Annual Report 2020

Prysmian Group

Linking the future

Contents

Disclaimer

This document contains forward-looking statements, specifically in the sections entitled "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 from the CEO

Valerio Battista

CEO Prysmian Group

Back in January 2020, the CEO of our Chinese affiliate began to tell me about a health crisis likely to explode there, in Wuhan.

About one year on, the whole world has felt the dramatic effects of the Covid-19 pandemic. In introducing our 2020 Sustainability Report, it is therefore both my duty and an opportunity to focus immediate attention on how our business tackled this "black swan" event that, in all probability, has changed global economic and social priorities for ever.

Our priorities in tackling the Covid-19 pandemic have been, first and foremost, the health and safety of individuals, together with supply chain continuity and the creation of value for all stakeholders.

Reviewing the results of this past year, we can conclude with satisfaction that we have achieved our objectives. The pandemic has obviously had its effect but, thanks to the priorities assigned to our personnel, we managed to ensure a high level of business continuity, meet our profitability objectives with ease and, above all, generate record cash flows.

Giving priority to our people made it possible to protect our manufacturing organisation and, indeed, the entire supply chain. Activity levels at our 104 plants never fell below 80%, with intensified collaboration between countries as, inexorably, they were hit by Covid-19.

Consequently, we retained our ability to assure continuous customer service, regardless of the challenges.

Uncertainty still reigns, apparently, but the strong resilience of our organisation enables us to look ahead with confidence, in the knowledge that we have the resources needed to relaunch the growth challenge following the acquisition of General Cable.

Our ambition is to play a central role, as a technological enabler, in the energy transition and digitalisation processes. To achieve this, we will continue to invest in product innovation and the sustainability of our manufacturing footprint. The decision to set ourselves rigorous, challenging and, above all, science-based targets for the reduction of CO_2 emissions reinforces the credibility and transparency of our commitment to be an ESG Company.

RESULTS FOR THE YEAR

Group sales amounted to Euro 10,016 million, with an organic change of -10.3%; excluding the Projects business, the organic change was -8.3%, improving in Q4 to -4.8%. A good contribution to the Group's resilience came from the Energy segment, which limited the organic reduction of revenues to -7.1% and recovered as of the third quarter also thanks to the positive performance of Power Distribution and Renewables in North America.

Adjusted EBITDA was Euro 840 million, confirming the Group's resilience to the highly deteriorated market context, also thanks to the timely cost containment actions and the business mix improvement, which allowed the Group to preserve margins. The drop compared to Euro 1,007 million Adjusted EBITDA in 2019 also reflected the negative effects of exchange rates for approximately Euro 32 million. The ratio of Adjusted EBITDA to sales was 8.4% compared to 8.7% in 2019, confirming the Group's ability to protect profitability.

The **Energy** segment benefited from the brilliant profitability performance of Power Distribution and Overhead Lines in North America.

In the **Telecom** segment, the impact on adjusted EBITDA of the volume reduction and price pressure in Europe was partly offset by the cost efficiency actions which also contributed to stabilising margins. Q4 saw signs of a recovery in the optical cable business, mainly in Nord America.

Margins were also maintained in the **Projects** segment, where profitability was hit by production and installation inefficiencies attributable to the pandemic, as well as by an unfavourable mix of projects. Signs of recovery were seen during the fourth quarter. The contribution from the integration of General Cable was significant.

Efforts to protect the cash generation capacity allowed the Group to achieve record-high **Free Cash Flow** at Euro 375 million in 2020 (Euro 487 million, excluding antitrust-related cash outs), higher than the guidance.

Based on the results for 2020, the Board of Directors will recommend to the forthcoming AGM that a dividend of Euro 0.50 per share be distributed, involving a total pay-out of approximately Euro 132 million.

COVID-19: "PEOPLE FIRST", PROTECTION OF BUSINESS, INNOVATION/DIGITALISATION

A significant presence in China enabled the Group to understand the outbreak of the pandemic at an early stage. "People first" — people's health and safety first —, technological innovation, lean manufacturing and protection of the business are the three guidelines adopted by the Group to tackle the pandemic. "People First" entailed increased investment in health and safety (+29% to Euro 17 million), in the massive supply of medical equipment and the carrying out of tests and analyses to detect contagions, in the redefinition of procedures for the safe use of workplaces, and in the extensive use of remote working, in the digitalisation of the Academy and initiatives in favour of the communities impacted by the virus (from donating cables to the Wuhan hospital, to citizenship initiatives also in other areas of the world). In a context that is redefining social and economic priorities, the Group has confirmed its ambition to be an energy and digitalisation transition enabler.

From the flagship 525 kV P-Laser cable to fibre and optical cable innovations like Sirocco, the world record cable in fibre density, and the submarine power cable for record-depth installation up to 3,000 m, the Group has strengthened its commitment to technological innovation. There was also an important focus on digitalising its manufacturing processes (Fast Forward Project). Putting health and safety first allowed the Group to ensure supply chain and business continuity. The operations at production sites never dropped below 80%, thus maintaining the ability to serve customers nearly unaltered (on time delivery exceeded 94%). The Group also promptly implemented a robust cost containment plan and measures to protect its cash generation capacity.

ACCELERATION ON CLIMATE CHANGE. 'ZERO EMISSION' PRYSMIAN BY 2040 (SCOPE 1 AND 2)

Prysmian Group confirms its ambition to be one of the leading technology players in the transition to the use of renewable energy sources and to a decarbonised economy. 48% of the Group's sales are attributable to business segments and products that contribute to a low-carbon economy. With the goal of supporting the expected acceleration of the development of new submarine and underground power interconnections (chiefly links and interconnections of offshore wind farms), the Group has planned investments in the range of Euro 450 million by 2022 (over 50% of total investments), which are also intended to further improve the sustainability of its organisation and supply chain.

Prysmian Group has also announced a new ambitious climate strategy adopting science-based targets, in line with the requirements of the Paris Agreement, and endorsing the Business Ambition (1.5°C) with the "net zero" target expected to be achieved between 2035 and 2040 with regard to the emissions generated by its operations (Scope 1 and 2) and by 2050 for emissions generated by the value chain (Scope 3). Among the most important initiatives in this area is the Group's Pikkala plant, chiefly dedicated to the production of cables for offshore wind farms, which will become the first net zero plant, where 100% of the energy used will be obtained from certified renewable sources.

Group Annual Report

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01_DIRECTORS' REPORT

Directors and auditors

BOARD OF DIRECTORS (4)

Chairman	Claudio De Conto (*) (2)
Chief Executive Officer	Valerio Battista
Directors	Maria Elena Cappello (**) (3) Monica de Virgiliis (**) (3) Francesco Gori (**) (1) (5) Joyce Victoria Bigio (**) (1) Massimo Battaini Pier Francesco Facchini Maria Letizia Mariani (**) (1) (3) Fabio Ignazio Romeo Paolo Amato (**) (2) Mimi Kung (**) (3)

BOARD OF STATUTORY AUDITORS (5)

Chairman	Pellegrino Libroia
Standing Statutory Auditors	Laura Gualtieri Paolo Francesco Lazzati
Alternative Statutory Auditors	Michele Milano Claudia Mezzabotta
Independent Auditors (6)	EY S.p.A.

(*) Independent director as per Italian Legislative Decree 58/1998.
(**) Independent director as per Italian Legislative Decree 58/1998 and Italy's Corporate Governance Code issued by Borsa Italiana S.p.A..
(1) Members of the Control and Risks Committee.
(2) Members of the Remuneration and Nomination Committee.
(3) Members of the Sustainability Committee.
(4) Appointed by the Shareholders' Meeting on 12 April 2018.
(5) Appointed by the Shareholders' Meeting on 5 June 2019.
(6) 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 2020). 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 2020, 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 10 March 2021. 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 (*)

(Euro/million)	2020	2019	% change	2018 (**)
Sales	**10,016**	**11,519**	**-13.0%**	**10,104**
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**822**	**983**	**-16.4%**	**634**
Adjusted EBITDA (1)	**840**	**1,007**	**-16.6%**	**693**
EBITDA (2)	**781**	**907**	**-13.9%**	**501**
Adjusted operating income (3)	**515**	**689**	**-25.3%**	**466**
Operating income	**353**	**569**	**-38.0%**	**215**
Profit/(loss) before taxes	**252**	**444**	**-43.2%**	**103**
Net profit/(loss)	**174**	**296**	**-41.2%**	**58**

(Euro/million)	31.12.2020	31.12.2019	Change	31.12.2018
Net capital employed	**4,915**	**5,236**	**(321)**	**5,059**
Employee benefit obligations	**506**	**494**	**12**	**463**
Equity	**2,423**	**2,602**	**(179)**	**2,374**
of which attributable to non-controlling interests	***164***	***187***	***(23)***	***188***
Net financial debt	**1,986**	**2,140**	**(154)**	**2,222**

(Euro/million)	2020	2019	% change	2018 (**)
Net capital expenditure (4)	**244**	**248**	**-1.6%**	**278**
Employees (at period-end)	**28,321**	**28,714**	**-1.4%**	**29,159**
Earnings/(loss) per share				
– basic	0.68	1.11		0.24
– diluted	0.68	1.11		0.24
Number of patents (5)	**5,581**	**5,881**		**5,627**
Number of plants	**104**	**106**		**112**

(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.

(**) The results of General Cable have been consolidated with effect from 1 June 2018.

2020 SALES BY GEOGRAPHICAL AREA

€10,016 million

- 53% EMEA (*)
- 31% North America
- 8% Latin America
- 8% Asia Pacific

(*) Europe, Middle East, Africa.

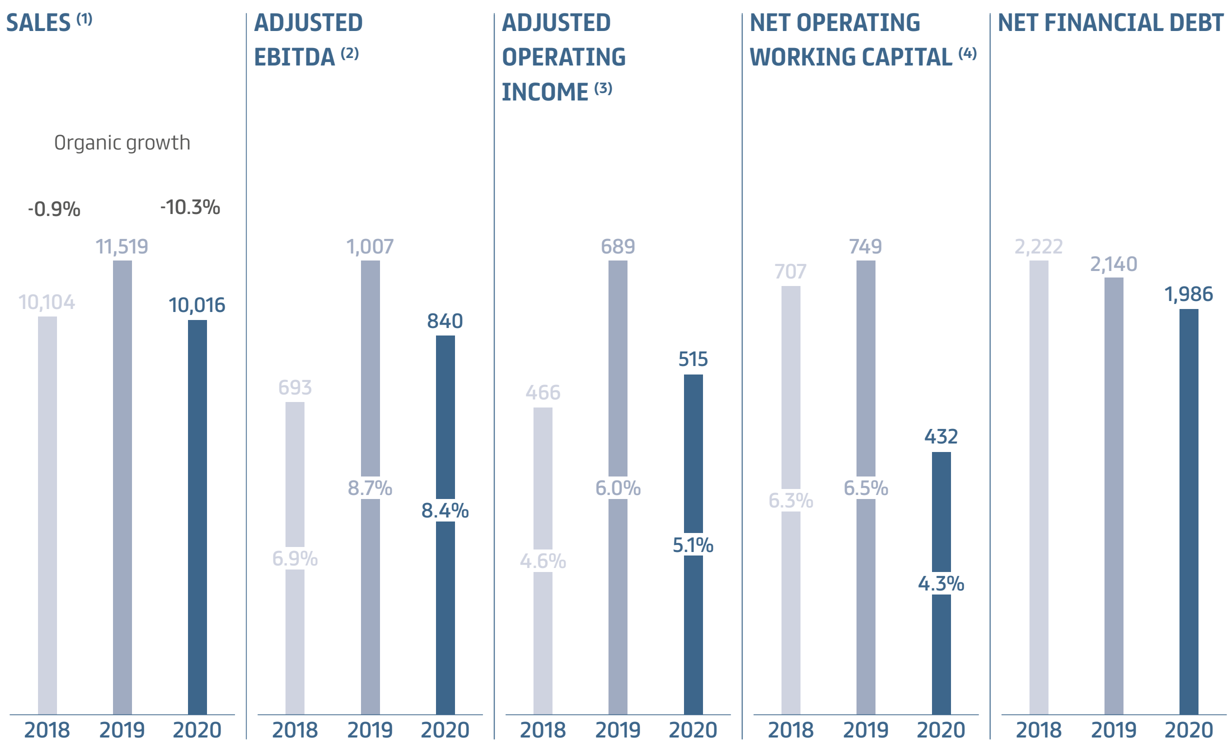
2020 SALES BY BUSINESS AREA

€10,016 million

- 14% Projects
- 72% Energy
  - 47% of which Energy & Infrastructure
  - 23% of which Industrial & Network Components
  - 2% of which Others
- 14% Telecom

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.

(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.

Prysmian Group

HIGHLIGHTS 2020

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.

Innovative technology for monitoring electrical systems

PRY-CAM is the proprietary technology of Prysmian Group that allows the main parameters of an electrical system to be measured on-line, accurately and reliably, as well as the remote diagnosis and localisation of faults, thanks to a series of electronic products that facilitate the efficient management of electrical systems using a predictive approach.

P-Laser

P-Laser is the first technology to offer fully-recyclable, eco-sustainable, high performance cables based on HPTE (High Performance Thermoplastic Elastomer). P-Laser is suitable for higher voltages, offering advanced thermal performance and high reliability for more flexible and sustainable solutions. Fully recyclable with higher productivity, P-Laser lowers production CO_2 emissions by 35%.

Prysmian launches the first optical fibre network with 90% recycled plastic and record low diameter cable

With a cable diameter of 4.5 mm in a 10 mm conduit, compared with the traditional 6 mm cable in a 14 mm conduit, the volume of plastic used is reduced by about 50%. The reduced diameters mean that each drum contains a longer length of cable, thus lowering transportation, storage and packaging costs significantly.

Crete-Attica submarine interconnection in Greece

This 500 kV submarine cable system will join the island to the Greek power transmission grid. Prysmian will also provide two submarine cable links for telecommunications.

EHC Global

Prysmian Group has acquired EHC Global, Canadian leader in the supply of strategic components and integrated solutions for vertical mobility.

Sirocco HD

The Sirocco High Density range delivers record diameters and fibre density for blown mini-cables. The new range boasts optical fibre densities of 10.5 fibre/mm2, making it possible to offer cables with a larger number of fibres for use in microtubes with standard dimensions. Sirocco HD mini-cables use Prysmian BendBright-A2 200μm (ITU-T G.657.A2), a single-mode fibre insensitive to bending, to provide a truly future-proof solution that is ready to support advanced systems.

Sirocco Extreme

The first cable with 180μm fibre for FTTx and 5G networks. The Sirocco Extreme cable delivers record diameter and fibre density for mini-cables, ensuring faster, cheaper and more sustainable installations.

First 180μm optical fibre cable installed in Germany

This was the first project to use the new Sirocco Extreme optical cable. The world's first installation of 180μm optical fibre cable will enable a large number of private dwellings and businesses located in Germany to benefit from access to high performance FTTx and 5G networks. Sirocco Extreme is the first 180μm optical fibre cable available on the market.

German Corridors

The Group has obtained contracts worth more than 1.8 billion euro for the SuedLink, SuedOstLink and A-Nord Corridor projects, which are the main energy transition projects. Underground transmission systems will be supplied for all three German projects. Our ±525 kV cable systems will link the regions rich in renewable energy from the wind farms in northern Germany with the main areas of consumption in the south of the country.

Dow Jones Sustainability Index 2020

The Prysmian Group was confirmed as part of the Dow Jones Sustainability World in 2020. This is the most important 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 "Leonardo da Vinci"

The "Leonardo da Vinci" will be the most advanced cable-laying vessel on the market, offering greater flexibility in the execution of projects due to its advanced characteristics. This ship is designed to be the most efficient and effective on the market, guaranteeing a lower environmental impact. Operational from the second quarter of 2021, the cable handling and installation equipment on board the vessel was entirely designed and developed by Prysmian, in order to consolidate the leadership of the Group in the submarine cables business.

THE PRYSMIAN GROUP, A GLOBAL LEADER

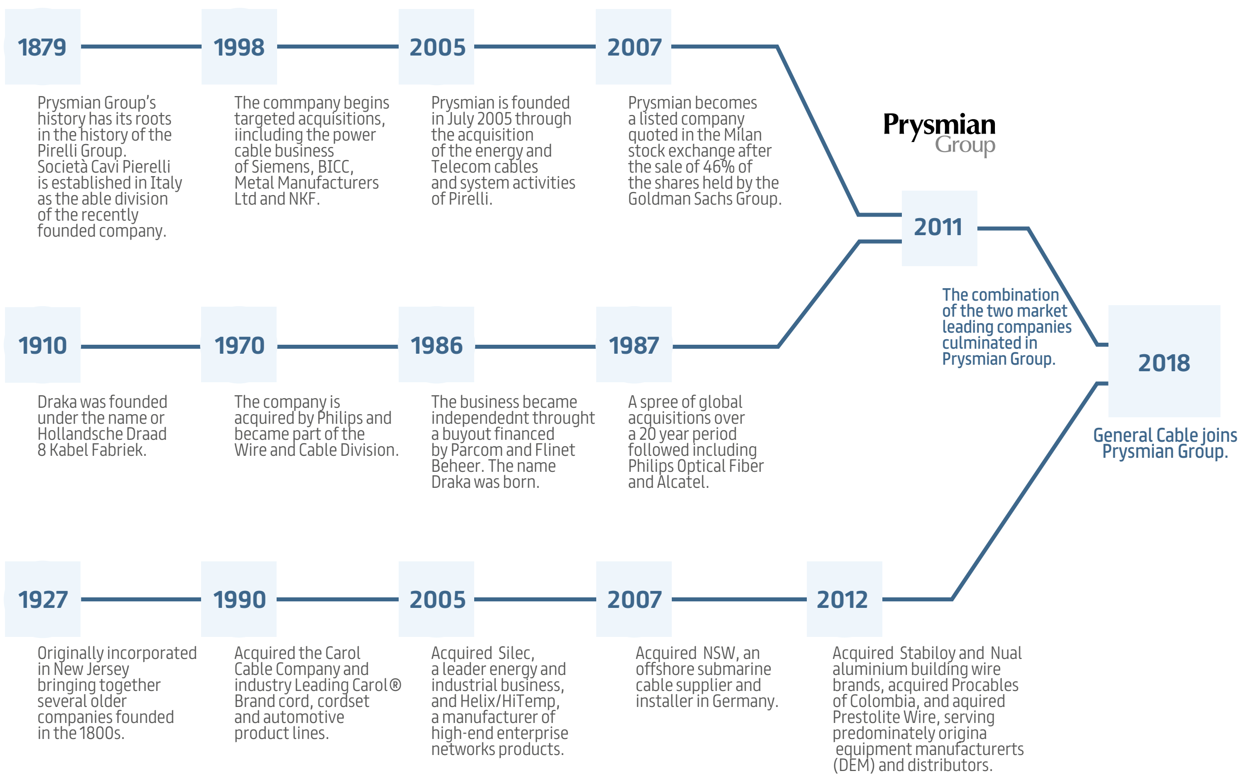
Leadership in strategic sectors

Our identity is underpinned by solid leadership in the power and telecom cable systems industry. As such, we are at the centre of the transition to a low carbon economy. Our vision of the future is founded on this role.

Prysmian Group is world leader in the power and telecom cable systems industry.
With sales in excess of 10 billion euro and about 28,000 employees, our heavily international presence is evidenced by 104 plants in more than 50 countries. The Group has a consolidated presence in technologically advanced markets, offering a broad 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.

Sales of over € 10 bln **104 production plants in more than 50 countries**

Established as Pirelli Cables at the end of the 1800s, the Group has grown by acquisitions: from integration of the power cables manufactured by Siemens and Nokia, to acquisition of the Draka group based in the Netherlands, and, in 2018, absorption of General Cable, a US group. These aggregations sustained expansion of the range of products and services, with innovations to improve standards and a greater geographical presence, which is a strength when serving regional market needs. This evolution over time evidences the expansion of our know-how and technological capabilities, as well as our operational ability, enabling us to become an industry leader in the area of operational efficiency as well. Operations are guided at all times by strong convictions that support our ESG Identity in what we do, how we do it and with what vision for the future, as embodied in our Values, Mission and Vision.



A history of innovation

At the start of the 20th century, Prysmian Group laid the first submarine cables for telecommunications 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 around the world: from the Hudson Transmission Project linking New York and New Jersey, to Viking Link, which is the first submarine cable interconnection between the United Kingdom and Denmark; from German Corridors, comprising three underground cables that link northern and southern Germany, to the Italy-France link; from the West of Adlergrund offshore wind farm in the Baltic, to Hornsea Two in the North Sea.


THE SHARD. LONDRA


HUDSON TRANSMISSION PROJECT. NEW YORK-NEW JERSEY

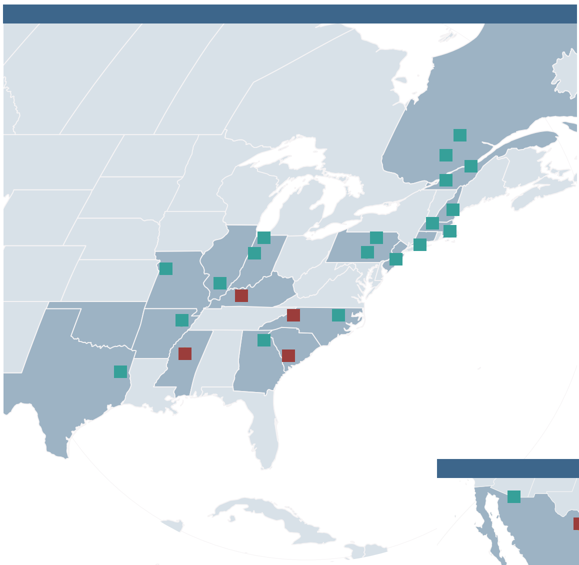

GUGGENHEIM MUSEUM. BILBAO


BURJI KHALIFA. DUBAI


WTC. NEW YORK

A TRULY GLOBAL GROUP

Prysmian operates in over 50 countries worldwide, with 104 plants and approximately 28,000 employees. Our business model is diversified by portfolio and geographical area.



