cables to its supplier classification criteria. This process has been tackled in Italy, Spain and the LATAM countries, in particular. Specifically, in Argentina, Brazil, Chile and Colombia, ISO 14067:2018 certification of the carbon footprint of low and medium voltage cables has been awarded by third-party agencies (SGS and INCOTEC).

The above represents a fundamental initial step towards general regulation of the environmental impact and sustainability of commodities, which can only be implemented in full when the entire value chain achieves a significantly greater level of awareness.


CA/SAP data and more
Prysmian expert(s)
Certified 3rd party
Standardized LCA methodology
From an incidental – though repetitive – semi-structured process using same data to an embedded business process
Environmental product declaration
(Harmonized) circularity passport
Prysmian carbon footprint ™
Prysmian ecodatasheet
From various customer formats and supplier self declarations to harmonized, standardized (and possibly digitalized) output
CUSTOMER REQUIREMENT AND REGULATION
From nice-to-have to mandatory and regulated; and possibly a first mover competitive advantage

Protection of intellectual property

Protecting the portfolio of patents and trademarks is a key part of the Group's business, particularly in relation to its strategy of growth in high-tech market segments. The Group filed new patent applications during the year, especially in segments with higher added value and in support of the significant investments made in recent years. At 31 December 2019, the Prysmian Group has a larger number of patents and patent applications under examination globally than in the prior year. This is because more patents were filed than those that expired or were abandoned because no longer of interest.

The number of inventions covered by at least one patent or patent application has increased slightly. The rise was greater in the Energy sector, with a slight decline in the Telecom sector. This statistic reflects a good increase in the number of inventions in the Energy sector, which offset the number of patents that expired or were abandoned. There was a slight fall in the number of inventions covered by at least one patent or patent application in the Telecom sector, which has historically owned a larger number of inventions than the Energy sector, because the portfolio of Telecom patents comprises a considerable number of old patents that resulted from the earlier rush to patent optical fibre technologies.

A total of 41 patent applications were filed during 2019, of which 17 relating to the Energy sector and 24 to the Telecom sector. The reduction in the number of new filings is a natural effect of the merger of Prysmian Group and General Cable. This decline was also noted in the past, when Prysmian absorbed Draka.

The number of patents granted during the year was essentially the same as in the prior year, with an increase in those granted by the US patents office. In view of the different examination procedures followed in the various countries/regions and their timing, no significant conclusions can be drawn from the above information.

Prysmian Group owns a significant number of trademarks deriving from the pre-existing Prysmian Group and the pre-existing General Cable group. This portfolio is currently being revised and optimised, in line with the brand protection policies adopted by the Prysmian Group following the merger.

As a consequence, the total number of trademarks and registrations fell in 2019. The trademarks of the Prysmian Group protect the main brands and the most important products, typically involving specific characteristics or production processes that enable them to be identified in the marketplace and guarantee their uniqueness.

IP HIGHLIGHTS	2019	2018
Patents and patent applications filed	5,881	5,627
Inventions covered by patents and patent applications filed	857	854
Inventions linked to the Energy Products and Projects segment	317	294
Inventions linked to the Telecom segment	540	560
Patent applications filed during the year	41	61
Patent applications in the Energy Products and Projects segment	17	29
Patent applications in the Telecom segment	24	27
Patents granted during the year	217	200
Patents granted by the European Patent Office (EPO)	45	54
Patents granted in the USA	49	31
Number of trademarks owned	927	1,105
Number of registrations	4,769	5,167

Incentive plans

LONG-TERM INCENTIVE PLAN 2018-2020

In light of the effects of the Western Link project on the Group's results, the Board of Directors has decided, as recommended by the Compensation, Nominations and Sustainability Committee, to revoke the long-term incentive plan 2018-2020 approved by the Shareholders' Meeting on 12 April 2018. At the Committee's recommendation, the Board will present the forthcoming Shareholders' Meeting with a proposal to adopt a long-term incentive plan structured in accordance with best market practices.

As a result of this decision, the 2019 MBO has been recognised in profit or loss for the year since it will no longer be co-invested following the long-term incentive plan's revocation.

This has had the result of raising personnel costs by Euro 12 million, reflecting the combined effect of recognising the 2019 MBO of Euro 15 million and reversing the fair value of stock options for Euro 3 million.

Business outlook

The global macroeconomic scenario has slowed progressively in the course of 2019. After a positive year-start, trade tensions, above all between the United States and China, have gradually intensified, giving rise to significant tariff increases between the two countries and resulting in a general decline in business sentiment at the global level. According to the International Monetary Fund's latest estimates, global growth in 2019 is expected to reach 2.9%, the lowest level of the last ten years. The expansion of international economic activity is being slowed by a number of factors of uncertainty and risk, such as the outcome of the trade war between the United States and China, possible commercial tensions in addition to those between the US and China, the recent developments relating to the COVID-19 virus and its impact on the global economy, and the circumstances under which the process of the United Kingdom's departure from the European Union will be concluded.

Within this macroeconomic scenario, Prysmian Group expects that the uptrend seen in North and South America in 2019 will continue in 2020. In the Submarine Cables and Systems business, the Group is committed to confirming its leadership in a market expected to grow in the coming years, thanks in part to the development of the offshore wind farms required for renewable energy in support of the energy transition. In the Projects business, in the light of the excellent order intake achieved in 2019, the Group expects its results to improve slightly on the previous year, with more significant growth expected starting in 2021, when the projects acquired in 2019 will reach a more advanced stage of execution. In the Telecom business, the Group expects that the slowdown that began in the second half of the year will continue in 2020, with results affected by lower volumes, pressure on prices and recent events in China. In addition, the translation effect resulting from the conversion of the subsidiaries' results into the reporting currency used in the consolidated accounts is expected to generate a neutral impact on the Group's operating performance. Finally, the synergies resulting from the integration with General Cable continued to prove excellent. The goal is to reach cumulative synergies of Euro 175 million by 2021 (of which Euro 155 million by the end of 2020).

In light of the foregoing, the Group expects to achieve an Adjusted EBITDA for FY 2020 in the range of Euro 950-1,020 million. The Group also expects to generate cash flows of approximately Euro 330 million ± 10% (FCF before acquisitions & disposals) in 2020. This figure includes the planned outlay of approximately Euro 85 million relating to the restructuring and integration activities. This projection is based on the Company's current business scope and does not include the impacts that the ongoing developments relating to the COVID-19 virus may have on business performance. The projection also assumes that the contribution by the subsidiary YOFC will remain stable in 2020, in the absence of public information from the said company regarding its expected results for the current year..

Other information

Related party transactions

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

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

Information about related party transactions, including that required by the Consob Communication dated 28 July 2006, is presented in Note 33 to the Consolidated Financial Statements at 31 December 2019.

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 2019.

Secondary offices and key corporate information

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

Financial risk management

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

Treasury shares

Information about treasury shares can be found in Note 11 to the Consolidated Financial Statements at 31 December 2019.

Certification pursuant to art. 262 of the Italian Stock Exchange market regulations

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

Milan, 5 March 2020

ON BEHALF OF THE BOARD OF DIRECTORS

THE CHAIRMAN

Claudio De Conto

02

GROUP ANNUAL REPORT

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Euro/million)

	Note	31.12.2019	of which related parties	31.12.2018(*)	of which related parties
Non-current assets					
Property, plant and equipment	1	2,804		2,629	
Goodwill	2	1,590		1,571	
Other intangible assets	2	564		591	
Equity-accounted investments	3	314	314	294	294
Other investments at fair value through other comprehensive income	4	13		13	
Financial assets at amortised cost		4		5	
Derivatives	8	7		2	
Deferred tax assets	16	170		190	
Other receivables	5	38		33	
Total non-current assets		**5,504**		**5,328**	
Current assets					
Inventories	6	1,523		1,511	
Trade receivables	5	1,475	7	1,635	3
Other receivables	5	816	3	667	5
Financial assets at fair value through profit or loss	7	27		25	
Derivatives	8	33		19	
Financial assets at fair value through other comprehensive income	4	11		10	
Cash and cash equivalents	9	1,070		1,001	
Total current assets		**4,955**		**4,868**	
Assets held for sale	10	27		3	
Total assets		**10,486**		**10,199**	
Equity					
Share capital	11	27		27	
Reserves	11	2,096		2,101	
Group share of net profit/(loss)	11	292		58	
Equity attributable to the Group		**2,415**		**2,186**	
Equity attributable to non-controlling interests		187		188	
Total equity		**2,602**		**2,374**	
Non-current liabilities					
Borrowings from banks and other lenders	12	3,032		3,161	
Employee benefit obligations	15	494		463	
Provisions for risks and charges	14	60		51	
Deferred tax liabilities	16	213		238	
Derivatives	8	18		9	
Other payables	13	11		12	
Total non-current liabilities		**3,828**		**3,934**	
Current liabilities					
Borrowings from banks and other lenders	12	212		98	
Provisions for risks and charges	14	717	4	635	4
Derivatives	8	35		41	
Trade payables	13	2,062	5	2,132	5
Other payables	13	969	4	953	1
Current tax payables		51		32	
Total current liabilities		**4,046**		**3,891**	
Liabilities held for sale	10	10		–	
Total liabilities		**7,884**		**7,825**	
Total equity and liabilities		**10,486**		**10,199**	

(*) The previously published comparative Consolidated Financial Statements have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.

CONSOLIDATED INCOME STATEMENT

(Euro/million)

	Note	2019	of which related parties	2018(*)	of which related parties
Sales	17	11,519	35	10,104	29
Change in inventories of finished goods and work in progress	18	(16)		(84)	
Other income	19	96	3	139	5
Total sales and income		**11,599**		**10,159**	
Raw materials, consumables and supplies	20	(7,218)	(8)	(6,542)	(20)
Fair value change in metal derivatives		15		(48)	
Personnel costs	21	(1,539)	(11)	(1,260)	(11)
Amortisation, depreciation, impairment and impairment reversals	22	(354)		(232)	
Other expenses	23	(1,958)	(5)	(1,921)	(1)
Share of net profit/(loss) of equity-accounted companies	24	24	24	59	59
Operating income		**569**		**215**	
Finance costs	25	(494)		(414)	
Finance income	26	369		302	
Profit/(loss) before taxes		**444**		**103**	
Taxes	27	(148)		(45)	
Net profit/(loss)		**296**		**58**	
Of which:					
Attributable to non-controlling interests		4		-	
Group share		**292**		**58**	
Basic earnings/(loss) per share (in Euro)	28	**1,11**		**0,24**	
Diluted earnings/(loss) per share (in Euro)	28	**1,11**		**0,24**	

OTHER COMPREHENSIVE INCOME

(Euro/million)

	2019	2018
Net profit/(loss)	**296**	**58**
Other comprehensive income:		
A) Change in cash flow hedge reserve:	**1**	**(10)**
- Profit/(loss) for the year	-	(14)
- Taxes	1	4
B) Change in currency translation reserve	**67**	**(6)**
C) Financial instruments at fair value:	**1**	**(1)**
- Profit/(loss) for the year	1	(1)
D) Actuarial gains/(losses) on employee benefits (**):	**(22)**	**(2)**
- Profit/(loss) for the year	(33)	(4)
- Taxes	11	2
Total other comprehensive income (A+B+C+D):	**47**	**(19)**
Total comprehensive income/(loss)	**343**	**39**
Of which:		
Attributable to non-controlling interests	8	7
Group share	**335**	**32**

(*) The previously published comparative Consolidated Financial Statements have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.

(**) Components of comprehensive income that will not be reclassified to profit or loss in subsequent periods.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Euro/million)

	Share capital	Cash flow hedge reserve	Currency translation reserve	Other reserves	Group share of net profit/(loss)	Equity attributable to the Group	Equity attributable to non-controlling interests	Total
Balance at 31 December 2017	**22**	**(5)**	**(299)**	**1,492**	**241**	**1,451**	**188**	**1,639**
Allocation of prior year net result	–	–	–	241	(241)	–	–	–
Fair value - stock options	–	–	–	6	–	6	–	6
Dividend distribution	–	–	–	(96)	–	(96)	(9)	(105)
Capital increase	3	–	–	493	–	496	–	496
Change in scope of consolidation	–	–	–	–	–	–	2	2
Conversion of convertible bond 2013	2	–	–	281	–	283	–	283
Effect of hyperinflation	–	–	–	14	–	14	–	14
Total comprehensive income/(loss)	–	(9)	(14)	(3)	58	32	7	39
Balance at 31 December 2018	**27**	**(14)**	**(313)**	**2,428**	**58**	**2,186**	**188**	**2,374**

(in milioni di Euro)

	Share capital	Cash flow hedge reserve	Currency translation reserve	Other reserves	Group share of net profit/(loss)	Equity attributable to the Group	Equity attributable to non-controlling interests	Total
Balance at 31 December 2018	**27**	**(14)**	**(313)**	**2,428**	**58**	**2,186**	**188**	**2,374**
Allocation of prior year net result	–	–	–	58	(58)	–	–	–
Fair value - stock options	–	–	–	(1)	–	(1)	–	(1)
Dividend distribution	–	–	–	(113)	–	(113)	(6)	(119)
Acquisition of non-controlling interests	–	–	–	(2)	–	(2)	(5)	(7)
Capital paid in by non-controlling interests	–	–	–	–	–	–	2	2
Effect of hyperinflation	–	–	–	10	–	10	–	10
Total comprehensive income/(loss)	–	–	64	(21)	292	335	8	343
Balance at 31 December 2019	**27**	**(14)**	**(249)**	**2,359**	**292**	**2,415**	**187**	**2,602**

CONSOLIDATED STATEMENT OF CASH FLOWS

(Euro/million)

		2019	of wich related parties	2018	of wich related parties
	Profit/(loss) before taxes	444		103	
	Amortisation, depreciation and impairment	354		232	
	Net gains on disposal of property, plant and equipment	(1)		(37)	
	Share of net profit/(loss) of equity-accounted companies	(24)	(24)	(59)	(59)
	Dividends received from equity-accounted companies	9	9	16	16
	Share-based payments	(1)		6	
	Fair value change in metal derivatives	(15)		48	
	Net finance costs	125		112	
	Changes in inventories	(7)		80	
	Changes in trade receivables/payables	14	(4)	108	4
	Changes in other receivables/payables	60	3	(184)	(4)
	Change in employee benefit obligations	(15)		(21)	
	Change in provisions for risks and other movements	(57)		168	
	Net income taxes paid	(111)		(110)	
A.	**Cash flow from operating activities**	**775**		**462**	
	Cash flow from acquisitions and/or disposals	(7)		(1,208)	
	Investments in property, plant and equipment	(240)		(267)	
	Disposals of property, plant and equipment and assets held for sale	20		7	
	Investments in intangible assets	(28)		(18)	
	Investments in financial assets at fair value through profit or loss	(6)		(7)	
	Disposals of financial assets at fair value through profit or loss	1		17	
B.	**Cash flow from investing activities**	**(260)**		**(1,476)**	
	Capital contributions and other changes in equity	2		496	
	Dividend distribution	(119)		(105)	
	Proceeds of new loans	350		1,900	
	Repayments of loans	(517)		(613)	
	Changes in other net financial receivables/payables (1)	(70)		(902)	
	Finance costs paid (2)	(418)		(362)	
	Finance income received (3)	324		278	
C.	**Cash flow from financing activities**	**(448)**		**692**	
D.	**Exchange (losses) gains on cash and cash equivalents**	**2**		**(12)**	
E.	**Net increase/(decrease) in cash and cash equivalents (A+B+C+D)**	**69**		**(334)**	
F.	**Cash and cash equivalents at the beginning of the year**	**1,001**		**1,335**	
G.	**Cash and cash equivalents at the end of the year (E+F)**	**1,070**		**1,001**	

(1) Cash flow from financing activities includes Euro 46 million in lease payments accounted for in accordance with IFRS 16, classified in the comparative period in cash flow from operating activities.

(2) Finance costs paid of Euro 418 million include interest payments of Euro 62 million in 2019 (Euro 48 million in 2018).

(3) Finance income received of Euro 324 million includes interest income of Euro 5 million in 2019 (Euro 4 million in 2018).

03

GROUP ANNUAL REPORT

Explanatory Notes

A. GENERAL INFORMATION

Prysmian S.p.A. ("the Company") is a company incorporated and domiciled in Italy and organised under the laws of the Republic of Italy. The Company has its registered office in Via Chiese 6, Milan (Italy).

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

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

The consolidated financial statements contained herein were approved by the Board of Directors on 5 March 2020.

A.1 SIGNIFICANT EVENTS IN 2019

Mergers & Acquisitions

Binding offer from Carlisle Companies Incorporated to acquire the business of Draka Fileca SAS

On 22 October 2019, the Group announced it had received a binding offer of Euro 73 million from Carlisle Companies Incorporated to acquire the business of Draka Fileca SAS (directly or through one of the Carlisle subsidiaries).

The transaction is subject to consultation with Fileca's employee representative bodies in France and to regulatory clearance.

Fileca was acquired by Prysmian in 2011 as part of the Draka acquisition and is a global supplier of cable solutions for the space and aerospace industries. The company, based in Sainte-Geneviève, France, generated revenues of Euro 44 million and Adjusted EBITDA of around Euro 5 million in 2018.

The transaction is expected to complete by the end of H1 2020.

Finance activities

Mediobanca loan and partial repayment of the Bridge Loan

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

New revolving credit facility agreement

On 3 April 2019, the Group renewed its Euro 1,000 million long-term revolving credit facility with a syndicate of leading Italian and international banks. The five-year credit facility replaces the Syndicated Revolving Credit Facility 2014, which was extinguished at the same time. The funds are available for business and working capital needs, including the refinancing of existing facilities.

Intesa Sanpaolo loan and partial repayment of the Bridge Loan

On 11 October 2019, the Group entered into an agreement with Intesa Sanpaolo for a Euro 150 million long-term loan for 5 years from the date of signing, with a bullet repayment at maturity. A partial repayment of Euro 150 million against the Bridge Loan was made on 18 October 2019. On the same date, the value of interest rate swaps arranged against the Bridge Loan was reduced by Euro 50 million to bring notional value into line with the underlying hedged amount.

CDP Loan

On 28 October 2019, the Group entered into an agreement with Cassa Depositi e Prestiti Spa (CDP) for a Euro 100 million long-term loan for four and a half years from the date of signing, with a bullet repayment at maturity. The purpose of this loan is to finance part of the Group's capital expenditure and expenditure on research, development and innovation in Italy and Europe.

Long-term incentive plan 2018-2020

In light of the effects of the Western Link project on the Group's results, the Board of Directors has decided, as recommended by the Compensation, Nominations and Sustainability Committee, to revoke the long-term incentive plan 2018-2020 approved by the Shareholders' Meeting on 12 April 2018. At the Committee's recommendation, the Board will present the forthcoming Shareholders' Meeting with a proposal to adopt a long-term incentive plan structured in accordance with best market practices. As a result of this decision, the 2019 MBO has been recognised in profit or loss for the year since it will no longer be co-invested following the long-term incentive plan's revocation. This has had the result of raising personnel costs by Euro 12 million, reflecting the combined effect of recognising the 2019 MBO of Euro 15 million and reversing the fair value of stock options for Euro 3 million.

New industrial projects and initiatives

Development of power transmission grid in Washington D.C.

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

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

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

Contract to develop cable system for the first "floating" offshore wind farm in France

On 19 March 2019, the Group signed a letter of award with PGL (Provence Grand Large), part of EDF Renewables. The project, worth approximately Euro 30 million for the construction of an end-to-end submarine cable solution, is expected to be commissioned in 2021.

Contract to develop cable system for a "floating" offshore wind farm in the United States

On 16 May 2019, the Group was awarded a contract worth approximately Euro 200 million by Vineyard Wind LLC to develop a submarine power cable system which will deliver renewable energy to the mainland power grid.

The Group will be responsible for the engineering, manufacture, installation and commissioning of an HVAC (High Voltage Alternating Current) cable system composed of two 220 kV three-core cables with extruded XLPE insulation, requiring a total of 134 km in submarine cables which will be manufactured at the Group's centres of excellence in Pikkala (Finland) and Arco Felice (Italy).

Dolwin5 project to connect new wind farms to mainland German grid

On 18 June 2019, the Group was awarded a major contract worth approximately Euro 140 million by the Dutch-German grid operator TenneT for the connection of new offshore wind farms to the mainland German grid.

The end-to-end solution will link the DolWin epsilon offshore converter platform, located approximately 100 km offshore in the German North Sea, to the mainland Emden/Ost converter station, with the purpose of transmitting the renewable energy generated to the German grid.

The Group's centres of excellence in Pikkala (Finland) and Gron (France) will manufacture the submarine and land cables required for this project, which is scheduled for completion by mid-2024.

Successful completion of qualification testing of P-Laser and XLPE HVDC 525 kV cable systems

On 1 July 2019, the Group announced it had successfully completed stringent qualification testing in accordance with international standards, meaning it is now ready to launch two new 525 kV extruded land cable systems, one qualified with P-Laser and the other with XLPE insulation. These cable systems are designed for extra high voltages and have large conductor cross-sectional areas to ensure high power transmission capacity over long distances with less environmental impact on the land crossed.

P-Laser is the first 100% recyclable eco-friendly high-performance cable technology, utilising a 'zero-gas' process which reduces CO_2 emissions by up to 30%, while the XLPE qualified system uses a new insulating compound specially for HVDC applications.

Contract for Viking Link project

On 23 July 2019, the Group received a letter of award from National Grid Viking Link Limited and Energinet for the construction of Viking Link, the first submarine cable connection between the United Kingdom and Denmark. Worth close to Euro 700 million, the end-to-end contract involves the engineering, manufacture and installation of the world's longest interconnector, with 1,250 km of cable for the submarine route and approximately 135 km of land cables on the UK side, corresponding to 4 out of the 5 lots awarded. The project is due to be completed by the end of 2023.

Contract for inter-array cables for offshore wind farms in the Netherlands

On 29 July 2019, the Group was awarded a project worth around Euro 30 million by Vattenfall, a leading European energy company, to supply submarine inter-array cable systems for the Hollandse Kust Zuid III and IV offshore wind farms in the Netherlands.

The cables, which will be manufactured at the Prysmian centre of excellence in Nordenham (Germany), are due to be delivered in 2022.

Contract to supply wind turbine cable solutions in 2020

On 21 October 2019, the Group was awarded a global contract by Siemens Gamesa Renewable Energy, world leader in the wind power industry, to supply it with wind turbine tower and nacelle cable solutions. The contract includes products and services from Prysmian Group's wind portfolio of low voltage cable solutions for nacelle platforms, low voltage tower cables and medium voltage tower solutions, specifically designed and optimised to operate under high torsion, mechanical and chemical stress as well as wide temperature swings.

Successful completion of HDVC testing of the submarine COBRAcable linking the Netherlands and Denmark

On 4 November 2019, the Group announced it had successfully completed the HVDC test on the COBRAcable submarine interconnector linking the Netherlands and Denmark.

The announcement was made during COBRAcable's official inauguration, held simultaneously in Eemshaven (Netherlands) and Endrup (Denmark), in the presence of Dutch and Danish officials, confirming successful completion of trial operations by the contractors.

Prysmian had been awarded this project in February 2016 by TenneT TSO B.V. and Energinet SOV, operators of the Dutch and Danish transmission systems respectively.

Successful completion of the DolWin3 offshore wind farm project

On 13 November 2019, the Group announced the successful commissioning of electrical connections for the DolWin3 offshore wind farm in the North Sea to the German transmission grid.

The Group had been awarded this contract in February 2013 by Alstom Grid (now GE Grid GmbH) acting on behalf of TenneT, the Dutch-German transmission system operator.

The cables were produced at Prysmian Group's centres of technological and manufacturing excellence in Arco Felice (Italy), Pikkala (Finland) and Delft (Netherlands).

Successful completion of MON.ITA interconnector

On 15 November 2019, the Group announced the inauguration of the MON.ITA interconnector, the contract for which awarded by Terna Rete Italia S.p.A. in October 2012.

Contract to connect an offshore wind farm to the UK electricity grid

On 28 November 2019, the Group announced it had been awarded a contract worth over Euro 100 million by EDF Renewables for the construction of submarine and land cable systems to connect the Neart na Gaoithe (NnG) offshore wind farm to the Scottish mainland power grid. The Group is to provide an end-to-end service comprising the engineering, supply, installation and commissioning of two high voltage three-core extruded submarine export cables connecting the offshore wind farm to Thorntonloch, in East Lothian, Scotland. The Group will also supply two 220 kV extruded land cable circuits linking the point of landfall to the Crystal Rig substation and two 400 kV extruded land cable circuits to connect the Crystal Rig substation to the Scottish Power substation. The project will involve a 38 km submarine section and a 12 km onshore section.

The submarine cables, to be manufactured at the Prysmian centre of excellence in Pikkala (Finland), will be installed in 2021, while the land cables will be produced in Gron (France) and installed in 2020 and 2021. Offshore cable installation will be carried out by one of the Group's state-of-the-art cable-laying vessels. Project completion is scheduled for 2021.

Agreement for the supply of inter-array cables for the Empire Wind project

On 5 December 2019, the Group and Equinor announced an agreement for the supply of an inter-array submarine cable system for the Empire Wind project, an 816 MW offshore wind farm due to be built in New York State. The Group will be responsible for the engineering, supply and storage of approximately 150 km of inter-array cables, which will transmit power at twice the current industry standard ensured by 33 kV systems. The cables will be manufactured at the Prysmian centres of excellence in Montereau (France) and Nordenham (Germany), with this process scheduled for completion in summer 2022 followed by installation in 2023 and 2024.

Contract with Red Eléctrica de España for a new submarine power cable

On 12 December 2019, the Group was awarded a new contract worth about Euro 27 million by Red Eléctrica de España (REE), Spain's transmission system operator, to connect two Canary Islands (Lanzarote and Fuerteventura).

The turnkey interconnector project will link Playa Blanca, on the island of Lanzarote, to La Oliva, on the island of Fuerteventura, running along a submarine route of some 14 km and an onshore one of about 2 km. The submarine and land cables will be produced, respectively, at the Prysmian centres of technological and manufacturing excellence located in Arco Felice (Italy) and Vilanova (Spain). Installation activities will be carried out by one of the Group's state-of-the-art cable laying vessels. Project handover and commissioning are scheduled for 2021.

Agreements with Terna to develop cable systems to upgrade the power grid in preparation for the Cortina Olympics and in Southern Italy

On 19 December 2019, following a public tender, the Group signed two major new cable solution agreements with Terna, through its subsidiary Terna Rete Italia S.p.A..

The first contract, worth Euro 50 million (inclusive of safety costs), is for a 150 kV HVAC cable to link the Zuel and Somprade power stations in the province of Belluno. Installation is scheduled for completion by the end of 2020 in time for the upcoming 2021 Alpine World Ski Championships in Cortina.

The second for a 150 kV HVAC cable is a framework agreement in support of investments to improve the performance and increase the reliability of the power transmission system in Southern Italy. This agreement is worth Euro 26 million, with an option for an additional Euro 26 million.

The cables for both projects will be manufactured at the plants in Pignataro Maggiore (Italy) and Gron (France).

Other significant events

Western Link

Some faults were detected on 19 February 2019 and 6 April 2019 in the Western Link interconnector, resulting in its temporary switch-off.

In view of these faults and based on assessments by the technical experts, the Board of Directors decided to recognise provisions of Euro 95 million in the financial statements at 31 December 2018. These provisions were against contractual penalties, costs of repair, incidental expenditure, costs of producing an extra length of cable for any future repairs and costs of other repairs that might possibly be necessary in the foreseeable future.

Work to repair the above faults was completed in June 2019.

On 23 November 2019, the Group announced that the customer (National Grid Electricity Transmission and Scottish Power Transmission) had taken over operation of the cable.

On 12 January 2020, the Group was informed that the Western HDVC Link had tripped on 10 January 2020.

Repairs were successfully completed on 7 February 2020 with the link restored to normal service and once more available to the customer, with whom there is an ongoing exchange to arrive at an acceptable definition of mutual expectations.

Approval of financial statements at 31 December 2018 and dividend distribution

On 5 June 2019, the shareholders of Prysmian S.p.A. approved the financial statements for 2018 and the distribution of a gross dividend of Euro 0.43 per share, for a total of some Euro 113 million. The dividend was paid out from 26 June 2019 to shares outstanding on the record date of 25 June 2019, with the shares going ex-dividend on 24 June 2019.

Plan to close the Manlleu and Montcada i Reixac production facilities in Spain

On 2 October 2019, it was formally announced that a collective redundancy procedure for organisational and production reasons would be initiated for the entire workforce at the Manlleu and Montcada i Reixac production facilities in Catalonia, Spain.

The process of consulting the unions and negotiating the terms of plant closure commenced on 22 October 2019 with a first formal meeting with a trade union delegation of worker representatives from both sites.