NORTH AMERICA

23 plants

Canada
St. Maurice
St. Jerome
Saguenay
Prescott

U.S.A.
Rocky Mountain
Du Quoin
Lincoln
Indianapolis
Jackson
Manchester
Marion
Marshall
Paragould
Sedalia
Williamsport
Willimantic
Lawrenceburg
Abbeville
Bridgewater
Claremont
Lexington
North Dighton
Schuylkill Haven

+50 countries

104 plants

25 R&D centers

about
28,000
employees

4(1) cable-laying ships

13 plants

LATAM

Argentina
La Rosa

Brazil
Joinville
Poços de Caldas
Sorocaba Boa Vista
Sorocaba Eden
Vila Velha

Chile
Santiago

Colombia
Bogotá

Costa Rica
Heredia

MEXICO
Durango
Tetla
Piedras Negras
Nogales

KEY
- Energy
- Telecom
- Shared

(1) The cable-layer Leonardo da Vinci will be operational from 2021.

48
plants

EUROPE

Czech Republic
Velke Mzirici

Estonia
Keila

Finland
Pikkala
Oulu

France
Calais
Douvrin
Sainte Geneviève
Amfreville
Paron
Charvieu
Cornimont
Gron
Chavanoz
Montreau

Germany
Wuppertal
Berlin
Nurnberg
Nordenham
Neustadt
Schwerin

Hungary
Kistelek
Balassagyarmat

Italy
Battipaglia
Giovinazzo
Livorno
Merlino
Pignataro M,
Quattordio
Arco Felice

Norway
Drammen

Portugal
Morelena

Romania
Milcov
Slatina

Russia
Rybinsk

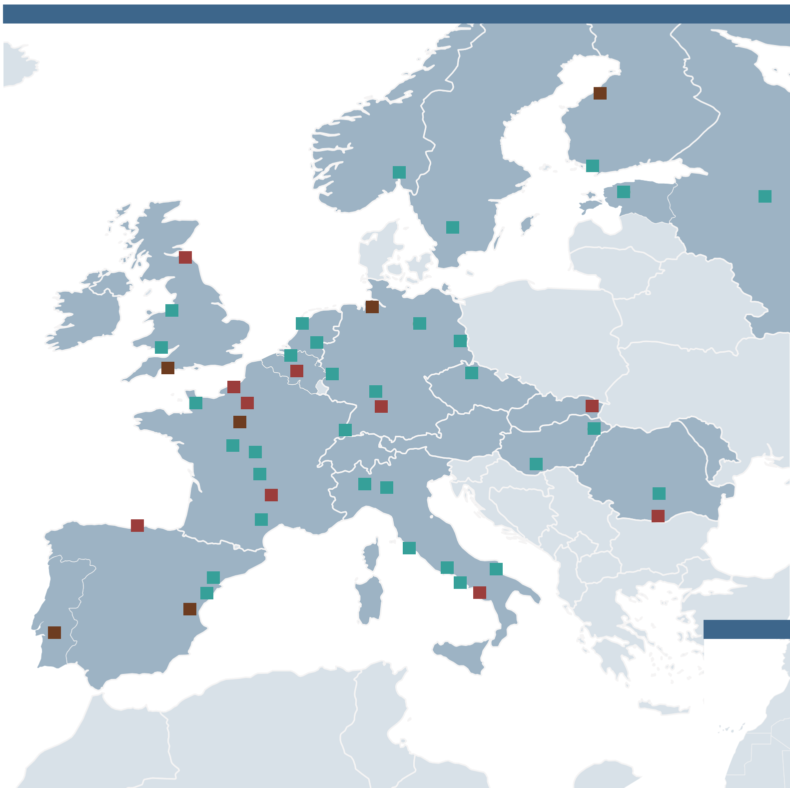
Slovakia
Presov

Spain
Abrera
Santa Perpetua
Villanueva
Santander

Sweden
Nassjo

The Netherlands
Eindhoven
Delft
Nieuw Berger
Emmen

U.K.
Washington
Wrexham
Bishopstoke
Aberdare



7
plants

MEAT

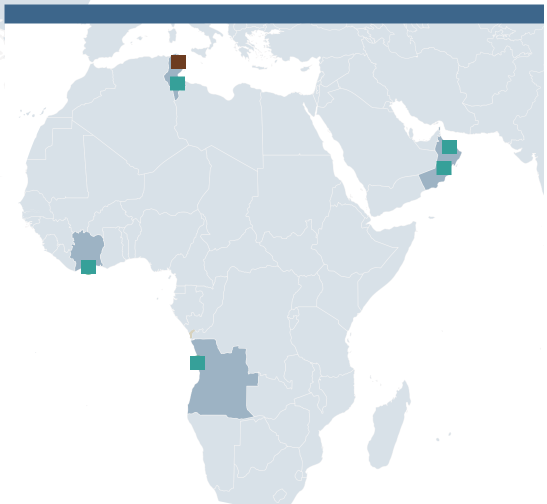
Angola
Luanda

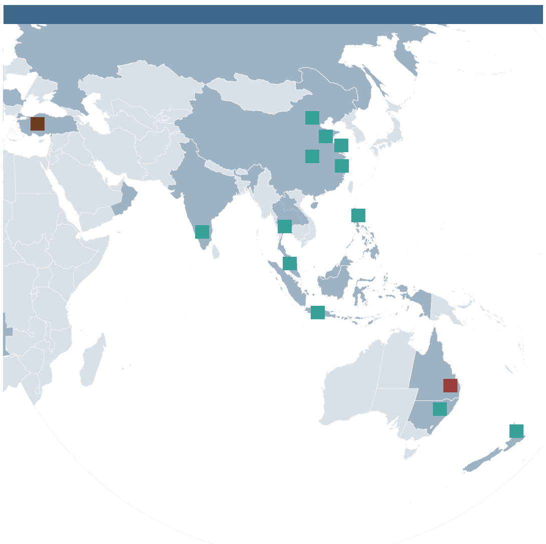
Ivory Coast
Abidjian

Oman
Sohar
Muscat

Tunisia
Grombalia
Menzel Bouzelfa

Turkey
Mudanya





13
plants

APAC

Australia
Liverpool
Dee Why

China
Zhongyao
Haixun
Yixing
Tianjin
Suzhou

India
Chiplun

Indonesia
Cikampek

Malaysia
Melaka

New Zealand
Auckland

Philippines
Cebu

Thailand
Rayong

BUSINESS AREAS

The Group is organised in a matrix structure by reference market and business unit, identifying three macro-areas of activity.

Energy

Comprising business segments that offer a complete and innovative portfolio of products designed to satisfy the many needs of the markets served.
This macro-area is organised as follows: Energy & Infrastructure, which includes Trade & Installers, Power Distribution and Overhead Transmission Lines, and Industrial & Network Components, which includes Oil & Gas, Elevators, Automotive, Network Components, Specialties & OEM (serving in turn the following sectors: Cranes, Mining, Railways, Rolling Stock, Marine and Renewables - cables for the solar energy industry and for the operation and connection of wind turbines) and Electronics (Asset Monitoring Solutions).

Projects

Comprising high-tech and high value-added businesses focused on the design, production and customisation of HV and EHV 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 (as well as the Leonardo da Vinci, which will become operational in 2021). Prysmian Group also offers advanced services for terrestrial and submarine interconnections between various countries and between offshore wind farms and the mainland, used for both the generation and distribution of electricity.

Telecom

Comprising 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 ENERGY business area generated 7,207 million euro in 2020, representing 72% of the Group's total revenues, while the PROJECTS business area generated 1,438 million euro or 14% of revenues; lastly, the TELECOM business area generated 1,371 million euro, contributing 14% of revenues.

A BUSINESS MODEL BALANCED BY SEGMENT AND GEOGRAPHICAL AREA

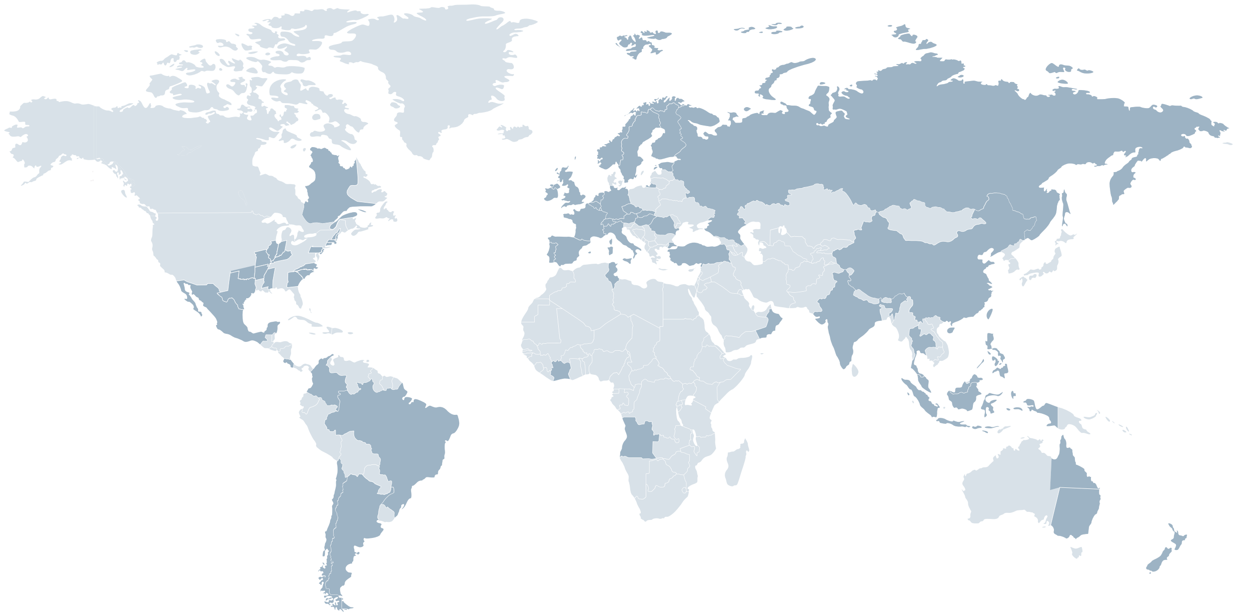
The diversified portfolio of activities is a strength for the Prysmian Group, as the only global leader with a business model balanced among areas with differing profiles, where each segment plays a precise role in the overall strategy, considering stability, growth potential and the generation of opportunities.

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

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 our activities makes us a network solution provider, drawing on the ability to integrate ever more closely the various components - engineering, installation, network monitoring and after-sales services - 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 solutions for the elevator industry, cables for multimedia applications, monitoring solutions developed by Prysmian Electronics – while releasing the synergies needed to be cost-effective and offer end-to-end solutions integrated with advanced digital equipment.



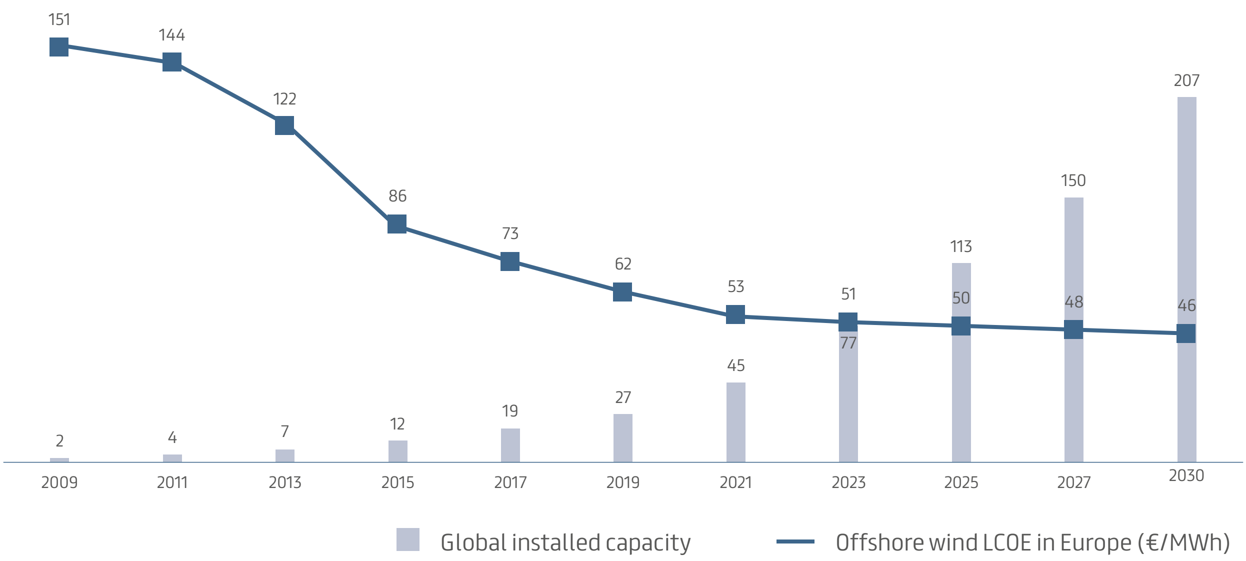
PRYSMIAN GROUP FOR THE ENERGY TRANSITION

We explain how our Vision leads us into a world of cleaner energy that is more intelligent and efficient. Our technology enables us to play a central role in the energy transition towards a decarbonised economy.

The Prysmian Group seeks to be the go-to technology player, facilitating the production and transmission of cleaner, more intelligent, more efficient and more competitive energy.

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. The European Union was one of the first economies to make a formal commitment by establishing objectives for 2030. By signing the new Green Plan, the European Commission seeks to become carbon neutral by 2050, highlighting the priority need for an integrated energy market that is both digitalised and interconnected with renewable sources. Renewable energy must be transmitted from the places of production (including offshore wind farms) to the places of consumption (communities and urban centres), ensuring a constant flow of energy at a grassroots level. 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.

MARKET EVOLUTION: THE LONG TERM PERSPECTIVE



Offshore wind: Global installed capacity (GW. navy bars) vs LCOE in Europe (€/MWh)

Source: Goldman Sachs Global Investment Research, IRENA

PRYSMIAN A CLEAR BENEFICIARY AND ENABLER OF ENERGY TRANSITION

1

GW of offshore wind requires:

- Submarine Transmission cable (AC or DC)
- Land Transmission Cable (AC or DC)
- Inter-Array cables (MV 33 or 66kV)
- Installation for all

Approx. value for all these items on average **300 € million per Gigawatt**

2

Factors that increase cable market:

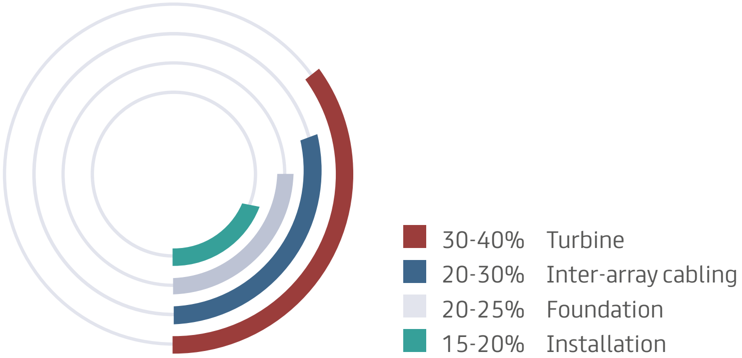
- Distance from shore
- German legislation

3

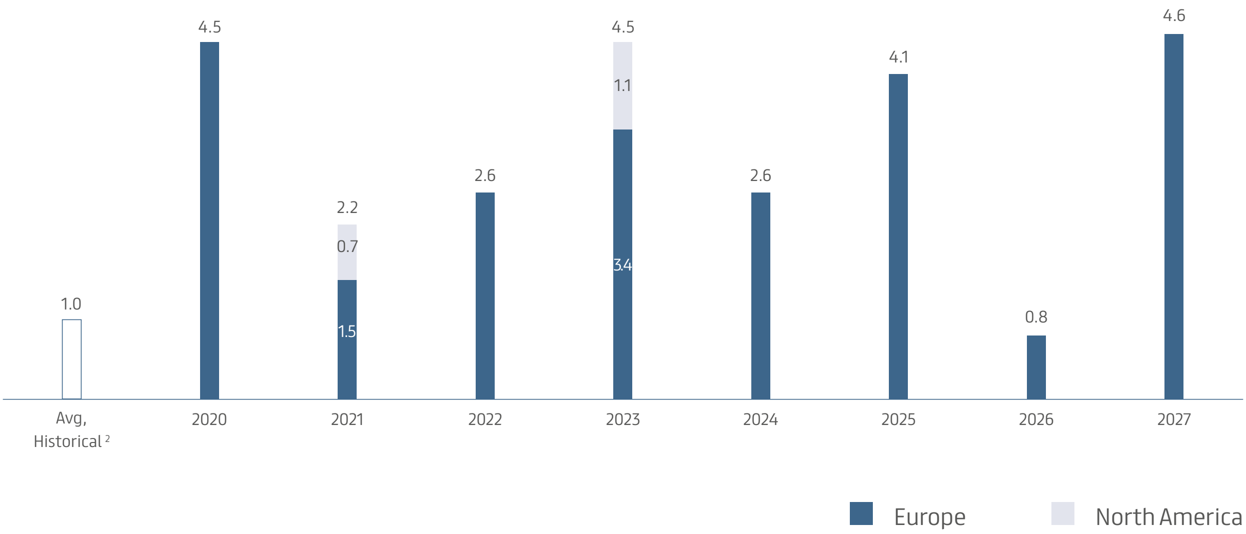
IEA estimate **1.3 trillion euro** to be invested in Offshore Wind from 2020 to 2040, implying 250 billion euro in cabling in the same period

Indicative shares of capital cost by component

Split based on historical figures and projecting the cost per GW



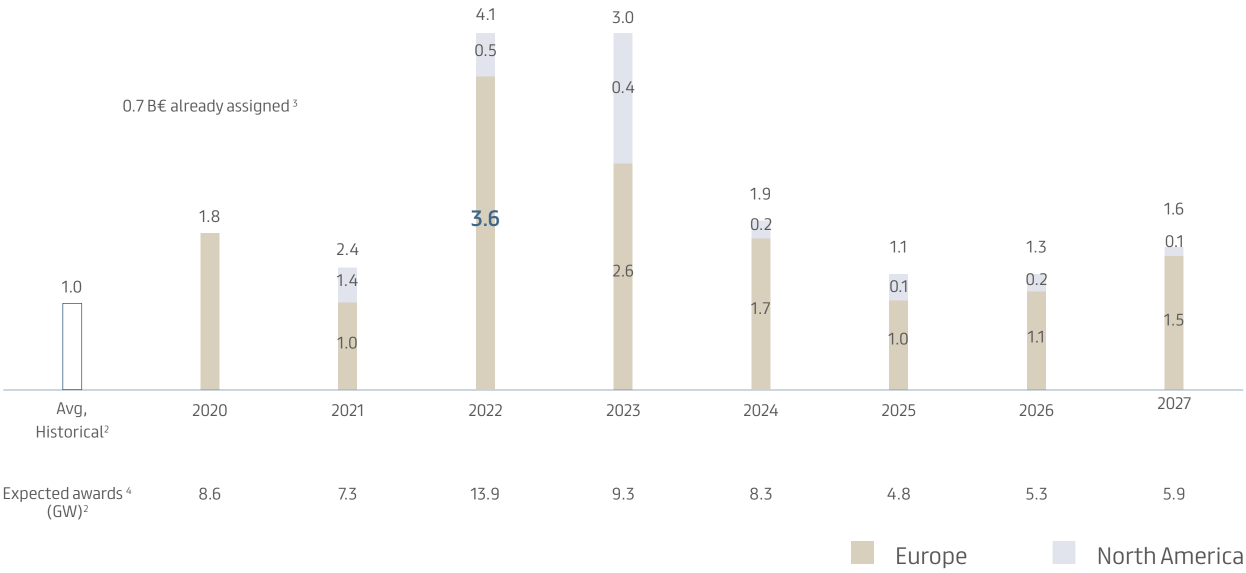
INTERCONNECTORS EXPECTED ORDERS BY REGION (B€, commercial award year) [1]



Sources: ENTSOE, Prysmian

1 Avg. 3.9 years of anticipation of ordering date vs start-up date.
2 Last 5 years average.
3 A North, Ariadne Connection, SuedLink, SuedOst Link.

OFFSHORE WIND EXPECTED ORDERS BY REGION (B€, commercial award year) [1]



1 Based on expected commissioning of pipeline, assuming an anticipation of ordering date by 3 years when not specified.
2 Last 5 years average (2015-2019).
3 Parc des Iles d'Yeu et de Noirmoutier, Projet éolien en mer de la Baie de Saint-Brieuc, Hollandse Kust Zuid Holland I and II – Chinook, Dogger Bank A/B.
4 Total expected awards of 63.4 GW. With respect to the 67.2 GW of pipeline 2020-2030, it does not include 5.4 GW of projects awarded before 2020 and still in administrative / authorized phase, and it includes 1.6 GW of projects with commercial award year between 2020 and 2027, but start up year >2030.