On 22 November, after several meetings, the parties reached an agreement which was ratified the following day by worker assemblies at the two factories, with an overwhelming 98% level of approval.

The total number of workers involved is 487 (of whom 334 in Manlleu and 153 in Montcada i Reixac).

On the basis of the agreements reached so far, the directors have decided to recognise appropriate provisions in the financial statements.

Antitrust: European Commission ruling against Group companies (formerly part of General Cable)

In a ruling handed down on 14 November 2019, the Court of Justice of the European Union dismissed General Cable's appeal against the European Commission's Antitrust decision dated 2 April 2014, thus conclusively confirming the fine previously imposed under that same decision. As a result, the Group has gone ahead and paid a fine for Euro 2 million.

Plan to close the production facility in Neumünster (Germany)

On 29 November 2019, the German company Prysmian Kabel und Systeme GmbH announced it intended to commence a process of informing and consulting employees about a collective redundancy procedure for the entire workforce of the Neumünster plant (Germany), which would affect 14 employees.

The Neumünster facility performs harnessing activities which will be transferred to the plants in Wuppertal and Neustadt.

Industrial activities are expected to cease by the end of March 2020, resulting in the plant's closure. A social plan has been drawn up with the factory union, which offers employees the option of relocating to other German plants or a redundancy incentive for those who decide to leave the Group.

Exclusion of PIS and COFINS taxes from calculation of ICMS tax in Brazil

During the last part of the year ended 31 December 2019, final rulings were handed down on 10 tax cases that granted the Group's Brazilian companies the right to exclude the taxes PIS and COFINS for the years from 1992 to 2018 from the calculation base of ICMS (a state tax on the movement of goods, the provision of transportation services between states and municipalities and telecommunication services). The consolidated income statement at 31 December 2019 reports a positive impact of Euro 28 million on the net result for the year.

B. ACCOUNTING PRINCIPLES

The main accounting principles used to prepare the consolidated financial statements and Group financial information are discussed below.

B.1 BASIS OF PREPARATION

The consolidated financial statements at 31 December 2019 have been prepared on a going concern basis, with the directors having assessed that there are no financial, operating or other kind of indicators that might provide evidence of material uncertainties as to the Group's ability to meet its obligations in the foreseeable future and particularly in the next 12 months.

In particular, the Group's estimates and projections have been prepared also taking into account possible developments in the investigations by the European Commission and other jurisdictions into alleged anti-competitive practices in the high voltage underground and submarine cables market, as well as the risk factors described in the Directors' Report.

The assessments carried out confirm Prysmian Group's ability to operate in compliance with the going concern presumption and with its financial covenants.

Prysmian Group's consolidated financial statements at 31 December 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), based on the text published in the Official Journal of the European Union (OJEU).

The primary financial statements adopted have the following characteristics:

- the consolidated income statement is presented in a stepped format with individual lines classified by nature and showing other comprehensive income, which report components of profit or loss suspended in equity;
- the consolidated statement of financial position presents assets and liabilities according to maturity, with current items shown separately from non-current ones;
- the statement of cash flows is prepared by presenting cash flows using the "indirect method", as permitted by IAS 7.

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.

All the amounts shown in the Group's financial statements are expressed in millions of Euro, unless otherwise stated.

B.2 NEWLY ADOPTED STANDARDS

The accounting policies and basis of consolidation used to prepare these financial statements are consistent with those used for the 2018 consolidated financial statements. More complete details can be found in Note 39. Basis of consolidation and accounting policies.

A description of the standards and interpretations applicable from 1 January 2019 and of their effects will now follow.

IFRS 16 - Leases

Transition

On 13 January 2016, the IASB published IFRS 16 - Leases, a new reporting standard which requires lessees to adopt a uniform accounting treatment for both operating and finance leases. In fact, IFRS 16 requires the lessee to recognise assets and liabilities for both operating and finance leases. At the commencement date of a lease, a lessee shall recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to recognise separately the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group has applied the new standard using the modified retrospective approach, meaning that 2018 comparatives have not been restated.

The following table summarises the effects of adopting IFRS 16 at the transition date:

(Euro/million)

	01.01.2019
Non-current assets	
Property, plant and equipment	
– Right-of-use land	7
– Right-of-use buildings	97
– Right-of-use plant and machinery	16
– Right-of-use equipment	10
– Right-of-use equipment and other assets	42
Total assets	**172**
Non-current liabilities	
Borrowings from banks and other lenders	128
Current liabilities	
Borrowings from banks and other lenders	44
Total liabilities	**172**

The net effect of deferred taxes at the transition date (1 January 2019) is neutral; the net effect of deferred taxes in subsequent periods is expected to be immaterial.

As far as the transition requirements are concerned, the Group has elected to adopt the following practical expedients permitted by the reporting standard:

- contracts that previously qualified as leases under IAS 17 and IFRIC 4 have not been reassessed and the related right-of-use asset and lease liability at 1 January 2019 have been determined on a consistent basis with that already calculated under IAS 17;
- the value of right-of-use assets has been recognised at an amount equal to that of the lease liability, excluding any initial direct costs;
- contracts whose lease term ends within 12 months of the transition date have been classified as short-term leases. The associated lease payments are recognised as an expense through profit or loss;
- non-lease components have not been separated out and not accounted for separately. Such components have been treated together with the lease component to determine the lease liability and the related right of use;
- contracts identified as onerous contracts before the adoption of IFRS 16 have not been tested for impairment and have been excluded from the reporting standard's scope of application.

The adoption of this standard has involved the exercise of professional judgement and the use of estimates and assumptions regarding the lease term and the discount rate, as described below:

- future lease payments have been discounted using the incremental borrowing rate. This is based on the risk-free rate of the country in which the contract is negotiated and on the term of the lease, and is also adjusted for the Group's credit spread;
- lease extension options have been considered for the purposes of determining the lease term, if reasonably certain to be exercised.

The following table presents a reconciliation between the operating lease obligations reported at 31 December 2018 and the financial liability recognised at 1 January 2019 on adopting IFRS 16:

(Euro/million)

Operating lease obligations at 31 December 2018	**126**
Finance lease payments - IAS 17	13
Short term (-)	(10)
Low value (-)	-
Renewal options plus other components	83
Gross lease liabilities at 1 January 2019	**212**
Discounting	28
Lease liabilities at 1 January 2019	**184**
Present value of finance lease liabilities - IAS 17 (-)	(12)
Lease liabilities at 1 January 2019 on IFRS 16 first-time adoption	**172**

Accounting treatment applicable from 1 January 2019

A lease is a contract that guarantees the right to use an asset (the leased asset) for a period of time in exchange for a payment or a series of payments.

Following adoption of the new reporting standard IFRS 16 - Leases, at the date leased assets become available for use, lessees shall recognise the rights of use as non-current assets and a corresponding financial liability.

Lease payments are divided into interest expense, recognised in profit or loss, and repayment of principal, accounted for as a reduction in the financial liability. Right-of-use assets are depreciated every month on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Right-of-use assets and lease liabilities are initially measured at the present value of future lease payments. The present value of lease liabilities includes the following payments:

- fixed payments;
- variable lease payments that depend on an index or a rate;
- exercise price of a purchase option reasonably certain to be exercised;
- payments of penalties for terminating the lease if the termination option is reasonably certain to be exercised;
- optional payments after the non-cancellable period, if the lease is reasonably certain to be extended beyond the non-cancellable period.

Right-of-use assets are measured at cost, whose initial amount is equal to the lease liability.

Effects of IFRS 16

The following table summarises the effects of IFRS 16 on the statement of financial position at 31 December 2019:

(Euro/million)

	31.12.2019	Effects IFRS 16	31.12.2019 with IFRS 16
Non-current assets			
Property, plant and equipment	2,637	167	2,804
Total assets	**2,637**	**167**	**2,804**
Non-current liabilities			
Borrowings from banks and other lenders	2,906	126	3,032
Current liabilities			
Borrowings from banks and other lenders	169	43	212
Total liabilities	**3,075**	**169**	**3,244**

Since the effects of deferred tax assets and liabilities (duly offset) are not material, they have not been reported in the previous table.

The following table reports movements during 2019 in right-of-use assets recognised in Property, plant and equipment on adopting IFRS 16:

(Euro/million)

	Land	Buildings	Plant and machinery	Equipment	Other assets	Total
Balance at 1 January 2019	**7**	**97**	**16**	**10**	**42**	**172**
Movements in 2019:						
- Investments	4	10	1	1	23	39
- Depreciation	(1)	(17)	(3)	(4)	(19)	(44)
- Impairment	-	(1)	-	-	-	(1)
- Currency translation differences	-	1	-	-	-	1
Total movements	**3**	**(7)**	**(2)**	**(3)**	**4**	**(5)**
Balance at 31 December 2019	**10**	**90**	**14**	**7**	**46**	**167**
Of which:						
- Historical cost	11	107	17	11	65	211
- Accumulated depreciation and impairment	(1)	(17)	(3)	(4)	(19)	(44)
Net book value	**10**	**90**	**14**	**7**	**46**	**167**

The following table summarises the effects of IFRS 16 on the income statement for 2019:

(Euro/million)

	31.12.2019	Effects IFRS 16	31.12.2019 with IFRS 16
Adjusted EBITDA	960	47	1,007
Amortisation, depreciation and impairment	(310)	(44)	(354)
Finance costs	(489)	(5)	(494)
Net profit/(loss)	**298**	**(2)**	**296**

As for the Statement of cash flows, the negative "Changes in other net financial receivables/payables" include Euro 46 million for lease payments which, prior to the adoption of IFRS 16, were classified in cash flow from operating activities.

IFRIC 23 - Uncertainty over Income Tax Treatments

IFRIC 23 clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments. In this case, the entity shall recognise and measure its current or deferred tax asset or liability by applying the requirements in IAS 12 on the basis of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates determined by applying IFRIC 23. In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates, a reporting entity must assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all relevant information when doing so. Under the interpretation the reporting entity must determine whether it is probable that a taxation authority will accept an uncertain tax treatment. If a reporting entity concludes it is probable that a taxation authority will accept the uncertain tax treatment, then taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates shall be determined according to the tax treatment used or planned to be used in the reporting entity's income tax filings.

Conversely, if a reporting entity concludes it is not probable that a taxation authority will accept the uncertain tax treatment, it must reflect the effect of this uncertainty in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates related to this treatment.

The application of this interpretation has not had any significant impact on the Group's financial statements.

Other new standards, interpretations and amendments

The following is a list of other new standards, interpretations and amendments whose application became mandatory from 1 January 2019 but which have not had a material impact on the consolidated financial statements at 31 December 2019:

- *Amendments to IFRS 9 - Prepayment Features with Negative Compensation;*
- *Amendments to IAS 28 - Long-term interests in associates and joint ventures;*
- *Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement;*
- *Amendments to IAS 12 - Income Taxes;*
- *Amendments to IAS 23 - Borrowing costs;*
- *Amendments to IFRS 11 - Joint Ventures.*

B.3 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED EARLY BY THE GROUP

The following new standards, amendments and interpretations had been issued at the date of preparing the present report but had not yet become applicable:

New Standards, Amendments and Interpretations	Mandatory application commencing
Amendments to IFRS 3: Definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of material	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021

The new standards, amendments and interpretations have no material potential impact on the Group's consolidated financial statements.

B.4 PRINCIPAL 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 changes in the scope of consolidation at 31 December 2019, compared with 31 December 2018, are listed below. In any case, such changes have not had a material impact on the Group's consolidated financial statements at 31 December 2019.

Liquidations

Liquidated companies	Nation	Date
Conducen Nicaragua y Compania de Responsabilidad Limitada	Nicaragua	9 January 2019
Tasfiye Halinde Draka Istanbul Asansor İthalat İhracat Üretim Ticaret Ltd	Turkey	9 May 2019
Marmavil, S.L. (Sociedad Unipersonal)	Spain	16 August 2019
PDIC Colombia S.A.	Colombia	31 October 2019
Prysmian Cables and Systems International Ltd	Great Britain	24 December 2019
Prysmian Powerlink Asia Co. Ltd	China	25 December 2019

Mergers

Merged company	Merged into	Nation	Date
Draka Cable Wuppertal GmbH e Draka Kabeltechnik GmbH	Prysmian Kabel und Systeme GmbH	Germany	25 June 2019

Name changes

For the sake of better understanding the scope of consolidation, the name changes occurring in the period are as follows:

Original name	New name	Nation	Date
Draka Kabel Sverige AB	Prysmian Group Sverige AB	Sweden	23 January 2019
Draka Holding S.L.	Draka Holding S.L. (Sociedad Unipersonal)	Spain	16 August 2019

Appendix A contains a complete list of the companies included in the scope of consolidation at 31 December 2019.

C. RESTATEMENT OF COMPARATIVE FIGURES

The consolidated financial statements at 31 December 2018, presented in this report for comparative purposes, have been amended relative to the previously published figures.

General Cable purchase price allocation

After acquiring control of General Cable Corporation on 6 June 2018, the fair values at 31 December 2018 of the assets acquired, liabilities assumed and contingent liabilities were determined on a provisional basis, in accordance with IFRS 3 - Business Combinations, insofar as the related valuation processes were still in progress.

These valuations, subject to revision within twelve months of the acquisition date as permitted by IFRS 3 - Business Combinations, have resulted in the restatement of the Consolidated Financial Statements at 31 December 2018.

Details of these amendments are presented in the following restated statement of financial position at 31 December 2018 and income statement at 31 December 2018.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

(Euro/million)

	31.12.2018 published	General Cable purchase price allocation	31.12.2018 restated
Non-current assets			
Property, plant and equipment	2,629	–	2,629
Goodwill	1,541	30	1,571
Other intangible assets	591	–	591
Equity-accounted investments	294	–	294
Other investments at fair value through other comprehensive income	13	–	13
Financial assets at amortised cost	5	–	5
Derivatives	2	–	2
Deferred tax assets	174	16	190
Other receivables	33	–	33
Total non-current assets	**5,282**	**46**	**5,328**
Current assets			**–**
Inventories	1,515	(4)	1,511
Trade receivables	1,635	–	1,635
Other receivables	669	(2)	667
Financial assets at fair value through profit or loss	25	–	25
Derivatives	19	–	19
Financial assets at fair value through other comprehensive income	10	–	10
Cash and cash equivalents	1,001	–	1,001
Total current assets	**4,874**	**(6)**	**4,868**
Assets held for sale	3	–	3
Total assets	**10,159**	**40**	**10,199**
Equity			
Share capital	27	–	27
Reserves	2,101	–	2,101
Group share of net profit/(loss)	58	–	58
Equity attributable to the Group	**2,186**	**–**	**2,186**
Equity attributable to non-controlling interests	188	–	188
Total equity	**2,374**	**–**	**2,374**
Non-current liabilities			
Borrowings from banks and other lenders	3,161	–	3,161
Employee benefit obligations	463	–	463
Provisions for risks and charges	51	–	51
Deferred tax liabilities	238	–	238
Derivatives	9	–	9
Other payables	12	–	12
Total non-current liabilities	**3,934**	**–**	**3,934**
Current liabilities			–
Borrowings from banks and other lenders	98	–	98
Provisions for risks and charges	558	77	635
Derivatives	41	–	41
Trade payables	2,132	–	2,132
Other payables	990	(37)	953
Current tax payables	32	–	32
Total current liabilities	**3,851**	**40**	**3,891**
Total liabilities	**7,785**	**40**	**7,825**
Total equity and liabilities	**10,159**	**40**	**10,199**

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2018

(Euro/million)

	2018 published	General Cable purchase price allocation	2018 restated
Sales	10,105	(1)	10,104
Change in inventories of finished goods and work in progress	(85)	1	(84)
Other income	139		139
Total sales and income	**10,159**	**-**	**10,159**
Raw materials, consumables and supplies	(6,542)		(6,542)
Fair value change in metal derivatives	(48)		(48)
Personnel costs	(1,260)		(1,260)
Amortisation, depreciation, impairment and impairment reversals	(232)		(232)
Other expenses	(1,921)		(1,921)
Share of net profit/(loss) of equity-accounted companies	59		59
Operating income	**215**	**-**	**215**
Finance costs	(414)		(414)
Finance income	302		302
Profit/(loss) before taxes	**103**	**-**	**103**
Taxes	(45)		(45)
Net profit/(loss)	**58**	**-**	**58**
Of which:			
Attributable to non-controlling interests	-		-
Group share	**58**	**-**	**58**
Basic earnings/(loss) per share (in Euro)	**0,24**		**0,24**
Diluted earnings/(loss) per share (in Euro)	**0,24**		**0,24**

Finalisation of the process of allocating General Cable's purchase price has not resulted in any restatement of the Statement of comprehensive income, of the Statement of equity or the Statement of cash flows at 31 December 2018.

D. FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to various forms of risk: market risk (including exchange rate, interest rate and price risks), credit risk and liquidity risk. The Group's risk management strategy focuses on the unpredictability of markets and aims to minimise the potentially negative impact on the Group's results. Certain types of risk are mitigated using derivative instruments.

Monitoring of key financial risks is centrally coordinated by the Group Finance Department, and by the Purchasing Department where price risk is concerned, in close cooperation with the Group's operating companies. Risk management policies are approved by the Group Finance, Administration and Control Department, which provides written guidelines on managing the above risks and on using (derivative and non-derivative) financial instruments.

The impact on profit and equity presented in the following sensitivity analyses has been determined net of tax, calculated using the Group's weighted average theoretical tax rate.

[a] Exchange rate risk

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

The principal exchange rates affecting the Group are:

- Euro/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;
- Euro/Canadian Dollar: in relation to trade and financial transactions by Eurozone companies on the Canadian market and vice versa;
- Euro/Norwegian Krone: in relation to trade and financial transactions by Eurozone companies on the Norwegian market and vice versa;
- Bahraini Dinar/Euro: in relation to trade and financial transactions by Eurozone companies on the Bahrain market;
- Euro/Romanian Leu: in relation to trade and financial transactions by Eurozone companies on the Romanian market and vice versa;
- Euro/Hungarian Forint: in relation to trade and financial transactions by Hungarian companies on the Eurozone market and vice versa;
- United Arab Emirates Dirham/Euro: in relation to trade and financial transactions by Eurozone companies on the United Arab Emirates market;
- Euro/Australian Dollar: in relation to trade and financial transactions by Eurozone companies on the Australian market and vice versa;
- Euro/Singapore Dollar: in relation to trade and financial transactions by Eurozone companies on the Singapore market and vice versa.
- Euro/Swedish Krona: in relation to trade and financial transactions by Eurozone companies on the Swedish market and vice versa.

In 2019, trade and financial flows exposed to the above exchange rates accounted for around 82% of the total exposure to exchange rate risk arising from trade and financial transactions.

The Group is also exposed to appreciable exchange rate risks on the following exchange rates: Euro/Czech Koruna, Omani Rial/US Dollar, Brazilian Real/US Dollar, Qatari Riyal/Euro; none of these exposures, taken individually, accounted for more than 1.9% of the overall exposure to transactional exchange rate risk in 2019.

It is the Group's policy to hedge, where possible, exposures in currencies other than the unit of account of its individual companies. In particular, the Group hedges:

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

Such hedges are arranged using derivative contracts.

The following sensitivity analysis shows the effects on net profit of a 5% and 10% increase/decrease in exchange rates versus closing exchange rates at 31 December 2019 and 31 December 2018.

(Euro/million)

	2019		2018	
	-5%	**+5%**	**-5%**	**+5%**
Euro	(0.68)	0.61	(0.75)	0.67
US Dollar	(2.95)	2.67	(3.33)	3.01
Other currencies	(1.00)	0.91	(4.39)	3.97
Total	**(4.63)**	**4.19**	**(8.47)**	**7.65**

(Euro/million)

	2019		2018	
	-10%	**+10%**	**-10%**	**+10%**
Euro	(1.43)	1.17	(1.57)	1.29
US Dollar	(6.23)	5.10	(7.02)	5.75
Other currencies	(2.12)	1.73	(9.26)	7.58
Total	**(9.78)**	**8.00**	**(17.85)**	**14.62**

When assessing the potential impact of the above, the assets and liabilities of each Group company in currencies other than their unit of account were considered, net of any derivatives hedging the above-stated cash flows.

The following sensitivity analysis shows the post-tax effects on equity reserves of an increase/decrease in the fair value of designated cash flow hedges following a 5% and 10% increase/decrease in exchange rates versus closing exchange rates at 31 December 2019 and 31 December 2018.

(Euro/million)

	2019		2018	
	-5%	**+5%**	**-5%**	**+5%**
US Dollar	2.07	(2.29)	3.29	(3.63)
Euro	1.53	(1.69)	0.00	0.00
Qatari Riyal	1.11	(1.23)	1.18	(1.30)
United Arab Emirates Dirham	1.03	(1.14)	1.26	(1.39)
Other currencies	3.79	(4.19)	3.12	(3.45)
Total	**9.53**	**(10.54)**	**8.85**	**(9.77)**

(Euro/million)

	2019		2018	
	-10%	**+10%**	**-10%**	**+10%**
US Dollar	3.95	(4.83)	6.27	(7.67)
Euro	2.92	(3.57)	0.00	0.00
Qatari Riyal	2.12	(2.59)	2.24	(2.74)
United Arab Emirates Dirham	1.97	(2.41)	2.41	(2.94)
Other currencies	7.24	(8.84)	5.95	(7.27)
Total	**18.20**	**(22.24)**	**16.87**	**(20.62)**

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 2019 and 31 December 2018, 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.

(Euro/million)

	2019		2018	
	-0.25%	+0.25%	-0.25%	+0.25%
Euro	0.12	(0.12)	0.00	0.00
US Dollar	(0.25)	0.25	(0.26)	0.26
British Pound	(0.05)	0.05	(0.21)	0.21
Other currencies	(0.5)	0.5	(0.36)	0.36
Total	**(0.68)**	**0.68**	**(0.83)**	**0.83**

At 31 December 2019, the Group had interest rate swap agreements in place that transform the variable rate into a fixed one. These agreements have been accounted for as cash flow hedges.

[c] Price risk

The Group is exposed to price risk in relation to purchases and sales of strategic materials, whose purchase price is subject to market volatility. The main raw materials used by the Group in its own production processes consist of strategic metals such as copper, aluminium and lead. The cost of purchasing such strategic materials accounted for approximately 58.8% of the Group's total cost of materials in 2019 (53.4% in 2018), forming part of its overall production costs.

In order to manage the price risk on future trade transactions, the Group negotiates derivative contracts on strategic metals, setting the price of expected future purchases or the value of stocks.

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 2019 and 31 December 2018, assuming that all other variables remain equal.

(Euro/million)

	2019		2018	
	-10%	+10%	-10%	+10%
LME	(26.08)	26.08	(13.93)	13.93
COMEX	(17.18)	17.18	(0.42)	0.42
SME	(1.90)	1.90	(2.73)	2.73
Total	**(45.16)**	**45.16**	**(17.08)**	**17.08**

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

[d] Credit risk

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

Customer-related credit risk is managed by the individual subsidiaries and monitored centrally by the Group Finance Department. The Group does not have excessive concentrations of credit risk. It nonetheless has procedures aimed at ensuring that sales of products and services are made to reliable customers, taking account of their financial situation, track record and other factors. Credit limits for major customers are based on internal and external assessments within ceilings approved by local country management. The utilisation of credit limits is periodically monitored at local level.

During 2019 the Group had a global insurance policy in place to provide coverage for part of its trade receivables against any credit losses, net of the deductible.

As for credit risk relating to the management of financial and cash resources, this risk is monitored by the Group Finance Department, which implements procedures intended to ensure that Group companies deal with independent, highly rated, reliable counterparties. In fact, at 31 December 2019 (like at 31 December 2018) the vast majority of the Group's financial and cash resources were held with investment grade counterparties. Credit limits relating to the principal financial counterparties are based on internal and external assessments, within ceilings set by the Group Finance Department.

[e] Liquidity risk

Prudent management of the liquidity risk arising from the Group's normal operations involves the maintenance of adequate levels of cash and cash equivalents and short-term securities as well as ensuring the availability of funds by having an adequate amount of committed credit lines.

The Group Finance Department uses cash flow forecasts to monitor the projected level of the Group's liquidity reserves.

The amount of liquidity reserves at the reporting date is as follows:

(Euro/million)

	31.12.2019	31.12.2018
Cash and cash equivalents	1,070	1,001
Financial assets at fair value through profit or loss	27	25
Financial assets at fair value through other comprehensive income	11	10
Undrawn committed lines of credit	1,000	1,000
Total	**2,108**	**2,036**

Undrawn committed lines of credit at 31 December 2019 refer to the Revolving Credit Facility 2019 (Euro 1,000 million). The following table includes an analysis, by due date, of payables, other liabilities, and derivatives settled on a net basis; the various due date categories refer to the period between the reporting date and the contractual maturity of the obligations.

(Euro/million)

	31.12.2019			
	Due within 1 year	Due between 1 - 2 years	Due between 2 - 5 years	Due after 5 years
Borrowings from banks and other lenders	214	63	2,946	-
Lease liabilities	44	45	46	44
Derivatives	35	9	9	-
Trade and other payables	3,031	11	-	-
Total	**3,324**	**128**	**3,001**	**44**

(Euro/million)

31.12.2018(*)	Due within 1 year	Due between 1 - 2 years	Due between 2 - 5 years	Due after 5 years
Borrowings from banks and other lenders	137	669	2,507	119
Lease liabilities	1	1	3	7
Derivatives	41	6	2	–
Trade and other payables	3,085	9	3	–
Total	**3,264**	**685**	**2,515**	**126**

(*) The previously published comparative Consolidated Financial Statements have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.

In completion of the disclosures about financial risks, the following is a reconciliation between the classes of financial assets and liabilities reported in the Group's consolidated statement of financial position and the categories used by IFRS 7 to identify financial assets and liabilities:

(Euro/million)

31.12.2019	Financial assets at fair value through profit or loss	Receivables and other assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortised cost	Hedging derivatives
Other investments at fair value through other comprehensive income	–	–	13	–	–	–
Financial assets at fair value through other comprehensive income	–	–	11	–	–	–
Financial assets at amortised cost	–	4	–	–	–	–
Trade receivables	–	1,475	–	–	–	–
Other receivables	–	854	–	–	–	–
Financial assets at fair value through profit or loss	27	–	–	–	–	–
Derivatives (assets)	35	–	–	–	–	5
Cash and cash equivalents	–	1,070	–	–	–	–
Borrowings from banks and other lenders	–	–	–	–	3,244	–
Trade payables	–	–	–	–	2,062	–
Other payables	–	–	–	–	980	–
Derivatives (liabilities)	–	–	–	28	–	25

(Euro/million)

31.12.2018(*)	Financial assets at fair value through profit or loss	Receivables and other assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortised cost	Hedging derivatives
Other investments at fair value through other comprehensive income	–	–	13	–	–	–
Financial assets at fair value through other comprehensive income	–	–	10	–	–	–
Financial assets at amortised cost	–	5	–	–	–	–
Trade receivables	–	1,635	–	–	–	–
Other receivables	–	700	–	–	–	–
Financial assets at fair value through profit or loss	25	–	–	–	–	–
Derivatives (assets)	18	–	–	–	–	3
Cash and cash equivalents	–	1,001	–	–	–	–
Borrowings from banks and other lenders	–	–	–	–	3,259	–
Trade payables	–	–	–	–	2,132	–
Other payables	–	–	–	–	965	–
Derivatives (liabilities)	–	–	–	26	–	24

(*) The previously published comparative Consolidated Financial Statements have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.

D.1 CAPITAL RISK MANAGEMENT

The Group's objective in capital risk management is primarily to safeguard business continuity in order to guarantee returns for shareholders and benefits for other stakeholders. The Group also aims to maintain an optimal capital structure in order to reduce the cost of debt and to comply with a series of covenants required by the various Credit Agreements (Note 32. Financial covenants).

The Group also monitors capital using a gearing ratio (i.e. the ratio between net financial debt and capital). Details of how net financial debt is determined can be found in Note 12. Borrowings from banks and other lenders. Capital is equal to the sum of equity, as reported in the Group consolidated financial statements, and net financial debt.

The gearing ratios at 31 December 2019 and 31 December 2018 are shown below:

(Euro/million)

	2019	2018
Net financial debt	2,140	2,222
Equity	2,602	2,374
Total capital	**4,742**	**4,596**
Gearing ratio	**45,13%**	**48,35%**

D.2 FAIR VALUE MEASUREMENT

IFRS 13 requires assets and liabilities recognised in the statement of financial position at fair value to be classified according to a hierarchy that reflects the significance of the inputs used in measuring fair value.

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

Level 1: Fair value is determined with reference to quoted prices (unadjusted) in active markets for identical financial instruments. Therefore, the emphasis within Level 1 is on determining both of the following:

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

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

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

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

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

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

   i. interest rate and yield curves observable at commonly quoted intervals;

   ii. implied volatilities;

   iii. credit spreads;

(d) market-corroborated inputs.

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

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

(Euro/million)

				31.12.2019
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value:				
Derivatives through profit or loss	-	35	-	35
Hedging derivatives	-	5	-	5
Financial assets at fair value through profit or loss	18	9	-	27
Other investments at fair value through other comprehensive income	-	-	13	13
Financial assets at fair value through other comprehensive income	11	-	-	11
Total assets	**29**	**49**	**13**	**91**
Liabilities				
Financial liabilities at fair value:				
Derivatives through profit or loss	-	28	-	28
Hedging derivatives	-	25	-	25
Total liabilities	**-**	**53**	**-**	**53**

(Euro/million)

				31.12.2018
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value:				
Derivatives through profit or loss	-	18	-	18
Hedging derivatives	-	3	-	3
Financial assets at fair value through profit or loss	19	6	-	25
Other investments at fair value through other comprehensive income	-	-	13	13
Financial assets at fair value through other comprehensive income	10	-	-	10
Total assets	**29**	**27**	**13**	**69**
Liabilities				
Financial liabilities at fair value:				
Derivatives through profit or loss	-	25	-	25
Hedging derivatives	-	24	-	24
Total liabilities	**-**	**49**	**-**	**49**

Financial assets classified in fair value Level 3 reported no significant movements in either 2019 or 2018.

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

During 2019 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 2019 would not have had significant effects on net profit at that date.

E. BUSINESS COMBINATIONS

Prysmian Group acquired control of General Cable Corporation on 6 June 2018. The acquisition date was backdated to the end of May 2018 for accounting purposes.

The total consideration paid for the acquisition was approximately Euro 1,290 million.

Acquisition-related costs amounted to around Euro 19 million, before tax effects of some Euro 5 million. These costs have been expensed to income as "Non-operating expenses", of which Euro 15 million accounted for in 2017 and Euro 4 million in 2018.

In compliance with IFRS 3, the fair value of the assets, liabilities and contingent liabilities has been finalised within twelve months of the acquisition date.

The excess of the purchase consideration over the fair value of net assets acquired has been recognised as goodwill, quantified as Euro 1,113 million.

Such goodwill is primarily justified by the future earnings expected from integrating the two groups, including the benefits of run-rate synergies. The process of allocating the acquisition purchase price concluded on 30 June 2019.

Details of the net assets acquired and goodwill are as follows:

(Euro/million)

Cash out	1,303
Derivatives (collar) for acquisition	(13)
Acquisition price (A)	**1,290**
Fair value of net assets acquired (B)	**179**
Non-controlling interest	2
Goodwill (A-B)	**1,113**
Purchase consideration	1,290
Cash and cash equivalents held by acquiree	(82)
Acquisition cash flow	**1,208**

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

(Euro/million)

Property, plant and equipment	890
Intangible assets	323
Assets held for sale	3
Financial assets at amortised cost	3
Derivatives	16
Deferred taxes	(124)
Inventories	642
Trade and other receivables	697
Trade and other payables	(696)
Borrowings from banks and other lenders	(1,315)
Employee benefit obligations and Provisions for risks and charges	(342)
Cash and cash equivalents	82
Net assets acquired (B)	**179**

There now follow some brief comments about the fair value measurement performed as part of the purchase price allocation process.

Property, plant and equipment

The fair value measurement has lifted book value by Euro 464 million.

Intangible assets

The fair value measurement has identified the following higher values of intangible assets:

- Customer relationships: Euro 232 million (amortised over a useful life of between 3 and 20 years);
- Trademarks: Euro 51 million (amortised over a useful life of 10 years);
- Technology: Euro 39 million (amortised over a useful life of between 4 and 5 years);
- Order book: Euro 2 million (amortised over a useful life of 1 year).

"Goodwill" and other intangible assets previously recorded in the General Cable financial statements, amounting to Euro 27 million, have been cancelled against the above higher values.

Trade and other receivables, Trade and other payables

Trade and other receivables and trade and other payables have been measured at fair value.

Inventories

The fair value measurement has lifted book value by Euro 16 million due to the recognition of an inventory step-up for production profit margins.

Provisions for risks

The fair value measurement has lifted book value by Euro 165 million in connection with contingent liabilities.

Deferred taxes

The variation reflects recognition of the tax effect of all the above differences against book value.

F. SEGMENT INFORMATION

The Group's operating segments are:

- *Energy*, whose smallest identifiable CGU is the Region; this segment encompasses the former Energy Products segment as well as the Core Oil&Gas and DHT businesses;
- *Projects*, whose smallest identifiable CGUs are the High Voltage, Submarine Power, Submarine Telecom and Offshore Specialties businesses; this segment encompasses the former Energy Projects segment, the Offshore Specialties business and the Submarine Telecom business, new to the Group following the acquisition of General Cable;
- *Telecom*, whose smallest CGU is the operating segment itself.

The comparative figures reflect a reclassification within the *Energy* operating segment between the E&I and Industrial & NWC businesses for better allocation of the figures of the Omani subsidiary.

Segment information is structured in the same way as the report periodically prepared for the purpose of reviewing business performance. This report presents operating performance by macro type of business (*Energy*, *Projects* and *Telecom*) and the results of operating segments primarily on the basis of Adjusted EBITDA, defined as earnings (loss) for the period before non-recurring items, the fair value change in metal price derivatives and in other fair value items, amortisation, depreciation and impairment, finance costs and income and taxes. This report also provides information about the statement of financial position for the Group as a whole but not by operating segment.

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

A) *Projects* operating segment: encompassing the following high-tech and high value-added businesses whose focus is on projects and their execution, as well as on product customisation: High Voltage, Submarine Power, Submarine Telecom and Offshore Specialties.

B) *Energy* operating segment: encompassing the businesses offering a complete and innovative product portfolio designed to meet the various and many needs of the market, namely:
   1. Energy & Infrastructure (E&I): this includes Trade and Installers, Power Distribution and Overhead lines;
   2. Industrial & Network Components: this comprises Specialties and OEM, Elevators, Automotive, Network Components, core Oil & Gas and DHT;
   3. Other: occasional sales of residual products.

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

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

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

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

F.1 OPERATING SEGMENTS

The following tables present information by operating segment:

(Euro/million)

	Projects	Energy				Telecom	Corporate	2019 Group total
		E&I	Industrial & NWC	Other	Total Energy			
Sales [(1)]	1,844	5,285	2,492	250	8,027	1,648	–	11,519
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**228**	**307**	**195**	**1**	**503**	**252**	**–**	**983**
% of sales	12.3%	5.8%	7.8%		6.3%	15.3%		8.5%
Adjusted EBITDA (A)	**228**	**308**	**196**	**1**	**505**	**274**	**–**	**1,007**
% of sales	12.4%	5.8%	7.9%		6.3%	16.6%		8.7%
Adjustments	(23)	(43)	(19)	2	(60)	-	(17)	(100)
EBITDA (B)	**205**	**265**	**177**	**3**	**445**	**274**	**(17)**	**907**
% of sales	11.1%	5.0%	7.2%		5.5%	16.6%		7.9%
Amortisation and depreciation (C)	(64)	(123)	(56)	(3)	(182)	(72)	-	(318)
Adjusted operating income (A+C)	**164**	**185**	**140**	**(2)**	**323**	**202**	**–**	**689**
% of sales	8.9%	3.5%	5.6%		4.0%	12.3%		6.0%
Fair value change in metal derivatives (D)								15
Fair value stock options (E)								1
Asset (impairment) and impairment reversal (F)					(36)			(36)
Operating income (B+C+D+E+F)								**569**
% of sales								4.9%
Finance income								369
Finance costs								(494)
Taxes								(148)
Net profit/(loss)								**296**
% of sales								2.6%
Attributable to:								
Owners of the parent								292
Non-controlling interests								4

(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.

(Euro/million)

								2018[(*)]
	Projects	Energy				Telecom	Corporate	Group total
		E&I	Industrial & NWC	Other	Total Energy			
Sales [(1)]	1,635	4,462	2,277	236	6,975	1,494	–	10,104
Adjusted EBITDA before share of net profit/ (loss) of equity-accounted companies	**89**	**163**	**155**	**(2)**	**316**	**229**	**–**	**634**
% of sales	5.4%	3.7%	6.8%		4.5%	15.4%		6.3%
Adjusted EBITDA (A)	**89**	**166**	**156**	**(2)**	**320**	**284**	**–**	**693**
% of sales	5.4%	3.7%	6.8%		4.6%	19.0%		6.9%
Adjustments	(105)	(50)	(21)	–	(71)	22	(38)	(192)
EBITDA (B)	**(16)**	**116**	**135**	**(2)**	**249**	**306**	**(38)**	**501**
% of sales	-1.0%	2.6%	5.9%		3.6%	20.5%		5.0%
Amortisation and depreciation (C)	(54)	(86)	(38)	(2)	(126)	(47)	–	(227)
Adjusted operating income (A+C)	**35**	**80**	**118**	**(4)**	**194**	**237**	**–**	**466**
% of sales	2.1%	1.8%	5.2%		2.8%	15.9%		5.7%
Fair value change in metal derivatives (D)								(48)
Fair value stock options (E)								(6)
Asset (impairment) and impairment reversal (F)	(1)				(4)			(5)
Operating income (B+C+D+E+F)								**215**
% of sales								2.1%
Finance income								302
Finance costs								(414)
Taxes								(45)
Net profit/(loss)								**58**
% of sales								0.6%
Attributable to:								
Owners of the parent								58
Non-controlling interests								–

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

(*) The results of General Cable have been consolidated for the period 1 June - 31 December 2018. The previously published comparative figures have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.

F.2 GEOGRAPHICAL AREAS

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

(Euro/million)

	2019	2018(**)
Sales	**11,519**	**10,104**
EMEA*	**6,196**	**5,887**
(of which Italy)	1,292	1,261
North America	**3,441**	**2,457**
Latin America	**931**	**779**
Asia Pacific	**951**	**981**

(*) EMEA: Europe, Middle East and Africa.
(**) The results of General Cable have been consolidated for the period 1 June - 31 December 2018. The previously published comparative figures have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.

No individual customer accounted for more than 10% of the Group's total sales in either 2019 or 2018.

1. PROPERTY, PLANT AND EQUIPMENT

Details of this line item and related movements are as follows:

(Euro/million)

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2018	**294**	**721**	**1,191**	**50**	**61**	**312**	**2,629**
Movements in 2019:							
- Investments	-	17	44	7	8	179	255
- Increases for leases (IFRS 16)	11	107	17	11	65	-	211
- Disposals	-	(1)	(1)	-	(1)	(6)	(9)
- Depreciation	(1)	(59)	(136)	(17)	(36)	-	(249)
- Impairment	-	(1)	(29)	(1)	(3)	(2)	(36)
- Currency translation differences	3	5	12	(2)	3	-	21
- Reclassifications (to)/from Assets held for sale	(4)	(9)	(5)	-	(1)	(1)	(20)
- Monetary revaluation for hyperinflation	1	1	3	-	-	-	5
- Other	(3)	40	96	3	9	(148)	(3)
Total movements	**7**	**100**	**1**	**1**	**44**	**22**	**175**
Balance at 31 December 2019	**301**	**821**	**1,192**	**51**	**105**	**334**	**2,804**
Of which:							
- Historical cost	309	1,203	2,284	165	244	339	4,544
- Accumulated depreciation and impairment	(8)	(382)	(1,092)	(114)	(139)	(5)	(1,740)
Net book value	**301**	**821**	**1,192**	**51**	**105**	**334**	**2,804**

(Euro/million)

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
Balance at 31 December 2017	**232**	**528**	**576**	**42**	**61**	**207**	**1,646**
Movements in 2018:							
– Business combinations	71	195	601	3	3	17	890
– Investments	1	13	32	6	6	209	267
– Disposals	–	–	(1)	–	–	–	(1)
– Depreciation	–	(34)	(109)	(12)	(13)	–	(168)
– Impairment	(3)	(1)	(1)	–	–	–	(5)
– Monetary revaluation for hyperinflation	2	2	2	–	–	2	8
– Currency translation differences	(4)	(1)	4	1	(2)	(1)	(3)
– Reclassifications (to)/from Assets held for sale	(3)	(2)	–	–	–	–	(5)
– Other	(2)	21	87	10	6	(122)	–
Total movements	**62**	**193**	**615**	**8**	**–**	**105**	**983**
Balance at 31 December 2018	**294**	**721**	**1,191**	**50**	**61**	**312**	**2,629**
Of which:							
– Historical cost	301	1,035	2,080	142	150	315	4,023
– Accumulated depreciation and impairment	(7)	(314)	(889)	(92)	(89)	(3)	(1,394)
Net book value	**294**	**721**	**1,191**	**50**	**61**	**312**	**2,629**

In 2019, gross capital expenditure on property, plant and equipment came to Euro 255 million. Details of this expenditure during the course of 2019 are provided below:

- Projects to increase and technologically upgrade production capacity and develop new products/markets: Euro 145 million (57% of the total).
  - Within the *Projects* operating segment, the most significant investment was the continuation of construction, started the previous year, of a new advanced cable-laying vessel, involving a total estimated investment of approximately Euro 170 million (of which Euro 30 million invested in 2019). This strategic investment will consolidate the Group's "turnkey" approach, allowing it to serve EPCI (Engineering, Procurement, Construction & Installation) projects with end-to-end solutions. In particular, the investment in this new vessel will support long-term growth prospects in the submarine cable business, strengthening the Group's installation and execution capabilities for interconnection and offshore wind projects. The new cablelay vessel, designed to be the best performing on the market, will have an installation capability in depths of more than 2,000 metres, superior cable loading capacity thanks to wide carousels, the ability to perform complex installations involving different types of burial equipment, including submarine ploughs, and advanced positioning and position-holding systems. The new vessel is due to enter into service in 2021.
  - *Energy* segment investments around the world have ensured satisfaction of growing demand in certain value-added sectors. In Germany, solar cable production capacity was boosted at the Neustadt plant to meet ever rising demand for renewable energy; in France, the Montereau plant was the beneficiary of investments to serve the shipyard business operating in northern France. Some of the more important

investments in production capacity increases have been in North America, designed to serve a particularly active and growing market in the years ahead: in particular in Sedalia, in the state of Missouri, investments have been made in the business of special purpose aluminium cables, while in Taunton, Massachusetts, work has begun to increase production capacity for special cables for industrial applications in order to optimise the potential of the new compounding plant, due to become fully operational next year after relocating operations from the nearby plant in North Dighton, also in Massachusetts. Capex by Oman Cables Industry, an associate company, mainly related to the low and medium voltage cables business, serving both local utilities and the large engineering procurement and construction companies active in the Arabian Peninsula.

- In the *Telecom* operating segment, the Group completed investments to increase ribbon cable production capacity at its Lexington plant in South Carolina, also in the wake of winning a major supply contract with Verizon Communications, a leading US telecoms operator intending to enhance the 4G LTE capacity of the broadband network and to promote development of new 5G services.

• Multiple projects to improve industrial efficiency and rationalise production capacity: Euro 60 million (24% of the total).

• Structural work: Euro 50 million (19% of the total).

At 31 December 2019, machinery pledged as security against long-term loans has an almost nil value.

During the reporting period just ended, Prysmian Group reviewed whether there was any evidence that its CGUs might be impaired, and then tested for impairment only those CGUs potentially at "risk".

Such impairment testing has resulted in a charge of Euro 22 million to write off all the Plant and machinery, Equipment, Other assets and Assets under construction in the *Energy* segment's Oceania South-East Asia (OSEA) regional CGU. The cash flow projection for this CGU has been determined, for 2020, using the post-tax cash flow taken from the Group's 2020 budget, approved by the Board of Directors on 5 March 2020. This forecast was then projected forward to 2021-2022 using the same growth forecasts as those adopted for goodwill. The WACC (Weighted Average Cost of Capital) used to discount cash flows for determining value in use for the *Energy* segment's OSEA CGU is 6.1%. The perpetuity growth rate (G) projected after 2022 is 2%, consistent with long-term growth forecasts.

The Group has also recognised impairment against other assets which, although belonging to larger CGUs for which there was no specific evidence of impairment, have presented evidence of impairment due to particular market circumstances. This has led to the recognition of Euro 14 million in impairment losses in 2019, mainly to write down plant and machinery at the Manlleu and Montcada i Reixac production facilities in Catalonia (Spain), both involved in business restructuring processes, more details of which can be found in Section A1. Significant events in 2019.

With effect from 1 January 2019 the Group has adopted the new reporting standard *IFRS 16 - Leases*, whereby it has recognised right-of-use assets worth Euro 211 million as part of its property, plant and equipment. Details of the effects of the new reporting standard can be found in Note B.2 Newly adopted standards.

2. GOODWILL AND OTHER INTANGIBLE ASSETS

Details of this line item and related movements are as follows:

(Euro/million)

	Patents	Concessions, licences, trademarks and similar rights	Goodwill	Software	Other assets	Intangibles in progress and advances	Total
Balance at 31 December 2018 (*)	**6**	**113**	**1,571**	**35**	**417**	**20**	**2,162**
Movements in 2019:							
- Investments	-	-	-	1	-	27	28
- Amortisation	(3)	(15)	-	(8)	(43)	-	(69)
- Currency translation differences	-	2	19	-	7	1	29
- Other	1	-	-	12	2	(11)	4
Total movements	**(2)**	**(13)**	**19**	**5**	**(34)**	**17**	**(8)**
Balance at 31 December 2019	**4**	**100**	**1,590**	**40**	**383**	**37**	**2,154**
Of which:							
- Historical cost	60	187	1,610	128	615	58	2,658
- Accumulated amortisation and impairment	(56)	(87)	(20)	(88)	(232)	(21)	(504)
Net book value	**4**	**100**	**1,590**	**40**	**383**	**37**	**2,154**

(Euro/million)

	Patents	Concessions, licences, trademarks and similar rights	Goodwill	Software	Other intangible assets	Intangibles in progress and advances	Total
Balance at 31 December 2017	**7**	**27**	**438**	**31**	**216**	**16**	**735**
Movements in 2018:							
- Business combinations	-	88	1,113	-	235	-	1,436
- Investments	-	-	-	4	-	14	18
- Amortisation	(3)	(10)	-	(9)	(37)	-	(59)
- Currency translation differences	1	2	20	(1)	9	1	32
- Other	1	6	-	10	(6)	(11)	-
Total movements	**(1)**	**86**	**1,133**	**4**	**201**	**4**	**1,427**
Balance at 31 December 2018 (*)	**6**	**113**	**1,571**	**35**	**417**	**20**	**2,162**
Of which:							
- Historical cost	59	185	1,591	115	606	41	2,597
- Accumulated amortisation and impairment	(53)	(72)	(20)	(80)	(189)	(21)	(435)
Net book value	**6**	**113**	**1,571**	**35**	**417**	**20**	**2,162**

(*) The previously published comparative Consolidated Financial Statements have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.

In 2019, gross capital expenditure on intangible assets came to Euro 28 million, most of which attributable to ongoing enhancement of information systems and Digital Transformation projects. Work continued in 2019 on completing the "SAP Consolidation" program, based on the innovative SAP HANA infrastructure and intended to standardise back office processes, involving the platform's roll-out to South-East Asia, Spain, Portugal and France. This has been only the first step in the process of extending the platform to the entire Group. The new "SAP BW/4 HANA" Business Intelligence system was also implemented during 2019; both new platforms operate using private cloud computing.

Goodwill

As at 31 December 2019, Prysmian Group is reporting Euro 1,590 million in Goodwill, of which Euro 1,147 million for the General Cable acquisition, details of which can be found in Section E. Business Combinations.

Goodwill impairment test

As reported in Note 39.4 Impairment of property, plant and equipment and finite-life intangible assets, the Group's activities are organised in three operating segments: *Projects*, *Energy* and *Telecom*. The *Projects* segment consists of the High Voltage, Submarine Power, Submarine Telecom and Offshore Specialties CGUs; the *Energy* segment consists of a number of CGUs corresponding to the Regions or Countries in keeping with the new organisation structure; lastly, the *Telecom* segment consists of a single CGU that coincides with the operating segment itself. Goodwill, acquired on the occasion of business combinations, has been allocated to groups of CGUs, corresponding to the operating segments, which are expected to benefit from the synergies of such combinations and which represent the lowest level at which Management monitors business performance.

Goodwill has therefore been allocated to each of the operating segments: *Projects*, *Energy* and *Telecom*.

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

(Euro/million)

	31.12.2018 (*)	Currency translation differences	31.12.2019
Energy goodwill	1,043	12	1,055
Projects goodwill	234	4	238
Telecom goodwill	294	3	297
Total goodwill	**1,571**	**19**	**1,590**

(*) The previously published comparative Consolidated Financial Statements have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.

The cash flow projection has been determined, for 2020, using the post-tax cash flow taken from the Group's 2020 budget, approved by the Board of Directors on 5 March 2020.

The operating segment cash flow forecasts have been extended to the period 2021-2022 assuming expected annual growth rates of between 1.8% and 2.0% (consistent with the growth rates of the countries concerned). A terminal value has been estimated to reflect operating segment value after this period; this value has been determined assuming a 2% perpetuity growth rate, considered consistent with growth rates expected around the world. The rate used to discount cash flows has been determined on the basis of market information about the cost of money and asset-specific risks (Weighted Average Cost of Capital, WACC). The outcome of the test has shown that the recoverable amount of the individual operating segments is higher than their net invested capital (including the allocation of goodwill). In particular, recoverable amount is significantly above carrying amount for the Projects operating segment (216%), and higher for both the Energy operating segment (98%) and the Telecom operating segment (101%).

The WACC used for the *Projects* operating segment was 6.53% while the theoretical WACC, for which recoverable amount equals carrying amount, would be 12.55%. In the case of the *Energy* segment, the WACC used was 6.12% while the theoretical WACC, for which recoverable amount equals carrying amount, would be 9.88%. In the case of the *Telecom* segment, the WACC used was 6.36% while the theoretical WACC, for which recoverable amount equals carrying amount, would be 10.78%. In the case of growth rates, for recoverable amount to be equal to carrying amount, the growth rate would have to be negative for all segments.

3. EQUITY-ACCOUNTED INVESTMENTS

Details are as follows:

(Euro/million)

	31.12.2019	31.12.2018
Investments in associates	314	294
Total equity-accounted investments	**314**	**294**

Movements over the period are as follows:

(Euro/million)

	31.12.2019
	Investments in associates
Opening balance	**294**
Movements:	
– Currency translation differences	3
– Share of net profit/(loss)	24
– Dividends	(9)
– Other movements	2
Total movements	**20**
Closing balance	**314**

(Euro/million)

	31.12.2018
	Investments in associates
Opening balance	**217**
Movements:	
– Currency translation differences	(2)
– Share of net profit/(loss)	59
– Dividends	(16)
– Other movements	36
Total movements	**77**
Closing balance	**294**

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

(Euro/million)

	31.12.2019	31.12.2018
Yangtze Optical Fibre and Cable Joint Stock Limited Company	262	246
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd.	29	26
Kabeltrommel Gmbh & Co.K.G.	6	6
Elkat Ltd.	7	6
Rodco Ltd.	2	2
Eksa Sp.Zo.o	3	3
Power Cables Malaysia Sdn Bhd	5	5
Total investments in equity-accounted companies	**314**	**294**

The value of investments includes Euro 24 million for the share of net profit (loss) of equity-accounted companies.

Investments in associates

Information about the nature of the main investments in associates:

Company name	Registered office	% owned
Yangtze Optical Fibre and Cable Joint Stock Limited Company	China	23.73%
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd	China	42.80%
Kabeltrommel Gmbh & Co.K.G.	Germany	43.18%
Power Cables Malaysia Sdn Bhd	Malaysia	40.00%
Elkat Ltd.	Russia	40.00%

Yangtze Optical Fibre and Cable Joint Stock Limited Company is a Chinese company formed in 1988 whose main shareholders are: China Huaxin Post and Telecommunication Economy Development Center, Wuhan Yangtze Communications Industry Group Company Ltd. and Prysmian Group. The company is one of the industry's most important manufacturers of optical fibre and cables. Its products and solutions are sold in more than 50 countries, including the United States, Japan, the Middle East and Africa.

The company was listed on the Main Board of the Hong Kong Stock Exchange in December 2014 and in July 2018 it was also listed on the Shanghai Stock Exchange.

At 31 December 2019, the fair value of the investment in Yangtze Optical Fibre and Cable Joint Stock Limited Company was Euro 318 million (based on the price quoted on the Hong Kong market), compared with a carrying amount of Euro 262 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 Prysmian Group and 75% by Yangtze Optical Fibre and Cable Joint Stock Limited Company. The company specialises in the manufacture and sale of optical fibre and cables, offering a wide range of optical fibre cables and accessories, services and FTTx solutions.

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

Power Cables Malaysia Sdn Bhd, a company based in Malaysia, manufactures and sells power cables and conductors, with its prime specialism high voltage products.

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

The following table reports key financial figures for the principal investments in associates:

(Euro/million)

	Kabeltrommel Gmbh & Co.K.G.	Yangtze Optical Fibre and Cable Joint Stock Limited Company	Elkat Ltd.	Yangtze Optical Fibre & Cable (Shanghai) Co Ltd	Power Cables Malaysia Sdn Bhd
	31.12.2019	30.09.2019(*)	31.12.2019	31.12.2019	31.12.2019
Non-current assets	n.a	737	n.a	10	11
Current assets	n.a	1,024	n.a	52	16
Total assets	n.a	1,761	n.a	62	27
Equity	n.a	1,132	n.a	42	13
Non-current liabilities	n.a	65	n.a	5	2
Current liabilities	n.a	564	n.a	15	12
Total equity and liabilities	n.a	1,761	n.a	62	27
	2019	2019	2019	2019	2019
Sales of goods and services	n.a	676	n.a	92	33
Net profit/(loss) for the year	n.a	83	n.a	1	(1)
Comprehensive income/(loss) for the year	n.a	85	n.a	1	(1)
Dividends received	1	6	1	1	–

(*) The figures for Yangtze Optical Fibre and Cable Joint Stock Limited Company, a company listed on the Hong Kong Stock Exchange, refer to its latest published financial results for the first nine months of 2019.

(Euro/million)

	Kabeltrommel Gmbh & Co.K.G.	Yangtze Optical Fibre and Cable Joint Stock Limited Company	Elkat Ltd.	Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd	Power Cables Malaysia Sdn Bhd
	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018
Non-current assets	10	685	5	11	11
Current assets	16	951	17	68	14
Total assets	26	1,636	22	79	25
Equity	11	1,064	20	43	12
Non-current liabilities	1	149	–	4	2
Current liabilities	13	424	2	32	11
Total equity and liabilities	26	1,636	22	79	25
	2018	2018	2018	2018	2018
Sales of goods and services	34	1,455	175	122	29
Net profit/(loss) for the year	4	191	2	5	(1)
Comprehensive income/(loss) for the year	4	185	2	5	(1)
Dividends received	3	–	–	1	–

4. OTHER INVESTMENTS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Details are as follows:

(Euro/million)

	31.12.2019	31.12.2018
Other investments at fair value through other comprehensive income - non current	13	13
Financial assets at fair value through other comprehensive income - current	11	10
Total	**24**	**23**

Other investments at fair value through other comprehensive income report shareholdings that are not intended for sale in the near term.

Financial assets at fair value through other comprehensive income (current) report securities that either mature within 12 months of the reporting date or could possibly be sold in the near term.

Other investments at fair value through other comprehensive income are analysed as follows:

(Euro/million)

	Type of financial asset	% owned by the Group	31.12.2019	31.12.2018
Ravin Cables Limited	unlisted shares	51%	9.00	9.00
Tunisie Cables S.A.	unlisted shares	7.55%	0.91	0.91
Cesi Motta S.p.A.	unlisted shares	6.48%	0.59	0.59
Voltimum S.A.	unlisted shares	13.71%	0.27	0.27
Other			1.81	1.81
Total non-current			**12.58**	**12.58**

Other investments and financial assets at fair value through other comprehensive income are denominated in the following currencies:

(Euro/million)

	31.12.2019	31.12.2018
Euro	14	13
Tunisian Dinar	1	1
Indian Rupee	9	9
Total	**24**	**23**

Other investments at fair value through other comprehensive income are classified in Level 3 of the fair value hierarchy, while financial assets at fair value through other comprehensive income fall under Level 1 of the fair value hierarchy.