Sources: 4COffshore, Insight Report, Prysmian

Highlights

- From the commercial perspective, the pipeline is expected to lead to 17 B€ of new orders in 2020-2027 (avg. 2.1 B€/yr)
- Values including the supply of inter-array and export as well as the installation works
- No impacts on inter-array cable needs expected vs current values due to the potential increase in the size of the turbines

In 2020, the commitment of Prysmian Group to the energy transition towards a low-carbon economy translated into 48% of total Group revenues attributable to products, using the Climate Bond Initiative taxonomy, that facilitate the energy transition and achievement of the COP 21 target, as well as the digitalisation of grids. The Group also announced investment totalling 450 million euro by 2022 in order to improve further the sustainability of its organisation and supply chain, and accelerate the development of advanced cable technologies, assets and services. The new project, supported by **Carbon Trust**, seeks to establish **scientific carbon reduction objectives** for the Prysmian Group, taking into consideration the Scope 1 & 2 (own organisation) and Scope 3 (value chain) GHG emissions. Objectives for the reduction of carbon emissions are considered **"Science-Based Targets"** if consistent with those deemed necessary by climate science in order to achieve the Paris accord objectives: limit global warming to less than 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.

48% **total Group revenue from "low carbon enabling" products**

450 **mln € of investment by 2022**

CABLE TECHNOLOGY AND INNOVATION

With a view to facilitating the development of ever more efficient, sustainable and integrated grids, Prysmian Group strives constantly to improve the performance of its terrestrial and submarine HV cables.

Cables are an essential component of the energy transition, representing the backbone of power grids and facilitating the distribution and transportation of energy between various areas marked by different consumption patterns.

Distinctive characteristics

Cables are the backbone of power grids, without which it would not be possible to transmit and transport energy from one country to another.

Cables make the entire power grid more efficient, facilitating the exchange of energy between different countries/consumption areas with different consumption patterns. Accordingly, they enable consumers to obtain access to cheaper and cleaner energy.

Submarine cables transmit clean and sustainable energy from offshore wind farms to the mainland, where the primary distribution network is located.

Terrestrial cables ensure greater integration between the various power grids, balancing demand and supply and transmitting electricity from the areas in which it is generated (the landfall of submarine cables) to the places where it is consumed.

The research objectives of Prysmian Group

Cables that can be installed at ever greater depths and in any marine environment, even reaching a depth of 3,000 metres, partly as a result of lower weight reinforcements.

Ever longer interconnections, to link countries that are far apart or cable the floating wind farms located far offshore in more windy areas that provide a constant flow of electricity.

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. Higher performance and more reliable cables help to optimise installation costs.

With regard to optical fibres, ensure ever greater levels of flexibility without degrading the signal quality. The 5G challenge requires the market to make an infrastructure effort almost without historical precedent.

SUSTAINABILITY IS IN OUR DNA

We have decided to build social, environmental and governance factors into our DNA. This path represents a natural evolution of our nature as a public company and the decision to be people-centric, consistent with the model of stakeholder capitalism adopted.

Public Company

Prysmian Group is, in primis, a **public company** with a broad shareholder base and, as such, it is fundamental to align the interests of the Group with those of all stakeholders. This special nature requires an ability to develop open and transparent dialogue with our shareholders, employees, customers and suppliers, with the institutions and with the communities in which we work.

Prysmian Group has always invested in these values of stakeholder capitalism, striving to comply with the highest international standards of governance. For example, 67% of Board members are independent and 42% are women. Integrity as a corporate value is expressed using a series of instruments and policies disseminated throughout the entire organisation, including: the Code of Ethics, the anti-corruption policy, privacy and data protection, and the helpline programme.

People Company

Prysmian Group is people-centric, supporting and recognising the abilities of those who work for the Group and for the community in which it operates. To achieve this, continuous multi-disciplinary and specialist training programmes have been developed for employees.

Out of around 28,000 employees, about one third are stable shareholders. Together with management, these employees own more than 3% of the share capital, investing directly in the Company and demonstrating their confidence in us.

PUBLIC COMPANY

We are one of the few Italian manufacturers with a global presence that has achieved widespread share ownership. This provides the DNA for our ESG identity. Indeed, over the past two years the weighting of our ESG-focused investors has increased substantially, from about 13% to 35% now.

VALUES, MISSION, VISION

The ESG Identity of a leading group must be supported by Values, Mission and Vision that guide operations, translate into products made and fuel the ambitions for our role in tomorrow's world.

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.

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.

SDGS – SUSTAINABLE DEVELOPMENT GOALS

Discussing sustainability today means describing our ability to create shared value for our stakeholders. This approach, which characterises our DNA as a public company, has resulted in the definition of a strategic sustainability plan that is ambitious and sustainable, consistent with international standards. This section describes how we tackled the challenge of incorporating the various ESG aspects that link Prysmian's employees, our main stakeholder, with our sustainable objectives.

In 2017, Prysmian published its own Sustainability Policy, which defines the vision and reference values for the various areas of Business Integrity, Governance, Product, Social and Environmental Responsibility. The policy aims to provide sustainability guidelines for all Group companies and operations, based on the strategic priorities identified in the business plan to which Prysmian is committed as part of a medium to long-term vision.

The ESG strategy of Prysmian Group is sustained by three strategic pillars:

Priority

SUSTAINABLE AND INNOVATIVE SOLUTIONS FOR THE BUSINESS

Facilitate the deployment of accessible energy and innovation in telecommunications and infrastructure

RESPONSIBLE USE OF ENERGY AND WATER RESOURCES

Pursue the responsible consumption of natural resources and sustainable supplies

DEVELOPMENT OF PEOPLE AND COMMUNITIES

Contribute to the development of people and local communities

Action

1. Develop innovative products and solutions that support improvement of the sustainability of telecommunication and energy infrastructures.
2. Boost the sale of high quality, reliable and "green" products and services.
3. Contribute to the universal dissemination of energy and telecommunications via reliable and accessible infrastructure.
4. Facilitate access to clean energy, via the development of solutions for the producers of renewable energy and support for the research into sustainable technologies.
5. Pursue the efficient and sustainable use of energy and natural resources by reducing consumption and greenhouse gas emissions, while minimising the generation of waste and promoting the recycling and reuse of materials.
6. Promote sustainable business practices between our suppliers and business partners.
7. Participate in and contribute to the socio-economic development of the communities in which the Group operates, via the adoption of an appropriate Corporate Citizenship and Philanthropy policy.
8. Promote ethical conduct and the training and professional growth of personnel, protect diversity and the rights of workers and develop a healthy workplace environment.
9. Develop effective, transparent and responsible communications with stakeholders.

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

The Group completed the priority definition process in 2016. Analysis considered the main global and industry trends, the 17 Sustainable Development Goals for 2030 (SDGs) defined by the United Nations, requests from major International Sustainability Indexes (Dow Jones Sustainability Index, FTSE4GOOD, CDP, Bloomberg ESG, etc.) and the needs and expectations of our stakeholders.

Sustainability strategy

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

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).

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.

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.

ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

Increase third-party audits in specific areas, such as governance, the environment and human resources.

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).

TACKLING THE PANDEMIC: PEOPLE FIRST

Despite the especially difficult year caused by the reaction to Covid-19, we have continued to invest in the three pillars that support the creation of value (People, Culture & Organisation; Sustainable Innovation & Lean Manufacturing; Extended Value Chain), obtaining concrete results for our people and our stakeholders. And demonstrating the resilience of our ESG Identity.

Stakeholders value creation

PEOPLE. CULTURE & ORGANIZATION

- +29% investments in health and safety
- Safety in work environments: ongoing tests; distribution of healthcare materials and PPEs
- Promotion of remote working and its extension to all employees
- Diversity in terms of gender and age and focus on culture
- Citizenship and social responsibility
- Digitalisation of the Academy's activities
- Remuneration policy aligned with ESG objectives

SUSTAINABLE INNOVATION & LEAN MANUFACTURING

- Sustainability at the heart of our innovation strategy
- Innovative P-Laser 525 kV HVDC cable
- FlexRibbon™ cable, ultra-compact outside plant cable design that contains bend insensitive fibres
- Alesea, smart virtual assistant for cable drums
- PG Connect, digital and sustainable solution based on the "Augmented Reality technology"
- Kablee, digital platform to provide sustainable services, as connectivity in rural areas

EXTENDED VALUE CHAIN

- On Time Delivery at above 94% [1]
- Re-design of procurement flows
- Emergency management of the logistics
- Continuity of the supply chain
- Constant dialogue with customers
- German Corridors, installation project of 2,300 km of high voltage undergrounds electrical cables, from the North Sea to the south of the Germany
- Submarine interconnection project between Crete and the Peloponnese region

(1) Relates to the fully-consolidated perimeter, excluding the plants in Chiplun (India) and Sohar (Oman).

CREATION OF VALUE FOR OUR STAKEHOLDERS

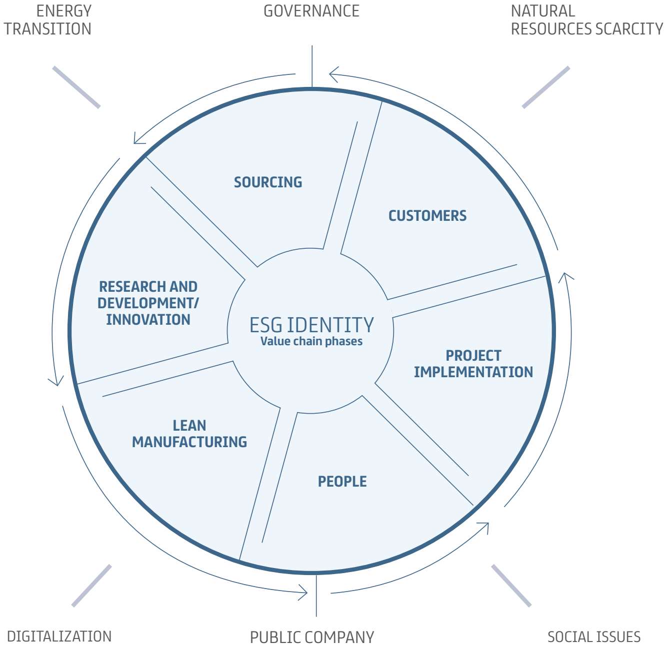
Prysmian Group's strategy is founded on the sustainability principles on which the Group's ESG identity is based. These principles are applied at each phase of Prysmian's value chain and are managed through the ESG governance model. Within the Group, value creation is boosted by the significant inputs generated by Prysmian's approach in reference to three pillars of the corporate identity: People, Culture & Organisation, Sustainable Innovation & Lean Manufacturing and Extended Value Chain.
These inputs feed the Group's value chain and allow Prysmian to create outputs that have the potential to generate an impact outside the organisation, helping to achieve specific Sustainable Development Goals.
The Group's value creation cannot overlook the external drivers that impact on Prysmian's business and outputs, such as energy transition, digitalisation, scarcity of resources and social issues.

SIGNIFICANT INPUT

PEOPLE, CULTURE & ORGANIZATION
- Human rights policy
- Diversity and Inclusion Policy
- Investments in health & safety
- Whistleblowing channel
- Corporate citizenship and philanthropy policy
- Cybersecurity procedures

SUSTAINABLE INNOVATION & LEAN MANUFACTURING
- R&D investments
- Products carbon footprint analysis
- Investments in energy efficiency and environmental impact
- New efficient and technological cable-laying vessel

EXTENDED VALUE CHAIN
- Base metal and raw material
- ESG evaluation of suppliers
- Conflict Minerals Policy
- Digital tools for logistic
- Customer centric approach
- Digital solutions for Clients support
- Continuous stakeholder engagement



SIGNIFICANT OUPUT

PEOPLE, CULTURE & ORGANIZATION
- Employees welfare
- Improved People performances
- Women in top management
- Employees volunteering activities
- High standard of cybersecurity

SUSTAINABLE INNOVATION & LEAN MANUFACTURING
- Innovative products
- Low carbon enabling products
- More sustainable products
- GHG emission reduction
- Waste recycling
- Improved submarine installations capabilities

EXTENDED VALUE CHAIN
- Engaged Suppliers to enhance ESG iniatives
- Drums reused
- Greener logistic
- Customer satisfaction
- On time delivery
- Engaged stakeholders

The definition and implementation of effective governance, also inspired by the macro-factors that, in terms of risks and opportunities, influence our Company and the sector in which we operate, hence results in the creation of value for all our stakeholders, both internal and external.

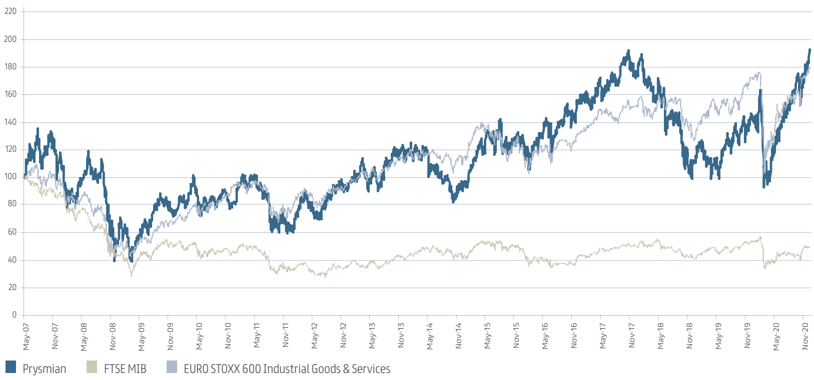
Prysmian's commitment to considering the human dimension as a priority has also been further reinforced when addressing the dramatic effects of the Covid-19 pandemic. In 2020, investment in workplace health and safety rose significantly. Particular efforts were made in distributing health material and protective equipment, the use of rigorous prevention tests, as well as in redefining the procedures regulating workplace access and use and the extensive implementation of remote working. Again, regarding the people dimension, mention should be made of the improvement in the Diversity & Inclusion indicators (+2% compared to 2019) and of our employee satisfaction level (65% in 2020).

Sustainable Innovation & Lean Manufacturing represent a strategically important pillar in pursuing the creation of sustainable value. The Group's efforts are directed primarily to the adoption of materials with a reduced environmental impact, as well as to the improvement of the cable design to make them more high-performing and sustainable. Lean Manufacturing also means a commitment to making the production structure more efficient and sustainable, through investment in energy efficiency and process digitalisation for a gross amount of Euro 246 million. Giving priority to people's health and safety has allowed the Company's operations to be protected, with a level of activity in plants that has not suffered particular contractions, also thanks to our highly diversified geographical presence.

The creation of sustainable value for all stakeholders is also profoundly linked to supply chain management. The procurement of raw materials and the performance of the activities are based on strict sustainability policies, both as regards environmental impact and respect for human rights and business ethics. Particular attention is paid to the engagement and satisfaction of customers and all stakeholders relevant to the business, as well as the impact on the communities in which the Company operates. On time delivery has improved to 94%[1].

The resilience exhibited by the Company in dealing with the impacts of the pandemic has made it possible to secure economic and financial solidity and ensure the creation of economic value for shareholders even in such a dramatic year as 2020. Prysmian shares in 2020 recorded a positive performance of 35.3%, outperforming not only the Italian market but also the European reference sector. From the second quarter of 2020, the stock started a growth trend supported by market appreciation due to the efficacy and timeliness of the measures adopted to deal with the pandemic, as well as the development of activities linked to renewable energies (the interconnection projects such as the German Corridors, offshore wind farms and onshore activities).

PERFORMANCE OF PRYSMIAN STOCK

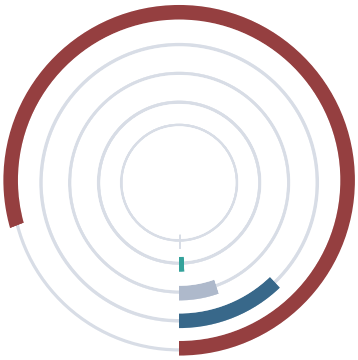


TOTAL SHAREHOLDER RETURN

+37.1% In 2020

+155.5% Since its date of listing

The total economic value generated, namely the overall value created by the Group for all stakeholders, stood at **€10,273** million in 2020. A large part of the **value was redistributed for a total of €10,099** million in the form of:



80% Spending on Suppliers
14% Payment to Staff
5.6% Payment to Lenders
0.8% Payment to the Public Administration
0.04% Contributions to the Community

Finally, in the year of the pandemic, the Group also pursued its non-organic growth strategy with the acquisition of 100% of EHC Global, a company operating in the vertical mobility industry. This transaction thus allowed Prysmian Group to consolidate its growth strategy in value-added businesses. The integration with General Cable was also completed, leading to significant value creation for all stakeholders, driven by a more extensive and balanced geographical presence, as well as an expanded and synergistic product portfolio.

(1) Figure calculated excluding General Cable perimeter

CLIMATE CHANGE

In view of the growing attention to Environmental, Social and Governance issues and the major commitment involved in their oversight, as proposed by its Chairman, the Board of Directors has set up a Sustainability Committee (the "Committee") from among its members, to which the duties and supervisory functions concerning sustainability previously the responsibility of the Remuneration, Nominations and Sustainability Committee (now the Remuneration and Nominations Committee) were transferred with effect from 5 March 2020. Among its duties, the Committee supports the Group by advising it on the main initiatives to combat climate change, such as the adoption of Science-Based Targets.

In addition, a dedicated Control and Risks Committee, consisting of members of the Group's Senior Management, ensures, through the Group's Chief Risk Officer (CRO), that the Enterprise Risk Management (ERM) process develops dynamically, taking into account changes in the business, needs and events that impact the Group over time, including issues related to climate change. The Sustainability Committee oversees, together with the Control and Risks Committee, the monitoring of both physical and transitional risks arising from climate change and the implementation of projects and initiatives to manage them.
As described in detail in the section "Risk factors and uncertainties", the Group has identified a number of physical and transitional risks related to climate change. In particular, the Group is exposed to physical risks arising from the greater severity of extreme weather events that could potentially damage production facilities, as well as risks related to the availability of water and risks related to rising sea levels that could potentially damage production facilities. The Group monitors these risks over time and identifies appropriate actions to mitigate them.
In 2020, the Group began work on developing science-based targets for emissions from its global operations (Scope 1 and 2) and for emissions from the wider value chain (Scope 3). Prysmian has defined an ambitious set of science-based targets in line with the requirements of the Paris Agreement and has signed the 1.5° Business Ambition pledge with a "Net Zero" target between 2035 and 2040 for emissions from own activities (Scope 1 and 2) and by 2050 for value chain emissions (Scope 3), in keeping with a 1.5°C scenario. As part of its decarbonisation strategy, Prysmian Group is working with its sites and operations around the world, including to assess opportunities for energy efficiency, renewable energy procurement and generation, as well as for reducing SF6 emissions. These opportunities will be managed through a Group-wide implementation and project coordination program. Progress and opportunities for decarbonisation will be continually reviewed as part of normal business processes.

In addition, Prysmian recognises its unique position in the global transition to Net Zero as a provider of technologies and solutions that enable the global economy to decarbonise. In order to understand the wider positive impact of its products and services, the Group is working with the Carbon Trust to define an effective approach to quantifying their impact and using it to guide decision-making.

The risks and opportunities associated with Prysmian's business strategy are identified, assessed and managed using the ERM (Enterprise Risk Management) model, which incorporates the issues of economic, social and environmental sustainability and those related to climate change using a common, clearly defined methodology for measuring and assessing specific risk events in terms of impact, probability of occurrence and adequacy of existing controls.

The Group has defined a Sustainability Scorecard with quantitative targets for the reduction of greenhouse gas emissions by 2022 using specific indicators, as reported in its Disclosure of Non-Financial Information.

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 system of corporate governance system in achieving strategic objectives and creating 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.

During 2020 Prysmian continued to abide by the Corporate Governance Code(1). On 31 January 2020, the Italian Corporate Governance Committee, supported among others by Borsa Italiana S.p.A., published a new "Corporate Governance Code" which is applicable to the first financial year beginning after 31 December 2020, with related disclosures in the Corporate Governance Report to be published in 2022. During the current financial year, the Board of Directors will evaluate any actions that may be needed to comply with the new recommendations introduced by the new Corporate Governance Code.

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 Group/Governance section of the corporate website at www.prysmiangroup.com.