5. TRADE AND OTHER RECEIVABLES

Details are as follows:

(Euro/million)

	31.12.2019		
	Non-current	Current	Total
Trade receivables	-	1,563	1,563
Allowance for doubtful accounts	-	(88)	(88)
Total trade receivables	**-**	**1,475**	**1,475**
Other receivables:			
Tax receivables	10	227	237
Financial receivables	2	2	4
Prepaid finance costs	4	2	6
Receivables from employees	1	4	5
Pension plan receivables	-	2	2
Construction contracts	-	450	450
Advances to suppliers	4	15	19
Other	17	114	131
Total other receivables	**38**	**816**	**854**
Total	**38**	**2,291**	**2,329**

(Euro/million)

	31.12.2018(*)		
	Non-current	Current	Total
Trade receivables	–	1,723	1,723
Allowance for doubtful accounts	–	(88)	(88)
Total trade receivables	**–**	**1,635**	**1,635**
Other receivables:			
Tax receivables	6	158	164
Financial receivables	2	7	9
Prepaid finance costs	–	1	1
Receivables from employees	2	2	4
Pension plan receivables	–	1	1
Construction contracts	–	360	360
Advances to suppliers	4	23	27
Other	19	115	134
Total other receivables	**33**	**667**	**700**
Total	**33**	**2,302**	**2,335**

(*) The previously published comparative Consolidated Financial Statements have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures

The increase in tax receivables mainly refers to the credit for PIS and COFINS taxes recorded by Brazilian companies, details of which can be found in section A1. Significant events in 2019.

Trade receivables

The gross amount of past due receivables that are totally or partially impaired is Euro 322 million at 31 December 2019 (Euro 308 million at 31 December 2018).

The ageing of past due impaired receivables is as follows:

(Euro/million)

	31.12.2019	31.12.2018
1 to 30 days	133	129
31 to 90 days	67	59
91 to 180 days	30	33
181 to 365 days	28	43
More than 365 days	64	44
Total	**322**	**308**

The value of trade receivables past due but not impaired is Euro 82 million at 31 December 2019 (Euro 141 million at 31 December 2018). These receivables mainly relate to customers in the Projects operating segment, which, given the nature of the counterparties, are not considered necessary to impair.

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

(Euro/million)

	31.12.2019	31.12.2018
1 to 30 days	2	45
31 to 90 days	5	14
91 to 180 days	–	1
181 to 365 days	2	80
More than 365 days	73	1
Total	**82**	**141**

The value of trade receivables not past due is Euro 1,159 million at 31 December 2019 (Euro 1,274 million at 31 December 2018). 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:

(Euro/million)

	31.12.2019	31.12.2018 (*)
Euro	883	995
US Dollar	544	533
British Pound	148	69
Chinese Renminbi (Yuan)	128	129
Omani Rial	127	108
Brazilian Real	122	143
Canadian Dollar	55	59
Indonesian Rupiah	48	72
Turkish Lira	36	38
Swedish Krona	32	33
Mexican Peso	23	13
United Arab Emirates Dirham	21	18
Australian Dollar	18	20
Chilean Peso	17	15
Philippine Peso	15	1
Russian Rouble	13	6
Singapore Dollar	10	9
Other currencies	89	74
Total	**2,329**	**2,335**

(*) The previously published comparative Consolidated Financial Statements have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.

The allowance for doubtful accounts amounts to Euro 88 million at 31 December 2019 (the same as at 31 December 2018). Movements in this allowance are shown in the following table:

(Euro/million)

	31.12.2019	31.12.2018
Opening balance	**88**	**65**
Movements:		
– Business combinations	–	20
– Increases in allowance	14	10
– Releases	(8)	(8)
– Bad debt write-offs	(2)	(2)
– Currency translation differences and other movements	(4)	3
Total movements	**–**	**23**
Closing balance	**88**	**88**

Increases in and releases from the allowance for doubtful accounts are reported in "Other expenses" in the income statement.

Other receivables

Other receivables include "Prepaid finance costs" of Euro 6 million at 31 December 2019 (Euro 1 million at 31 December 2018), primarily relating to arrangement costs for the Revolving Credit Facility 2019 agreed with a syndicate of leading banks on 3 April 2019.

"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:

(Euro/million)

	31,12,2019	31,12,2018(*)
Construction contract revenue to date	10,270	9,113
Amounts invoiced	(10,118)	(9,046)
Net amount due from/(to) customers for construction contracts	**152**	**67**
Of which:		
Other receivables for construction contracts	450	360
Other payables for construction contracts	(298)	(293)

(*) The previously published comparative Consolidated Financial Statements have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.

6. INVENTORIES

Details are as follows:

(Euro/million)

	31.12.2019	31.12.2018 (*)
Raw materials	439	442
of which allowance for obsolete and slow-moving raw materials	*(47)*	*(39)*
Work in progress and semi-finished goods	329	356
of which allowance for obsolete and slow-moving work in progress and semi-finished goods	*(15)*	*(13)*
Finished goods (**)	755	713
of which allowance for obsolete and slow-moving finished goods	*(78)*	*(67)*
Total	**1,523**	**1,511**

(*) The previously published comparative Consolidated Financial Statements have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.
(**) Finished goods also include goods for resale.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Details are as follows:

(Euro/million)

	31.12.2019	31.12.2018
Listed securities	18	19
Unlisted securities	9	6
Total	**27**	**25**

Financial assets at fair value through profit or loss basically refer to units in funds that mainly invest in short and medium-term government securities. These assets are mostly held by subsidiaries in Brazil and Argentina which invest temporarily available liquidity in such funds.

Movements in these assets are analysed as follows:

(Euro/million)

	31.12.2019	31.12.2018
Opening balance	**25**	**40**
Movements:		
– Currency translation differences	(3)	(5)
– Purchase of securities	6	7
– Disposal of securities	(1)	(17)
Total movements	**2**	**(15)**
Closing balance	**27**	**25**

8. DERIVATIVES

Details are as follows:

(Euro/million)

31.12.2019		
	Asset	Liability
Non-current		
Interest rate derivatives (cash flow hedges)	-	15
Forward currency contracts on commercial transactions (cash flow hedges)	1	1
Total hedging derivatives	**1**	**16**
Forward currency contracts on commercial transactions	-	-
Metal derivatives	6	2
Total other derivatives	**6**	**2**
Total non-current	**7**	**18**
Current		
Interest rate derivatives (cash flow hedges)	-	6
Forward currency contracts on commercial transactions (cash flow hedges)	4	3
Total hedging derivatives	**4**	**9**
Forward currency contracts on commercial transactions	3	6
Forward currency contracts on financial transactions	6	4
Metal derivatives	20	16
Total other derivatives	**29**	**26**
Total current	**33**	**35**
Total	**40**	**53**

(Euro/million)

31.12.2018		
	Asset	Liability
Non-current		
Interest rate derivatives (cash flow hedges)	-	8
Total hedging derivatives	**-**	**8**
Metal derivatives	2	1
Total other derivatives	**2**	**1**
Total non-current	**2**	**9**
Current		
Interest rate derivatives (cash flow hedges)	-	6
Forward currency contracts on commercial transactions (cash flow hedges)	3	10
Total hedging derivatives	**3**	**16**
Forward currency contracts on commercial transactions	4	8
Forward currency contracts on financial transactions	2	2
Metal derivatives	10	15
Total other derivatives	**16**	**25**
Total current	**19**	**41**
Total	**21**	**50**

Forward currency contracts have a notional value of Euro 2,258 million at 31 December 2019 (Euro 1,787 million at 31 December 2018); total notional value at 31 December 2019 includes Euro 563 million in derivatives designated as cash flow hedges (Euro 438 million at 31 December 2018).

Interest rate derivatives designated as cash flow hedges refer to:

- interest rate swaps, for an overall notional value of Euro 1,000 million, with the objective of hedging variable rate interest rate flows for the period 2018-2023 on financing contracted by the Group to acquire General Cable;
- interest rate swaps for an overall notional value of Euro 110 million, with the objective of hedging variable interest rate flows over the period 2018-2024.

At 31 December 2019, like at 31 December 2018, almost all the derivative contracts had been entered into with major financial institutions.

Metal derivatives have a notional value of Euro 1,219 million at 31 December 2019 (Euro 691 million at 31 December 2018).

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:

(Euro/million)

31.12.2019					
	Gross derivatives	**Amounts offset**	**Derivatives recognised in statement of financial position**	**Amounts not offset (1)**	**Net derivatives**
Assets					
Forward currency contracts	14	-	14	(12)	2
Interest rate derivatives	-	-	-	-	-
Metal derivatives	26	-	26	(8)	18
Total assets	**40**	**-**	**40**	**(20)**	**20**
Liabilities					
Forward currency contracts	14	-	14	(12)	2
Interest rate derivatives	21	-	21	-	21
Metal derivatives	18	-	18	(8)	10
Total liabilities	**53**	**-**	**53**	**(20)**	**33**

(Euro/million)

31.12.2018					
	Gross derivatives	**Amounts offset**	**Derivatives recognised in statement of financial position**	**Amounts not offset (1)**	**Net derivatives**
Assets					
Forward currency contracts	9	-	9	(7)	2
Interest rate derivatives	-	-	-	-	-
Metal derivatives	12	-	12	(5)	7
Total assets	**21**	**-**	**21**	**(12)**	**9**
Liabilities					
Forward currency contracts	20	-	20	(7)	13
Interest rate derivatives	14	-	14	-	14
Metal derivatives	16	-	16	(5)	11
Total liabilities	**50**	**-**	**50**	**(12)**	**38**

(1) Derivatives potentially offsettable in the event of default events under master netting arrangements.

The following table shows movements in both reporting periods in the cash flow hedge reserve for designated hedging derivatives:

(Euro/million)

	2019		2018	
	Gross reserve	Tax effect	Gross reserve	Tax effect
Opening balance	**(20)**	**6**	**(6)**	**2**
Changes in fair value	(7)	2	(10)	3
Reserve for other finance costs/(income)	–	–	(3)	1
Release to construction contract costs/ (revenues)	6	(1)	(1)	–
Other	1	–	–	–
Closing balance	**(20)**	**7**	**(20)**	**6**

9. CASH AND CASH EQUIVALENTS

Details are as follows:

(Euro/million)

	31.12.2019	31.12.2018
Cash and cheques	1	–
Bank and postal deposits	1,069	1,001
Total	**1,070**	**1,001**

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 724 million at 31 December 2019, compared with Euro 630 million at 31 December 2018.
The change in cash and cash equivalents is commented on in Note 37. Statement of cash flows.

10. ASSETS AND LIABILITIES HELD FOR SALE

Details are as follows:

(Euro/million)

	31.12.2019	31.12.2018
Assets held for sale:		
Lands	–	2
Buildings	12	1
Other assets	14	–
Financial assets	1	–
Total assets held for sale	**27**	**3**
Liabilities held for sale:		
Other liabilities	(10)	–
Total liabilities held for sale	**(10)**	**–**

Movements in Assets and Liabilities held for sale are reported below:

(Euro/million)

	31.12.2019	
	Assets	Liabilities
Opening balance	**3**	**-**
- Disposals	(10)	-
- Reclassification	34	10
Total movements	**24**	**10**
Closing balance	**27**	**10**

(Euro/million)

	31.12.2018	
	Assets	Liabilities
Opening balance	**-**	**-**
- Business combinations	3	-
- Disposals	(5)	-
- Reclassification	5	-
Total movements	**3**	**-**
Closing balance	**3**	**-**

At 31 December 2019 assets and liabilities held for sale primarily refer to the assets and liabilities of Draka Fileca SAS, a Group company for which the Group received a binding offer of Euro 73 million on 22 October 2019 from Carlisle Companies Incorporated.
The disposals of Euro 10 million reflect Euro 3 million for the sale of the Delfzijl plant in the Netherlands and Euro 7 million for the sale of the office building in Barcelona (Spain).
Assets held for sale are classified in Level 3 of the fair value hierarchy.

11. SHARE CAPITAL AND RESERVES

Consolidated equity has recorded a positive change of Euro 228 million since 31 December 2018, mainly reflecting the net effect of:

- positive currency translation differences of Euro 67 million;
- a positive post-tax change of Euro 1 million in the fair value of derivatives designated as cash flow hedges;
- a negative change of Euro 1 million in the share-based compensation reserve linked to stock option plans;
- the distribution of Euro 119 million in dividends;
- a decrease of Euro 22 million in the reserves for actuarial gains and losses on employee benefits;
- an increase of Euro 1 million in other reserves arising from the measurement of financial instruments at fair value through other comprehensive income;
- the net profit for the year of Euro 296 million;
- an increase of Euro 10 million for the effects of hyperinflation;
- a negative change of Euro 7 million following the purchase of non-controlling interests in subsidiaries;
- an increase of Euro 2 million for capital paid in by non-controlling shareholders.

At 31 December 2019, the share capital of Prysmian S.p.A. comprises 268,144,246 shares, each of nominal value Euro 0.10 for a total of Euro 26,814,424.60.

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

	Ordinary shares	Treasury shares	Total
Balance at 31 December 2017	**217,482,754**	**(6,494,881)**	**210,987,873**
Capital increase (1)	50,661,492	-	50,661,492
Allotments and sales (2)	-	1,397,668	1,397,668
Balance at 31 December 2018	**268,144,246**	**(5,097,213)**	**263,047,033**

	Azioni ordinarie	Azioni proprie	Totale
Balance at 31 December 2018	268,144,246	(5,097,213)	263,047,033
Allotments and sales (3)	-	206,051	206,051
Balance at 31 December 2019	**268,144,246**	**(4,891,162)**	**263,253,084**

(1) Issue of new shares serving the capital increase (32,652,314 shares), the conversion of the Convertible Bond 2013 (12,677,769 shares) and the long-term incentive plan (LTI Plan) for Group employees (5,331,409 shares).
(2) Allotment and/or sale of treasury shares to serve the long-term incentive plan (LTI Plan) for Group employees (1,278,001 shares allotted) and the YES Group employee share purchase plan (87,540 shares allotted and 32,127 shares sold).
(3) Allotment and/or sale of treasury shares under the YES Group employee share purchase plan (206,051 shares).

Treasury shares

Movements in treasury shares during 2019 refer to the allotment and sale of treasury shares serving the employee share purchase plan.

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

	Number of shares	Total nominal value (in Euro)	% of share capital	Average unit value (in Euro)	Total carrying value (in Euro)
Balance at 31 December 2017	**6,494,881**	**649,488**	**2,99%**	**20,23**	**131,387,074**
- Allotments and sales	(1,397,668)	(139,767)	-	19,92	(27,841,547)
Balance at 31 December 2018	**5,097,213**	**509,722**	**1,90%**	**20,31**	**103,545,528**
- Allotments and sales	(206,051)	(20,605)	-	19,92	(4,104,536)
Balance at 31 December 2019	**4,891,162**	**489,117**	**1,82%**	**20,33**	**99,440,992**

Authorisation to buy and dispose of treasury shares

The Shareholders' Meeting of Prysmian S.p.A. held on 5 June 2019 authorised a buyback and disposal of treasury shares, revoking at the same time the previous authorisation under the shareholder resolution dated 12 April 2018. The authorisation provides the opportunity to purchase, on one or more occasions, a maximum number of ordinary shares whose total must not exceed, at any one time, 10% of share capital. Purchases may not exceed the amount of undistributed earnings and available reserves reported in the most recently approved annual financial statements. The authorisation to buy back treasury shares lasts for 18 months commencing from the date of the Shareholders' Meeting, while the authorisation to dispose of treasury shares has no time limit.

12. BORROWINGS FROM BANKS AND OTHER LENDERS

Details are as follows:

(Euro/million)

	31.12.2019		
	Non-current	Current	Total
Borrowings from banks and other lenders	230	153	383
Term Loan	995	1	996
UniCredit Loan	199	–	199
Mediobanca Loan	100	–	100
Intesa Loan	149	–	149
Non-convertible bond	746	14	760
Convertible Bond 2017	478	–	478
Lease liabilities	135	44	179
Total	**3,032**	**212**	**3,244**

(Euro/million)

	31.12.2018		
	Non-current	Current	Total
Borrowings from banks and other lenders	246	82	328
Term Loan	993	1	994
Bridge Loan	500	–	500
UniCredit Loan	199	–	199
Non-convertible bond	745	14	759
Convertible Bond 2017	467	–	467
Lease liabilities	11	1	12
Total	**3,161**	**98**	**3,259**

Borrowings from banks and other lenders and Bonds are analysed as follows:

(Euro/million)

	31.12.2019	31.12.2018
CDP Loans	200	100
EIB Loans	135	152
Term Loan	996	994
Bridge Loan	–	500
UniCredit Loan	199	199
Mediobanca Loan	100	–
Intesa Loan	149	–
Other borrowings	48	76
Borrowings from banks and other lenders	**1,827**	**2,021**
Non-convertible bond	760	759
Convertible Bond 2017	478	467
Total	**3,065**	**3,247**

The Group's principal credit agreements in place at the reporting date are as follows:

Revolving Credit Facility 2019 and Syndicated Revolving Credit Facility 2014

On 3 April 2019, the Group renewed its Euro 1,000 million long-term revolving credit facility with a syndicate of leading Italian and international banks. The five-year credit facility replaces the Syndicated Revolving Credit Facility 2014, which was extinguished at the same time. The funds are available for business and working capital needs, including the refinancing of existing facilities. The Revolving Credit Facility 2019 can also be used for the issue of guarantees. At 31 December 2019, this facility was not being used.

EIB Loans

On 18 December 2013, Prysmian S.p.A. entered into a first loan agreement with the European Investment Bank (EIB) for Euro 100 million, to fund the Group's research & development (R&D) programmes in Europe over the period 2013-2016.

The EIB Loan was particularly intended to support projects developed in the Group's R&D centres in six countries (France, Great Britain, the Netherlands, Spain, Germany and Italy) and represented about 50% of the Prysmian Group's investment expenditure in Europe during the period concerned.

The EIB Loan, received on 5 February 2014, is repayable in 12 equal half-yearly instalments commencing 5 August 2015 and ending 5 February 2021.

On 10 November 2017, Prysmian S.p.A. entered into a second loan agreement with the EIB for Euro 110 million to support the Group's R&D programmes in Europe over the period 2017-2020. The loan was received on 29 November 2017 and involves a bullet repayment at maturity on 29 November 2024. Interest rate swaps have been arranged in respect of this loan, for an overall notional value of Euro 110 million, with the objective of hedging variable interest rate flows over the period 2018-2024.

At 31 December 2019, the fair value of the EIB Loans approximates their carrying amount. Fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

After repayments against the EIB Loan 2013, the outstanding balance on the EIB Loans as at 31 December 2019 was Euro 135 million.

CDP Loans

On 25 September 2017, Prysmian S.p.A. entered into an agreement with Cassa Depositi e Prestiti S.p.A. (CDP) for a long-term cash loan for a maximum total amount of Euro 100 million. This loan, maturing on 30 September 2020, was drawn down in its entirety on 29 September 2017. It has been used solely for the Group's general purposes, including capital expenditure, expenditure on research, development and innovation, as well as on energy efficiency and environmental stewardship. At 31 December 2019, the fair value of the CDP Loan 2017 approximates its carrying amount.

On 28 October 2019, the Group entered into a second agreement with Cassa Depositi e Prestiti Spa for a Euro 100 million long-term loan for 4 years and 6 months from the date of signing, with a bullet repayment at maturity. The purpose of this loan is to finance part of the Group's capital expenditure and expenditure on research, development and innovation in Italy and Europe. At 31 December 2019, the fair value of the CDP Loan 2019 approximates its carrying amount.

Financing for the General Cable acquisition

On 2 March 2018, Prysmian S.p.A. entered into a credit agreement (the Acquisition Financing Agreement) with the aim of securing the financial resources needed to pay the consideration for the acquisition of General Cable, to refinance the existing debt of General Cable and its subsidiaries and to finance acquisition-related fees, commissions, costs and expenses.

This financing consisted of two lines of credit:

- "Term Loan": a term loan for Euro 1 billion, repayable on the fifth anniversary of the acquisition closing date (6 June 2023);
- "Bridge Loan": a term loan for Euro 700 million, initially intended to be repaid in a bullet payment within 2 years of the acquisition closing date (8 June 2020) but now totally extinguished.

The interest rates applied to both these loans are indexed to 6M and 3M Euribor, as the company so chooses.

Both lines were drawn down in full upon acquiring General Cable.

At 31 December 2019, the residual value of the Bridge Loan is zero, after making early repayments of Euro 200 million during 2018 and of Euro 500 million during 2019.

At 31 December 2019, the fair value of the Term Loan approximates its carrying amount.

UniCredit Loan

On 15 November 2018, Prysmian S.p.A. entered into an agreement with UniCredit for a long-term cash loan for a maximum amount of Euro 200 million for 5 years from the date of signing. The agreement envisages a bullet repayment at maturity. The interest rate applied is indexed to 6M and 3M Euribor, as the company so chooses. As at 31 December 2019, this loan was drawn down in full and had a fair value approximating its carrying amount.

Mediobanca Loan

On 20 February 2019, the Group entered into an agreement with Mediobanca for a Euro 100 million long-term loan for 5 years from the date of signing, with a bullet repayment at maturity. The interest rate applied is indexed to 6M and 3M Euribor, as the company so chooses. As at 31 December 2019, this loan was drawn down in full and had a fair value approximating its carrying amount.

Intesa Sanpaolo Loan

On 11 October 2019, the Group entered into an agreement with Intesa Sanpaolo for a Euro 150 million long-term loan for 5 years from the date of signing, with a bullet repayment at maturity. As at 31 December 2019, this loan was drawn down in full and had a fair value approximating its carrying amount.

The following tables summarise the committed lines available to the Group at 31 December 2019 and 31 December 2018:

(Euro/million)

31.12.2019			
	Total lines	**Drawn**	**Undrawn**
Revolving Credit Facility 2019	1,000	–	1,000
CDP Loans	200	(200)	–
EIB Loans	135	(135)	–
Term Loan	1,000	(1,000)	–
UniCredit Loan	200	(200)	–
Mediobanca Loan	100	(100)	–
Intesa Loan	150	(150)	
Total	**2,785**	**(1,785)**	**1,000**

(Euro/million)

31.12.2018			
	Total lines	**Drawn**	**Undrawn**
Syndicated Revolving Credit Facility 2014	1,000	–	1,000
CDP Loan	100	(100)	–
Term Loan	1,000	(1,000)	–
Bridge Loan	500	(500)	–
EIB Loans	152	(152)	–
UniCredit Loan	200	(200)	–
Total	**2,952**	**(1,952)**	**1,000**

The Revolving Credit Facility is intended to finance ordinary working capital requirements and can also be used for the issue of guarantees.

Bonds

Non-convertible bond issued in 2015

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

The bond settlement date was 9 April 2015. The bond was admitted to the Luxembourg Stock Exchange, where it is traded on the related regulated market.

At 31 December 2019, the fair value of the non-convertible bond is Euro 781 million. Fair value has been determined with reference to the quoted price in the relevant market (Level 1 of the fair value hierarchy).

Convertible Bond 2017

At the meeting held on 12 April 2017, the Company's shareholders authorised:

- the convertibility of the Equity-Linked Bond;
- the proposal to increase share capital for cash, in single or multiple issues with the exclusion of pre-emptive rights, by a maximum nominal amount of Euro 1,457,942.70, by issuing, in single or multiple instalments, up to 14,579,427 ordinary shares of the Company, with the same characteristics as its other outstanding ordinary shares, exclusively and irrevocably to serve the Bond's conversion.

The conversion price of the bonds of Euro 34.2949 was set by applying a 41.25% premium to the weighted average price of the Company's ordinary shares recorded on the Milan Stock Exchange between the start and end of the book-building process during the morning of 12 January 2017.

In addition, there is an option to call all (but not just a part) of the outstanding bonds at their principal amount from 1 February 2020, should the value of the shares exceed 130% of the conversion price for a specified period of time.

The placement has allowed the Company to diversify its financial resources more widely by raising funds on the capital market. These funds will be used to pursue the Company's potential external growth opportunities; to finance, in line with the shareholders' authorisation of the share buyback, the buyback of the Company's shares that will be used to fulfil potential conversion rights requirements and/or as consideration to finance the Company's growth strategy and for general corporate purposes.

On 16 May 2017, the Company sent a physical settlement notice to holders of the bonds, granting them the right, with effect from 29 May 2017, to convert them into the Company's existing or new ordinary shares. On 30 May 2017, the Bond was admitted to trading on the Third Market (a multilateral trading facility or MTF) on the Vienna Stock Exchange.

The accounting treatment for the Convertible Bond 2017 has resulted in the recognition of an equity component of Euro 48 million and a debt component of Euro 452 million, determined at the bond issue date.

(Euro/million)	
Issue value of convertible bond	500
Equity reserve for convertible bond	(48)
Issue date net balance	**452**
Interest - non-monetary	29
Related costs	(3)
Balance at 31 December 2019	**478**

At 31 December 2019, the fair value of the Convertible Bond 2017 (equity component and debt component) is Euro 498 million, of which the fair value of the debt component is Euro 491 million. In the absence of trading on the relevant market, fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

General Cable convertible bond

This bond, originating from the acquisition of General Cable, was issued on 18 December 2009 for an amount of USD 429.5 million; it allowed bondholders the option, in the event of an acquisition, to request repayment of the nominal value plus a premium. The Bond was extinguished in the two months following the acquisition, with the remaining debt at 31 December 2019 equal to USD 0.4 million.

Other borrowings from banks and other lenders and Lease liabilities

The following tables report movements in Borrowings from banks and other lenders.

(Euro/million)

	CDP Loans	EIB Loans	Conv. Bond	Non-Conv. Bond	Loans for General Cable acquisition	UniCredit, Mediobanca and Intesa Loans	Other borrowings/ Lease liabilities	Total
Balance at 31 December 2018	**100**	**152**	**467**	**759**	**1,494**	**199**	**88**	**3,259**
Currency translation differences	–	–	–	–	–	–	(2)	(2)
New funds	100	–	–	–	–	250	15	365
Repayments	–	(17)	–	–	(500)	–	(85)	(602)
Amortisation of bank and financial fees and other expenses	–	–	1	2	1	(1)	–	3
Adoption IFRS 16	–	–	–	–	–	–	211	211
Interest and other movements	–	–	10	(1)	1	–	–	10
Total movements	**100**	**(17)**	**11**	**1**	**(498)**	**249**	**139**	**(15)**
Balance at 31 December 2019	**200**	**135**	**478**	**760**	**996**	**448**	**227**	**3,244**

(Euro/million)

	CDP Loan	EIB Loans	Conv. Bonds	Non-Conv. Bond	Loans for General Cable acquisition	UniCredit Loan	Other borrowings/ Lease liabilities	Total
Balance at 31 December 2017	**100**	**169**	**739**	**757**	**-**	**-**	**71**	**1,836**
Business combinations	-	-	396	-	-	-	919	1,315
Currency translation differences	-	-	-	-	-	-	12	12
New funds	-	-	-	-	1,700	200	29	1,929
Repayments	-	(17)	(396)	-	(200)	-	(943)	(1,556)
Amortisation of bank and financial fees and other expenses	-	-	1	2	(7)	(1)	-	(5)
Conversion of Convertible Bond 2013	-	-	(283)	-	-	-	-	(283)
Interest and other movements	-	-	10	-	1	-	-	11
Total movements	**-**	**(17)**	**(272)**	**2**	**1,494**	**199**	**17**	**1,423**
Balance at 31 December 2018	**100**	**152**	**467**	**759**	**1,494**	**199**	**88**	**3,259**

With effect from 1 January 2019 the Group has adopted the new reporting standard *IFRS 16 - Leases*, whereby it has recognised lease liabilities worth Euro 211 million as part of its financial obligations. Details of the effects of the new reporting standard can be found in Note B.2 Newly adopted standards.

The following tables provide an analysis by maturity and currency of borrowings from banks and other lenders (excluding lease liabilities) at 31 December 2019 and 2018:

(Euro/million)

31.12.2019							
	Variable interest rate			Fixed interest rate			Total
	Euro	USD	Other currencies	Euro	USD	Other currencies	
Due within 1 year	124	11	4	23	2	3	167
Due between 1 and 2 years	8	–	–	2	–	–	10
Due between 2 and 3 years	–	–	–	1,225	1	–	1,226
Due between 3 and 4 years	1,194	–	–	1	–	–	1,195
Due between 4 and 5 years	459	8	–	–	–	–	467
Due after more than 5 years	–	–	–	–	–	–	–
Total	**1,785**	**19**	**4**	**1,251**	**3**	**3**	**3,065**
Average interest rate in period, as per contract	1.0%	3.0%	4.6%	2.1%	8.9%	5.1%	1.5%
Average interest rate in period, including IRS effect [(a)]	1.4%	3.0%	4.6%	2.1%	8.9%	5.1%	1.7%

(a) Interest rate swaps have been put in place to hedge interest rate risk on variable rate loans in Euro. At 31 December 2019, the total hedged amount equates to 61.8% of Euro-denominated debt at that date. Interest rate hedges consist of interest rate swaps which exchange a variable rate (3 or 6-month Euribor for loans in Euro) with an average fixed rate (fixed rate + spread) of 1.4% for Euro-denominated debt. The percentages representing the average fixed rate refer to 31 December 2019.

(Euro/million)

31.12.2018							
	Variable interest rate			Fixed interest rate			Total
	Euro	USD	Other currencies	Euro	USD	Other currencies	
Due within 1 year	30	16	22	23	2	4	97
Due between 1 and 2 years	616	-	-	2	-	-	618
Due between 2 and 3 years	8	-	-	1	1	-	10
Due between 3 and 4 years	-	-	-	1,212	-	-	1,212
Due between 4 and 5 years	1,191	-	-	-	-	-	1,191
Due after more than 5 years	110	8	-	1	-	-	119
Total	**1,955**	**24**	**22**	**1,239**	**3**	**4**	**3,247**
Average interest rate in period, as per contract	0.9%	3.1%	5.0%	2.1%	9.4%	4.6%	1.4%
Average interest rate in period, including IRS effect	1.3%	3.1%	5.0%	2.1%	9.4%	4.6%	1.7%

Risks relating to sources of finance and to financial investments/receivables are discussed in the section entitled "Risks factors and uncertainties" forming part of the Directors' Report.

NET FINANCIAL DEBT

(Euro/million)

	Note	31.12.2019	31.12.2018
Long-term financial payables			
CDP Loans	12	100	100
EIB Loans	12	118	135
Non-convertible bond	12	746	745
Convertible Bond 2017	12	478	467
Term Loan	12	995	993
Bridge Loan	12	-	500
UniCredit Loan	12	199	199
Mediobanca Loan	12	100	-
Intesa Loan	12	149	-
Lease liabilities	12	135	11
Interest rate swaps	8	15	8
Other financial payables	12	12	11
Total long-term financial payables		**3,047**	**3,169**
CDP Loans	12	100	-
EIB Loans	12	17	17
Non-convertible bond	12	14	14
Term Loan	12	1	1
Lease liabilities	12	44	1
Interest rate swaps	8	6	6
Forward currency contracts on financial transactions	8	4	2
Other financial payables	12	36	65
Total short-term financial payables		**222**	**106**
Total financial liabilities		**3,269**	**3,275**
Long-term financial receivables	5	2	2
Long-term bank fees	5	4	-
Financial assets at amortised cost		4	5
Forward currency contracts on financial transactions (current)	8	6	2
Short-term financial receivables	5	2	7
Short-term bank fees	5	2	1
Financial assets at fair value through profit or loss	7	27	25
Financial assets at fair value through other comprehensive income	4	11	10
Financial assets held for sale	10	1	-
Cash and cash equivalents	9	1,070	1,001
Total financial assets		**1,129**	**1,053**
Net financial debt		**2,140**	**2,222**

The following table presents a reconciliation for the periods concerned of the Group's net financial debt to the amount reported in compliance with Consob Communication DEM/6064293 issued on 28 July 2006 and the CESR recommendation dated 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses":

(Euro/million)

	Note	31.12.2019	31.12.2018
Net financial debt - as reported above		**2,140**	**2,222**
Long-term financial receivables and other assets	5	6	7
Long-term bank fees	5	4	-
Net forward currency contracts on commercial transactions	8	2	11
Net metal derivatives	8	(8)	4
Recalculated net financial debt		**2,144**	**2,244**

13. TRADE AND OTHER PAYABLES

Details are as follows:

(Euro/million)

	31.12.2019		
	Non-current	Current	Total
Trade payables	-	2,062	2,062
Total trade payables	**-**	**2,062**	**2,062**
Other payables:			
Tax and social security payables	2	201	203
Advances from customers	-	357	357
Payables to employees	1	160	161
Accrued expenses	-	139	139
Other	8	112	120
Total other payables	**11**	**969**	**980**
Total	**11**	**3,031**	**3,042**

(Euro/million)

	31.12.2018 (*)		
	Non-current	Current	Total
Trade payables	-	2,132	2,132
Total trade payables	**-**	**2,132**	**2,132**
Other payables:			
Tax and social security payables	3	163	166
Advances from customers	-	332	332
Payables to employees	-	176	176
Accrued expenses	-	140	140
Other	9	142	151
Total other payables	**12**	**953**	**965**
Total	**12**	**3,085**	**3,097**

(*) The previously published comparative figures have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.

Trade payables include around Euro 236 million (Euro 218 million at 31 December 2018) for the supply of strategic metals (copper, aluminium and lead), whose payment terms are longer than normal for this type of transaction.

Advances from customers include the liability for construction contracts, amounting to Euro 298 million at 31 December 2019 compared with Euro 223 million at 31 December 2018. This liability represents the excess of amounts invoiced by the Group over costs incurred plus accumulated profits (or losses), recognised using the percentage of completion method.

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

(Euro/million)

	31.12.2019	31.12.2018 (*)
Euro	1,326	1,398
US Dollar	724	660
British Pound	233	234
Chinese Renminbi (Yuan)	176	190
Brazilian Real	90	48
United Arab Emirates Dirham	68	114
Bahraini Dinar	67	38
Omani Rial	41	49
Romanian Leu	36	57
Canadian Dollar	35	51
Philippine Peso	30	12
Australian Dollar	29	32
Indonesian Rupiah	20	13
Sweden Krona	19	34
Qatari Riyal	15	10
Norwegian Krone	12	10
Hungarian Forint	11	10
Malaysian Ringgit	11	14
Other currencies	99	123
Total	**3,042**	**3,097**

(*) The previously published comparative figures have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.

14. PROVISIONS FOR RISKS AND CHARGES

Details are as follows:

(Euro/million)

	31.12.2019 (*)		
	Non-current	Current	Total
Restructuring costs	15	57	72
Legal, contractual and other risks	26	468	494
Environmental risks	–	107	107
Tax risks	19	85	104
Total	**60**	**717**	**777**

(*) Provisions for risks at 31.12.2019 include contingent liabilities for Euro 170 million.

(Euro/million)

	31.12.2018 (*)(**)		
	Non-current	Current	Total
Restructuring costs	1	38	39
Legal, contractual and other risks	26	402	428
Environmental risks	2	107	109
Tax risks	22	88	110
Total	**51**	**635**	**686**

(*) The previously published comparative figures have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.
(**) Provisions for risks at 31.12.2018 include contingent liabilities for Euro 170 million.

The following table presents the movements in these provisions during the reporting period:

(Euro/million)

	Restructuring costs	Legal, contractual and other risks	Environmental risks	Tax risks	Total
Balance at 31 December 2018 (*)	**39**	**428**	**109**	**110**	**686**
Increases	64	134	–	8	206
Utilisations	(32)	(24)	(3)	(2)	(61)
Releases	(6)	(98)	(1)	(7)	(112)
Currency translation differences	(1)	5	2	1	7
Other	8	49		(6)	51
Total movements	**33**	**66**	**(2)**	**(6)**	**91**
Balance at 31 December 2019	**72**	**494**	**107**	**104**	**777**

(*) The previously published comparative figures have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.

The provision for legal, contractual and other risks amounts to Euro 494 million at 31 December 2019 (compared with Euro 428 million at 31 December 2018). This provision mainly includes provisions related to and arising from business combinations, provisions for risks on ongoing and completed contracts and the provision for Antitrust investigations, details of which now follow.

Antitrust - European Commission proceedings in the high voltage underground and submarine cables business

The European Commission started an investigation in late January 2009 into several European and Asian electrical cable manufacturers to verify the existence of alleged anti-competitive practices in the high voltage underground and submarine cables markets.

On 2 April 2014, the European Commission adopted a decision under which it found that, between 18 February 1999 and 28 January 2009, the world's largest cable producers, including Prysmian Cavi e Sistemi S.r.l., adopted anti-competitive practices in the European market for high voltage submarine and underground power cables. The European Commission held Prysmian Cavi e Sistemi S.r.l. jointly liable with Pirelli & C. S.p.A. for the alleged infringement in the period 18 February 1999 - 28 July 2005, sentencing them to pay a fine of Euro 67.3 million, and it held Prysmian Cavi e Sistemi S.r.l. jointly liable with Prysmian S.p.A. and The Goldman Sachs Group Inc. for the alleged infringement in the period 29 July 2005 - 28 January 2009, sentencing them to pay a fine of Euro 37.3 million. Prysmian filed an appeal against this decision with the General Court of the European Union along with an application to intervene in the appeals respectively lodged by Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. against the same decision. Both Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. in turn submitted applications to intervene in the appeal brought by Prysmian against the European Commission's decision.

The applications to intervene presented by Prysmian, Pirelli and The Goldman Sachs Group Inc. were accepted by the General Court of the European Union. Prysmian did not incur any financial outlay as a result of this decision having elected, pending the outcome of the appeals, to provide bank guarantees as security against payment of 50% of the fine imposed by the European Commission (amounting to approximately Euro 52 million) for the alleged infringement in both periods. As far as Prysmian is aware, Pirelli & C. S.p.A. also provided the European Commission with a bank guarantee for 50% of the value of the fine imposed for the alleged infringement in the period 18 February 1999 - 28 July 2005.

On 12 July 2018, the General Court of the European Union issued rulings on the appeals lodged by the Prysmian Group, including General Cable. These rulings have dismissed the appeals and confirmed the previously imposed fines. The Prysmian Group, including General Cable, did not agree with the conclusions reached by the General Court of the European Union and has appealed to the Court of Justice of the European Union. The appeal filed by Prysmian was heard on 23 October 2019. In a ruling handed down on 14 November 2019, the Court of Justice of the European Union dismissed General Cable's appeal, thus conclusively confirming the fine previously imposed under that same decision. As a result, the Group has gone ahead and paid a fine for Euro 2 million.

However, the ruling on the appeal brought by Prysmian is still pending.

Pirelli & C. S.p.A. has brought a civil action against Prysmian Cavi e Sistemi S.r.l. in the Milan Courts, in which it demands to be held harmless for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. Prysmian Cavi e Sistemi S.r.l. started legal proceedings in February 2015, requesting that the claims brought by Pirelli & C. S.p.A. be rejected in full and that it should be Pirelli & C. S.p.A. which holds harmless Prysmian Cavi e Sistemi S.r.l., with reference to the alleged infringement in the period 18 February 1999 - 28 July 2005, for all claims made by the European Commission in implementation of its decision and for any expenses related to such implementation. The proceedings have since been stayed by order of the court concerned in April 2015, pending the outcome of the appeals made against the European Commission's decision by both Prysmian and Pirelli in the European Courts. Pirelli has challenged this decision before the Court of Cassation, Italy's highest court of appeal, which has confirmed the stay of execution ordered by the Milan Courts. In view of the circumstances described and also with the support of the Group's legal advisors and consistent with the accounting policies, the Directors have recognised a level of provisions deemed appropriate to cover the potential liabilities related to the matters in question.

Antitrust - Other proceedings in the high voltage underground and submarine cables business in jurisdictions other than the European Union

In Brazil, the local antitrust authority started an investigation into several manufacturers of high voltage underground and submarine cables, amongst whom Prysmian, notified of this investigation in 2011. Prysmian's preliminary defence was rejected by the local competition authority in a statement issued in February 2015. On 3 January 2019, the authority informed Prysmian that the investigative stage had been completed, in response to which Prysmian submitted its brief on 18 January 2019. The general superintendence of the Brazilian antitrust authority (Administrative Council for Economic Defense – "CADE") published a Technical Note in the Brazilian Federal Official Gazette on 11 February 2019. The Technical Note sets out the conclusions of CADE's investigations which recommended imposing a fine on Prysmian of between 15% and 20% of its 2009 Brazilian turnover. In any case, this recommendation is not binding. The CADE Tribunal's decision, which will be issued at the end of a public hearing, will be provisionally enforceable but can be challenged before the Brazilian courts.

A public hearing before the CADE Tribunal on 11 June 2019 ended without a decision and postponement of the case to a future hearing. Further hearings were held on 11 November 2019 and 5 February 2020 but again without any decision being taken. Discussion of the case has therefore been once again postponed to a future hearing.

In view of the circumstances described and also with the support of the Group's legal advisors and consistent with the accounting policies, the Directors have adjusted the provisions for risks in the financial statement to what is considered an adequate level to cover the potential liabilities related to the matter in question.

Antitrust - Claims for damages as a result of the European Commission's 2014 decision

During 2015, National Grid and Scottish Power, two British operators, filed claims in the High Court of London against certain cable manufacturers, including Prysmian Group companies, to obtain compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in the decision adopted in April 2014. The Group companies concerned were notified of this initial court filing during the month of May 2015 and presented their defence early in October 2015, along with the summons of other parties censured in the European Commission's decision. Among the parties involved in this action, Pirelli & C. S.p.A. has requested the London High Court to decline its jurisdiction or nonetheless to stay the proceedings in its regard pending the outcome of the civil action previously brought by Pirelli against Prysmian Cavi e Sistemi S.r.l. in the Milan Courts, in which it demands to be held harmless for all claims made by the European Commission in implementation of the latter's decision and for any expenses related to such implementation. The proceedings have since been stayed, as agreed between the parties, pending the outcome of the action brought by Pirelli in the Milan Courts. A similar agreement has also been reached with The Goldman Sachs Group Inc., another company involved in the actions discussed above. The other actions brought by Prysmian Group companies against other cable manufacturers censured in the European Commission decision have in turn been stayed pending the outcome of the main action brought by National Grid and Scottish Power. The main proceedings are still pending, with a date recently set for the court case to begin in November 2020 when the merits of the dispute will be addressed.

During the first few months of 2017, in addition to those mentioned in the preceding paragraph, other operators belonging to the Vattenfall Group filed claims in the High Court of London against certain cable manufacturers, including companies in the Prysmian Group, to obtain compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission.

On 2 April 2019, a statement of claim was served, on behalf of Terna S.p.A., on Pirelli, Nexans and companies in the Prysmian Group, demanding compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in its April 2014 decision. This action has been brought before the Court of Milan. On 24 October 2019, the Prysmian Group companies concerned responded by presenting their preliminary defence.

In addition, on 4 April 2019, the Group learned that the following legal actions had been brought in the Court of London, both of which involving claims for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission:

- action by Scottish and Southern Energy (SSE) Group companies against certain Prysmian Group companies involving a series of onshore and submarine projects. On 5 September 2019, the statement of claim was served in which the plaintiffs substantiated and quantified their claim for damages. On 5 November 2019, the Prysmian Group companies concerned responded by presenting their preliminary defence;
- action by Greater Gabbard Offshore Winds Limited and SSE companies against certain Group companies. On 5 September 2019, the statement of claim was served in which the plaintiffs substantiated and quantified their claim for damages. On 5 November 2019, the Prysmian Group companies concerned responded by presenting their preliminary defence.

In view of the circumstances described and also with the support of their legal advisors, the Directors have recognised a level of provisions deemed appropriate to cover the potential liabilities related to the matters in question.

Prysmian S.p.A. and Prysmian Cavi e Sistemi S.r.l. have been summoned by Nexans France SAS and Nexans SA to appear before the Court of Dortmund (Germany) in notifications dated 24 and 25 May 2018 respectively. The plaintiffs have asked the Court concerned to ascertain the existence of joint and several liability between Prysmian S.p.A. and Prysmian Cavi e Sistemi S.r.l., on the one hand, and Nexans France SAS and Nexans SA, on the other, for any damages suffered by third parties in Germany as a result of the alleged cartel in the market for high voltage underground and submarine power cables condemned in the European Commission's decision. The Court concerned has issued a stay of execution dated 3 June 2019 pending the outcome of the appeal against the European Commission's decision brought before the European Courts by both Prysmian and Nexans.

On 2 April 2019, certain Group companies received a letter sent on behalf of Tennet TSO BV claiming compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission. However, the letter does not include any quantification of the damages and explicitly states that its purpose, among others, is to avoid expiry of the statute of limitations. Even though a negative outcome is considered likely, the Directors have been unable to estimate the amount to provide against this and the other actions listed above because the plaintiffs have not quantified their claims.

On 2 April 2019, a statement of claim was served, on behalf of Electricity & Water Authority of Bahrain, GCC Interconnection Authority, Kuwait Ministry of Electricity and Water and Oman Electricity Transmission Company, on certain cable manufacturers, including companies in the Prysmian Group, on Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. This action has been brought in the Court of Amsterdam and once again involves a claim for compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission. The statement of claim does not contain any quantification of the damages. On 18 December 2019, the Prysmian Group companies concerned presented their preliminary defence. Based on the information currently available, the Directors are of the opinion not to make any provision.

Lastly, Prysmian Cavi e Sistemi S.r.l. and Prysmian S.p.A. were served with a writ of summons on 24 October 2019 from Pirelli & C. S.p.A. in which the latter seeks to be released from any third-party claim for damages relating to the practices forming the subject of the European Commission's decision and to be compensated for the damages allegedly incurred and quantified, which it has suffered through Prysmian having sought, in certain pending proceedings, to attribute liability to Pirelli for the illegal practices determined by the European Commission in the period from 1999 to 2005. Based on the information currently available, and believing this potential liability unlikely to crystallise, the Directors are of the opinion not to make any provision.

Antitrust - Other claims for damages

On 22 March 2019, National Grid communicated that it had brought a new action in the High Court of London against certain Group companies in which it claims compensation for damages purportedly suffered through alleged anti-competitive practices employed over a period running from the 1970s until 1997. On 12 June 2019, a statement of claim was served in which National Grid substantiated and quantified its claim for damages. On 18 October 2019, the Prysmian Group companies concerned responded by presenting their preliminary defence.

In view of the preliminary status of the litigation and the uncertainty surrounding the grounds of the plaintiff's claim, the Directors, also assisted by their legal advisors, have not considered it necessary to recognise any provision.

Antitrust - Other investigations

At the end of February 2016, the Spanish antitrust authorities initiated proceedings to verify the existence of anti-competitive practices by local low voltage cable manufacturers and distributors, including the Group's local subsidiaries. The Spanish competition authority then sent a statement of objections to some of the Group's local subsidiaries in January 2017.

On 24 November 2017, the local competition authority notified the Group's Spanish subsidiaries of a decision under which they were held liable for the alleged infringements in the period from June 2002 to June 2015 and were jointly and severally sentenced to pay a fine of Euro 15.6 million. The Group's Spanish subsidiaries have appealed against this decision. The appeal decision is still pending.

The decision of 24 November 2017 also held the Spanish subsidiaries of General Cable liable for breach of local antitrust law. However, they have obtained immunity from paying the related fine (quantified at about Euro 12.6 million) having filed for leniency and collaborated with the local competition authority in its investigations. The Spanish subsidiaries of General Cable have also appealed against the decision of the local competition authority; the appeals are still pending.

In view of the circumstances described and also with the support of the Group's legal advisors and consistent with the accounting policies, the Directors have adjusted the related provisions for risks to a level deemed appropriate to cover the potential liabilities for the matters in question.

Antitrust - Claims for damages ensuing from other investigations

In February 2020, a statement of claim was served on a number of cable manufacturers, including Prysmian Group's Spanish subsidiaries, under which companies belonging to the Iberdrola Group have claimed compensation for damages supposedly suffered as a result of the alleged anti-competitive practices condemned by the Spanish competition authority in its decision of 24 November 2017. The case is pending before the Court of Barcelona.

Based on the information currently available, and believing this potential liability unlikely to crystallise, the Directors are of the opinion not to make any provision.

As at 31 December 2019, the provision for the above Antitrust issues amounts to approximately Euro 223 million.

Despite the uncertainty of the outcome of the investigations and legal action in progress, the amount of this provision is considered to represent the best estimate of the liability based on the information now available.

15. EMPLOYEE BENEFIT OBLIGATIONS

The Group provides a number of post-employment benefits through programmes that include defined benefit plans and defined contribution plans.

The defined contribution plans require the Group to pay, under legal or contractual obligations, contributions into public or private insurance institutions. The Group fulfils its obligations through payment of the contributions. At the financial reporting date, any amounts accrued but not yet paid to the above institutions are recorded in "Other payables", while the related costs, accrued on the basis of employee service, are recognised in "Personnel costs".

The defined benefit plans mainly refer to Pension plans, Statutory severance benefit (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:

(Euro/million)

	31.12.2019	31.12.2018
Pension plans	409	379
Italian statutory severance benefit	15	15
Medical benefit plans	27	30
Termination and other benefits	43	39
Total	**494**	**463**

Pension plan amendments in 2019

There were no significant amendments to existing pension plans during 2019. The following notes provide more details about the three main types of benefit: pension plans, statutory severance benefit and medical benefit plans.

PENSION PLANS

Pension plans relate to defined benefit pension schemes that can be "Funded" or "Unfunded".

Pension plan liabilities are generally calculated according to employee length of service with the company and the remuneration paid in the period preceding cessation of employment.

Liabilities for "Funded pension plans" are funded by contributions paid by the employer and, in some cases, by employees, into a separately managed pension fund. The fund independently manages and administers the amounts received, investing in financial assets and paying benefits directly to employees. The Group's contributions to such funds are defined according to the requirements established in the individual countries.

Liabilities for "Unfunded pension plans" are managed directly by the employer who sees to paying the benefits to employees. These plans have no assets to cover the liabilities.

Pension plan obligations and assets are analysed as follows at 31 December 2019 and 31 December 2018:

(Euro/million)

						31.12.2019
	Germany	Great Britain	France	United States	Other countries	Total
Funded pension obligations:						
Present value of obligation	–	214	2	151	93	460
Fair value of plan assets	–	(131)	(2)	(127)	(83)	(343)
Asset ceiling	–	–	–	–	–	–
Unfunded pension obligations:						
Present value of obligations	237	–	33	6	16	292
Total	**237**	**83**	**33**	**30**	**26**	**409**

(Euro/million)

						31.12.2018
	Germany	Great Britain	France	United States	Other countries	Total
Funded pension obligations:						
Present value of obligation	–	179	3	142	81	405
Fair value of plan assets	–	(113)	(2)	(112)	(71)	(298)
Asset ceiling	–	–	–	–	–	–
Unfunded pension obligations:						
Present value of obligations	218	–	31	9	14	272
Total	**218**	**66**	**32**	**39**	**24**	**379**

At 31 December 2019, the net value of funded plans in "Other countries" of Euro 10 million mainly refers to Canada, Mexico and Spain.

At 31 December 2019, unfunded plans in "Other countries" primarily refer to Sweden and Chile, whose present value of obligations amounts to Euro 9 million and Euro 4 million respectively.

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

(Euro/million)

	2019	2018
Opening defined benefit obligation	**677**	**442**
Business combinations	–	261
Current service costs	7	5
Interest costs	19	15
Administrative costs and taxes	2	2
Actuarial (gains)/losses recognised in equity - experience	(5)	1
Actuarial (gains)/losses recognised in equity - demographic assumptions	(5)	–
Actuarial (gains)/losses recognised in equity - financial assumptions	83	(14)
Disbursements from plan assets	(26)	(20)
Disbursements paid directly by the employer	(15)	(18)
Currency translation differences	17	1
Reclassifications and legislative amendments to existing plans	–	2
Reclassification to assets and liabilities held for sale	(2)	–
Total movements	**75**	**235**
Closing defined benefit obligation	**752**	**677**

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

(Euro/million)

	2019	2018
Opening plan assets	**298**	**173**
Business combinations	–	148
Interest income on plan assets	10	7
Actuarial gains/(losses) recognised in equity	36	(20)
Contributions paid in by the employer	26	27
Contributions paid in by plan participants	–	–
Disbursements	(39)	(39)
Plan settlements	–	–
Currency translation differences	12	2
Total movements	**45**	**125**
Closing plan assets	**343**	**298**

At 31 December 2019, pension plan assets consisted of equities (35.3% versus 36.1% in 2018), government bonds (11.6% versus 11% in 2018), corporate bonds (21.4% versus 18.4% in 2018), and other assets (31.7% versus 34.5% in 2018).

The value of the asset ceiling was zero at 31 December 2019, like at 31 December 2018.

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

(Euro/million)

2019	Germany	Great Britain	France	United States	Other countries	Total
Personnel costs	2	-	2	2	3	9
Interest costs	4	5	-	6	3	18
Expected returns on plan assets	-	(3)	-	(5)	(2)	(10)
Total pension plan costs	**6**	**2**	**2**	**3**	**4**	**17**

(Euro/million)

2018	Germany	Great Britain	France	United States	Other countries	Total
Personnel costs	1	2	1	2	2	9
Interest costs	3	5	-	4	2	15
Expected returns on plan assets	-	(3)	-	(3)	(1)	(8)
Total pension plan costs	**5**	**3**	**2**	**3**	**3**	**16**

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

As evident from the preceding tables, the most significant plans at 31 December 2019 in terms of accrued employee benefit obligations are those managed in the following countries:

- Germany;
- Great Britain;
- France;
- United States.

Pension plans in these countries account for more than 90% of the related liability. The principal risks to which they are exposed are described below.

Germany

There are fourteen 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 2019, the plans had an average duration of 14.4 years (14.0 years at 31 December 2018).

Total plan membership is made up as follows:

	31.12.2019 Number of participants	31.12.2018 Number of participants
Active	1,336	1,403
Deferred	1,040	1,042
Pensioners	2,180	2,120
Total membership	**4,556**	**4,565**

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

The benefits payable in 2020 will amount to Euro 9 million (Euro 9 million at 31 December 2018 for 2019). The increase in benefits, and so in the recorded liability and in service costs, mainly depend on inflation, salary growth and the life expectancy of plan members. Another variable to consider when determining the amount of the liability and of service costs is the discount rate, identified by reference to market yields of AA corporate bonds denominated in Euro.

Great Britain

Two defined benefit plans were in operation at 31 December 2019: 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 2019, the plans had an average duration of approximately 19.7 years (approximately 21.1 years at 31 December 2018).

Total plan membership is made up as follows:

	31.12.2019			31.12.2018		
	Draka pension fund	Prysmian pension fund	Total	Draka pension fund	Prysmian pension fund	Total
	Number of participants	Number of participants	Number of participants	Number of participants	Number of participants	Number of participants
Active	-	-	-	-	-	-
Deferred	492	547	1,039	492	547	1,039
Pensioners	458	379	837	458	379	837
Total membership	**950**	**926**	**1,876**	**950**	**926**	**1,876**

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

For the purposes of determining the level of funding, the Trustees appoint an actuary to value the plans every three years, with annual updates. The latest valuations of the Draka pension fund and the Prysmian pension fund were conducted as at 31 March 2018 and 31 December 2017 respectively. The contribution levels are also set every three years when performing the above valuations to determine the level of plan funding, but can also be revised annually.

The benefits payable in 2020 will amount to Euro 4 million (Euro 4 million at 31 December 2018 for 2019).

The Trustees decide on the investment strategy in agreement with the company. The strategies differ for both plans. In particular, the Draka pension fund has invested its assets as follows: 17% in equities, 38% in bonds and 45% in other financial instruments. The Prysmian pension fund has invested its assets as follows: 35% in bonds and the remaining 65% in other financial instruments.

In Great Britain, the main risk for the Group 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 2019, of which four are unfunded retirement benefit plans and one is a partially funded pension plan.

All the plans generally set the retirement age at 63. They are all open to new members, except for the funded plan which does not admit new members or accrue new liabilities. As at 31 December 2019, the plans had an average duration of approximately 11.4 years (11.1 years at 31 December 2018).

Total plan membership is made up as follows:

	31.12.2019	31.12.2018
	Number of participants	Number of participants
Active	2,517	2,689
Deferred	N/A	N/A
Pensioners	25	25
Total membership	**2,542**	**2,714**

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

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

United States

There were four pension plans in operation in the United States at 31 December 2019, of which two are funded plans that pay an income upon retirement; one is a supplementary unfunded plan and another is an unfunded deferred compensation plan.

All the plans generally set the retirement age at 65. They are all closed to new members and do not envisage future payments in, except for the "Master Pension Plan" into which it is still possible to pay. As at 31 December 2019, the plans had an average duration of approximately 9 years (8.6 years at 31 December 2018).

Total plan membership is made up as follows:

	31.12.2019	31.12.2018
	Number of participants	Number of participants
Active	490	532
Deferred	631	677
Pensioners	2,968	2,990
Total membership	**4,089**	**4,199**

The benefits and contributions payable in 2020 will amount to Euro 6 million (Euro 6 million al 31 December 2018 for 2019).

The weighted average actuarial assumptions used to value the pension plans in the principal countries (Germany, Great Britain, France and United States) are as follows:

	31.12.2019							
	Germany		Great Britain		France		United States	
Interest rate	1.00%		1.90%		0.75%		3.20%	
Expected future salary increase	2.21%		N/A		1.83%		2.50%	
Expected increase in pensions	1.75%		N/A		1.00%		0.00%	
Inflation rate	1.75%		3.20%		1.83%		3.00%	
Life expectancy at age 65:	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
People currently aged 65	20.20	23.70	21.30	23.20	24.20	27.60	20.10	22.00
People currently aged 50	22.30	25.40	22.00	24.10	26.20	29.80	21.30	23.30

	31.12.2018							
	Germany		Great Britain		France		United States	
Interest rate	1.75%		3.00%		1.50%		4.20%	
Expected future salary increase	2.20%		N/A		1.83%		2.50%	
Expected increase in pensions	1.75%		3.11%		1.00%		0.00%	
Inflation rate	1.75%		3.60%		1.82%		3.00%	
Life expectancy at age 65:	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
People currently aged 65	20.05	23.56	21.80	23.70	24.16	27.63	20.07	22.38
People currently aged 50	22.16	25.91	22.60	24.60	26.23	29.84	21.33	23.64

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.