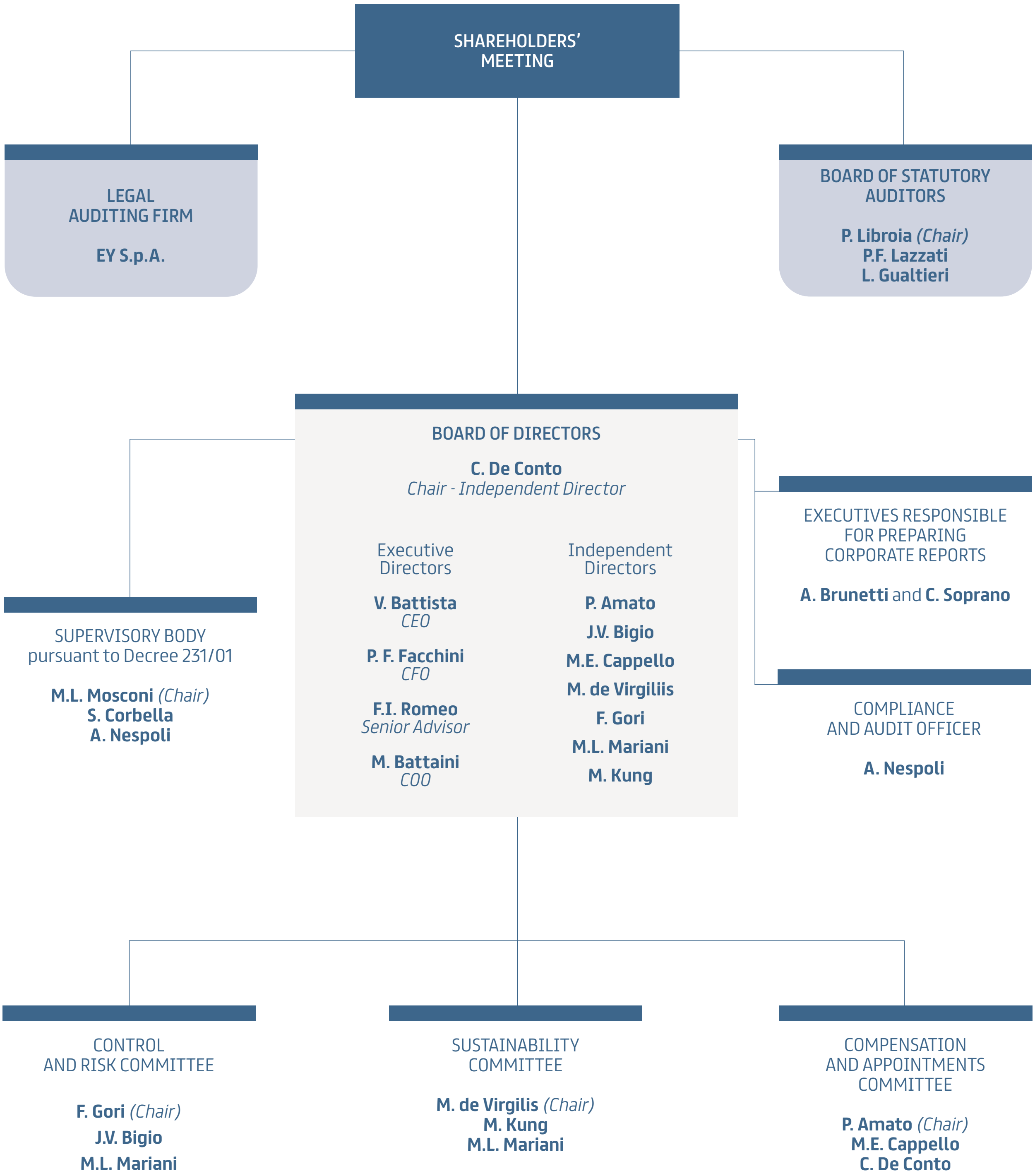
CORPORATE GOVERNANCE STRUCTURE

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 at 31 December 2020 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.

At 31 December 2020, seven of the Directors were men and five women, with four of them in the 45-55 age bracket and eight 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.

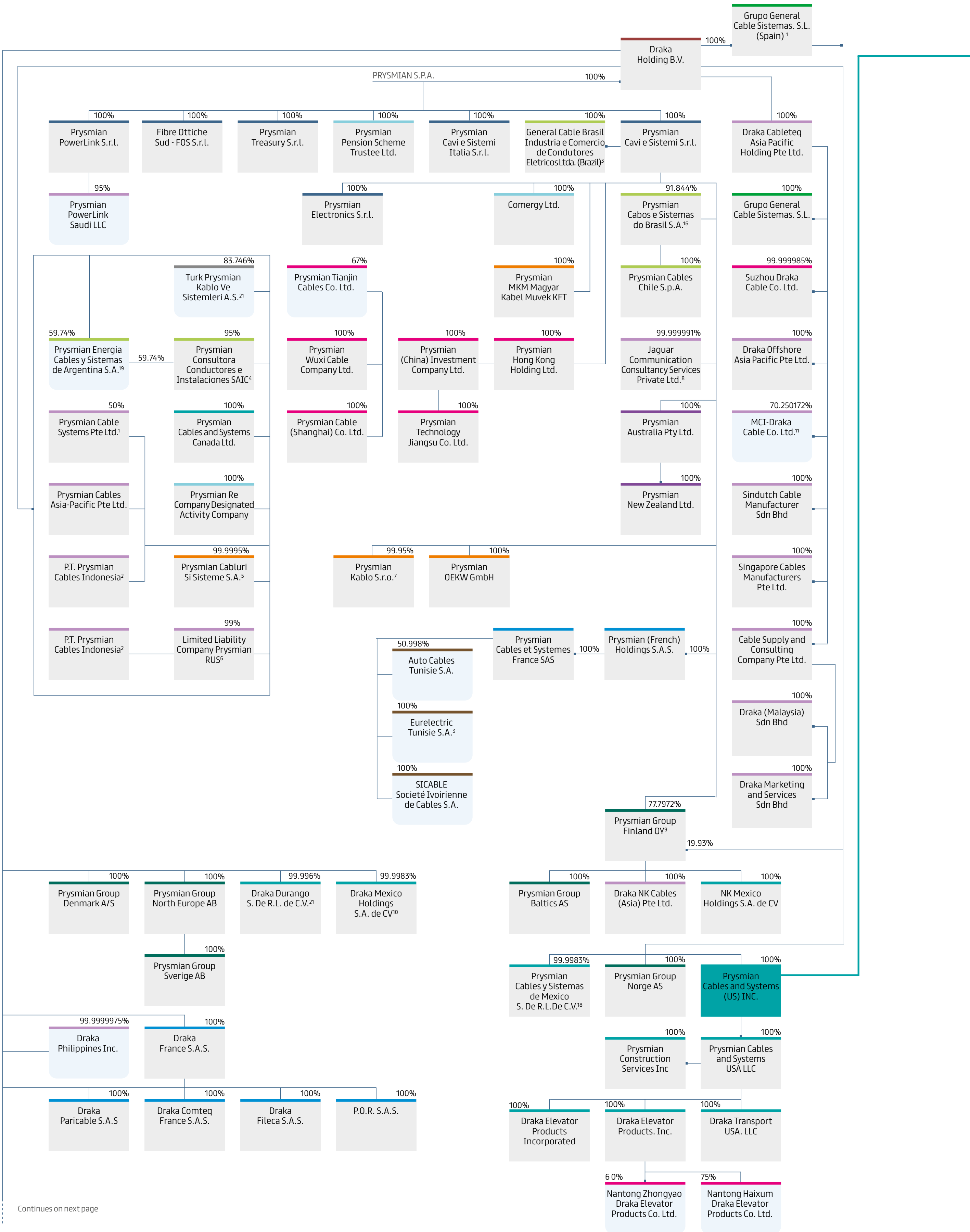
Management of the business is the responsibility of the Directors, who carry out those activities necessary to implement the corporate purpose. The Board of Directors is also responsible for the Group's internal control and risk management system, requiring it to verify the system's adequacy and adopt 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 company financial reports.

Completing the Prysmian corporate governance structure is a Remuneration and Nomination Committee, a 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 Group/Governance section of the corporate website at www.prysmiangroup.com.

CORPORATE STRUCTURE

The companies consolidated on a line-by-line basis at 31 December 2020 are presented below.



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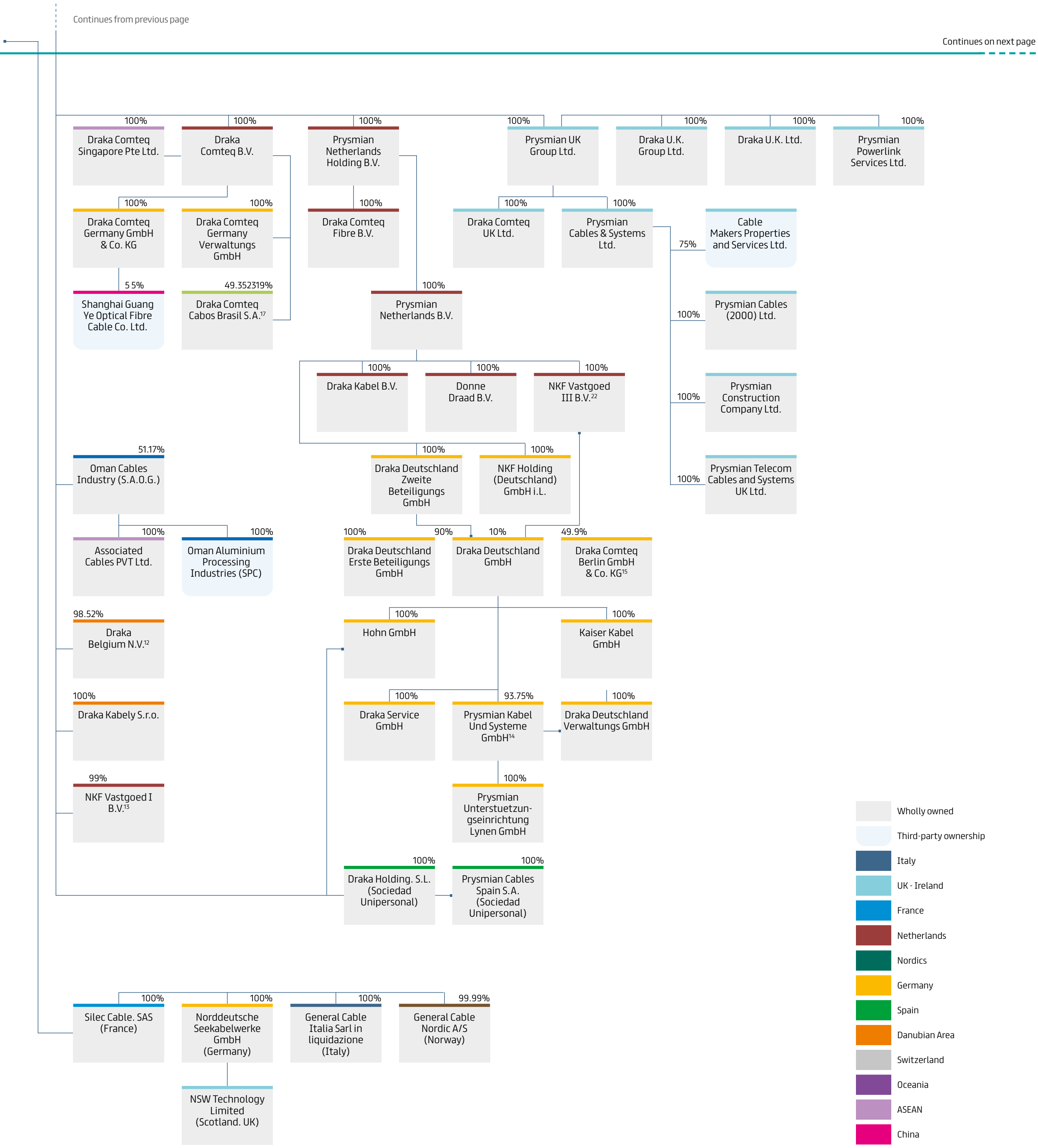

1. Prysmian Cables & Systems Ltd. 50%
2. Prysmian Cavi e Sistemi S.r.l. 0.52%
3. Prysmian (French) Holdings S.A.S. 0.005%.
   Prysmian Cavi and Sistemi S.r.l. 0.005%
4. Prysmian Cavi and Sistemi S.r.l. 5%
5. Prysmian Cavi and Sistemi S.r.l. 0.0005%
6. Prysmian Cavi and Sistemi S.r.l. 1%
7. Prysmian S.p.A. 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 Cabos and Sistemas do Brasil S.A. 0.11%
20. Turk Prysmian Kablo Ve Sistemleri A.S 0.4614%
21. Draka Holding B.V. 0.004%
22. Prysmian Netherlands B.V. 1.00%

- 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

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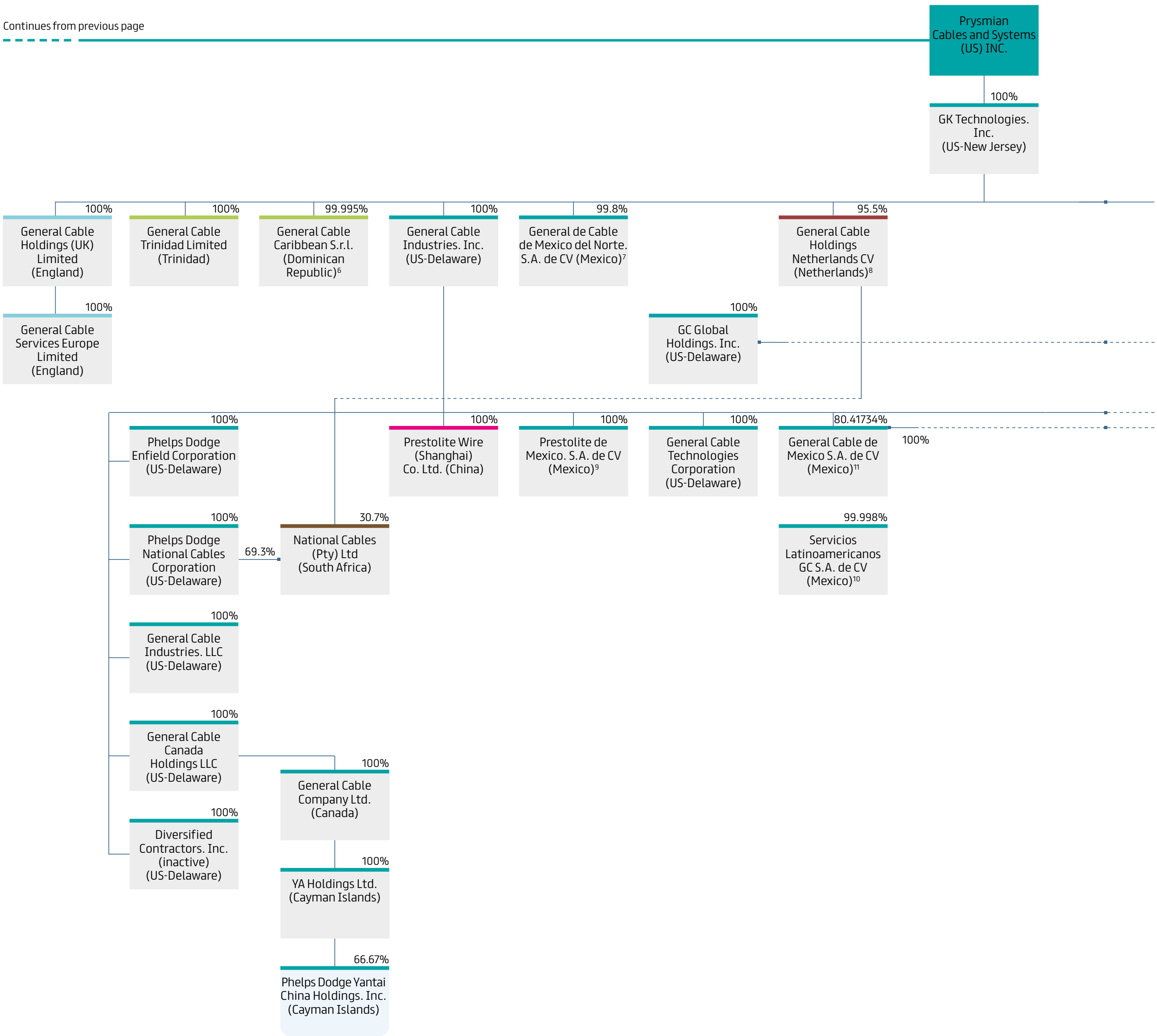

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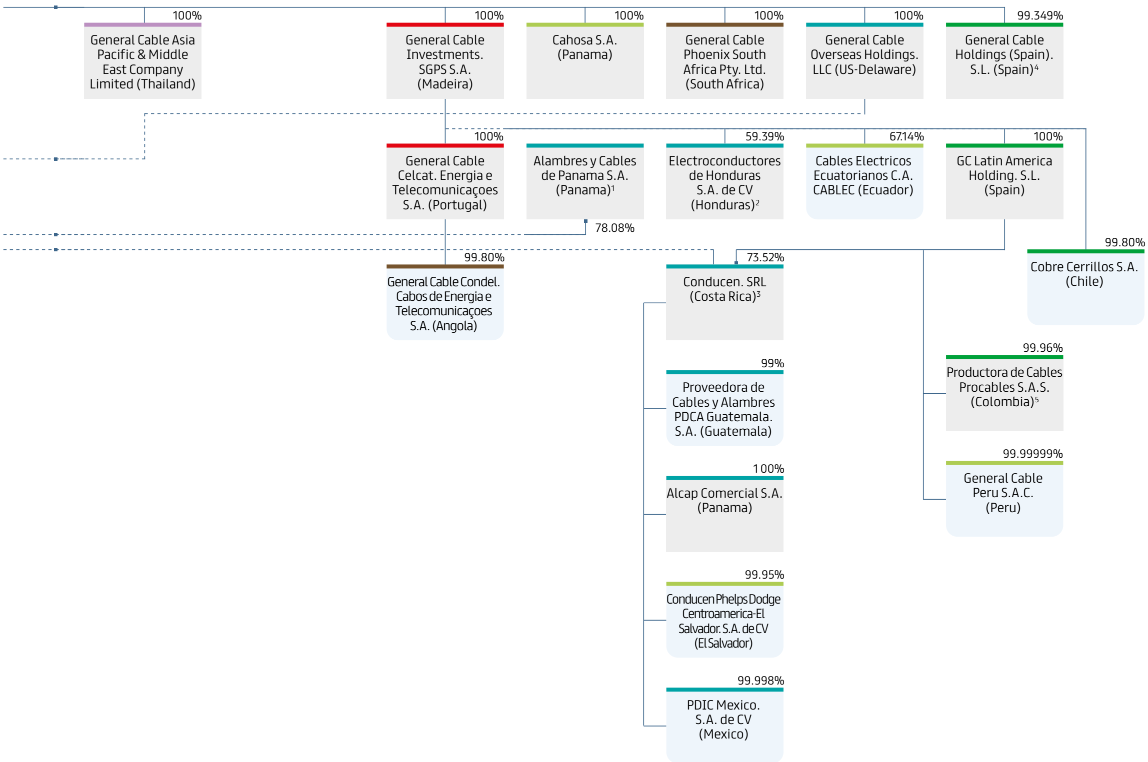
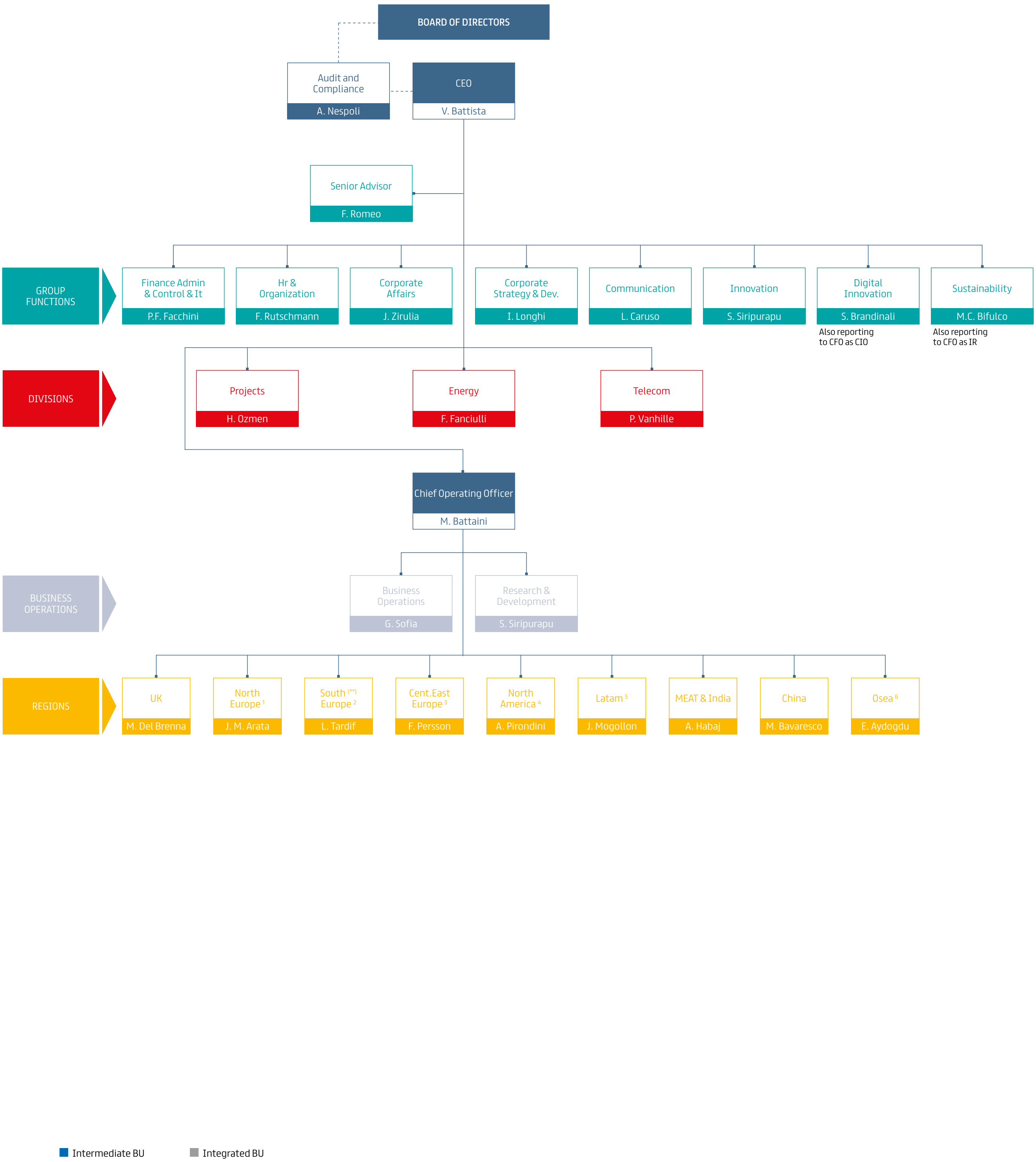


1. Cahosa S.A. 21.92%
2. Cahosa S.A. 40.61%
3. Cahosa S.A. 26.48%
4. General Cable Overseas Holdings. LLC 0.6510%
5. GK Technologies. Incorporated 0.04%
6. Diversified Contractors. Inc. 0.005%
7. General Cable Industries. Inc. (US-Delaware) 0.2%
8. GC Global Holdings. Inc. (US-Delaware) 1%
   Phelps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

ORGANISATIONAL STRUCTURE (*)



(*) The organisation chart presented reflects the organisational structure in February 2021.
(**) France Aerospace representative.
1. NORTHERN EUROPE: Estonia, Finland, Norway, Russia, Scandia (Denmark and Sweden), Netherlands.
2. SOUTHERN EUROPE: Belgium, France, Italy, Portugal, Spain, Tunisia, Côte d'Ivoire and Angola.
3. CENTRAL EASTERN EUROPE: Austria, Czech Republic, Hungary, Germany, Romania, Slovak Republic.
4. NORTH AMERICA: Canada, USA.
5. LATAM: Argentina, Brazil, Central America, Chile, Mexico, Peru, Colombia, Ecuador.
6. MEAT: Middle East & Africa, Turkey, India.