	31.12.2019							
	Germany		Great Britain		France		United States	
Interest rate	**-0.50%**	**+ 0.50%**	**-0.50%**	**+0.50%**	**-0.50%**	**+ 0.50%**	**-0.50%**	**+0.50%**
Change in pension plans	7.43%	-6.76%	10.19%	-9.10%	5.83%	-5.49%	4.50%	-4.16%
Inflation rate	**-0.25%**	**+ 0.25%**	**-0.25%**	**+ 0.25%**	**-0.25%**	**+ 0.25%**	**-0.25%**	**+0.25%**
Change in pension plans	-2.68%	2.74%	-3.54%	3.71%	-2.89%	3.00%	-0.04%	0.04%

	31.12.2019			
	Germany	Great Britain	France	United States
1-year increase in life expectancy	5.70%	3.51%	1.71%	2.94%

	31.12.2018							
	Germany		Great Britain		France		United States	
Interest rate	**-0.50%**	**+ 0.50%**	**-0.50%**	**+ 0.50%**	**-0.50%**	**+ 0.50%**	**-0.50%**	**+ 0.50%**
Change in pension plans	7.15%	-6.41%	10.16%	-9.07%	5.66%	-5.21%	4.22%	-3.92%
Inflation rate	**-0.25%**	**+ 0.25%**	**-0.25%**	**+ 0.25%**	**-0.25%**	**+ 0.25%**	**-0.25%**	**+ 0.25%**
Change in pension plans	-2.59%	2.51%	-3.55%	3.73%	-2.83%	2.94%	-0.04%	0.04%

	31.12.2018			
	Germany	Great Britain	France	United States
1-year increase in life expectancy	4.87%	3.53%	1.86%	2.52%

STATUTORY SEVERANCE BENEFIT

Statutory severance benefit refers to Italian companies only and is analysed as follows:

(Euro/million)

	2019	2018
Opening balance	**15**	**17**
Actuarial (gains)/losses recognised in equity	1	-
Disbursements	(1)	(2)
Total movements	**-**	**(2)**
Closing balance	**15**	**15**

Net actuarial gains of Euro 1 million were recognised at 31 December 2019, most of which reflecting variations 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 are paid in the form of capital, in accordance with the related rules. In certain circumstances, the benefit plan also allows the payment of partial advances against the full amount of the accrued benefit. The main risk is the volatility of the inflation rate and the interest rate, as determined by the market yield on AA corporate bonds denominated in Euro.

The actuarial assumptions used to value statutory severance benefit are as follows:

	31.12.2019	31.12.2018
Interest rate	0.75%	1.50%
Expected future salary increase	1.50%	1.50%
Inflation rate	1.50%	1.50%

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

		31.12.2019		31.12.2018
Interest rate	**-0.50%**	**+0.50%**	**-0.50%**	**+0.50%**
Change in statutory severance benefit	5.04%	-4.80%	4.93%	-4.63%
Inflation rate	**-0.25%**	**+0.25%**	**-0.25%**	**+0.25%**
Change in statutory severance benefit	-1.38%	1.74%	-1.50%	1.54%

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 US plans account for more than 90% of the total obligation for medical benefit plans.

Apart from interest rate and life expectancy risks, medical benefit plans are particularly susceptible to increases in the cost of meeting claims. None of the medical benefit plans has any assets to fund the associated obligations, with benefits paid directly by the employer.

The obligation in respect of medical benefit plans is analysed as follows:

(Euro/million)

	2019	2018
Opening balance	**30**	**27**
Business combinations	-	3
Personnel costs	2	2
Interest costs	1	-
Plan settlements	-	-
Actuarial (gains)/losses recognised in equity - experience	(5)	(3)
Actuarial (gains)/losses recognised in equity - demographic assumptions	-	-
Actuarial (gains)/losses recognised in equity - financial assumptions	-	-
Reclassifications	-	-
Disbursements	(2)	(1)
Currency translation differences	1	2
Total movements	**(3)**	**3**
Closing balance	**27**	**30**

The actuarial assumptions used to value medical benefit plans are as follows:

	31.12.2019		31.12.2018	
Interest rate	3.34%		4.34%	
Expected future salary increase	0.00%		N/A	
Increase in claims	5.18%		5.09%	
Life expectancy at age 65:	**Male**	**Female**	**Male**	**Female**
People currently aged 65	20.60	22.60	21.21	23.16
People currently aged 50	22.10	24.30	22.53	24.69

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.

	31.12.2019		31.12.2018	
Interest rate	**-0.5%**	**+0.5%**	**-0.5%**	**+0.5%**
Change in medical benefit plans	8.39%	-7.45%	7.89%	-6.73%
Medical inflation rate	**-0.25%**	**+0.25%**	**-0.25%**	**+0.25%**
Change in medical benefit plans	-3.66%	3.89%	-4.40%	4.69%

	31.12.2019	31.12.2018
1-year increase in life expectancy	3.94%	4.08%

Headcount

Average headcount in the period is reported below, compared with closing headcount at the end of each period:

	2019			
	Average	%	Closing	%
Blue collar	21,565	73%	21,022	73%
White collar and management	7,861	27%	7,692	27%
Total	**29,426**	**100%**	**28,714**	**100%**

	2018			
	Media(*)	%	Finale	%
Blue collar	16,019	75%	21,051	72%
White collar and management	5,439	25%	8,109	28%
Total	**21,458**	**100%**	**29,159**	**100%**

(*) The period average reflects the average number of employees for the whole of 2018 of Prysmian Group companies prior to the acquisition of General Cable. The average number of employees including General Cable is available for the last 5 months of 2018 and is as follows: 21,301 blue-collar and 8,290 white-collar and management.

16. DEFERRED TAXES

The balance of deferred tax assets at 31 December 2019 is Euro 170 million (Euro 190 million at 31 December 2018) while that of deferred tax liabilities is Euro 213 million (Euro 238 million at 31 December 2018).

Movements in deferred taxes are analysed as follows:

(Euro/million)

	Fixed assets	Provisions (1)	Tax losses	Other	Total
Balance at 31.12.2017	**(99)**	**109**	**17**	**19**	**46**
Business combinations	(207)	68	1	26	(112)
Currency translation differences	(3)	1	1	(5)	(6)
Impact on income statement	29	(10)	5	2	26
Impact on equity	–	(1)	–	(5)	(6)
Other and reclassifications	–	–	–	4	4
Balance at 31.12.2018(*)	**(280)**	**167**	**24**	**41**	**(48)**
Currency translation differences	(2)	(1)	–	–	(3)
Impact on income statement	16	28	–	(48)	(4)
Impact on equity	–	11	–	1	12
Balance at 31.12.2019	**(266)**	**205**	**24**	**(6)**	**(43)**

(*) The previously published comparative Consolidated Financial Statements have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.

(1) These comprise Provisions for risks and charges (current and non-current) and Employee benefit obligations

The Group has not recognised any deferred tax assets on Euro 1,108 million in carryforward tax losses at 31 December 2019 (Euro 1,158 million at 31 December 2018). Unrecognised deferred tax assets relating to the above carryforward tax losses and to deductible temporary differences amount to Euro 292 million (Euro 291 million at 31 December 2018).

At 31 December 2019, it has however recognised deferred tax assets of Euro 24 million on carryforward tax losses of Euro 85 million (Euro 98 million at 31 December 2018).

The following table presents details of carryforward tax losses:

(Euro/million)

	31.12.2019	31.12.2018
Carryforward tax losses	1,193	1,256
of which recognised as deferred tax assets	85	98
Carryforward expires within 1 year	12	12
Carryforward expires between 2-5 years	89	74
Carryforward expires beyond 5 years	43	140
Unlimited carryforward	1,049	1,030

17. SALES

Details are as follows:

(Euro/million)

	2019	2018(*)
Finished goods	9,854	8,483
Construction contracts	1,280	1,195
Services	111	124
Other	274	302
Total	**11,519**	**10,104**

(*) The previously published comparative figures have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.

18. CHANGE IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

Details are as follows:

(Euro/million)

	2019	2018(*)
Finished goods	9	(97)
Work in progress	(25)	13
Total	**(16)**	**(84)**

(*) The previously published comparative figures have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.

19. OTHER INCOME

Details are as follows:

(Euro/million)

	2019	2018
Rental income	1	1
Insurance reimbursements and indemnities	36	41
Gains on disposal of property	2	2
Other revenue and income	57	95
Total	**96**	**139**

20. RAW MATERIALS, CONSUMABLES AND SUPPLIES

Details are as follows:

(Euro/million)

	2019	2018
Raw materials	7,241	6,565
Change in inventories	(23)	(23)
Total	**7,218**	**6,542**

21. PERSONNEL COSTS

Details are as follows:

(Euro/million)

	2019	2018
Wages and salaries and social security	1,370	1,144
Fair value - stock options	(1)	6
Pension plans	9	9
Medical benefit costs	2	1
Termination and other benefits	19	3
Company reorganisation	69	57
Other personnel costs	71	40
Total	**1,539**	**1,260**

Share-based payments

At 31 December 2019, the Prysmian Group had share-based compensation plans in place for managers and employees of Group companies and for members of the Parent Company's Board of Directors. These plans are described below.

Employee share purchase plan (2016-2021) – YES 2.0

The Plan is based on financial instruments reserved for employees of Prysmian S.p.A. and/or of its subsidiaries, including some of the Company's Directors; the Board of Directors has been granted the relevant powers to establish and implement this plan.

The main objectives of the Plan 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 Prysmian Group's stakeholders, employees and shareholders, by identifying a common goal of creating long-term value;

The Plan offers the opportunity to purchase Prysmian's ordinary shares on preferential terms, with a maximum discount of 25% on the stock price, given in the form of treasury shares, except for certain managers, for whom the discount is 15%, and the executive Directors and key management personnel, for whom the discount is 1% on the stock price.

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

The shares purchased are subject to a retention period, during which they cannot be sold. The Plan contains purchase windows over the next two years.

All those who have signed up for the plan have also received an entry bonus of six free shares, taken from the Company's portfolio of treasury shares, only available at the time of first purchase. If an employee had already participated in the 2013 plan, they received eight shares as an entry bonus to the new plan. For those who already purchased shares in a 2017 purchase window, the entry bonus is three shares.

The shares purchased by participants, as well as those received by way of discount and entry bonus, will generally be subject to a retention period during which they cannot be sold and the length of which will vary according to local regulations.

The fair value of the options has been determined using the Montecarlo binomial pricing model, based on the following assumptions:

	Window
Grant date	14 November 2016
Share purchase date	from 16 February 2017 to 16 September 2021
End of retention period	from 16 February 2020 to 16 September 2024
Residual life at grant date (in years)	1.71
Share price at grant date (Euro)	23.40
Expected volatility	from 31.74% to 36.05%
Risk-free interest rate	from 0.70% to 0.75%
Expected dividend %	2.07%
Option fair value at grant date (Euro)	from €21.57 to €23.15

Costs of Euro 2 million have been recognised as "Personnel costs" in the income statement at 31 December 2019 for the fair value of options granted under this plan.

The following table provides details about movements in the plan:

	31.12.2019
	Number of options
Options at start of year	307,338
Granted	–
Change in expected participations	49,978
Cancelled	–
Exercised	(142,316)
Options at end of year	215,000

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

Long-term incentive plan 2018-2020

In light of the effects of the Western Link project on the Group's results, the Board of Directors has decided, as recommended by the Compensation, Nominations and Sustainability Committee, to revoke the long-term incentive plan 2018-2020 approved by the Shareholders' Meeting on 12 April 2018. At the Committee's recommendation, the Board will present the forthcoming Shareholders' Meeting with a proposal to adopt a long-term incentive plan structured in accordance with best market practices. As a result of this decision, the 2019 MBO has been recognised in profit or loss for the year since it will no longer be co-invested following the long-term incentive plan's revocation. This has had the result of raising personnel costs by Euro 12 million, reflecting the combined effect of recognising the 2019 MBO of Euro 15 million and reversing the fair value of stock options for Euro 3 million.

As at 31 December 2019, there are no outstanding loans or guarantees by the Parent Company or its subsidiaries to any of the directors, senior managers or statutory auditors.

22. AMORTISATION, DEPRECIATION, IMPAIRMENT AND IMPAIRMENT REVERSALS

Details are as follows:

(Euro/million)

	2019	2018
Depreciation of buildings, plant, machinery and equipment	188	155
Depreciation of other property, plant and equipment	17	13
Amortisation of intangible assets	69	59
Depreciation and impairment of right-of-use assets (IFRS 16)	45	–
Impairment of property, plant and equipment	35	5
Total	**354**	**232**

Details of the impairment loss of Euro 35 million against property, plant and equipment can be found in Note 1. Property, plant and equipment.

23. OTHER EXPENSES

Details are as follows:

(Euro/million)

	2019	2018
Professional services	94	59
Insurance	70	51
Maintenance costs	122	110
Selling costs	64	56
Utilities	195	166
Travel costs	55	48
Vessel charter	85	113
Increases in/(releases of) provisions for risks	118	30
Losses on disposal of assets	2	1
Sundry expenses	106	173
Other costs	1,042	1,011
Company reorganisation	10	9
Non-recurring other expenses	(5)	94
Total	**1,958**	**1,921**

Other costs mainly refer to those incurred for project execution.

The Group expensed Euro 96 million in research and development costs in 2019 (Euro 98 million in 2018), insofar as there are no criteria to justify their capitalisation.

24. SHARE OF NET PROFIT/(LOSS) OF EQUITY-ACCOUNTED COMPANIES

Details are as follows:

(Euro/million)

	2019	2018
Share of net profit/(loss) of associates	24	59
Total	**24**	**59**

Further information can be found in Note 3. Equity-accounted investments.

25. FINANCE COSTS

Details are as follows:

(Euro/million)

	2019	2018
Interest on loans	21	11
Interest on non-convertible bond	19	18
Interest on convertible bond 2013 - non-monetary component	-	2
Interest on convertible bond 2013 - monetary component	-	2
Interest on convertible bond 2017 - non-monetary component	10	10
Interest Rate Swaps	7	4
Interest on lease liabilities	5	-
Amortisation of bank and financial fees and other expenses	6	9
Employee benefit interest costs net of interest on plan assets	10	8
Other bank interest	5	10
Costs for undrawn credit lines	5	4
Sundry bank fees	16	14
Non-recurring other finance costs	2	2
Finance costs for hyperinflation	2	6
Other	10	6
Finance costs	**118**	**106**
Foreign currency exchange losses	376	308
Total finance costs	**494**	**414**

26. FINANCE INCOME

Details are as follows:

(Euro/million)

	2019	2018
Interest income from banks and other financial institutions	5	5
Other finance income	12	4
Finance income	**17**	**9**
Net gains on forward currency contracts	9	-
Gains on derivatives	**9**	**-**
Foreign currency exchange gains	343	293
Total finance income	**369**	**302**

27. TAXES

Details are as follows:

(Euro/million)

	2019	2018
Current income taxes	144	84
Deferred income taxes	4	(39)
Total	**148**	**45**

The following table reconciles the effective tax rate with the Parent Company's theoretical tax rate:

(Euro/million)

	2019	Tax rate	2018	Tax rate
Profit/(loss) before taxes	444		103	
Theoretical tax expense at Parent Company's nominal tax rate	107	24.0%	25	24.0%
Differences in nominal tax rates of foreign subsidiaries	5	1.1%	5	4.9%
Taxes on distributable reserves	14	3.2%	(2)	-1.9%
Antitrust provision	(16)	-3.6%	16	15.5%
Asset impairment	9	2.0%	–	0.0%
Release of prior year credit for taxes paid abroad	3	0.7%	(1)	-0.5%
Deferred tax effect on carryforward tax losses	7	1.6%	3	3.1%
IRAP (Italian regional business tax) and US State TAX	5	1.2%	3	3.2%
Current taxes for prior years	3	0.6%	2	1.9%
Deferred tax assets for prior years	(2)	-0.4%	2	1.9%
Non-deductible costs/ (non-taxable income) and other	13	2.9%	(9)	-8.7%
Effective income taxes	**148**	**33.3%**	**45**	**43.7%**

28. EARNINGS/(LOSS) AND DIVIDENDS PER SHARE

Both basic and diluted earnings (loss) per share have been calculated by dividing the net result for the period attributable to owners of the parent by the average number of the Company's outstanding shares. Diluted earnings/(loss) per share have been affected by the options under the employee share purchase plan (YES Plan). Diluted earnings/(loss) per share have not been affected by the Convertible Bond 2017, whose conversion is currently "out of the money".

(Euro/million)

	2019	2018
Net profit/(loss) attributable to owners of the parent	292	58
Weighted average number of ordinary shares (thousands)	263,139	244,957
Basic earnings per share (in Euro)	**1,11**	**0,24**
Net profit/(loss) attributable to owners of the parent for purposes of diluted earnings per share	292	58
Weighted average number of ordinary shares (thousands)	263,139	244,957
Adjustments for:		
Dilution from incremental shares arising from exercise of stock options (thousands)	32	–
Weighted average number of ordinary shares to calculate diluted earnings per share (thousands)	263,171	244,957
Diluted earnings per share (in Euro)	**1,11**	**0,24**

The dividend paid in 2019 amounted to approximately Euro 113 million (Euro 0.43 per share). A dividend of Euro 0.5 per share for the year ended 31 December 2019 will be proposed at the annual general meeting to be held on 28 April 2020 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 132 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 2019, the contingent liabilities for which the Group has not recognised any provision for risks and charges, on the grounds that an outflow of resources is unlikely, but which can nonetheless be estimated reliably, amount to approximately Euro 128 million.

In addition, with regard to claims for damages arising from the European Commission's April 2014 decision concerning Antitrust, the Group has felt unable to estimate the risk in respect of Tennet TSO BV.

30. COMMITMENTS TO PURCHASE PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Contractual commitments already entered into with third parties as at 31 December 2019 and not yet reflected in the financial statements amount to Euro 244 million for investments in property, plant and equipment (Euro 222 million at the end of 2018); there were no commitments to third parties at 31 December 2019 for investments in intangible assets (like at the end of 2018).

31. RECEIVABLES FACTORING

The Group has factored some of its trade receivables on a without-recourse basis. The amount of receivables factored but not yet paid by customers was Euro 339 million at 31 December 2019 (Euro 336 million at 31 December 2018).

32. FINANCIAL COVENANTS

The credit agreements in place at 31 December 2019, details of which are presented in Note 12, require the Group to comply with a series of covenants on a consolidated basis. The main covenants, classified by type, are listed below:

a) Financial covenants

- Ratio between EBITDA and Net finance costs (as defined in the relevant agreements);
- Ratio between Net Financial Debt and EBITDA (as defined in the relevant agreements).

The covenants contained in the relevant credit agreements are as follows:

EBITDA/Net finance costs(1) not less than:	Net financial debt / EBITDA(1) not more than:
4.00x	3.00x

(1) The ratios are calculated on the basis of the definitions contained in the relevant credit agreements. The Net Financial Debt-EBITDA ratio can go as high as 3.5 following extraordinary transactions like acquisitions, no more than three times, including on non-consecutive occasions.

b) Non-financial covenants

A number of non-financial covenants have been established in line with market practice applying to transactions of a similar nature and size. These covenants involve restrictions on the grant of secured guarantees to third parties 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 by Group companies or their involvement in other insolvency proceedings;
- pronouncement 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 31 December 2019 and 31 December 2018 are as follows:

	31.12. 2019	31.12.2018
EBITDA/Net finance costs (1)	14.42x	10.08x
Net financial debt/EBITDA (1)	1.99x	2.57x

(1) The ratios are calculated on the basis of the definitions contained in the relevant credit agreements.

The above financial ratios comply with both covenants contained in the relevant credit agreements and there are no instances of non-compliance with the financial and non-financial covenants indicated above.

33. RELATED PARTY TRANSACTIONS

Transactions between Prysmian S.p.A. and subsidiaries with associates mainly refer to:

- trade relations involving purchases and sales of raw materials and finished goods;
- services (technical, organisational and general) provided by head office for the benefit of Group companies;
- recharge of royalties for the use of trademarks, patents and technological know-how by Group companies.

The related party disclosures also include the compensation paid to Directors, Statutory Auditors and Key Management Personnel.

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

The following tables provide a summary of related party transactions and balances for the years ended 31 December 2019 and 31 December 2018:

(Euro/million)

	31.12.2019				
	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	314	-	**314**	314	100.0%
Trade receivables	7	-	**7**	1,475	0.5%
Other receivables	3	-	**3**	854	0.4%
Trade payables	5	-	**5**	2,062	0.2%
Other payables	-	4	**4**	980	0.4%
Provisions for risks and charges		4	**4**	777	0.5%

(Euro/million)

	31.12.2018(*)				
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total
Equity-accounted investments	294	-	**294**	294	100.0%
Trade receivables	3	-	**3**	1,635	0.2%
Other receivables	5	-	**5**	700	0.7%
Trade payables	5	-	**5**	2,132	0.2%
Other payables	-	1	**1**	965	0.1%
Provisions for risks and charges		4	**4**	686	0.6%

(*) The previously published comparative Consolidated Financial Statements have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.

(Euro/million)

	2019				
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total
Sales	35	–	**35**	11,519	0.3%
Other income	3	–	**3**	96	3.1%
Raw materials. consumables and supplies	(8)	–	**(8)**	(7,218)	0.1%
Personnel costs	–	(11)	**(11)**	(1,539)	0.7%
Other expenses	(4)	(1)	**(5)**	(1,958)	0.2%
Share of net profit/(loss) of equity–accounted companies	24	–	**24**	24	100.0%

(Euro/million)

	2018(*)				
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total
Sales	29	–	**29**	10,104	0.3%
Other income	5	–	**5**	139	3.6%
Raw materials. consumables and supplies	(20)	–	**(20)**	(6,542)	0.3%
Personnel costs	–	(11)	**(11)**	(1,260)	0.9%
Other expenses	–	(1)	**(1)**	(1,921)	0.1%
Share of net profit/(loss) of equity-accounted companies	59	–	**59**	59	100.0%

(*) The previously published comparative Consolidated Financial Statements have been revised after finalising the General Cable purchase price allocation. More details can be found in Section C. Restatement of comparative figures.

Transactions with associates

Trade and other payables refer to goods and services provided in the ordinary course of the Group's business. Trade and other receivables refer to transactions carried out in the ordinary course of the Group's business.

Key management compensation

Key management compensation is analysed as follows:

(Euro/thousand)

	2019	2018
Salaries and other short-term benefits - fixed part	7,418	7,736
Salaries and other short-term benefits - variable part	3,662	2,504
Other benefits	610	853
Share-based payments	–	232
Total	**11,690**	**11,325**
of which Directors	6,625	4,924

At 31 December 2019, payables for key management compensation amount to Euro 3.6 million, while employee benefit obligations pertaining to key management personnel 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 6.6 million in 2019 (Euro 5.52 million in 2018). The compensation of the Statutory Auditors of Prysmian S.p.A. came to Euro 0.2 million in 2019, the same as the year before. Compensation includes emoluments, and any other types of remuneration, pension and medical benefits, received for their service as Directors or Statutory Auditors of Prysmian S.p.A. and other companies included in the scope of consolidation, and that have constituted a cost for Prysmian.

35. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In accordance with the disclosures required by Consob Communication DEM/6064293 dated 28 July 2006, it is reported that no atypical and/or unusual transactions took place during 2019.

36. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

As required by Consob Communication DEM/6064293 dated 28 July 2006 and in accordance with the ESMA Guidelines/2015/1415, the following table presents the effects of non-recurring events and transactions on the income statement:

(Euro/million)

	2019	2018
Non-recurring other income/(expenses):		
Antitrust	32	(94)
Non-recurring other finance costs:		
Non-recurring other finance costs	(2)	(2)
Total	**(30)**	**(96)**

37. STATEMENT OF CASH FLOWS

After accounting for a positive change of Euro 67 million in working capital, Euro 111 million in tax payments and Euro 9 million in dividend receipts from associates, net cash flow from operating activities was a positive Euro 775 million at the end of 2019.

Acquisitions and/or disposals during the year produced a net outflow of Euro 7 million, due to the purchase of non-controlling interests in subsidiaries.

Net operating capital expenditure used Euro 248 million in cash in 2019, a large part of which relating to projects to increase and rationalise production capacity and to develop new products. More details can be found in Note 1. Property, plant and equipment of these Explanatory Notes.

Cash flow from financing activities was influenced by the distribution of Euro 119 million in dividends. Finance costs paid, net of finance income received, came to Euro 94 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 2019 for audit work and other services provided by the independent auditors Ernst & Young and companies in the Ernst & Young network:

(Euro/thousand)

	Recipient	Supplier of services	Fees for 2019	Fees for 2018
Audit services	Parent Company - Prysmian S.p.A.	Ernst & Young Italy	1,469	651
	Italian subsidiaries	Ernst & Young Italy	417	418
	Foreign subsidiaries	Ernst & Young Italy	782	168
	Foreign subsidiaries	Ernst & Young Network	2,372	3,075
Certification services	Parent Company - Prysmian S.p.A.	Ernst & Young Italy	182	55
	Italian subsidiaries	Ernst & Young Italy	7	–
	Foreign subsidiaries	Ernst & Young Network	–	–
Other services	Parent Company - Prysmian S.p.A.	Ernst & Young Italy	–	–
	Italian subsidiaries	Ernst & Young Italy	–	10
	Foreign subsidiaries (1)	Ernst & Young Network	364	73
Total			**5,593**	**4,450**

(1) Tax and other services.

39. BASIS OF CONSOLIDATION AND ACCOUNTING POLICIES

The financial statements of Group operating companies used for consolidation purposes have been prepared for the financial year ended 31 December 2019 and that ended 31 December 2018. They have been adjusted, where necessary, to bring them into line with Group accounting policies and standards; for those companies with different financial years to the calendar year, the consolidation has used financial information approved by the respective Boards of Directors that reflects the Group's financial 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. Specifically, control exists when the parent Prysmian S.p.A. has all of the following:

- decision-making power, meaning the ability to direct the investee's relevant activities, i.e. the activities that significantly affect the investee's returns;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power.

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 commencing from the date control is effectively obtained by the Group; at the date of obtaining control, the carrying amount of an investment is eliminated against the corresponding portion of the investee's equity by allocating its fair value to individual assets, liabilities and contingent liabilities. Any residual difference, if positive, is recognised as "Goodwill". If the acquisition is achieved in stages, the entire investment is remeasured at fair value on the date control is obtained; after this date, any additional acquisitions or disposals of equity interests, without a change of control, are treated as transactions between owners recognised in equity. Costs incurred for the acquisition are always expensed immediately to profit or loss; changes in contingent consideration are recognised in profit or loss. The share of equity and share of the result for the period attributable to non-controlling interests are presented separately within the financial statements. Investees cease to be consolidated from the date control is transferred to third parties; the disposal of an equity interest involving a loss of control results in the recognition in profit or loss (i) of the gain or loss arising on the difference between the sale consideration and the respective share of equity transferred to third parties, (ii) any gain or loss relating to the company sold and recorded in other comprehensive income that may be reclassified to profit or loss and (iii) the gain or loss from adjusting the fair value, calculated at the date of lost control, of any non-controlling interest retained by Prysmian Group.

Associates and joint arrangements: joint ventures and joint operations

Associates are those entities over which the Group has significant influence. Investments in associates are accounted for using the equity method and are initially recorded at cost.

Companies managed under contractual arrangements whereby two or more parties, who share control through unanimous consent, have the power to make relevant decisions and govern the exposure to variable future returns, qualify as joint operations and as such are accounted for in the joint operator's accounts directly in proportion to the interest held in the joint operation. In addition to recording the relevant share of assets, liabilities, revenues and expenses, a joint operator also recognises its obligations under the related arrangement. Equally, if a party participates in, but does not have joint control of, a joint operation, it nonetheless recognises in its own financial statements its share of the joint operation's assets and liabilities, revenues and expenses as well as its contractual obligations under the arrangement.

Other investments in joint ventures, over which significant influence is exercised but which do not qualify as joint operations, are accounted for using the equity method.

Translation of foreign company financial statements

The assets and liabilities of foreign consolidated companies expressed in currencies other than the Euro are translated using the closing exchange rate on the reporting date; revenues and expenses are translated at the average exchange rate prevailing in the reporting period. The resulting translation differences are recognised in equity, specifically in the "Reserve for other comprehensive income", until the related foreign company is disposed of.

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities are translated at the closing exchange rate on the reporting date. Exchange differences arising on translation and those realised on the extinguishment of transactions are recorded in finance income and costs.