TOP MANAGEMENT

Directors

VALERIO BATTISTA

Chief Executive Officer.
Managing Director of the Prysmian Group.

Born in Arezzo on 8 January 1957. With a degree in Mechanical Engineering from the University of Florence, Valerio Battista is a manager with extensive skills and experience built up in the industrial sector over 30 years, first with the Pirelli Group and then with the Prysmian Group, where he took the helm in 2005. His earlier roles within the Pirelli Group gave him increasing responsibilities, including the restructuring and reorganisation of Pirelli Cables in the period 2002-2004. As a result, the division became one of the sector's most profitable and competitive businesses.

He then played a key role in the 2005 creation of the Prysmian Group, which obtained a stock exchange listing in 2007. The Group is a world leader in the supply of power and telecom cables.

He was the Chairman of Europacable from June 2014 to March 2019 and has been the Lead Independent Director at Brembo S.p.A. since April 2017. Valerio Battista became an Executive Director of the Company in December 2005. With reference to his current mandate, he was elected on 12 April 2018 from the list presented by the Board of Directors, which obtained the majority of the votes cast at the Shareholders' Meeting.

MASSIMO BATTAINI

Chief Operating Officer Prysmian Group.
Executive Director.

Member of the Board of Directors of Prysmian Group since 2014. Before his appointment as Chief Operating Officer Prysmian Group in February 2021, he was the CEO of Prysmian Group North America. His career in the Pirelli Group began in 1987 where, over a period of 18 years, he held various positions in R&D and Operations. After leading the Business Development department from 2000 to 2002, with responsibility for the Tyres, Power Cables and Telecom Cables businesses, he was appointed as the Pirelli Group Operations Director for Power Cables and Telecom Cables.

Following the creation of Prysmian Group on acquisition of the power and telecom cable activities of Pirelli in 2005, he became the CEO of Prysmian UK. Between 2011 and 2014 he served as the Chief Operating Officer of Prysmian Group, and then as Senior Vice President Business Energy Project and Chairman and CEO of Prysmian PowerLink S.r.l. He was the CEO of Prysmian Group North America from June 2018 to February 2021. Battaini graduated in Mechanical Engineering from Politecnico di Milano has an MBA from SDA Bocconi.

PIER FRANCESCO FACCHINI

Chief Financial Officer.
Executive Director.

Born in Lugo (RA) on 4 August 1967. Graduated from Milan's Bocconi University in 1991 with a degree in Business Economics. His initial work experience was gained at Nestlè Italia, where he held various roles in the Administration and Finance area from 1991 to 1995. Between 1995 and 2001 he worked for several companies within the Panalpina group, including as Regional Financial Controller for the Asia and South Pacific area and as Administration, Finance and Control Manager at Panalpina Korea (Seoul) and at Panalpina Italia Trasporti Internazionali S.p.A. In April 2001 he become the Finance and Control Director of the Consumer Services BU at Fiat Auto, which he left in 2003 on appointment as the CFO of Benetton Group, where he stayed until November 2006. Facchini joined the Board of Directors of the Company in February 2007. With reference to his current mandate, he was elected on 12 April 2018 from the list presented by the Board of Directors, which obtained the majority of the votes cast at the Shareholders' Meeting.

FABIO IGNAZIO ROMEO

Senior Advisor
Executive Director.

Born in Rho (MI) on 25 August 1955. Graduated with a degree in Electronic Engineering from Politecnico di Milano in 1979 and later obtained an MS and a Ph.D in Electronic Engineering and Computer Sciences from the University of California, Berkeley, in 1986 and 1989 respectively. His working career started in 1981 as a designer of control systems for chemical plants at Tema (part of the Eni group). In 1982 he moved to Honeywell as a member of the Technical Staff and, later, as a Technical Advisor to the CEO. In 1989 he transferred to the Electronics division of Magneti Marelli as the Innovation Manager. In 1995 he became the Managing Director of the Rearview division and then, in 1998, took the same role at the Electronic Systems division, again at Magneti Marelli. In 2001 he moved to Pirelli & C. S.p.A. as Director of the Truck division of Pirelli Tyre and, one year later, became the Utilities Director of Pirelli's Cables division. In December 2004 he was appointed as Director of the Prysmian Group's Power Cables and Systems BU, a position that he held until December 2013 when he took responsibility for Corporate Strategy and Development. Romeo joined the Board of Directors of the Company in February 2007. With reference to his current mandate, he was elected on 12 April 2018 from the list presented by the Board of Directors, which obtained the majority of the votes cast at the Shareholders' Meeting.

Senior Managers

FRANCESCO FANCIULLI

Executive Vice President Energy.

Francesco Fanciulli has been EVP of the Energy segment since February 2018. He graduated in law from Milan's Università Cattolica del Sacro Cuore. Joining Procter & Gamble in 1988, he held various leadership roles in sales and marketing before taking responsibility for Mass Distribution in Italy. He moved to Pirelli in 1998 as Marketing Director of the Tyres division, after which he took various sales-related responsibilities within that division, rising to become SVP Sales & Marketing. Since 2008 his vast Sales & Marketing experience has been at the service of Prysmian, where he has held numerous geographical responsibilities, including CEO India, CEO Turkey and CEO Danubian Area. From 2015, on creation of the Central East Europe Region, he has served as its CEO with responsibility for integration between Germany and the Danubian area and for developing the industrial footprint of the Region.

PHILIPPE VANHILLE

Executive Vice President Telecom.

Philippe Vanhille has been EVP Telecom Division since May 2013.

After graduating in 1989 with a degree in Mechanical Engineering from Lyon University (France), he commenced his professional career as a Research Engineer, working on the development of Renault's Formula 1 programme, before moving to the cables sector in 1991 with Alcatel Cable. Over a period of two decades he held various Operations and General Management positions in the cables industry, with Alcatel and Draka, and then in copper and optical fibre cables for the power and telecom sectors. At the time of the Prysmian-Draka merger he was responsible for Draka's Optical Fibre BU and then held the same position within the Prysmian Group until his appointment as EVP Telecom Division.

HAKAN OZMEN

Executive Vice President Projects.

Hakan Ozmen has been EVP Projects and Chairman and Managing Director of Prysmian Powerlink S.r.l. since June 2018. After graduating in Industrial Engineering, he began his professional career as an Internal Auditor and corporate secretary at Siemens AS in Istanbul. In August 1999, he obtain an MBA from Istanbul's Yeditepe University. In September 1999, he joined Pirelli S.p.A. as Internal Audit Manager for the EMEA region, performing audits in Germany, Italy, Finland, the United Kingdom, Turkey, Romania and the Czech Republic. In January 2001, he was appointed as the Administration, Finance and Control Director of Turk Pirelli in Istanbul, and later become Chairman of the Board there. After serving as the Global Director of Prysmian Telecom for two years, in 2011 he was Chairman and CEO North America of Prysmian Group until 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 78% 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%, climbing to approximately 1.5% during the course of subsequent years.

At 31 December 2020, the Company's free float was equal to 100% of the outstanding shares and significant shareholdings (in excess of 3%) accounted for approximately 26% 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 2020, 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 0.10 each. The ownership structure at this date is shown below.

SHARE OWNERSHIP BY TYPE AND SIGNIFICANT SHAREHOLDERS

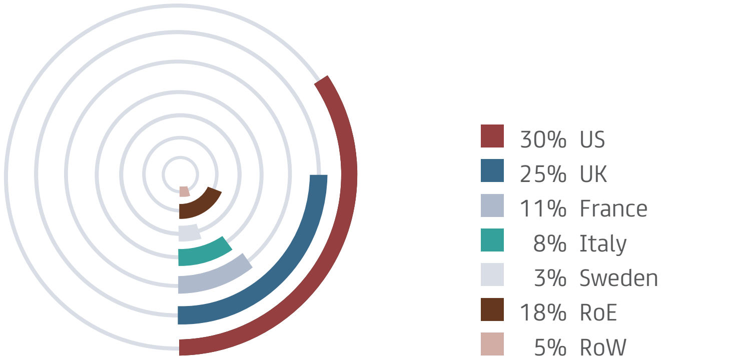
78.0% Institutional Investors
8.3% Retail
1.8% Treasury shares
11.9% Other (*)

5.2% BlackRock. Inc.
4.0% UBS AG
3.9% T. Rowe Price Group. Inc.
3.7% Crédit Agricole S.A.
3.2% Sun Life Financial, Inc.
3.1% AXA S.A.
3.0% Schroders PLC
2.8% The Vanguard Group. Inc.
2.7% Hardman Johnston Global Advisors LLC
68.4% Other

Source: Nasdaq, January 2021

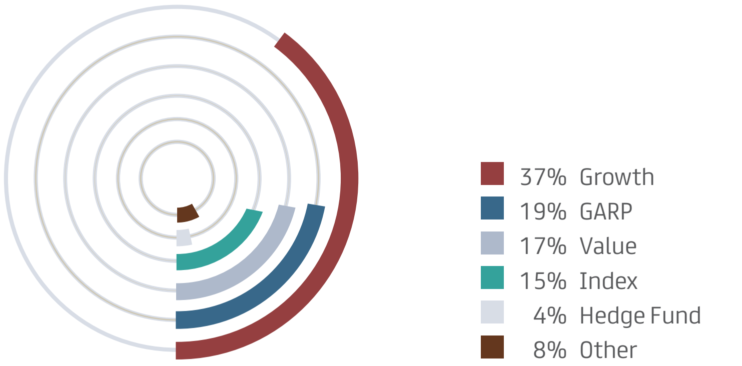
(*) Mainly comprises shares held by non-institutional investors and by third-party holders of shares for trading purposes.

INSTITUTIONAL INVESTORS BY GEOGRAPHICAL AREA



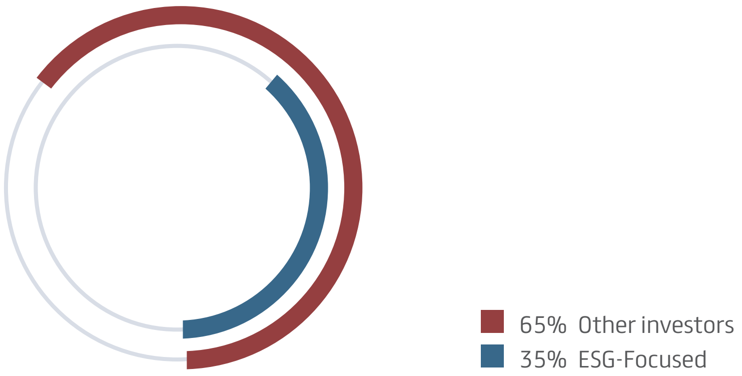
Source: Nasdaq, January 2021

INSTITUTIONAL INVESTORS BY INVESTMENT STYLE



Source: Nasdaq, January 2021

ESG INSTITUTIONAL INVESTORS



Source: Nasdaq, January 2021

The geographical ownership structure shows a predominant presence of the United States, which represents 30% of the institutional investor total, followed by the United Kingdom, which accounted for 25%, both up on the previous year when these countries represented 28% and 21% of the total respectively. Italy accounted for around 8% of the capital held by institutional investors, down from 13% in 2019. France's share was slightly down on the year before at about 11%. The proportion of Asian investors (primarily from Japan and Hong Kong) was essentially stable.

Overall, around 73% of share capital is held by investment funds with Value, Growth or GARP (Growth at Reasonable Price) strategies, which therefore expect value creation from the stock in the medium to long term and consider the current valuation to be below the prospects offered by the company's fundamentals. The proportion of investors adopting an Index or passive investment strategy, based on the principal stock indexes, was slightly down on 2019, while the Hedge Fund component, focused on a shorter time horizon, increased in weight to 4% of the total from 2% a year earlier.

The presence of ESG investors, i.e. those who place Environmental, Social and Governance issues at the centre of their investment strategies, has also continued to grow. Over the last two years, the proportion of such investors in Prysmian's shareholder base has increased substantially, from around 13% to 35% at present.

ANNUAL GENERAL MEETING

The Annual General Meeting saw participation by over 66% of share capital, with 1,973 shareholders present by proxy.

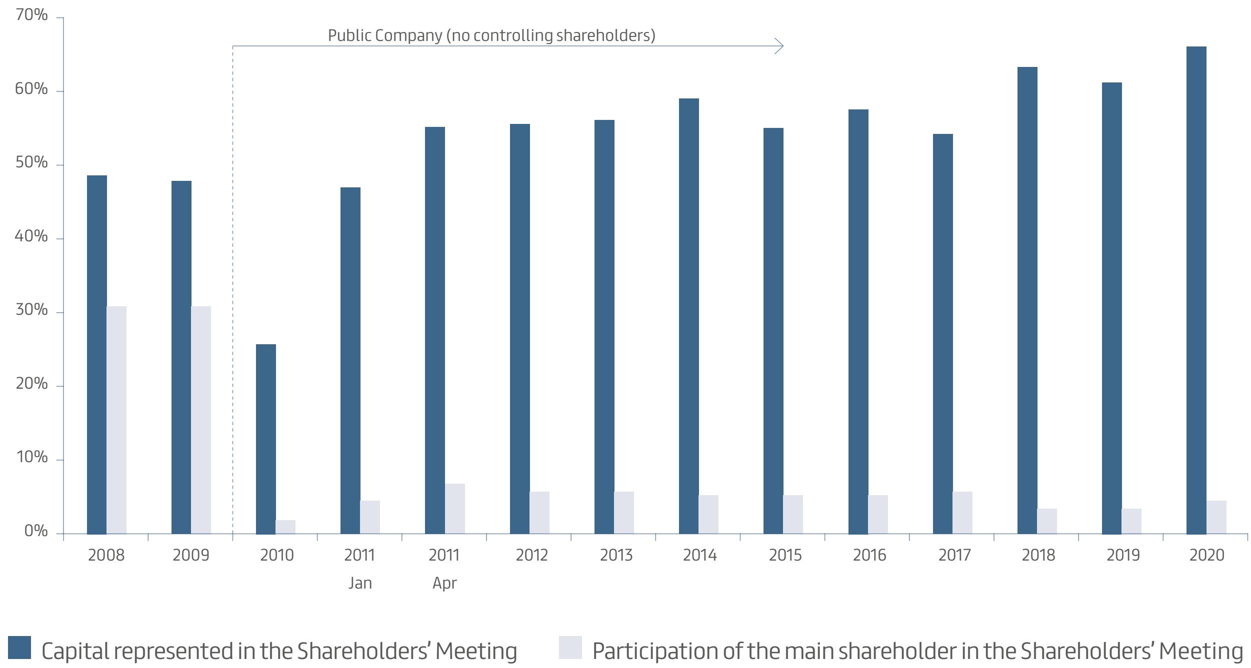
The Annual General Meeting of the shareholders of Prysmian S.p.A. was held on 28 April 2020 in single call to adopt resolutions on a number of items: approval of the 2019 financial statements, allocation of profit for the year and declaration of a dividend, adoption of an employee incentive plan with related authorisation for a capital increase serving this plan, approval of the remuneration policy and consultation on the remuneration report. The meeting, attended by proxy by 1,973 shareholders, representing more than 66% 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 0.25 per share. The dividend was paid on 20 May 2020, involving a total pay-out of approximately Euro 66 million.

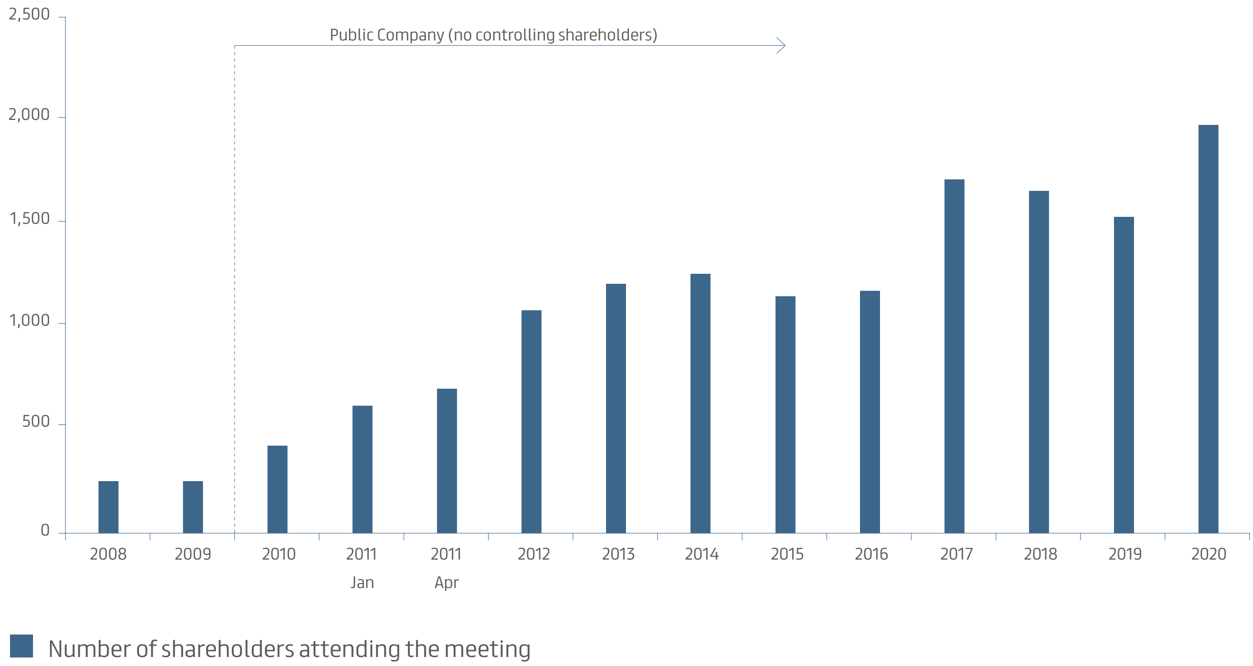
FINANCIAL CALENDAR

10 March 2021	Approval of the draft financial statements and consolidated financial statements as of 31 December 2020
28 April 2021	Shareholders' Meeting to approve the Annual Report as of 31 December 2020
13 May 2021	Approval of the quarterly financial report as of 31 March 2021
28 July 2021	Approval of the half-year financial report as of 30 June 2021
11 November 2021	Approval of the quarterly financial report as of 30 September 2021

SHAREHOLDERS' MEETING: REPRESENTED CAPITAL



SHAREHOLDERS' MEETING: NUMBER OF PARTICIPANTS PRESENT OR REPRESENTED



FINANCIAL MARKET PERFORMANCE

2020 was a mixed year for financial markets, with a steep decline in the first few months sparked by the Covid-19 pandemic, and a recovery in the second half of the year, thanks in part to expansionary measures adopted in the major economic areas and the gradual easing of restrictive measures necessitated by the pandemic.

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. Since 2019, Prysmian Group has also been included in the Dow Jones Sustainability World index, one of the most important international sustainability indexes for tracking ESG performance.

The main European stock indexes reported a predominantly negative performance in 2020, mainly due to the Covid-19 pandemic, with the exception of the German one (DAX 30), which ended the year up 3.5%. The Spanish index (IBEX 35) recorded the biggest slump with -15.5%, followed by those in the UK (FTSE 100) with -14.3% and France (CAC 40) with -7.1%. The Italian market index (FTSE MIB), on the other hand, was a bit better but still negative with -5.4%. The US stock market outperformed Europe in 2020, with all three major indexes sharply up: S&P 500 +16.3%; Nasdaq Composite +43.6% and Dow Jones Industrial +7.2%. Among the major emerging countries, the Brazilian index (Bovespa) climbed 2.9%. In China, the Shanghai Composite index rose by 13.9%, while in Hong Kong, the Hang Seng index turned down by -3.4%.

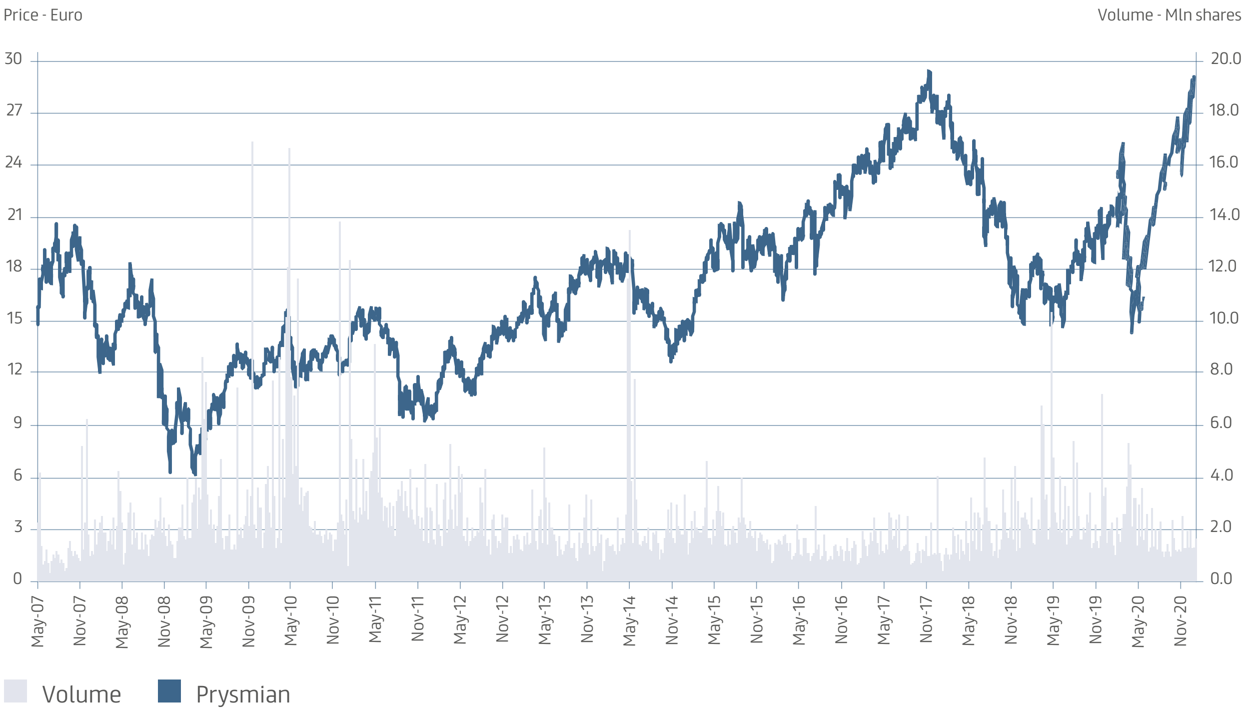
The Prysmian stock gained 35.3% in 2020, closing the year at Euro 29.08 per share compared with Euro 21.49 at the end of 2019. It thus outperformed not only the Italian market whose FTSE MIB index closed the year down 5.4%, but also the European benchmark sector (Capital Goods Industrial Services), whose STOXX Europe 600/Ind Goods & Svcs index closed 2020 up 4.9%.

The average share price was Euro 21.81 in 2020, up from Euro 18.55 in 2019. Including dividend pay-outs, the Total Shareholder Return (TSR) offered by the Prysmian stock was +37.1% in 2020 and +155.5% since its original listing. Excluding the contribution of dividends and so just considering the change in price, the performance was +35.3% in 2020 and +89.3% since listing.

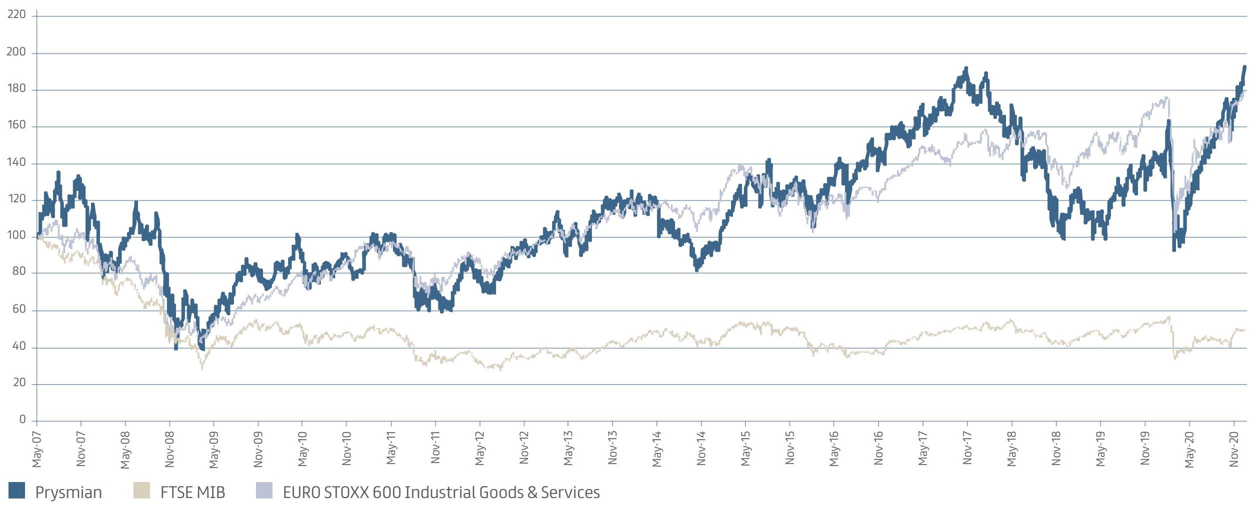
The stock's performance during 2020 was influenced both by external factors (such as general stockmarket trends affected by spread of the pandemic) and by factors relating to Prysmian's specific business and financial performance. Since the second quarter of 2020, the stock initiated an upward trend, supported by market appreciation for the Group's effective and swift measures to cope with the pandemic, as well as by the development of its renewable energy business (involving interconnection projects such as the German Corridors, wind farms and onshore activities).

The Group's solidity and expectations of growth in its key markets, partly thanks to Energy Transition and Digitalisation megatrends, have enabled the Prysmian stock to retain its strong market appeal, as confirmed by financial analyst recommendations at year end, of which 73% were "Buy" and 27% "Hold".

PERFORMANCE OF PRYSMIAN STOCK SINCE IPO



PERFORMANCE OF PRYSMIAN STOCK



During 2020, the stock's liquidity saw average daily trading volumes of approximately 1.3 million shares, with an average daily turnover of Euro 27 million.

PRYSMIAN: KEY DATA

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Price at 31 December (Euro)	29.08	21.49	16.87	27.19	24.40	20.26	15.15	18.71	15.01	9.60
Change in year	35.3%	27.4%	-38.0%	11.4%	20.4%	33.7%	-19.0%	24.7%	56.4%	-24.7%
Average price (Euro)	21.81	18.55	22.17	26.31	20.93	19.10	16.38	16.68	13.00	12.90
Maximum price (Euro)	29.08	22.06	28.54	30.00	24.42	22.23	19.54	19.30	15.43	15.95
Minimum price (Euro)	13.96	14.93	14.97	23.34	16.45	14.43	12.78	14.03	9.77	9.25
Capitalisation at year end (millions of Euro)	7,798	5,762	4,523	5,913	5,288	4,319	3,283	4,015	3,220	2,057
Average capitalisation in year (millions of Euro)	5,849	4,975	5,361	5,701	4,536	4,140	3,521	3,578	2,787	2,701
Ave no. of shares traded (millions)	1.3	1.7	1.3	1.0	1.0	1.4	1.4	1.2	1.5	2.2
Average amount traded (millions of Euro)	27	31	28	26	20	27	23	20	20	28
No. of shares at 31 December	268,144,246	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

Source: processing of data 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 2020 on more than 500 occasions involved conference calls and one-to-one or group meetings, mostly conducted virtually due to the Covid-19 pandemic. The company also participated in numerous industry conferences organised by leading international brokers (virtual meetings since March), as well as thematic roadshows (e.g. focused on Energy Transition, Telecom Developments, Innovation).

In addition, the mounting attention of ESG investors focused on environmental, social and governance issues was further confirmed by their growing participation in specially organised meetings and conferences.

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

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

Investor Relations contact details:

Investor Relations Office

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investor.relations@prysmiangroup.com

Maria Cristina Bifulco - IR Director

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mariacristina.bifulco@prysmiangroup.com

Business environment

MACROECONOMIC ENVIRONMENT

The year 2020 saw an unprecedented deterioration of the global macroeconomic scenario following spread of the Covid-19 pandemic, including the most severe recession since the Great Depression of 1929. National economic recovery plans against this critical situation are being drawn up by every country, such as the Next Generation EU in Europe, or the USD 1.9 trillion plan promised by the new Biden administration in the US.

The macroeconomic scenario worsened in 2020 as the Covid-19 pandemic spread around the globe. The health emergency and the related containment measures have generated a global recession, unprecedented in its magnitude and scale, recovery from which still remains very uncertain. The International Monetary Fund, one of the most important world financial institutions, has slashed its economic growth estimates for 2020. According to its latest forecasts in January 2021*, it expects the global economy to contract by 3.5% in 2020, in contrast with a pre-pandemic 3.3% growth forecast a year ago. However, much uncertainty surrounds these forecasts, due to a lack of visibility for a number of factors, such as the protraction of the pandemic, the intensity and effectiveness of containment measures, and progress on the healthcare front, especially with regard to the speed of the vaccination campaign currently underway in many countries.

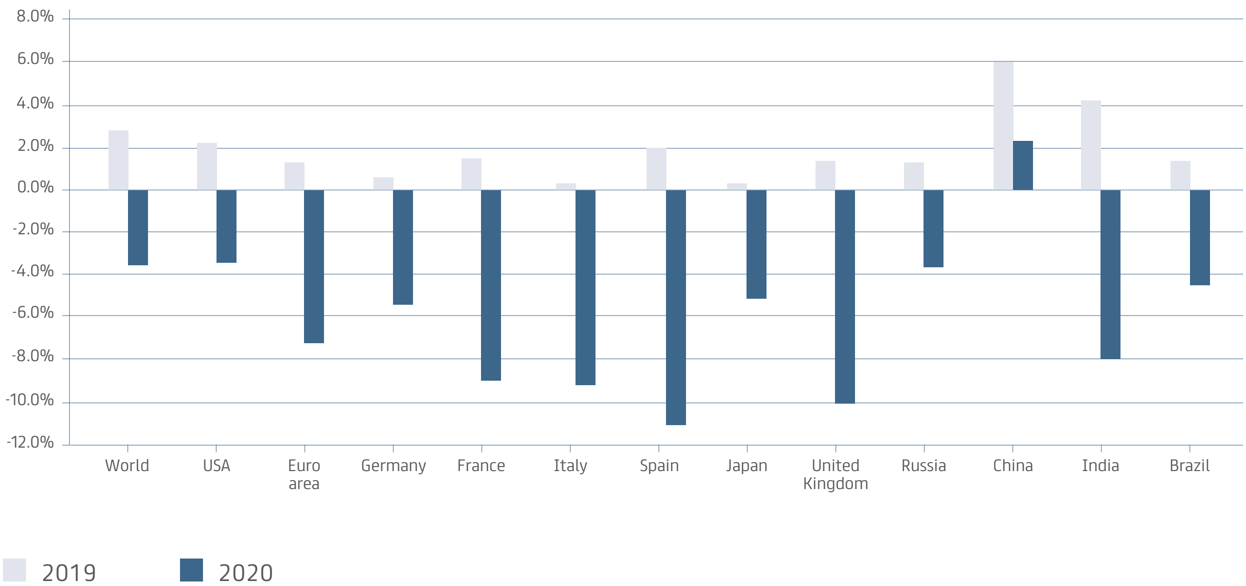
National economic recovery plans against this critical situation are being drawn up by every country, including the Next Generation EU in Europe for a total of Euro 750 billion, of which Euro 390 billion in grants and Euro 360 billion in loans. In the United States, too, a USD 1.9 trillion relief package is being agreed to revive the economy, as promised by the new Biden administration.

Regarding country trends, emerging markets have generally performed less negatively than advanced countries. Among high-income economies, the pandemic is estimated to have had less impact on the United States than on Europe, despite the high number of Covid-19 infections. Accordingly, IMF estimates put the rate of economic contraction in 2020 at around -7.2 % for the Eurozone versus -3.4% in the United States. Within Europe, the pandemic has had different economic impacts in different countries, depending on the extent of viral spread, the stringency of public health measures taken to contain it, the sectoral composition of national economies and the intensity of national policy responses. South European countries have suffered the most, with Spain expected to record negative growth in 2020 of -11.1%, followed by Italy with -9.2% and France with -9.0%. The situation in North Europe however has been slightly better, with Germany expected to contract by -5.4% in 2020.

In Great Britain too, the pandemic has had a major impact on the economy, further exacerbated by Brexit-related uncertainty, with the agreement to ease this uncertainty only reached at the end of the year. Accordingly, the IMF expects Britain's economy to shrink by -10.0% in 2020.

Thanks to growth in industry, China will be the only one of the large economies to end the year in positive territory (+2.3%), albeit at a much lower rate than pre-Covid forecasts, which expected the economy to grow by +6.1%. At the other end of the scale is India, still trying to keep the pandemic under control and therefore experiencing one of the worst recessions, with the economy expected to shrink by -8.0%. As for the Brazilian economy, the IMF is estimating a contraction of -4.5%.

CHANGE IN GDP 2019-2020 BY COUNTRY



Source: IMF, World Economic Outlook Update - January 2021.

CABLE INDUSTRY TRENDS

Like the rest of the economy, the cable market was also extremely weak in 2020 due to the Covid-19 pandemic.

The global cable market recorded a major contraction in 2020, mainly due to the Covid-19 pandemic, whose adverse impacts initially emerged in China and then spread to the rest of the world essentially from March onwards. At the same time, the market has already started to recover, thanks in part to the expansionary measures adopted in the major economic areas and the gradual easing of the restrictions imposed by the pandemic.

Geographically, China is expected to be the only major country whose cable market – in line with GDP trends – will show positive, albeit marginal, growth in 2020. This is in sharp contrast with the contraction experienced by the rest of the global cable market. The recovery in China has been partly driven by the manufacturing sector, supported by domestic demand and government stimulus. The resilience of the construction sector has also contributed to positive growth in cable demand in 2020.

In Europe, the cable market has shrunk significantly as a result of the Covid-19 pandemic, with the trend varying from country to country: a steeper contraction in southern countries such as France, Italy and Spain, has been partly offset by better performance in Germany and the Nordics. There was a similar trend in North America, with a steep plunge in Mexico, particularly reflecting a construction sector downturn, and a better, though still negative performance in the United States, thanks in part to the renewables sector.

It was also a difficult year for the optical cables market, with demand dropping sharply in all major regions except the US, where optical fibre cable consumption remained steady year-on-year. In Europe, among the larger markets, only the UK and Germany reported marginal growth in demand for optical cables in 2020, thanks to vibrant FTTH programs driven by both private and public investment. The biggest drops were recorded in South European countries, where the major operators implemented an

aggressive destocking policy that produced a significant reduction in their optical cable procurement estimates, in turn leading to a steep market contraction.
Prysmian Group's various market segments saw a mixed performance in 2020. Market demand for Submarine Power cables continued to show signs of recovery during the year: several bids are now at an advanced stage of the tendering process, and despite being later than originally forecast, are expected to be awarded in the next few months. The market is expected to grow over the medium term, especially the Offshore Wind segment, fostered by the continuous reduction in electricity generation costs.
In the High Voltage underground business, the HVAC market was largely stable in Europe, with mixed trends between the different countries, while reporting growth in North America but persistently soft demand in Southeast Asia, which having already turned down in 2019 was exacerbated by the impact of Covid-19.
In the HVDC market, typically for interconnectors, tendering activities for major underground power lines in Germany (Suedlink, Suedostlink and A-Nord) reached their conclusion, with Prysmian Group being awarded a substantial share of all the projects concerned, with a total value of over Euro 1.8 billion.

During 2020, the Trade & Installers business saw demand turn down in most of the European countries served, particularly in South Europe and the UK due not only to difficulties associated with the Covid-19 pandemic but also with Brexit. The decline in business in the regions of ASEAN, MEAT and LATAM reflected not only the complications of the Covid-19 pandemic but also steep currency devaluation in Central and South American countries, making an already troubled market more uncertain. Even in North America the Trade & Installers market reported a year-on-year downturn, mainly due to the Covid-19 pandemic.
As for Power Distribution, markets in North America continued to be buoyant, also thanks to Onshore Wind demand, which benefited from the Production Tax Credit (PTC), a tax incentive based on electricity generated and expected to be extended until mid-2021 to encourage completion of existing projects delayed because of the pandemic.

Markets for Industrial cables, while growing as a whole, displayed inconsistencies within the various business lines and between the different geographical areas. Some market segments grew despite the pandemic, thanks to a strong existing order backlog and the resilience of customer investment programs. Some applications for the OEM sector (Railway, Nuclear, Marine, Water and Electromedical) performed well, while the Crane and Defence segments remained stable. The Mining business posted a major slowdown as a result of lower MRO demand in the United States and the phasing of some projects in Eastern Europe and South America. The Renewables business enjoyed an uptick in demand for both Solar and Wind products, which benefited from favourable phasing of some projects, completed despite the pandemic. However, both segments saw an increase in competitive pressure, affecting prices and partially eroding the healthy trend in volumes.
Oil & Gas demand was significantly inhibited by the Covid-19 pandemic and lower oil prices. The Elevator market however showed a certain stability thanks to the good performance of the North American market.
After a positive first quarter, the Automotive segment recorded a drastic first-half drop in volumes originating in the second quarter, mainly affecting the European, North American and APAC markets, while showing good signs of recovery in the third quarter and especially the fourth quarter with the reopening of major car manufacturers, whose production schedules were revised for the impact of Covid-19. The largest reductions were seen in the mid- to low-end segments.
The Network Components market saw demand contract in 2020 in both the MV and HV/EHV segments as a result of the Covid-19 pandemic in South Europe, LATAM and APAC, while remaining stable in the rest of the world.

As for the Telecom segment, the downturn in the global optical fibre cables market, already observed in the last part of 2019, was confirmed over the year. In Europe, overall demand was down, with uneven behaviour in the various national markets. The markedly negative contribution of the South Europe region was only partially mitigated by some virtuous behaviour in North Europe. In North America, however, optical fibre cable consumption was stable year-on-year. In South America, a region when fibre penetration rates are still low, the optical cables market reported a slight decline attributable to a slowing of investment by major telecom operators.
The copper cable market is experiencing a slowdown linked to product maturity. The drop in demand, already evident during 2019, was confirmed but without showing any acceleration.
The MMS cable market reported a downturn, most pronounced in South Europe and North America due to Covid-related difficulties. The decline in Latin American business reflected not only the complications of the Covid-19 pandemic but also steep currency devaluation in Central and South American countries, making an already troubled market more uncertain.

Significant events during the year

Prysmian Group's leadership team invests in the Company as a sign of its commitment and confidence in recovery from the pandemic-related crisis and in the Company's long-term growth prospects

On 3 April 2020, Prysmian Group's leadership team, consisting of CEO Valerio Battista and his 20 worldwide direct reports (the "Group Leadership Team"), informed the Group that it had accepted the CEO's proposal to invest in Prysmian S.p.A. shares 50% of the net incentive earned by each based on the positive performance in financial year 2019, whose results were in line with company targets. On 1 June 2020, Prysmian Group announced the finalisation of agreements between the Group Leadership Team and the financial intermediary engaged to execute the above share investment scheme. Under the terms of these agreements, the Group Leadership Team engaged a financial intermediary to purchase the Company's shares on the market for a total of approximately Euro 1,500,000, corresponding to approximately 50% of the net incentive earned by each manager in respect of financial year 2019 (the "2019 MBO").
The financial intermediary made the share purchases between the first and fifth business day after the date on which the funds for the purchases were made available to it, namely 1 June 2020. The instructions given by each of the Group Leadership Team's managers to the financial intermediary included the authorisation to lock up the shares purchased until the end of 2022.

Long-term incentive plan

The Prysmian S.p.A. Shareholders' Meeting of 28 April 2020 approved a long-term incentive plan, designed to motivate management to create sustainable value over time, including by deferring part of their annual bonus in shares. The plan is also tied to long-term ESG objectives (Environment Social Governance). The Shareholders' Meeting authorised a bonus capital increase, as proposed by the Board of Directors, to be reserved for Prysmian Group employees in execution of the above plan. This capital increase can reach a maximum nominal amount of Euro 1,100,000 through transfer, pursuant to art. 2349 of the Italian Civil Code, of a corresponding amount from profits or earnings reserves, with the issue of no more than 11,000,000 ordinary shares of nominal value Euro 0.10 each. At the same time, the shareholders' resolution of 12 April 2018 relating to a similar capital increase was revoked, amending article 6 of the By-laws. Recognition of the effects of the long-term incentive plan in the year ended 31 December 2020 has resulted in recording personnel costs of Euro 29 million in a specific equity reserve.

Termination of the contract relating to Carlisle Companies Incorporated's offer to acquire the business of Draka Fileca SAS

On 22 October 2019, the Group had announced the receipt of an 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). On 19 June 2020, Prysmian Group announced that the contract relating to this transaction had been terminated, as the required regulatory approvals had not been obtained by the agreed deadline.

Prysmian Group announces the acquisition of EHC Global, a leading manufacturer of strategic components and provider of integrated solutions for the vertical transportation industry

Prysmian Group announced on 22 July 2020 that it had signed an agreement to acquire 100% of EHC Global in a transaction valued at CAD 130 million. The acquisition was completed on 8 January 2021, more details of which can be found in the note on "Events after the reporting period".

New industrial projects and initiatives

Contract for a 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 the contract, Prysmian will oversee the engineering, supply and installation of at least 9,800 km of optical ground wires (OPGW) and 5,100 km 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 metres 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.

Contract for the construction of an offshore wind farm in France

On 4 March 2020, the Group announced it had won a contract worth approximately 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 Group'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 state-of-the-art cable-laying vessels. Delivery and commissioning are scheduled for 2023.

Contract for two new projects with Terna for development of the Italian power transmission grid

On 10 March 2020, 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 agreement, worth Euro 40 million with an option for a further Euro 10 million, refers to an HVAC cable system covering the Italian section of the Italy-Austria cross-border interconnection between the Glorenza and the Nauders substations, due to start operating by 2022. The second agreement, worth Euro 40 million with an option for a further Euro 40 million and relating to the on-site supply of 220 kV HVAC cable systems, is a framework contract, valid until 2022, intended to serve the needs of power transmission systems in Southern Italy. Both contracts include design and installation engineering, the supply of cables - manufactured at the plant in Gron, France, the Group's excellence centre for high and extra-high voltage cables - and accessories, as well as civil engineering works and other possible optional supplies.