Hyperinflationary economies

IAS 29 - Financial Reporting in Hyperinflationary Economies establishes that if a foreign entity operates in a hyperinflationary economy, revenues and expenses are translated using the exchange rate current at the reporting date; accordingly, 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.

Since financial year 2018, companies operating in Argentina and Angola have been treated as belonging to high inflation economies, therefore requiring the application of *IAS 29 - Financial Reporting in Hyperinflationary Economies*, which lays down specific procedures for restating the financial statements of companies operating in this type of economy.

With reference to the income statement, income and expenses are restated by applying the change in the general price index, in order to reflect the loss of the local currency's purchasing power at the reporting date. The income statements thus restated have been translated into Euro at the closing rates at 31 December 2019 instead of at the average rates for the reporting period. The effect of applying the standard, all of which attributable to the Argentine company, has been to increase net sales by Euro 3 million and to decrease net profit by Euro 8 million.

With reference to the statement of financial position, monetary items have not been restated because they are already expressed in terms of the monetary unit current at the end of the reporting period; non-monetary assets and liabilities have been restated to reflect the loss in the local currency's purchasing power from the date the assets and liabilities were originally recorded through until the reporting date. The effect arising in 2019 is a net cost of Euro 2 million, which has been recognised in the income statement within Net finance income (costs).

The exchange rates applied are as follows:

	Closing rates at		Period average rates		
	31.12.2019	31.12.2018	2019	2018	2018(*)
Europe					
British Pound	0.851	0.895	0.878	0.885	
Swiss Franc	1.085	1.127	1.112	1.155	
Hungarian Forint	330.53	320.98	325.297	318.89	
Norwegian Krone	9.864	9.948	9.851	9.597	9.584
Swedish Krona	10.447	10.255	10.589	10.258	
Czech Koruna	25.408	25.724	25.67	25.647	
Danish Krone	7.472	7.467	7.466	7.453	
Romanian Leu	4.783	4.664	4.745	4.654	
Turkish Lira	6.663	6.039	6.36	5.689	
Polish Zloty	4.257	4.301	4.298	4.261	
Russian Rouble	69.956	79.715	72.455	74.042	
North America					
US Dollar	1.123	1.145	1.119	1.181	1.154
Canadian Dollar	1.46	1.561	1.485	1.529	
South America					
Colombian Peso	3,689	3,722	3,675	3,487	3,503
Brazilian Real	4.528	4.437	4.417	4.316	4.468
Argentine Peso	67.28	43.167	53.968	33.203	
Costa Rican Colón	844.86	694.775	786.893	756.941	
Chilean Peso	642.012	794.37	657.623	681.444	769.037
Mexican Peso	21.22	22.492	21.557	22.705	22.527
Peruvian Sol	3.726	3.863	3.736	3.879	3.828
Oceania					
Australian Dollar	1.6	1.622	1.611	1.58	
New Zealand Dollar	1.665	1.706	1.7	1.706	
Africa					
CFA Franc	655.957	655.957	655.957	655.957	
Angolan Kwanza	540.037	n.a	406.169	n.a	
Tunisian Dinar	3.139	3.43	3.28	3.111	
Asia					
Chinese Renminbi (Yuan)	7.821	7.875	7.735	7.808	
United Arab Emirates Dirham	4.126	4.205	4.111	4.337	
Hong Kong Dollar	8.747	8.968	8.772	9.256	
Singapore Dollar	1.511	1.559	1.527	1.593	
Indian Rupee	80.187	79.73	78.836	80.733	
Indonesian Rupiah	15,596	16,500	15,835	16,803	
Japanese Yen	121.94	125.85	122.006	130.396	
Thai Baht	33.415	37.052	34.757	38.164	
Philippine Peso	56.9	60.113	57.985	62.21	
Omani Rial	0.432	0.44	0.43	0.454	
Malaysian Ringgit	4.595	4.732	4.637	4.763	
Qatari Riyal	4.089	4.168	4.075	4.299	
Saudi Riyal	4.213	4.294	4.198	4.429	

(*) The consolidation of General Cable has used the exchange rate at 31 December 2018 as the period-end exchange rate, and the average rate for the months from June to December 2018 as the period-average rate.

39.1 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.

Draka NK Cables (Asia) Pte Ltd (Singapore), Draka Philippines Inc. (Philippines), Draka Durango S. de R.L. de C.V., Draka Mexico Holdings S.A. de C.V., Prysmian Cables y Sistemas de Mexico S. de R.L. de C.V. and NK México Holdings S.A. de C.V. (Mexico) present their financial statements in a currency other than that of the country they operate in, as their main transactions are not conducted in the local currency but in the reporting currency.

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

Exchange differences arising on loans between group companies that form part of the reporting entity's net investment in a foreign operation are recognised in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

39.2 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.

Depreciation is charged on a straight-line, monthly basis using rates that allow assets to be depreciated until the end of their useful lives. When assets consist of different identifiable components, whose useful lives differ significantly from each other, each component is depreciated separately using the component approach.

The indicative useful lives estimated by the Group for the various categories of property, plant and equipment are as follows:

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

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

IFRS 16 - Leases became effective on 1 January 2019 as a result of which the Group has recorded right-of-use assets related to leases as part of its Property, plant and equipment. Note B.2 - Newly adopted standards contains details of the impact of this standard on the financial statements at 31 December 2019 and of the accounting rules adopted.

39.3 GOODWILL AND OTHER INTANGIBLE ASSETS

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. Greater information can be found in Note 2. Goodwill and Other intangible assets.

Other intangible assets

Other intangible assets are recognised in the financial statements at acquisition cost and/or production cost, including all costs directly attributable to make the assets available for use, net of accumulated amortisation and any impairment. Amortisation commences when the asset is available for use and is calculated on a straight-line basis over the asset's estimated useful life. Other intangible assets have a finite useful life.

Other intangible assets include Patents, concessions, licences, trademarks and similar rights and Software.

Patents, concessions, licences, trademarks and similar rights

These assets are amortised on a straight-line basis over their useful lives.

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.

39.4 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.

Following adoption of IFRS 16, the carrying amount of the cash-generating units has been increased to include right-of-use assets. The calculation of value in use excludes payments for lease liabilities.

Further details about the determination of the cash-generating units can be found in Note 40. Estimates and assumptions.

39.5 FINANCIAL ASSETS

In accordance with *IFRS 9 - Financial instruments*, financial assets are initially recorded at fair value and classified in one of the following categories on the basis of their nature and the purpose for which they were acquired:

(a) Financial assets at amortised cost;

(b) Financial assets at fair value through profit or loss;

(c) Financial assets at fair value through other comprehensive income (OCI).

Financial assets are derecognised when the right to receive cash flows from the instrument expires and the Group has substantially transferred all the risks and rewards relating to the instrument and its control.

(a) Financial assets at amortised cost

The Group classifies receivables and securities that it expects to hold to maturity under this category, meaning that it receives payments of interest and capital from such assets on specified due dates. Assets at amortised cost are classified in the statement of financial position as "Financial assets at amortised cost" and presented as current or non-current assets depending on whether their contractual maturity is less or more than twelve months from the reporting date.

These assets are reported at amortised cost and written down if any impairment is identified.

(b) Financial assets at fair value through profit or loss

Financial assets classified in this category are represented by securities held for trading, having been acquired for the purpose of selling in the near term.

Financial assets at fair value through profit or loss are measured at fair value, with gains and losses from changes in fair value reported in the income statement under "Finance income" and "Finance costs", in the period in which they arise.

Assets in this category are classified as current assets.

(c) Financial assets at fair value through other comprehensive income (OCI)

The Group uses this category to record investments it does not expect to dispose of in the near term and with which it has no controlling relationship, classified as non-current assets, and securities in which it Group invests its liquidity and whose disposal date is not known, classified as current assets.

The above investments are measured at fair value through OCI, where fair value belongs to Level 3 of the fair value hierarchy. Dividends from such investments are recognised in finance income.

Securities classified in this category are measured at fair value through OCI, with any impairment recognised in profit or loss if such impairment is considered permanent. The fair value of these securities belongs to Level 1 of the fair value hierarchy. Interest from these securities is recognised in finance income. When these securities are sold, the related equity reserve is recycled to profit or loss.

39.6 DERIVATIVES

Metal derivatives

Metal derivatives are recognised at fair value through profit or loss. The related income and expenses are classified in operating income and expenses. The fair value of these derivatives belongs to Level 2 of the fair value hierarchy. They are recognised as current assets or liabilities in the statement of financial position if they mature within twelve months, otherwise they are classified as non-current assets or liabilities.

Interest rate derivatives

Interest rate derivatives not designated as hedging instruments are recognised at fair value through profit or loss. The related income and expenses are classified in finance income and costs. They are recognised as current assets or liabilities in the statement of financial position if they mature within twelve months, otherwise they are classified as non-current assets or liabilities.

Interest rate derivatives designated as hedging instruments are recognised at fair value through other comprehensive income. When the derivative matures, the related reserve is recycled to profit or loss as finance income and costs.

The relationship between the hedged item and the designated interest rate hedge must be documented. The effectiveness of each hedge is reviewed both at the derivative's inception and during its life cycle. In particular, interest rate derivatives designated as hedging instruments are intended to hedge the risk of cash flow volatility linked to finance costs arising from variable rate debt.

The fair value of interest rate derivatives belongs to Level 2 of the fair value hierarchy.

Currency derivatives

Currency derivatives not designated as hedging instruments are recognised at fair value through profit or loss. The related income and expenses are classified in finance income and costs. They are recognised as current assets or liabilities in the statement of financial position if they mature within twelve months, otherwise they are classified as non-current assets or liabilities.

Currency derivatives designated as hedging instruments are recognised at fair value through other comprehensive income. When the derivative matures, the related reserve is recycled to profit or loss as finance income and costs.

The relationship between the hedged item and the designated currency hedge must be documented. The effectiveness of each hedge is reviewed both at the derivative's inception and during its life cycle. In particular, currency derivatives designated as hedging instruments are intended to hedge exchange rate risk on contracts or orders. These hedging relationships aim to reduce cash flow volatility due to exchange rate fluctuations affecting future transactions. In particular, the hedged item is the value in the company's unit of account of a cash flow expressed in another currency that is expected to be received/paid under a contract or an order whose amount exceeds the minimum thresholds set by the Group Finance Committee: all cash flows thus identified are therefore designated as hedged items in the hedging relationship. The reserve originating from changes in the fair value of derivative instruments is transferred to the income statement according to the stage of completion of the contract itself, where it is classified as contract revenue/costs.

The fair value of currency derivatives belongs to Level 2 of the fair value hierarchy.

39.7 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, net of the allowance for doubtful accounts. Impairment of receivables is recognised on the basis of Expected Credit Loss (ECL). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages.

- For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).
- For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group makes use of without-recourse factoring of trade receivables. These receivables are derecognised because such transactions transfer substantially all the related risks and rewards of the receivables to the factor.

39.8 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).

39.9 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 recognised immediately as an expense.

If the contract contains a warranty other than those used in standard market practice, this warranty is recognised separately.

The Group reports as assets 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 in "Other receivables". Amounts invoiced but not yet paid by customers are reported under "Trade receivables".

The Group reports as liabilities the gross amount due to customers for all construction contracts where billing exceeds the costs incurred plus recognised profits (less recognised losses). Such liabilities are reported in "Other payables".

39.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, demand bank deposits and other short-term investments, with a maturity of three months or less. Current account overdrafts are classified as financial payables under current liabilities in the statement of financial position.

39.11 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.

39.12 TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost.

39.13 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.

39.14 EMPLOYEE BENEFITS

The Group operates both defined contribution plans and defined benefit plans.

Defined contribution plans

A defined contribution plan is a plan under which the Group pays fixed contributions to third-party fund managers and to which there are no legal or other obligations to pay further contributions should the fund not have sufficient assets to meet the obligations to employees for current and prior periods. In the case of defined contribution plans, the Group pays contributions, voluntarily or as established by contract, to public and private pension insurance funds. The Group has no obligations subsequent to payment of such contributions, which are recognised as personnel costs on an accrual basis. Prepaid contributions are recognised as an asset which will be repaid or used to offset future payments, should they be due.

Defined benefit plans

In defined benefit plans, the total benefit payable to the employee can be quantified only after the employment relationship ceases, and is linked to one or more factors, such as age, years of service and remuneration; the related cost is therefore charged to the period's income statement on the basis of an actuarial calculation. The liability recognised for defined benefit plans corresponds to the present value of the obligation at the reporting date, less the fair value of the plan assets, where applicable. Obligations for defined benefit plans are determined annually by an independent actuary using the projected unit credit method. The present value of a defined benefit plan is determined by discounting the future cash flows at an interest rate equal to that of high-quality corporate bonds issued in the liability's settlement currency and which reflects the duration of the related pension plan. Actuarial gains and losses arising from the above adjustments and the changes in actuarial assumptions are recorded directly in equity.

Past service costs resulting from a plan amendment are recognised immediately as an expense in the period the plan amendment occurs.

Other post-employment obligations

Some Group companies provide medical benefit plans for retired employees. The expected cost of these benefits is accrued over the period of employment using the same accounting method as for defined benefit plans. Actuarial gains and losses arising from the valuation and the effects of changes in the actuarial assumptions are accounted for in equity. These liabilities are valued annually by a qualified independent actuary.

Termination benefits

The Group recognises termination benefits when it can be shown that the termination of employment complies with a formal plan communicated to the parties concerned that establishes termination of employment, or when payment of the benefit is the result of voluntary redundancy incentives. Termination benefits payable more than twelve months after the reporting date are discounted to present value.

39.15 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.

39.16 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:

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on dispatch or delivery to the customer who has accepted it. The Group considers whether there are other conditions in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties), and the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and is recognised only when it is highly probable. The Group provides discounts to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Discounts are offset against amounts payable by the customer. To estimate the variable consideration for the expected future discounts, the Group applies the "most likely amount" method for contracts with a single-volume threshold and the "expected value" method for contracts with more than one volume threshold. Generally, the Group receives short-term advances from its customers. The Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The method of recognising revenue for construction contracts is outlined in Note 39.9 Construction contracts.

39.17 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".

39.18 COST RECOGNITION

Costs are recognised for goods and services acquired or consumed during the reporting period or to make a systematic allocation to match costs with revenues.

39.19 TAXATION

Current taxes are calculated on the basis of the taxable income for the year, applying the tax rates effective at the reporting date.

Deferred taxes are calculated on all the differences emerging between the taxable base of an asset or liability and the related carrying amount, except for goodwill and those differences arising from investments in subsidiaries, where the timing of the reversal of such differences is controlled by the Group and it is likely they will not reverse in a reasonably foreseeable future. Deferred tax assets, including those relating to past tax losses, not offset by deferred tax liabilities, are recognised to the extent it is likely that future taxable profit will be available against which they can be recovered.

Deferred taxes are determined using tax rates that are expected to apply in the years when the differences are realised or extinguished, on the basis of tax rates that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised in the income statement with the exception of those relating to items recognised directly in equity; such taxes are also accounted for directly in equity. Income taxes are offset if they are levied by the same taxation authority, if there is a legally enforceable right to offset them and if the net balance is expected to be settled.

Other taxes not related to income, such as property tax, are reported in "Other expenses".

39.20 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the reporting period, excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the reporting period, excluding treasury shares. For the purposes of calculating diluted earnings per share, the weighted average number of outstanding shares is adjusted so as to include the exercise, by all those entitled, of rights with a potentially dilutive effect, while the profit attributable to owners of the parent is adjusted to account for any post-tax effects of exercising such rights.

39.21 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.

40. ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires Management to apply accounting policies and methods which, at times, rely on judgements and estimates based on past experience and assumptions deemed to be reasonable and realistic according to the related circumstances. The application of these estimates and assumptions influences the amounts reported in the financial statements, meaning the statement of financial position, the income statement, the statement of comprehensive income and the statement of cash flows, as well as the accompanying disclosures. Ultimate amounts, previously reported on the basis of estimates and assumptions, may differ from original estimates because of the uncertain nature of the assumptions and conditions on which the estimates were based.

The following is a brief description of the accounting policies that require the Prysmian Group's Management to exercise most subjectivity of judgement when preparing estimates and a change in whose underlying assumptions could have a material impact on the consolidated financial statements.

(a) Provisions for risks and charges

Provisions are recognised for legal and tax risks and reflect the risk of a negative outcome. The value of the provisions recorded in the financial statements against such risks represents the best estimate by Management at that date. This estimate requires the use of assumptions depending on factors which may change over time and which could, therefore, materially impact the current estimates made by Management to prepare the Group consolidated financial statements.

(b) Impairment of assets

Goodwill

The Group's activities are organised in three operating segments: *Projects*, *Energy* and *Telecom*. The *Projects* segment consists of the High Voltage, Submarine Power, Submarine Telecom and Offshore Specialties CGUs; the *Energy* segment consists of a number of CGUs corresponding to the Regions or Countries in keeping with the new organisation structure; lastly, the Telecom segment consists of a single CGU that coincides with the operating segment itself. Goodwill, acquired on the occasion of business combinations, has been allocated to groups of CGUs, corresponding to the operating segments, which are expected to benefit from the synergies of such combinations and which represent the lowest level at which Management monitors business performance. In accordance with the accounting standards adopted and related impairment testing procedures, the Group tests annually whether Goodwill has suffered an impairment loss. The recoverable amount has been determined by calculating value in use, a calculation that requires the use of estimates.

More details about the impairment test for Goodwill can be found in Note 2. Goodwill and Other intangible assets.

Property, plant and equipment and finite-life intangible assets

In accordance with the Group's adopted accounting standards and impairment testing procedures, property, plant and equipment and intangible assets with finite useful lives are tested for impairment. Any impairment loss is recognised by means of a write-down, when indicators suggest it will be difficult to recover the related net book value through use of the assets. To verify the existence of these indicators Management has to make subjective judgements based on information available within the Group and from the market, as well as on past experience. If an impairment loss is identified, the Group will determine the amount of such impairment using suitable valuation techniques. Correct identification of indicators of potential impairment, as well as its very measurement, depend on factors which can vary over time, thus influencing the judgements and estimates made by Management.

Prysmian Group has assessed during the course of 2019 whether there was any evidence that its CGUs might be impaired and has consequently tested for impairment those CGUs potentially at "risk". The Group has written down assets for the impairment losses identified as a result of these tests. In addition, the Group has specifically written down certain other assets.

The outcome of impairment tests at 31 December 2019 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 review may lead to a variation in the depreciation/amortisation period and therefore also in the depreciation/amortisation charge for future years.

(d) Recognition of revenues and costs from construction contracts

The Group uses the percentage of completion method to account for long-term contracts. The margins recognised in the income statement depend on the progress of the contract and its estimated margins upon completion. This means that if work-in-progress and margins on as yet incomplete work are to be correctly recognised, Management must have correctly estimated contract revenue and completion costs, including any contract variations and any cost overruns and penalties that might reduce the expected margin. The percentage of completion method requires the Group to estimate contract completion costs and involves making estimates dependent on factors that could potentially change over time and so could have a significant impact on the recognition of revenue and margins in the process of formation.

(e) Taxes

Consolidated companies are subject to different tax jurisdictions. A high degree of judgement is needed to establish the expected global tax charge, also because of uncertainty over tax treatments. 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) Share purchase plans under preferential terms and conditions

The employee share purchase plan, directed at almost all the Group's employees, provides an opportunity for them to obtain shares on preferential terms and conditions. The operation of this plan is described in Note 21. Personnel costs.

The grant of shares is subject to continued employment with the Group in the months between signing up to one of the plan's purchase windows and the purchase of the shares themselves on the equity market. The plan's financial and economic impact has therefore been estimated on the basis of the best possible estimates and information currently available.

41. EVENTS AFTER THE REPORTING PERIOD

Western Link

Events involving Western Link are discussed in section A1. Significant events in 2019.

Contract for broadband TLC cable project in Mexico.

On 15 January 2020, the Group announced it had won a contract worth USD 38 million from Comision Federal de Electricitad (CFE), a government-owned company, for a cable project in Mexico called "Proyecto de Conectividad Fibra Óptica Red Eléctrica Inteligente REI".

This is the largest ever project in terms of quantity of TLC cables commissioned by a Mexican government and will connect remote regions of the country with high-speed broadband. Under the terms of contract, Prysmian will oversee the engineering, supply and installation of at least 9,800km of optical ground wires (OPGW) and 5,100km of all-dielectric self-supporting (ADSS) cables. The OPGW will be produced at the Group's plant in Vilanova i la Geltrù, Spain, while the ADSS cables will be manufactured in Durango, Mexico, once again demonstrating the Group's ability to tap into its global organisation and the strong teamwork between its LATAM, HQ and OPGW operations.

Contract for Libra Mero project

On 23 January 2020, the Group announced it had won a contract from Libra, a consortium of leading international oil & gas operators, to supply Steel Tube Umbilicals for installation in the Mero offshore oilfield.

The contract refers to Mero 1, an ultra-deep-water drilling field, which will consist of 17 wells and one FPSO vessel, situated approximately 180 km off Rio de Janeiro in the pre-salt Santos basin at a depth of some 2,000 m below sea level. Oil production is due to commence in 2021.

The Mero 1 project is a milestone in the technological development of the Oil & Gas industry in Brazil, being the first in the region to use Steel Tube Umbilicals.

Business interruption risk due to the COVID-19 coronavirus

Since January 2020, the spread in China of the new coronavirus, known as COVID-19, has had a significant impact on the country's manufacturing and commercial activities and consequently also on its imports from and exports to the rest of the world due to restrictions on the movement of people and goods.

The Group has adopted the highest possible standards of safety and monitoring to manage and control the advance of COVID-19. In particular, it has put mitigation actions in place to protect employees, involving stepped up health and hygiene procedures, especially in the most affected areas of China and Northern Italy. The Group has promoted remote working and to date no employees are infected and all the plants of its subsidiaries are open and operational (including those in China and Northern Italy). Therefore, no significant interruption has been recorded in either production or activities involving the supply chain. In addition, a crisis committee has been set up to review the situation on a daily basis.

It cannot be ruled out that the evolution of events both in China and the rest of the world may have significant effects. With regard to the associate YOFC, we are unable to make any risk assessment in the absence of public information about it.

Ravin Cables Limited

In January 2010, Prysmian Group acquired a 51% interest in the Indian company Ravin Cables Limited (the "Company"), with the remaining 49% held by other shareholders directly or indirectly associated with the Karia family (the "Local Shareholders"). As part of the transaction, Prysmian Group also paid the Company's founding shareholders a control premium.

Under the agreements signed with the Local Shareholders, after a limited transition period, management of the Company would be transferred to a Chief Executive Officer appointed by Prysmian. However, this did not occur and, in breach of the agreements, the Company's management remained in the hands of the Local Shareholders and their representatives.

Consequently, having now lost control, Prysmian Group ceased to consolidate the Company and its subsidiary Power Plus Cable Co. LLC. with effect from 1 April 2012.

In February 2012, Prysmian was thus forced to initiate arbitration proceedings before the London Court of International Arbitration (LCIA), requesting that the Local Shareholders be declared in breach of contract and ordered to sell the shares representing 49% of the Company's share capital to Prysmian.

In a ruling handed down in April 2017, the LCIA upheld Prysmian's claims and ordered the Local Shareholders to sell the shares representing 49% of the Company's share capital to Prysmian. However, the Local Shareholders did not voluntarily enforce the arbitration award and so Prysmian had to initiate proceedings in the Indian courts in order to have the arbitration award recognised in India. Having gone through two levels of justice, these proceedings were finally concluded on 13 February 2020 with the pronouncement of a ruling by the Indian Supreme Court under which the latter definitively declared the arbitration award enforceable in India. In view of the continuing failure of the Local Shareholders to comply voluntarily, Prysmian has requested the Mumbai court to enforce the arbitration award in order to be able to purchase the shares representing 49% of the Company's share capital as soon as possible.

Contract for the construction of an offshore wind farm in France

On 4 March 2020, the Group announced it had won a contract worth over Euro 150 million from Réseau de Transport d'Électricité (RTE) for the construction of two submarine and onshore cable systems to connect the offshore wind farm located between the islands of Yeu and Noirmoutier to the French mainland power grid.

The submarine cables will be manufactured at Prysmian's centres of excellence in Pikkala (Finland) and Arco Felice (Italy), while the onshore cables will be produced in Gron (France). Installation will be carried out by the Cable Enterprise, one of the Group's three state-of-the-art cable-laying vessels. Delivery and commissioning are scheduled for 2023, conditional upon receiving the Notice to Proceed, expected by March 2020 as regard the preliminary studies, and by June 2020 for the project as a whole.

Milan, 5 March 2020

ON BEHALF OF THE BOARD OF DIRECTORS

THE CHAIRMAN

Claudio De Conto

SCOPE OF CONSOLIDATION – APPENDIX A

The following companies have been consolidated line-by-line:

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
EUROPE					
Austria					
Prysmian OEKW GmbH	Vienna	Euro	2,053,007.56	100.00%	Prysmian Cavi e Sistemi S.r.l.
Belgium					
Draka Belgium N.V.	Antwerpen	Euro	61,973,38	98.52%	Draka Holding B.V.
				1.48%	Draka Kabel B.V.
Denmark					
Prysmian Group Denmark A/S	Albertslund	Danish Krone	40,001,000	100.00%	Draka Holding B.V.
Estonia					
Prysmian Group Baltics AS	Keila	Euro	1,664,000	100.00%	Prysmian Group Finland OY
Finland					
Prysmian Group Finland OY	Kirkkonummi	Euro	100,000	77.7972%	Prysmian Cavi e Sistemi S.r.l.
				19.9301%	Draka Holding B.V.
				2.2727%	Draka Comteq B.V.
France					
Prysmian (French) Holdings S.A.S.	Paron	Euro	129,026,210	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Cables et Systèmes France S.A.S.	Sens	Euro	136,800,000	100.00%	Prysmian (French) Holdings S.A.S.
Draka Comteq France S.A.S.	Paron	Euro	246,554,316	100.00%	Draka France S.A.S.
Draka Fileca S.A.S.	Sainte Geneviève	Euro	5,439,700	100.00%	Draka France S.A.S.
Draka Paricable S.A.S.	Marne La Vallée	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.
P.O.R. S.A.S.	Marne La Vallée	Euro	100,000	100.00%	Draka France S.A.S.
Silec Cable, S. A. S.	Montreau-Fault-Yonne	Euro	60,037,000	100.00%	Grupo General Cable Sistemas, S.L.
Germany					
Prysmian Kabel und Systeme GmbH	Berlin	Euro	15,000,000	93.75%	Draka Deutschland GmbH
				6.25%	Prysmian S.p.A.
Prysmian Unterstuetzungseinrichtung Lynen GmbH	Eschweiler	Deutsche Mark	50,000	100.00%	Prysmian Kabel und Systeme 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 B.V.
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.

(continues)

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Draka Deutschland GmbH	Wuppertal	Euro	25,000	90.00%	Draka Deutschland Erste Beteiligungs GmbH
				10.00%	Draka Deutschland Zweite Beteiligungs GmbH
Draka Deutschland Verwaltungs GmbH	Wuppertal	Deutsche Mark	50,000	100.00%	Prysmian Kabel und Systeme GmbH
Draka Deutschland Zweite Beteiligungs GmbH	Wuppertal	Euro	25,000	100.00%	Prysmian Netherlands B.V.
Draka Service GmbH	Norimberga	Euro	25,000	100.00%	Draka Deutschland GmbH
Höhn GmbH	Wuppertal	Deutsche Mark	1,000,000	100.00%	Draka Deutschland GmbH
Kaiser Kabel GmbH	Wuppertal	Deutsche Mark	9,000,000	100.00%	Draka Deutschland GmbH
NKF Holding (Deutschland) GmbH i.L	Wuppertal	Euro	25,000	100.00%	Prysmian Netherlands B.V.
Norddeutsche Seekabelwerke GmbH	Nordenham	Euro	50,025,000	100.00%	Grupo General Cable Sistemas, S.L.
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 & Sy-stems Ltd.
Prysmian Cables (2000) Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Cable Makers Properties & Services Ltd.	Esher	British Pound	39.08	75.00%	Prysmian Cables & Systems Ltd.
				25.00%	Third parties
Comergy Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian Pension Scheme Trustee Ltd.	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 Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian UK Group Ltd.
Draka Comteq UK Ltd.	Eastleigh	British Pound	14,000,002	100.00%	Prysmian UK Group Ltd.
Draka UK Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian UK Group Ltd.
Draka UK Group Ltd.	Eastleigh	British Pound	2	100.00%	Prysmian UK Group Ltd.
Prysmian PowerLink Services Ltd.	Eastleigh	British Pound	46,000,100	100.00%	Prysmian UK Group Ltd.
General Cable Holdings (UK) Limited	London	British Pound	24,891,054	100.00%	GK Technologies, Incorporated
General Cable Services Europe Limited	London	British Pound	1,178,495	100.00%	General Cable Holdings (UK) Limited
NSW Technology Limited	Aberdeen	British Pound	1	100.00%	Norddeutsche Seekabelwerke GmbH
Ireland					
Prysmian Re Company Designated Activity Company	Dublin	Euro	20,000,000	100.00%	Draka Holding B.V.

(continues)

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Italy					
Prysmian Cavi e Sistemi S.r.l.	Milan	Euro	50,000,000	100.00%	Prysmian S.p.A.
Prysmian Cavi e Sistemi Italia S.r.l.	Milan	Euro	77,143,249	100.00%	Prysmian S.p.A.
Prysmian Treasury S.r.l.	Milan	Euro	80,000,000	100.00%	Prysmian S.p.A.
Prysmian PowerLink S.r.l.	Milan	Euro	100,000,000	100.00%	Prysmian S.p.A.
Fibre Ottiche Sud - F.O.S. S.r.l.	Battipaglia	Euro	47,700,000	100.00%	Prysmian S.p.A.
Prysmian Electronics S.r.l.	Milan	Euro	10,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
General Cable Italia S.r.l.	Milan	Euro	10,000	100.00%	Grupo General Cable Sistemas, S.L.
Norway					
Prysmian Group Norge AS	Drammen	Norwegian Krone	22,500,000	100.00%	Draka Holding B.V.
General Cable Nordic A/S	Drammen	Norwegian Krone	1,674,000	100.00%	Grupo General Cable Sistemas, S.L.
The Netherlands					
Draka Comteq B.V.	Amsterdam	Euro	1,000,000	100.00%	Draka Holding B.V.
Draka Comteq Fibre B.V.	Eindhoven	Euro	18,000	100.00%	Prysmian Netherlands Holding B.V.
Draka Holding B.V.	Amsterdam	Euro	52,229,320.50	100.000%	Prysmian S.p.A.
Draka Kabel B.V.	Amsterdam	Euro	2,277,976.68	100.00%	Prysmian Netherlands B.V.
Donne Draad B.V.	Nieuw Bergen	Euro	28,134.37	100.00%	Prysmian Netherlands B.V.
NKF Vastgoed I B.V.	Delft	Euro	18,151.21	99.00%	Draka Holding B.V.
				1.00%	Prysmian Netherlands B.V.
NKF Vastgoed III B.V.	Delft	Euro	18,151.21	99.00%	Draka Deutschland GmbH
				1.00%	Prysmian Netherlands B.V.
Prysmian Netherlands B.V.	Delft	Euro	1	100.00%	Prysmian Netherlands Holding B.V.
Prysmian Netherlands Holding B.V.	Amsterdam	Euro	1	100.00%	Draka Holding B.V.
General Cable Holdings Netherlands C.V.	Amsterdam	Euro	159,319,137	95.50%	GK Technologies, Incorporated
				1.00%	GC Global Holdings, Inc.
				3.50%	Phelps Dodge National Cables Corporation
Portugal					
General Cable Investments, SGPS, Sociedade Unipessoal, S.A.	Funchal	Euro	8,500,020	100.00%	GK Technologies, Incorporated
General Cable Celcat, Energia e Telecomunicaçoes SA	Pero Pinheiro	Euro	13,500,000	100.00%	General Cable Investments, SGPS, Sociedade Unipessoal, S.A.
Czech Republic					
Draka Kabely, s.r.o.	Velké Meziříčí	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.

(continues)

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
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
Slovacchia					
Prysmian Kablo s.r.o.	Bratislava	Euro	21,246,001	99.995%	Prysmian Cavi e Sistemi S.r.l.
				0.005%	Prysmian S.p.A.
Spain					
Prysmian Cables Spain, S.A. (Sociedad Unipersonal)	Vilanova I la Geltrù	Euro	58,178,234,22	100.00%	Draka Holding, S.L.
Draka Holding, S.L. (Sociedad Unipersonal)	Santa Perpetua de Mogoda	Euro	24,000,000	100.00%	Draka Holding B.V.
GC Latin America Holdings, S.L.	Abrera	Euro	151,042,030	100%	General Cable Holdings (Spain), S.L.
General Cable Holdings (Spain), S.L.	Abrera	Euro	138,304,698,48	99.349%	GK Technologies, Incorporated
				0.6510%	General Cable Overseas Holdings, LLC
Grupo General Cable Sistemas, S.L.	Abrera	Euro	22,116,018,7	93.75%	General Cable Holdings (Spain), S.L.
				6.25%	GC Latin America Holdings, S.L.
Sweden					
Prysmian Group North Europe AB	Nässjö	Swedish Krona	100,100	100.00%	Draka Holding B.V.
Prysmian Group Sverige AB	Nässjö	Swedish Krona	100,000	100.00%	Prysmian Group North Europe AB
Turkey					
Turk Prysmian Kablo Ve Sistemleri A.S.	Mudanya	Turkish Lira	141,733,652	83.746%	Draka Holding B.V.
				0.705%	Turk Prysmian Kablo Ve Sistemleri A.S.
				15.549%	Third parties
Tasfiye Halinde Draka Comteq Kablo Limited Sirketi	Osmangazi-Bursa	Turkish 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.	New Brunswick	Canadian Dollar	1,000,000	100.00%	Draka Holding B.V.
Draka Elevator Products Incorporated	New Brunswick	Canadian Dollar	n/a	100.00%	Prysmian Cables and Systems USA, LLC
General Cable Company Ltd.	Halifax	Canadian Dollar	119,802,214	100.00%	General Cable Canada Holdings LLC

(continues)

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Cayman Islands					
YA Holdings, Ltd.	George Town	US Dollar	50,000	100.00%	General Cable Company Ltd.
Dominican Republic					
General Cable Caribbean, S.R.L	Santa Domingo Oeste	Dominican Peso	2,100,000	99.995%	GK Technologies, Incorporated
				0.005%	Diversified Contractors, Inc.
Trinidad and Tobago					
General Cable Trinidad Limited	Port of Spain	Trinidadian Dollar	100	100.00%	GK Technologies, Incorporated
U.S.A.					
Prysmian Cables and Systems (US) Inc.	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 Elevator Products, Inc.	Boston	US Dollar	1	100.00%	Prysmian Cables and Systems USA, LLC
Draka Transport USA, LLC	Boston	US Dollar	0	100.00%	Prysmian Cables and Systems USA, LLC
Diversified Contractors, Inc.	Wilmington	US Dollar	1,000	100.00%	General Cable Industries, Inc.
GC Global Holdings, Inc.	Wilmington	US Dollar	1,000	100.00%	General Cable Overseas Holdings, LLC
General Cable Canada Holdings LLC	Wilmington	US Dollar	0	100.00%	General Cable Industries, Inc.
General Cable Corporation	Wilmington	US Dollar	1	100.00%	Prysmian Cables and Systems (US) Inc.
General Cable Industries LLC	Wilmington	US Dollar	0	100.00%	General Cable Industries, Inc.
General Cable Industries, Inc.	Wilmington	US Dollar	10	100.00%	GK Technologies, Incorporated
General Cable Overseas Holdings, LLC	Wilmington	US Dollar	0	100.00%	GK Technologies, Incorporated
General Cable Technologies Corporation	Wilmington	US Dollar	1,000	100.00%	General Cable Industries, Inc.
Phelps Dodge Enfield Corporation	Wilmington	US Dollar	800,000	100.00%	General Cable Industries, Inc.
Phelps Dodge International Corporation	Wilmington	US Dollar	100,000	100.00%	General Cable Industries, Inc.
Phelps Dodge National Cables Corporation	Wilmington	US Dollar	10	100.00%	General Cable Industries, Inc.
GK Technologies, Incorporated	West Trenton	US Dollar	1,000	100.00%	General Cable Corporation

(continues)

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	992,359,215	40.01%	Prysmian Consultora Conductores e Instalaciones SAIC
				59.74%	Draka Holding B.V.
				0.11%	Prysmian Cabos e Sistemas do Brasil S.A.
				0.13%	Third parties
Prysmian Consultora Conductores e Instalaciones SAIC	Buenos Aires	Argentine Peso	543,219,572	95.00%	Draka Holding B.V.
				5.00%	Prysmian Cavi e Sistemi S.r.l.
Brazil					
Prysmian Cabos e Sistemas do Brasil S.A.	Sorocaba	Brazilian Real	547,630,604,56	91.844%	Prysmian Cavi e Sistemi S.r.l.
				0.040%	Prysmian S.p.A.
				1.687%	Draka Holding B.V.
				6.428%	Draka Comteq B.V.
Draka Comteq Cabos Brasil S.A.	Santa Catarina	Brazilian Real	27,467,522	49.352%	Draka Comteq B.V.
				50.648%	Prysmian Cabos e Sistemas do Brasil S.A.
General Cable Brasil Indústria e Comércio de Condutores Elétricos Ltda	Poços de Caldas	Brazilian Real	536,087,471	99.99%	Grupo General Cable Sistemas, S.L.
				0.01%	General Cable Holdings (Spain) S.L.
Chile					
Prysmian Cables Chile SpA	Santiago	Chilean Peso	1,900,000,000	100.00%	Prysmian Cabos e Sistemas do Brasil S.A.
Cobre Cerrillos S.A.	Cerrillos	US Dollar	74,574,400	99.80%	General Cable Holdings (Spain), S.L.
				0.20%	Third parties
Colombia					
Productora de Cables Procables S.A.S.	Bogotá	Colombian Peso	1,902,964,285	99.96%	GC Latin America Holdings, S.L.
				0.04%	GK Technologies, Incorporated
Costa Rica					
Conducen, S.R.L.	Heredia	Costarican Colón	1,845,117,800	73.52%	GC Latin America Holdings, SL
				26.48%	Cahosa S.A.
Ecuador					
Cables Electricos Ecuatorianos C.A. CABLEC	Quito	US Dollar	243,957	67.14%	General Cable Holdings (Spain), S.L.
				32.86%	Third parties

(continues)

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
El Salvador					
Conducen Phelps Dodge Centroamerica-El Salvador, S.A. de C.V.	Antiguo Cuscatlan (La Libertad)	US Dollar	22,858	99.95%	Conducen, S.R.L.
				0.05%	Third parties
Guatemala					
Proveedora de Cables y Alambres PDCA Guatemala, S.A.	Guatemala City	Guatemalan Quetzal	100,000	99.00%	Conducen, S.R.L.
				1.00%	Third parties
Honduras					
Electroconductores de Honduras, S.A. de C.V.	Tegucigalpa	Hondura Lempira	27,600,000	59.39%	General Cable Holdings (Spain), S.L.
				40.61%	Cahosa S.A.
Mexico					
Draka Durango S. de R.L. de C.V.	Durango	Mexican Peso	163,471,787	99.996%	Draka Mexico Holdings S.A. de C.V.
				0.004%	Draka Holding B.V.
Draka Mexico Holdings S.A. de C.V.	Durango	Mexican Peso	57,036,501	99.999998%	Draka Holding B.V.
				0.000002%	Draka Comteq B.V.
NK Mexico Holdings S.A. de C.V.	Città del Messico	Mexican Peso	n/a	100.00%	Prysmian Group Finland OY
Prysmian Cables y Sistemas de Mexico S. de R. L. de C. V.	Durango	Mexican Peso	173,050,500	99.9983%	Draka Holding B.V.
				0.0017%	Draka Mexico Holdings S.A. de C.V.
General Cable de Mexico, S.A de C.V.	Tetla	Mexican Peso	1,329,621,471	80.41733609%	General Cable Industries, Inc.
				19.58266361%	Conducen, S.R.L.
				0.00000015%	General Cable Technologies Corporation
				0.00000015%	GK Technologies, Incorporated
General de Cable de Mexico del Norte, S.A. de C.V.	Piedras Negras	Mexican Peso	10,000	99.80%	GK Technologies, Incorporated
				0.20%	General Cable Industries, Inc.
PDIC Mexico, S.A. de C.V.	San Jose	Mexican Peso	50,000	99.998%	Conducen, S.R.L.
				0.002%	Third parties
Prestolite de Mexico, S.A. de C.V.	Sonora	Mexican Peso	50,000	99.80%	General Cable Industries, Inc.
				0.20%	GK Technologies, Incorporated
Servicios Latinoamericanos GC, S.A. de C.V.	Puebla	Mexican Peso	50,000	99.998%	General Cable de Mexico, S.A de C.V.
				0.002%	General Cable Technologies Corporation

(continues)

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Panama					
Alambres y Cables de Panama, S.A.	Panama	US Dollar	800,000	78.08%	General Cable Industries, Inc.
				21.92%	Cahosa S.A.
Alcap Comercial S.A.	Panama	US Dollar	10,000	100.00%	Conducen, S.R.L.
Cahosa S.A.	Panama	US Dollar	n/a	100.00%	GK Technologies, Incorporated
Peru					
General Cable Peru S.A.C.	Santiago de Surco (Lima)	Peruvian Sol	90,327,867,50	99.99999%	GC Latin America Holdings, S.L.
				0.00001%	Third parties
AFRICA					
Angola					
General Cable Condel, Cabos de Energia e Telecomunicaçoes SA	Luanda	Angola Kwanza	20,000,000	99.80%	General Cable Celcat, Energia e Telecomunicaçoes SA
				0.20%	Third parties
Botswana					
General Cable Botswana (Pty) Ltd.	Gaborone West Industrial	Pula del Botswana	100	100%	National Cables (Pty) Ltd.
Ivory Coast					
SICABLE - Socièté Ivoirienne de Cables S.A.	Abidjan	CFA Franc	740,000,000	51.00%	Prysmian Cables et Systèmes France S.A.S.
				49.00%	Third parties
Mauritius					
GC Specialty & Automotive	Port Louis	New Zealand Dollar	200	100%	GK Technologies, Incorporated
General Cable Middle East	Port Louis	New Zealand Dollar	3,690	100%	GK Technologies, Incorporated
General Cable Trading	Port Louis	New Zealand Dollar	31,097,100	100%	GK Technologies, Incorporated
South Africa					
General Cable Phoenix South Africa Pty. Ltd.	Illovo	South African Rand	1,000	100.00%	GK Technologies, Incorporated
National Cables (Pty) Ltd.	Illovo	South African Rand	101	69.30%	Phelps Dodge National Cables Corporation
				30.70%	General Cable Holdings Netherlands C.V.
Tunisia					
Auto Cables Tunisie S.A.	Grombalia	Tunisian Dinar	4,050,000	50.998%	Prysmian Cables et Systèmes France S.A.S.
				49.002%	Third parties

(continues)

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Eurelectric Tunisie S.A.	Menzel Bouzelfa	Tunisian Dinar	1,850,000	99.97%	Prysmian Cables et Systèmes France S.A.S.
				0.005%	Prysmian (French) Holdings S.A.S.
				0.005%	Prysmian Cavi e Sistemi S.r.l.
				0.02%	Third parties
OCEANIA					
Australia					
Prysmian Australia Pty Ltd.	Liverpool	Australian Dollar	56,485,736	100.00%	Prysmian Cavi e Sistemi S.r.l.
New Zealand					
Prysmian New Zealand Ltd.	Auckland	New Zealand Dollar	10,000	100.00%	Prysmian Australia Pty Ltd.
General Cable Holdings New Zealand	Christchurch	New Zealand Dollar	160,671,634	86.17%	GK Technologies, Incorporated
				12.96%	General Cable Industries, Inc.
				0.87%	GC Global Holdings, Inc.
General Cable New Zealand Limited	Christchurch	New Zealand Dollar	48,000,100	100.00%	General Cable Holdings New Zealand
ASIA					
Saudi Arabia					
Prysmian Powerlink Saudi LLC	Al Khoabar	Saudi Riyal	500,000	95.00%	Prysmian PowerLink S.r.l.
				5.00%	Third parties
China					
Prysmian Tianjin Cables Co. Ltd.	Tianjin	US Dollar	36,790,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Cable (Shanghai) Co. Ltd.	Shanghai	US Dollar	5,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Wuxi Cable Co. Ltd.	Wuxi	US Dollar	29,941,250	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Hong Kong Holding Ltd.	Hong Kong	Euro	72,000,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
Prysmian (China) Investment Company Ltd.	Pechino	Euro	72,003,061	100.00%	Prysmian Hong Kong Holding Ltd.
Nantong Haixun Draka Elevator Products Co. LTD	Nantong	US Dollar	2,400,000	75.00%	Draka Elevator Products, Inc.
				25.00%	Third parties
Nantong Zhongyao Draka Elevator Products Co. LTD	Nantong	US Dollar	2,000,000	60.00%	Draka Elevator Products, Inc.
				40.00%	Third parties
Draka Cables (Hong Kong) Limited	Hong Kong	Hong Kong Dollar	6,500,000	99.9999985%	Draka Cableteq Asia Pacific Holding Pte Ltd.
				0.0000015%	Cable Supply and Consulting Co. Pte Ltd.
Draka Shanghai Optical Fibre Cable Co. Ltd.	Shanghai	US Dollar	15,580,000	55.00%	Draka Comteq Germany GmbH & Co. KG
				45.00%	Third parties

(continues)

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Suzhou Draka Cable Co. Ltd.	Suzhou	Chinese Renminbi (Yuan)	304,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd.
Prysmian Technology Jiangsu Co. Ltd.	Yixing	Euro	51,150,100	100.00%	Prysmian (China) Investment Company Ltd.
Prestolite Wire (Shanghai) Company, Ltd	Shanghai	US Dollar	300,000	100.00%	General Cable Industries, Inc.
Philippine					
Draka Philippines Inc.	Cebu	Philippine Peso	253,652,000	99.9999975%	Draka Holding B.V.
				0.0000025%	Third parties
India					
Associated Cables Pvt. Ltd.	Mumbai	Indian Rupee	61,261,900	100.00%	Oman Cables Industry (SAOG)
Jaguar Communication Consultancy Services Private Ltd.	Mumbai	Indian Rupee	123,013,030	99.99999%	Prysmian Cavi e Sistemi S.r.l.
				0.00001%	Prysmian S.p.A.
Indonesia					
PT.Prysmian Cables Indonesia	Cikampek	US Dollar	67,300,000	99.48%	Draka Holding B.V.
				0.52%	Prysmian Cavi e Sistemi S.r.l.
Malaysia					
Sindutch Cable Manufacturer Sdn Bhd	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 Rial	8,970,000	51.17%	Draka Holding B.V.
				48.83%	Third parties
Oman Aluminum Processing Industries LLC	Sohar	Omani Rial	4,366,000	100.00%	Oman Cables Industry (SAOG)
Singapore					
Prysmian Cables Asia-Pacific Pte Ltd.	Singapore	Singapore Dollar	213,324,290	100.00%	Draka Holding B.V.
Prysmian Cable Systems Pte Ltd.	Singapore	Singapore Dollar	25,000	50.00%	Draka Holding B.V.
				50.00%	Prysmian Cables & Systems Ltd.
Draka Offshore Asia Pacific Pte Ltd.	Singapore	Singapore Dollar	51,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd.
Draka Cableteq Asia Pacific Holding Pte Ltd.	Singapore	Singapore Dollar	28,630,503.70	100.00%	Draka Holding B.V.
Singapore Cables Manufacturers Pte Ltd.	Singapore	Singapore Dollar	1,500,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd.

(continues)

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Cable Supply and Consulting Company Private Limited	Singapore	Singapore Dollar	50,000	100.00%	Draka Cableteq Asia Pacific Holding Pte Ltd.
Draka Comteq Singapore Pte Ltd.	Singapore	Singapore Dollar	500,000	100.00%	Draka Comteq B.V.
Draka NK Cables (Asia) Pte Ltd.	Singapore	Singapore Dollar	200,000	100.00%	Prysmian Group Finland OY
Thailand					
MCI-Draka Cable Co. Ltd.	Bangkok	Thai Baht	435,900,000	70.250172%	Draka Cableteq Asia Pacific Holding Pte Ltd.
				0.000023%	Draka (Malaysia) Sdn Bhd
				0.000023%	Sindutch Cable Manu-facturer Sdn Bhd
				0.000023%	Singapore Cables Manufacturers Pte Ltd.
				29.749759%	Third parties
General Cable Asia Pacific & Middle East Co., Ltd.	Bangkok	Thai Baht	30,000,000	100.00%	GK Technologies, Incorporated

The following companies have been accounted for using the equity method:

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
EUROPE					
Germany					
Kabeltrommel GmbH & Co.KG	Troisdorf	Euro	10,225,837.65	43.18%	Prysmian Kabel und Systeme GmbH
				1.75%	Norddeutsche Seekabelwerke GmbH
				55.07%	Third parties
Kabeltrommel GmbH	Troisdorf	Deutsche Mark	51,000	41.18%	Prysmian Kabel und Systeme GmbH
				5.82%	Norddeutsche Seekabelwerke GmbH
				53.00%	Third parties
Nostag GmbH & Co. KG	Oldenburg	Euro	540,000	33.00%	Norddeutsche Seekabelwerke GmbH
				67.00%	Third parties
Great Britain					
Rodco Ltd.	Woking	British Pound	5,000,000	40.00%	Prysmian Cables & Systems Ltd.
				60.00%	Third parties
Poland					
Eksa Sp.z.o.o	Sokolów	Polish Zloty	394,000	29.949%	Prysmian Cavi e Sistemi S.r.l.
				70.051%	Third parties
Russia					
Elkat Ltd.	Moscow	Russian Ruble	10,000	40.00%	Prysmian Group Finland OY
				60.00%	Third parties
CENTRAL / SOUTH AMERICA					
Chile					
Colada Continua Chilena S.A.	Quilicura (Santiago)	Chile Peso	100	41.00%	Cobre Cerrillos S.A.
				59.00%	Third parties
ASIA					
China					
Yangtze Optical Fibre and Cable Joint Stock Limited Co.	Wuhan	Chinese Renminbi (Yuan)	757,905,108	23.73%	Draka Comteq B.V.
				76.27%	Third parties
Yangtze Optical Fibre and Cable (Shanghai) Co. Ltd.	Shanghai	Chinese Renminbi (Yuan)	100,300,000	75.00%	Yangtze Optical Fibre and Cable Joint Stock Limited Co.
				25.00%	Draka Comteq B.V.
Japan					
Precision Fiber Optics Ltd.	Chiba	Japanese Yen	138,000,000	50.00%	Draka Comteq Fibre B.V.
				50.00%	Third parties
Cayman Islands					
Phelps Dodge Yantai China Holdings, Inc.	George Town	US Dollar	99	66.67%	YA Holdings, Ltd.
				33.33%	Third parties
Malaysia					
Power Cables Malaysia Sdn Bhd	Selangor Darul Eshan	Malaysian Ringgit	18,000,000	40.00%	Draka Holding B.V.
				60.00%	Third parties

List of other investments not consolidated pursuant to IFRS 10:

Legal name	% ownership	Direct parent company
ASIA		
India		
Ravin Cables Limited	51.00%	Prysmian Cavi e Sistemi S.r.l.
	49.00%	Third parties
United Arab Emirates		
Power Plus Cable CO. LLC	49.00%	Ravin Cables Limited
	51.00%	Third parties
AFRICA		
South Africa		
Pirelli Cables & Systems (Proprietrary) Ltd.	100.00%	Prysmian Cavi e Sistemi S.r.l.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION 11971 DATED 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Valerio Battista, as Chief Executive Officer, and Carlo Soprano and Alessandro Brunetti, as managers responsible for preparing the corporate accounting documents of Prysmian S.p.A., certify, also taking account of the provisions of paragraphs 3 and 4, art. 154-bis of Italian Legislative Decree 58 dated 24 February 1998, that during 2019 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 2019 has been evaluated on the basis of a procedure established by Prysmian in compliance with the internal control framework published by the Committee of Sponsoring Organizations of the Treadway Commission, which represents the generally accepted standard model internationally.

   It is nonetheless reported that:
   - during 2019, several of Prysmian Group's companies were involved in the information system changeover project. The process of fine-tuning the new system's operating and accounting functions is still in progress for some of them; in any case, the system of controls in place ensures uniformity with the Group's system of procedures and controls.

3. It is also certified that:

   3.1 The consolidated financial statements at 31 December 2019:

   a. have been prepared in accordance with applicable international accounting standards recognised by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;

   b. correspond to the underlying accounting records and books of account;

   c. are able to provide a true and fair view of the issuer's statement of financial position and results of operations and of the group of companies included in the consolidation.

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

Milan, 5 March 2020

Valerio Battista	**Carlo Soprano**	**Alessandro Brunetti**
Chief Executive Officer	Managers responsible for preparing corporate accounting documents	

GROUP ANNUAL REPORT

Independent Auditors' Report

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Prysmian S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Prysmian Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Prysmian S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matters	Audit Response
Recognition of revenues and margins from construction contracts and risks related to completed contracts	
The consolidated financial statements include revenues related to the "Projects" segment for Euro 1,844 million. These revenues, and the related margins, are mainly derived from construction contracts and are recognized in the income statement considering the progress of the project, in accordance with the percentage of completion method, which is determined on the basis of actual costs, as compared to expected costs. Processes and method of revenue recognition and evaluation of construction contracts and the valuation of liabilities related to ongoing and completed contracts are based on assumptions, sometimes complex, which imply, by their nature, estimates by directors, especially with regard to forecasted costs to complete each project, including the estimate of risks and penalties where applicable, as well as to contract modifications either expected or under negotiation, and to changes in estimates from prior periods. Considering the complexity of assumptions adopted in forecasting costs to complete the projects, in accounting for contract modifications under negotiation and in the valuation of risks related to ongoing and completed contracts as well as the potential significant impact of changes in estimates on the net result of the fiscal year we assessed this matter as a key audit matter. Financial statements disclosures related to this matter are reported in the notes "14. Provisions for risks and charges", "39.9 Construction contracts" and "40. Estimates and assumptions" of the consolidated financial statements.	Our audit procedures related to the key audit matter included, among the others, the analysis of the accounting treatment adopted by Prysmian Group, as well as the analysis of the procedures and key controls implemented by management to assess the criteria for recognition of revenues and margins from construction contracts. We performed a detailed analysis of assumptions involving a significant judgment by directors, in particular with regard to the estimate of costs to complete significant projects, including expected risks and penalties and contract modifications expected or under negotiation. This analysis included also the valuation of liabilities related to ongoing and completed contracts. The analysis has been performed through inquiries with project managers, the analysis of the contracts and project documentation and the analysis of significant events occurred after the reporting period. We performed a comparative analysis of material variances of projects results in comparison with the original budget, and, where applicable, with prior period. As part of our procedures, we also performed substantive testing on a sample of costs recognized in the fiscal year. We also requested external confirmations to a sample of contractors, in order to test the existence and completeness of specific contract clauses. Finally, we analyzed the disclosures provided in the consolidated financial statements of Prysmian Group as of 31 December 2019.

Recoverability of goodwill

The goodwill recognized in the consolidated financial statements of Prysmian Group as of 31 December 2019 amounts to Euro 1,590 million. Goodwill has been allocated to groups of CGUs, corresponding to the operating segments (Projects, Energy, Telecom), which are expected to benefit from the synergies of business combinations and which represent the lowest level at which management monitors segment business performance.
The process as well as the methods of evaluation and calculation of the recoverable amount of each operating segment are based on assumptions, sometimes complex, which imply, by their nature, estimates by the directors, especially with regard to the forecast of future results, to the identification of long-term growth and discount rates applied on forecasted future cash flows.
Considering the complexity of assumptions adopted in the estimation of the recoverable amount of goodwill we assessed this matter as a key audit matter.
Financial statements disclosures related to this matter are reported in the paragraph "Goodwill impairment test" included in the note "2. Goodwill and other intangible assets".

Our audit procedures related to the key audit matter included, among the others, the analysis of the policy adopted by the Company with regard to the impairment testing, the analysis of the adequacy of the allocation to each CGU of the assets and liabilities, the examination of the compliance with the provisions of IAS36 and the analysis of future cash flows.
In addition, our procedures included the reconciliation of forecasted cash flows per each segment with the Group budget prepared for the 2020 fiscal year, the analysis of the quality of the forecasts taking into account the historical accuracy of the previous forecasts and the analysis of the calculation of long-term growth and discount rates.
Our procedures were performed with the support of our experts in valuation techniques who performed independent calculation and sensitivity analysis on the key assumptions in order to identify the change in the assumptions that could have a significant impact on the valuation of the recoverable amount.
Finally, we analyzed the disclosures provided in the consolidated financial statements of Prysmian Group as of 31 December 2019.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Prysmian S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Prysmian S.p.A., in the general meeting held on 16 April 2015, engaged us to perform the audits of the consolidated financial statements for each of the years ending 31 December 2016 to 31 December 2024.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Prysmian S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Prysmian Group as at 31 December 2019, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Prysmian Group as at 31 December 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Prysmian Group as at 31 December 2019 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Prysmian S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Milan, 18 March 2020

EY S.p.A.
Signed by: Pietro Carena, Auditor

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