SuedOstLink project for the first of the three German Corridors

On 5 May 2020, Prysmian Group announced that TenneT TSO GmbH, operator of the Dutch-German grid, had awarded it a contract for the SuedOstLink project in Germany, one of the world's longest HVDC underground transmission lines. The total value awarded to the Group for this contract, according to the options, is approximately Euro 500 million. Prysmian will be responsible for the design, manufacture, supply, installation, splicing, testing and commissioning of a 2GW underground transmission cable running through the TenneT-operated section of this first German Corridor. The project is expected to be completed in early 2026.

A-Nord project for the second of the three German Corridors

On 11 May 2020, Prysmian Group announced that Amprion GmbH, a German grid operator, had awarded it a contract for the A-Nord underground cable, part of the German "Corridor A" 2GW power transmission project. Under this contract, worth over Euro 500 million for the Group, Prysmian will be responsible for the design, manufacture, supply, installation, jointing, testing and commissioning of a 1GW underground transmission cable covering the entire northern route of the German Corridors. Work on the HVDC system is scheduled to begin by 2023.

Contract with Vattenfall for the first zero-subsidy offshore wind farm

On 20 May 2020, Prysmian Group finalised a contract for a project awarded by Vattenfall, a leading European energy company, to supply the submarine inter-array cable systems for the Hollandse Kust Zuid III and IV offshore wind farm 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.

Crete-Attica submarine interconnection project in Greece

On 26 May 2020, Prysmian Group was awarded a contract worth approximately Euro 270 million by Ariadne Interconnection, a wholly-owned subsidiary of IPTO, Greece's transmission system operator, for submarine interconnections between the island of Crete and the Greek mainland (Attica region). The first lot, worth Euro 250 million, involves the design, supply, installation and commissioning of an end-to-end HVDC cable along a 335 km route between the island of Crete and the Attica region. The second lot, worth Euro 20 million, involves the design, supply, installation and commissioning of two submarine telecommunication links for a total length of 670 km between the island of Crete and the Attica region. Prysmian will install the submarine cables using one of its own cable-lay vessels. Delivery and commissioning for both projects are scheduled over the period 2020-2023.

Contract for the Saint-Brieuc wind farm in France

On 27 May 2020, Ailes Marines, in charge of the development, construction, installation and operation of an offshore wind farm in the bay of Saint-Brieuc, awarded Prysmian Group a contract worth about Euro 80 million to supply the submarine inter-array cable systems for the Saint-Brieuc offshore wind farm in France. Delivery and commissioning are scheduled by the end of 2022.

SuedLink project for the third and longest of the three German Corridors

On 29 June 2020, Prysmian Group was awarded contracts for the SuedLink Corridor in Germany, the longest ever underground cable project, by the German transmission system operators TransnetBW GmbH and TenneT. Under this project, worth a total of approximately Euro 800 million for the Group, Prysmian will design, manufacture, supply, lay, joint, test and commission a 2GW underground cable system linking the north of Germany to its regions in the south. The project is due to be completed in 2026.

Prysmian launches the first fibre-optic network with 90% recycled plastic

On 15 September 2020, the Group announced that it will be working with Dutch operator KPN on a pilot project to install a fibre-optic network containing 90% recycled plastic. KPN will be the first telecommunications firm in Europe to use the new Prysmian cable concept to install connections for its customers. Pilot projects will take place in Buitenpost (Friesland) and Nijmegen, both in the Netherlands. Further benefits are expected to emerge during installation, such as a reduced need for excavation at network concentration sites, leading to less soil for removal and disposal. In addition, approximately 50% fewer raw materials (plastic or PE) are required for the production of the new cables and tubes than for traditional cabling. On top of these direct savings, the new concept offers an indirect environmental benefit since over 90% of the tubes are manufactured using high-quality recycled PE. These savings translate into an immediate reduction of the CO_2 emissions and ultimately of end-of-life waste. Lastly, Prysmian expects to achieve a further reduction in CO_2 emissions through savings in logistics, storage, and packaging materials, which will be evaluated in a real-life test for KPN.

Preferred bidder agreement signed for Sofia offshore wind farm project worth over Euro 200 million

On 17 November 2020, the Group announced it had signed a preferred bidder agreement worth over Euro 200 million with RWE Renewables Sofia Offshore Wind Farm, the world's second largest offshore wind farm developer, for the construction of a turnkey submarine and land high voltage cable system to connect the Sofia offshore wind farm to the mainland. The 1.4 GW Sofia offshore wind farm is the largest offshore wind project currently under development, and, once fully operational in 2025, it will be able to generate enough power to supply over 1.2 million UK homes with renewable electricity.

World-first installation of a 180μm optical fibre cable in Germany

On 17 December 2020, the Group announced it had completed its first project using its new Sirocco Extreme optical fibre cable for Stadtwerke Landau a.d. Isar, a utility provider. This world-first installation of a 180μm optical fibre cable will enable a large number of households and businesses in Landau to benefit from high-performance FTTx and 5G networks. Sirocco Extreme is the first 180μm optical fibre cable available on the market. It enables faster, cheaper and more sustainable installations and is fully compatible for splicing with any standard fibre. Home office, online schooling and increased levels of video streaming during the Covid-19 pandemic have led to a significant rise in internet data traffic and hence greater demand for secure, high-performance optical fibre networks that can reduce the risk of future data bottlenecks.

Other significant events

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"). 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 failed to 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 the court system, 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 so as to purchase the shares representing 49% of the Company's share capital as soon as possible. This case is currently still pending, slowed down by the ongoing Covid-19 emergency in India, and so control of the company is considered to have not yet been acquired.

Covid-19 "People First", Business protection, Innovation/Digitalisation

The Group's significant presence in China enabled it to understand the emergence of the Covid Pandemic at an early stage. "People first", i.e. putting people's health and safety first, technological innovation and lean manufacturing, and business protection are the three mainstays of the Group's strategy in response to the Pandemic. "People First' has translated into increased investment in health and safety (+29% to Euro 17 million), the mass procurement of hygiene supplies and equipment and performance of tests and analyses to detect infections, the redefinition of procedures for staying safe at work and the extensive use of remote working, the digitalisation of the Academy's training activities and actions for the benefit of communities affected by the virus (from the wiring of the Wuhan hospital to citizenship initiatives in other parts of the world). In a context in which our very social and economic priorities are being redefined, the Group has confirmed its ambition to be an enabler of energy transition and digitalisation. The Group has deepened its commitment to technological innovation: from its flagship 525 kV P-Laser cable and innovations in fibres and optical cables, like Sirocco, its record-breaking cable for fibre density, to its submarine cable for record depths of up to 3,000 metres. Equally significant is the Fast Forward Project to digitalise manufacturing processes. Putting health and safety first has also enabled the Group to ensure continuity of its supply chain and business. Uptime at its production facilities has never dropped below 70-80%, keeping the level of customer service practically intact, with on-time delivery performance at over 94%. The Group has also swiftly deployed a robust cost containment program as well as measures to protect cash generation.

Update on the 2011 Antitrust proceedings in Brazil

On 15 April 2020, Prysmian Group announced that the Tribunal of the Brazilian antitrust authority had issued the operative part of its decision in relation to proceedings initiated in 2011 in which it has ruled that Prysmian Group participated in anti-competitive practices in the Brazilian market for high voltage underground and submarine cables. The Tribunal has held Prysmian Group liable for the period from February 2001 to March 2004 and ordered it to pay a fine of BRL 10.2 million (approximately Euro 1.8 million), in line with the amount contained in the provisions recognised by the Group for this specific matter. Prysmian Group has filed an appeal against the CADE ruling.

Approval of financial statements at 31 December 2019 and dividend distribution

On 28 April 2020, the shareholders of Prysmian S.p.A. approved the financial statements for 2019 and the distribution of a gross dividend of Euro 0.25 per share, for a total of some Euro 66 million. The dividend was paid out from 20 May 2020, with record date 19 May 2020 and ex-dividend date 18 May 2020.

Ruling by the EU Court of Justice on the appeals filed against the European Commission decision relating to the Antitrust investigation into high voltage underground and submarine power cables markets

On 24 September 2020, the Group announced that the Court of Justice of the European Union had issued its ruling on the appeal filed by Prysmian S.p.A. and Prysmian Cavi e Sistemi S.r.l. against the General Court's ruling dated 12 July 2018 which, as already communicated to the market on the same date, upheld the European Commission decision of 2 April 2014 concerning the Antitrust investigation into high voltage underground and submarine power cables markets. Under this ruling, the Court dismissed the appeal filed by Group companies and, by so doing it upheld the liability and fine envisaged under the European Commission's original decision. It will be recalled that the European Commission had 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, ordering them to pay a fine of Euro 67,310,000, and it had 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, ordering them to pay a fine of Euro 37,303,000. Further to the EU Court of Justice's ruling, the European Commission requested the Prysmian Group to pay half of the fine it was jointly and severally liable for with Pirelli & C. S.p.A. and The Goldman Sachs Group Inc., amounting to approximately Euro 52 million plus interest. Using the provisions already set aside in previous years, the Group has gone ahead and made this payment.
The Group also made other payments in 2020 to settle follow-on litigation initiated by third parties to obtain compensation for damages allegedly suffered as a result of Prysmian's involvement in the anti-competitive practices fined by the European Commission, as well as for legal expenses. The total disbursements for all the above, and therefore including payment of half of the fine imposed by the European Commission, came to approximately Euro 112 million.
Lastly, it should be noted that the Group has adequate provisions in place in order to be able to meet claims for damages arising from this decision.

Race to zero net CO_2 emissions begins

On 25 November 2020, the Group announced the launch of a new project aimed at accelerating its race to zero net CO_2 emissions. The announcement was made on the occasion of Prysmian Group's "Sustainability Day", a digital stakeholder engagement event during which the Group's top management shared Prysmian's vision, priorities and plans for its sustainability roadmap. The project aims to set science-based carbon reduction targets for the Group and will consider both Scope 1&2 (own organisation) and Scope 3 (value chain) GHG emissions. Carbon reduction targets are considered "Science-Based Targets" if they are in line with what climate science says is necessary to achieve the Paris Agreement goals: to limit global warming to below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C. Prysmian Group is supported in the project by the Carbon Trust, the leading organisation helping companies and governments to realise ambitious plans for a sustainable, low carbon future. By 2022 Prysmian plans to invest around Euro 450 million to further improve the sustainability of its organisation and supply chain and accelerate the development of cutting-edge cable technologies, assets and services. Energy consumption reduction, the circular economy, waste recycling, and promoting a health & safety culture are key in Prysmian's efforts to improve the sustainability of its supply chain. The transition to renewable energy is closely linked to the ability to transmit and dispatch energy from one place to another, from those locations where renewable energy is produced (offshore wind farms) to those where it is consumed (urban centres). Prysmian Group is committed to supporting the development of greener and smarter power grids, by making available innovative cable technologies capable of covering longer distances and suitable for installation at greater depths, ensuring higher performance, reliability and sustainability.

Legal action for patent infringements in the UK brought against Emtelle UK Limited

On 27 November 2020, Prysmian Group announced that it had commenced legal action against Emtelle UK Limited for infringement of some of its patents in the UK. Prysmian claims that Emtelle's FibreFlow products infringe the UK designations of Prysmian's European Patents EP(UK) 1,420,279 B1 and EP (UK) 1,668,392B1 for optical fibre cables.

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

With reference to the restructuring of industrial activities in Spain that involved the Manlleu and Montcada i Reixac sites in Catalonia last year, necessary for organisational and manufacturing reasons in order to recalibrate production capacity to market demand, the Group has maintained a constant dialogue and active collaboration with trade union representatives at these sites for the effective implementation of the plan envisaged in the November 2019 agreement.
The industrial plan aims to concentrate Spanish energy cable production at the Group's Catalan sites in Santa Perpètua de Mogoda and Vilanova i la Geltrú, as well as at General Cable's centre of excellence for low-voltage copper cables in Abrera, thereby maintaining the business's competitiveness in Spain. The total number of workers involved is 487 (of whom 334 at Manlleu and 153 at Montcada i Reixac).
Among the measures envisaged by the November 2019 agreement, unanimously approved by workers' representatives, was the gradual cessation of production activity at the sites concerned, which took place in April 2020 for the Montcada plant and in November 2020 for the Manlleu plant, although certain industrial activities will continue at the latter site during 2021.

Group performance and results

FINANCIAL PERFORMANCE

(Euro/million)	2020	2019	% change	2018 (*)
Sales	**10,016**	**11,519**	**-13.0%**	**10,104**
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**822**	**983**	**-16.4%**	**634**
% of sales	8.2%	8.5%		6.3%
Adjusted EBITDA	**840**	**1,007**	**-16.6%**	**693**
% of sales	8.4%	8.7%		6.9%
EBITDA	**781**	**907**	**-13.9%**	**501**
% of sales	7.8%	7.9%		5.0%
Fair value change in metal derivatives	(4)	15		(48)
Fair value stock options	(31)	1		(6)
Amortisation, depreciation, impairment and impairment reversal	(393)	(354)		(232)
Operating income	**353**	**569**	**-38.0%**	**215**
% of sales	3.5%	4.9%		2.1%
Net finance income/(costs)	(101)	(125)		(112)
Profit/(loss) before taxes	**252**	**444**	**-43.2%**	**103**
% of sales	2.5%	3.9%		1.0%
Taxes	(78)	(148)		(45)
Net profit/(loss)	**174**	**296**	**-41.2%**	**58**
% of sales	1.7%	2.6%		0.6%
Attributable to:				-
Owners of the parent	178	292		58
Non-controlling interests	(4)	4		-
Reconciliation of Operating Income/EBITDA to Adjusted Operating Income/Adjusted EBITDA				
Operating income (A)	**353**	**569**	**-38.0%**	**215**
EBITDA (B)	**781**	**907**	**-13.9%**	**501**
Adjustments:				**-**
Company reorganisation	32	85		66
Non-recurring expenses/(income)	9	(32)		94
Other non-operating expenses/(income)	18	47		32
Total adjustments (C)	**59**	**100**		**192**
Fair value change in metal derivatives (D)	4	(15)		48
Fair value stock options (E)	31	(1)		6
Assets impairment and impairment reversal (F)	68	36		5
Adjusted operating income (A + C + D + E + F)	**515**	**689**	**-25.3%**	**466**
Adjusted EBITDA (B + C)	**840**	**1,007**	**-16.6%**	**693**

(*) The results of General Cable have been consolidated with effect from 1 June 2018.

The Group's sales in 2020 came to Euro 10,016 million, compared with Euro 11,519 million in 2019, posting a negative change of Euro 1,503 million (-13.0%).

The main factors behind this change were:
- negative organic sales growth, accounting for a decrease of Euro 1,185 million (-10.3%);
- unfavourable exchange rate movements, leading to a decrease of Euro 324 million (-2.8%);
- fluctuation in the price of metals (copper, aluminium and lead), generating a sales price increase of Euro 6 million (+0.1%).

Organic sales growth by the three operating segments was as follows:
- *Projects* -20.6%;
- *Energy* -7.1%;
- *Telecom* -14.1%.

Overall organic sales growth for the year was -10.3%. Excluding the *Projects* segment, organic sales growth would have been -8.3% (-4.8% in the fourth quarter), the main factors behind which were as follows:
- a steep decline in the *Telecom* segment of -14.1% year-on-year and -3.8% in the final quarter, despite a second-half improvement in North America driven by the optical cables business;
- a slowdown in the Energy & Infrastructure business, with negative organic growth of -7.5% year-on-year and -4.0% in the final quarter, adversely affected by the impact of Covid-19 especially in the second quarter although showing a second-half improvement;
- good performance by Onshore Wind (forming part of the E&I business) in the United States and by Renewables.

The Group's Adjusted EBITDA (before net expenses for company reorganisation, net non-recurring expenses and other net non-operating expenses) came to Euro 840 million in 2020, down Euro 167 million (-16.6%) on the corresponding 2019 figure of Euro 1,007 million. The main factors affecting performance are described below:
- *Energy* segment, in which the Power Distribution business (especially Onshore Wind in North America) performed well with an improvement in earnings, as for Overhead lines;
- *Projects* segment, in which the constraints arising from the Covid-19 pandemic led to inefficiencies in production and installation for the High Voltage underground business in the first half of the year, although improving in the second half. In addition, the segment suffered from an unfavourable mix and incomplete saturation of production capacity in the Submarine business;
- *Telecom* segment, in which margins stabilised despite lower volumes and strong price pressure, only partially absorbed by cost efficiencies. Among other things, there was a final-quarter recovery in the optical cables business.

On the whole, despite also being affected by adverse exchange rate movements, the Group showed good resilience to the current macroeconomic context, thanks to the adoption of swift and targeted actions to contain both fixed and variable costs and improve the business mix, allowing it to keep margins stable.

In addition, the Group completed the process of integrating General Cable ahead of time, achieving an annualised addition of around Euro 200 million to EBITDA and annualised cost efficiencies of around Euro 175 million, having already incurred a total of some Euro 200 million in restructuring costs. These results were achieved thanks to the Group's improved geographical diversification, greater complementarity between product portfolios and cross-selling activities.

EBITDA is stated after net expenses for company reorganisation, net non-recurring expenses and other net non-operating expenses, totalling Euro 59 million (Euro 100 million in 2019). These adjustments mainly consist of reorganisation costs for Euro 32 million (Euro 85 million in 2019).

Amortisation, depreciation and impairment amounted to Euro 393 million in 2020, reporting a year-on-year increase, primarily because of the impairment loss of Euro 66 million recognised against property, plant and equipment in the Energy segment's South Europe Region CGU, as discussed in the Explanatory Notes.

The fair value change in metal derivatives was a negative Euro 4 million in 2020, compared with a positive Euro 15 million in 2019.
After adopting hedge accounting for most of its metal derivatives, which was affected by price increases for copper, aluminium and lead, the Group has recognised a positive pre-tax amount of Euro 68 million in the cash flow hedge reserve.

A total of Euro 31 million in costs were recognised in 2020 to account for the effects of the long-term incentive plan and employee share purchase scheme.

Reflecting the effects described above, the Group's operating income came to Euro 353 million, compared with Euro 569 million in the previous year, thus reporting a decline of Euro 216 million.

Net finance costs amounted to Euro 101 million in 2020, down on the prior year figure of Euro 125 million. The decrease is mainly due to exchange rate trends and an interest saving after repayment in 2019 of part of the loans previously taken out for the General Cable acquisition.

Taxes came to Euro 78 million, representing an effective tax rate of around 31% (33.3% in 2019).

Net profit for 2020 was Euro 174 million, of which Euro 178 million attributable to the Group, compared with Euro 296 million in 2019, of which Euro 292 million attributable to the Group.

The Group has continued to reduce its net financial debt, which stood at Euro 1,986 million at 31 December 2020, down Euro 154 million from Euro 2,140 million at 31 December 2019. The reduction was achieved thanks to Euro 375 million in cash flow provided in the past twelve months by operating activities after net finance costs paid (excluding cash flows arising from acquisitions and/or disposals).

The 2020 reporting period saw the Group win a number of major contracts, including a 50% share of the three "German Corridors" projects worth a total of some Euro 1,800 million, confirming Prysmian Group's primary role as an energy transition facilitator. The award of these contracts has allowed the Group's order backlog to reach a record level of around Euro 3,500 million.
The Group has also given priority to safeguarding the needs of its employees and customers, protecting the business, and focusing increasingly on innovation and digitalisation.
With regard to safeguarding its employees, the Group has taken steps to enable continuous testing for Covid-19 and to providing medical devices and masks for its employees. In addition, the Group has made flu vaccines available to its employees and their families.

With regard to safeguarding the needs of its customers, the Group has focused on a customer-oriented strategy that has enabled it to meet delivery times in more than 94% of cases.
With regard to protection of the business, as mentioned earlier, the Group has taken actions designed to contain fixed and variable costs, to rigorously monitor the trend in net working capital and to apply greater discipline in making investments. These latter actions have benefited cash generation, which reached a level of Euro 375 million in 2020.
With regard to innovation and digitalisation, the Group has passed tests in two cutting-edge technologies, namely P-Laser and XPLE, for 525KV HVDC cables, installed three submarine cables at

depths of more than 900 metres (Crete-Peloponnese), installed the first ever 180μm fibre cable for FTTx and 5G networks and continued to digitalise the production process.

The Group also believes in sustainability and aims to make Pikkala the Group's first zero emission plant. The Group also intends to invest Euro 450 million by 2022 to support sustainability, energy transition to renewable sources and digitalisation.
During the year, the Group improved its position in the Dow Jones Sustainability index, ranking number two in the sector, and has since been awarded an Ecovadis platinum rating

Review of Projects Operating Segment

(Euro/million)	2020	2019	% change	2018 (*)
Sales	1,438	1,844	-22.0%	1,635
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**186**	**228**	**-18.4%**	**89**
% of sales	13.0%	12.3%		5.4%
Adjusted EBITDA	**186**	**228**	**-18.2%**	**89**
% of sales	13.0%	12.4%		5.4%
Adjustments	(13)	(23)		(105)
EBITDA	**173**	**205**	**-16.0%**	**(16)**
% of sales	12.1%	11.1%		-0.9%
Amortisation and depreciation	(64)	(64)		(54)
Adjusted operating income	**122**	**164**	**-23.1%**	**35**
% of sales	8.5%	8.9%		2.1%

(*) The results of General Cable have been consolidated with effect from 1 June 2018.

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 plants 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

Market demand for Submarine Power cables continued to show signs of recovery during the year: several bids are now at an advanced stage of the tendering process, and despite being later than originally forecast, are expected to be awarded in the next few months. The market is expected to grow over the medium term, especially the Offshore Wind segment, fostered by the continuous reduction in electricity generation costs.
Market demand remained stable for Submarine Telecom cables.

In the High Voltage underground business, the HVAC market was largely stable in Europe, with mixed trends between the different countries, while reporting growth in North America but persistently soft demand in Southeast Asia, which having already turned down in 2019 was exacerbated by the impact of Covid-19.
In the HVDC market, typically for interconnectors, tendering activities for major underground power lines in Germany reached their conclusion, with Prysmian Group being awarded a substantial share of all the projects concerned. In fact, Prysmian Group has secured about 50% of both the Suedostlink and A-Nord contracts, worth a total of approximately Euro 1 billion, and two lots worth about Euro 850 million for the Suedlink project.

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

FINANCIAL PERFORMANCE

Sales to third parties by the *Projects* segment amounted to Euro 1,438 million in 2020, versus Euro 1,844 million in 2019, recording a negative change of Euro 406 million (-22.0%).

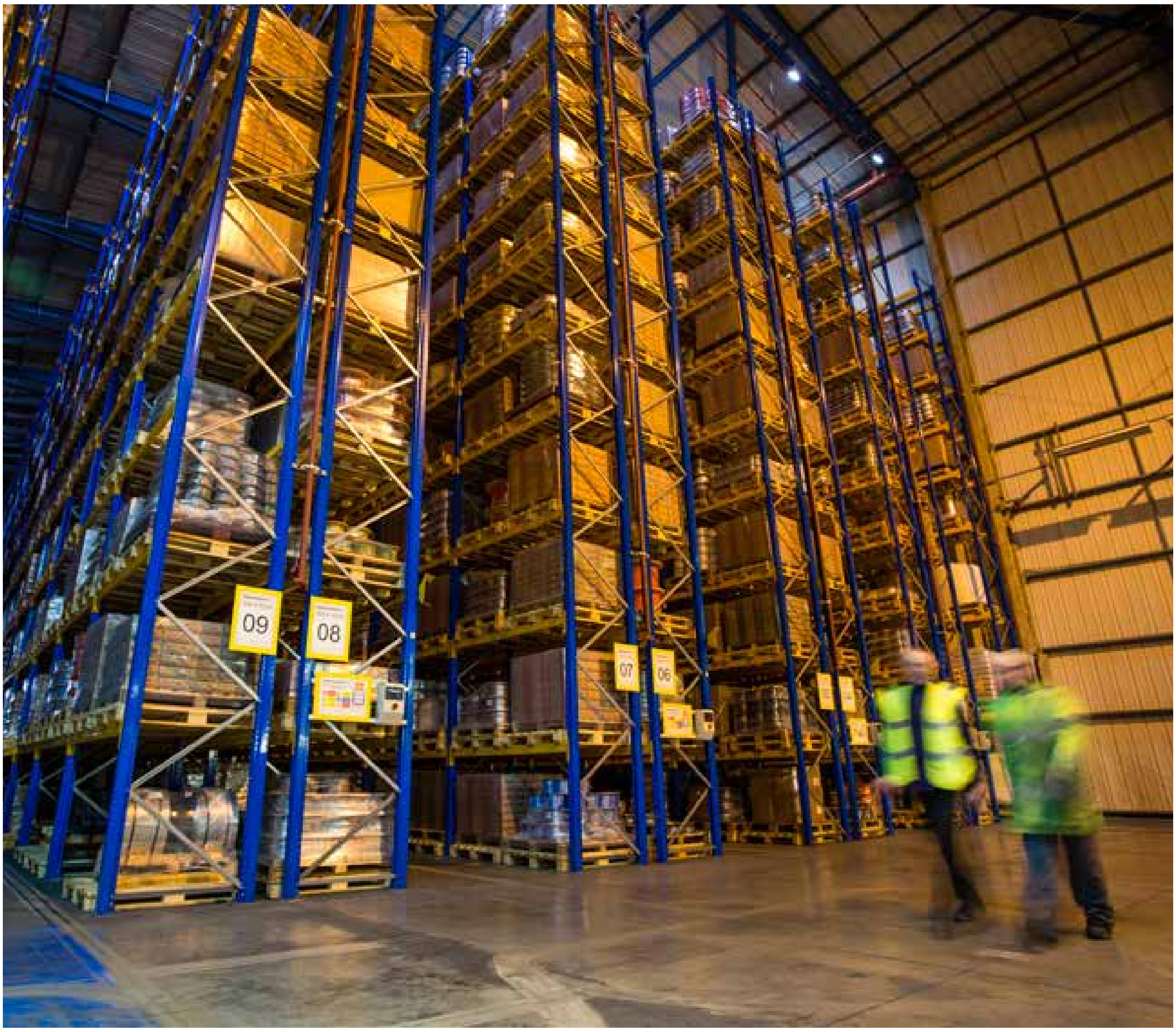
The factors behind this change were:
- negative organic sales growth, accounting for a decrease of Euro 379 million (-20.6%);
- exchange rate trends, producing a decrease of Euro 25 million (-1.3%);
- metal price fluctuations, producing a decrease of Euro 2 million (-0.1%).

The *Projects* segment's negative organic growth of -20.6% for the year and -34.4% in the final quarter primarily reflects the impact of the Covid-19 pandemic on every line of business; this was compounded by lower sales volumes in some High Voltage markets, primarily France and APAC, and a negative contribution from the mix of Submarine Power contracts in progress, where a high level of operating efficiency partially offset the impact of having underutilised assets. The Submarine Telecom and Offshore Specialties businesses reported a limited reduction in sales.

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 France and the UK (IFA2), the interconnection projects in Bahrain and Greece (Crete-Peloponnese interconnector), the Viking Link interconnector and the offshore wind projects in France.
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 the assistance of both its own assets and third-party equipment.

The value of the Group's Submarine Power order backlog stands at around Euro 1.5 billion, mainly consisting of the following contracts: the offshore wind contracts in France (St. Nazaire and Fecamp) and Germany (Dolwin5); the interconnector between the UK and Denmark (Viking Link); and the project for the Crete-Attica link awarded during second quarter 2020. The value of the Group's High Voltage order backlog has increased considerably during 2020, thanks to the award of the German Corridors HVDC contracts in Germany, taking it to approximately Euro 2 billion.
The Group's overall order backlog has thus reached a record level of Euro 3.5 billion.

Adjusted EBITDA for year came to Euro 186 million, down from the prior year figure of Euro 228 million; the main source of contraction can be laid at the door of Covid-19, causing orders to slow and be postponed, especially in the businesses of High Voltage Underground (although recovering in the last quarter of the year) and Offshore Specialties, combined with a negative mix of work in progress in the Submarine Energy business, which also suffered from underutilised production capacity.



Review of Energy Operating Segment

(Euro/million)	2020	2019	% change	2018 (*)
Sales	7,207	8,027	-10.2%	6,975
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**436**	**503**	**-13.3%**	**316**
% of sales	6.1%	6.3%		4.5%
Adjusted EBITDA	**440**	**505**	**-12.8%**	**320**
% of sales	6.1%	6.3%		4.6%
Adjustments	(45)	(60)		(71)
EBITDA	**395**	**445**	**-11.4%**	**249**
% of sales	5.5%	5.5%		3.6%
Amortisation and depreciation	(185)	(182)		(126)
Adjusted operating income	**255**	**323**	**-20.3%**	**194**
% of sales	3.5%	4.0%		2.8%

(*) The results of General Cable have been consolidated with effect from 1 June 2018.

The *Energy* Operating Segment, incorporating those businesses able to offer a complete and innovative product 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 & Network Components* (comprising Oil & Gas, Downhole Technology, Specialties & OEM, Elevators, Automotive and Network Components).

Sales to third parties by the Energy operating segment came to Euro 7,207 million in 2020, compared with Euro 8,027 million in 2019, posting a negative change of Euro 820 million (-10.2%), the main components of which are as follows:

- negative organic sales growth of Euro 574 million (-7.1%). Fourth-quarter organic growth was -4.9%;
- decrease of Euro 256 million (-3.2%) for adverse exchange rate fluctuations;
- sales price increase of Euro 10 million (+0.1%) for metal price fluctuations.

Adjusted EBITDA came to Euro 440 million in 2020, down Euro 65 million (-12.8%) from Euro 505 million in 2019, reflecting the difficulties experienced in connection with the Covid-19 pandemic.

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

ENERGY & INFRASTRUCTURE

(Euro/million)	2020	2019	% change	2018 (*)
Sales	4,735	5,285	-10.4%	4,462
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**272**	**307**	**-11.0%**	**163**
% of sales	5.8%	5.8%		3.7%
Adjusted EBITDA	**275**	**308**	**-10.5%**	**166**
% of sales	5.8%	5.8%		3.7%
Adjusted operating income	**152**	**185**	**-8.2%**	**80**
% of sales	3.2%	3.5%		1.8%

(*) The results of General Cable have been consolidated with effect from 1 June 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 product 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 2020, the Trade & Installers business saw demand turn down in most of the European countries served, particularly in South Europe and the UK due not only to difficulties associated with the Covid-19 pandemic but also with Brexit. The decline in business in the regions of APAC, MEAT and LATAM (the latter nonetheless showing signs of improvement in the final quarter), reflected not only the complications of the Covid-19 pandemic but also steep currency devaluation in Central and South American countries, making an already troubled market more uncertain. Even in North America the Trade & Installers market reported a year-on-year downturn, mainly due to the Covid-19 pandemic.

As for Power Distribution, markets in North America continued to be buoyant, also thanks to Onshore Wind demand, which benefited from the Production Tax Credit (PTC), a tax incentive based on electricity generated. Following the pandemic, the deadline for installations was extended until the end of next year, without increasing the amounts incentivised.

The principal European countries have experienced a general stagnation in energy consumption in recent years, in turn adversely affecting demand by the major utilities. The latter, operating in a recessionary economic environment, have either maintained cautious positions, given the impossibility of forecasting future growth, or else they have concentrated on business restructuring to improve efficiency and contain supply-side costs. This situation has exacerbated the competitive dynamics in terms of price and mix, leaving an extremely challenging environment almost everywhere. During 2020, demand for the Power Distribution business versus the prior year benefited from a growth in consumption in North Europe, and remained resilient in Germany and the Danube area, while flagging slightly in South Europe and the UK mainly due to Covid-19 issues and the Brexit effect.
Lastly, demand was down in the Middle East, LATAM and APAC, partly owing to the Covid-19 pandemic.
The Overhead Transmission Lines business saw its North American and LATAM volumes grow on the same period last year, in line with market expectations.

FINANCIAL PERFORMANCE

Sales to third parties by the *Energy & Infrastructure* business area amounted to Euro 4,735 million in 2020, compared with Euro 5,285 million in 2019, posting a negative change of Euro 550 million (-10.4%), the main components of which are as follows:

- negative organic sales growth of Euro 398 million (-7.5%);

- negative change of Euro 171 million (-3.2%) for exchange rate fluctuations;
- sales price increase of Euro 19 million (+0.3%) for metal price fluctuations.

The *Energy and Infrastructure* business area recorded negative organic sales growth of -7.5% over the year (-4% in the final quarter).
The Trade & Installers business had negative organic growth, albeit with geographical differences, especially pronounced in South Europe, UK, LATAM and North America, the hardest hit regions by the Covid-19 pandemic, while a resilient market in Central Eastern Europe and North America managed to make up for part of the reduction in volumes. Despite a drop in volumes mainly because of Covid-19, the APAC region boosted its profitability. Middle East markets were also in retreat because of strong pressure on oil prices. Overall profitability of the Trade & Installers business was down on 2019 primarily as a consequence of Covid-19. The Power Distribution business had negative organic growth, reflecting different performances by region: strong positive growth in North America and North Europe, stable in Central-East Europe but negative in South Europe, the Middle East, LATAM and APAC. There was an overall improvement in profitability, driven mainly by North America and also thanks to prompt action on the cost front. Strong price pressure persisted in Europe.
The Overhead Lines business enjoyed strong positive organic growth in LATAM, while remaining stable in North America.

Given the above factors, Adjusted EBITDA for 2020 came to Euro 275 million, compared with Euro 308 million in the previous year, reflecting a decrease of Euro 33 million.

INDUSTRIAL & NETWORK COMPONENTS

(Euro/million)	2020	2019	% change	2018 (*)
Sales	2,252	2,492	-9.6%	2,277
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**165**	**195**	**-15.5%**	**155**
% of sales	7.3%	7.8%		6.8%
Adjusted EBITDA	**166**	**196**	**-15.3%**	**156**
% of sales	7.4%	7.9%		6.8%
Adjusted operating income	**109**	**140**	**-25.8%**	**118**
% of sales	4.8%	5.6%		5.2%

(*) The results of General Cable have been consolidated with effect from 1 June 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, while growing as a whole, displayed inconsistencies within the various business lines and between the different geographical areas. Some market segments grew despite the pandemic, thanks to a strong existing order backlog and the resilience of customer investment programs. Some applications for the OEM sector (Railway, Nuclear, Marine, Water and Electromedical) performed well, while the Crane and Defence segments remained stable. The Mining business posted a major slowdown as a result of lower MRO demand in the United States and the phasing of some projects in Eastern Europe and South America. The Rolling stock segment also saw lower volumes due to the Covid-induced postponement of CRRC call-offs under a multi-year program announced in 2020. The Renewables business enjoyed an uptick in demand for both Solar and Wind products which benefited from favourable phasing of some projects, completed despite the pandemic. The Wind segment benefited from a significant acceleration in the latter part of the year, especially in China in view of the imminent ending of incentives in 2021. However, both segments saw an increase in competitive pressure, affecting prices and partially eroding the healthy trend in volumes.

O&G demand was significantly inhibited by the Covid-19 pandemic and lower oil prices. The first quarter of the year saw a lull in activity in China, the first country hit by Covid-19 which then recovered over the course of the year. Starting in the second quarter, the slowdown in activity spread to the rest of the world in tandem with the proliferation of the pandemic, with this slowdown persisting during the third and fourth quarters. The hardest hit areas in the second half of the year were North and South America. EMEA and Asia Pacific maintained a higher level of activity thanks to the large order backlog built up in the previous year. However, the rate of order intake slowed over the course of 2020 with the spread of the pandemic and postponement of further investment decisions by major oil company customers.

The Elevator market showed a certain stability thanks to the good performance of the North American market.

After a positive first quarter, the Automotive segment recorded a drastic first-half drop in volumes primarily originating in the second quarter, mainly affecting the European, North American and APAC markets, while showing good signs of recovery in the third quarter and especially the fourth quarter with the reopening of major car manufacturers, whose production schedules were revised for the impact of Covid-19. The largest reductions were seen in the mid- to low-end segments.

The Network Components market saw demand contract in 2020, in both the MV and HV/EHV segments as a result of the Covid-19 pandemic in South Europe, LATAM and APAC, while remaining stable in the rest of the world.

FINANCIAL PERFORMANCE

Sales to third parties by the *Industrial & Network Components* business area amounted to Euro 2,252 million in 2020, compared with Euro 2,492 million in 2019, recording a negative change of Euro 240 million (-9.6%), the main components of which were as follows:

- negative organic sales growth of Euro 176 million (-7%). Fourth-quarter organic growth was -4.9%;
- negative change of Euro 76 million (-3.1%) for exchange rate fluctuations;
- sales price increase of Euro 12 million (+0.5%) for metal price fluctuations.

The principal business lines of *Industrial & Network Components* performed less well in 2020 than in 2019, particularly so in the case of the Automotive, Oil & Gas and Aviation businesses.

The Oil & Gas business saw business volumes steadily deteriorate in the EMEA region, while remaining depressed in North and South America. Asia Pacific as a whole had a positive level of activity. The business's overall margins degenerated due to the contraction in activity and parallel increase in competitive pressure.

The Downhole Technology business recorded a decrease in volumes and profits on the previous year, reflecting a reduction in volumes and orders related not only to the Covid-19 pandemic but also lower oil prices.

Specialties, OEM and Renewables recorded a healthy level of profit in line with expectations, displaying good resilience to the global economic situation, particularly thanks to the contribution of North Europe and North America and the businesses of Cranes, Railway, Nuclear and Renewables especially in China. This positive performance was partially tempered by worse results in the Mining and Infrastructure businesses as well as by a general slowdown in the regions most affected by the Covid-19 pandemic, namely South Europe, LATAM and APAC.

The profitability of the Elevator business, which performed well in North America, was in line with expectations. A few problems were experienced on the Chinese market in connection with Covid-19-related difficulties in the first quarter.
The acquisition of the EHC group was completed in January 2021, enabling the Group to integrate vertical transportation solutions into the product portfolio of its Elevator business.

The Automotive business recorded a sharp downturn in volumes everywhere, especially in the second quarter of 2020. The third quarter showed signs of recovery with improved efficiencies confirmed in the last quarter of the year.

The Network Components business experienced a deteriorating performance in the regions hardest hit by the Covid-19 pandemic, but managed to keep margins stable. The impact was most pronounced in South Europe, China and LATAM, both for the medium/low voltage sector and for HV products, while North Europe and the North American medium voltage sector were stable or marginally growing.

Given the above factors, Adjusted EBITDA for 2020 came to Euro 166 million, down from Euro 196 million in the previous year, reflecting a negative change of Euro 30 million (-15.5%).

OTHER

(Euro/million)	2020	2019	2018 (*)
Sales	220	250	236
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**(1)**	**1**	**(2)**
Adjusted EBITDA	**(1)**	**1**	**(2)**
Adjusted operating income	**(6)**	**(2)**	**(4)**

(*) The results of General Cable have been consolidated with effect from 1 June 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

(Euro/million)	2020	2019	% change	2018 (*)
Sales	1,371	1,648	-16.8%	1,494
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**200**	**252**	**-20.4%**	**229**
% of sales	14.6%	15.3%		15.4%
Adjusted EBITDA	**214**	**274**	**-21.9%**	**284**
% of sales	15.6%	16.6%		19.0%
Adjustments	8	-		22
EBITDA	**222**	**274**	**-19.1%**	**306**
% of sales	16.2%	16.6%		20.5%
Amortisation and depreciation	(76)	(72)		(47)
Adjusted operating income	**138**	**202**	**-28.0%**	**237**
% of sales	10.1%	12.3%		15.9%

(*) The results of General Cable have been consolidated with effect from 1 June 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 downturn in the global optical fibre cables market, already observed in the last part of the previous year, was confirmed in 2020.

Demand was additionally constrained by the impact of Covid-19 throughout the entire year. The phenomenon observed on the Chinese market at the beginning of first quarter 2020 spread to the rest of the world, most evidently in South Europe, North America and Latin America.

In North America, consumption of optical fibre cables remained steady year-on-year.

In Europe, overall demand was down, with uneven behaviour in the various national markets. In such a climate, the markedly negative contribution of the South Europe region was only partially mitigated by some virtuous behaviour in North Europe. In South Europe, the main operators adopted an aggressive destocking policy, which sharply reduced their optical cable procurement estimates, triggering a sharp market contraction.

In Italy, France and Spain, the first countries to take measures to contain the Covid-19 virus, a drop in demand for optical cables could be observed throughout 2020. Even though the Telecom segment is classified as strategic, difficulties in finding personnel to perform installations effectively prevented demand from accelerating much.

Thanks to plans under the Digital Agenda for Europe 2025, European demand is expected to revive from 2021. This Agenda 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.

In South America, a region when fibre penetration rates are still low, the optical cables market reported a slight decline attributable to a slowing of investment by major telecom operators.

The copper cable market continued to slow as a result of product maturity. The drop in demand, already evident during 2019, was confirmed but without showing any acceleration.
Given the high demand for internet access, the major operators have opted to renew their networks using optical fibre, rather than perform extensive maintenance work or upgrade existing networks. It is still worth retaining a presence in this segment since the gradual decommissioning of assets by competitor cable manufacturers nonetheless offers attractive opportunities.

The MMS cable market reported a downturn, most pronounced in South Europe and North America due to Covid-related difficulties. The decline in Latin American business reflected not only the complications of the Covid-19 pandemic but also steep currency devaluation in Central and South American countries, making an already troubled market more uncertain.

FINANCIAL PERFORMANCE

Sales to third parties by the Telecom operating segment came to Euro 1,371 million at the end of 2020, compared with Euro 1,648 million in 2019.

The negative change of Euro 277 million (-16.8%) is explained by:
- negative organic sales growth of Euro 232 million (-14.1%). Fourth-quarter organic growth was -3.8%;
- negative change of Euro 2 million (-0.1%) in sales prices for metal price fluctuations;
- negative change of Euro 43 million (-2.6%) for exchange rate fluctuations.

The organic decrease in sales during 2020 reflected the negative trend already observed since the second half of 2019 and mainly stemmed from softer demand in 2020 for optical fibre and specialty cables, further exacerbated by the impact of Covid-19. However, there was an improving trend from the second half of 2020, thanks to North America, with optical fibre cable volumes accelerating in the last quarter of the year.

European volumes trended down in 2020 on the previous year, although picking up in the fourth quarter, with continuing price pressure offset by greater cost efficiency.

In Brazil and Argentina, the Group's performance was in line with the downward market trend.

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

The positive performance of the high value-added business of optical connectivity accessories, prompted by the development of new FTTx networks (for last mile broadband), dwindled during year. While performance improved in the UK, other European markets reported a year-on-year deterioration.

The Multimedia Solutions business saw its growth slow on 2019, mainly due to the pandemic's effects on South European and North American markets.

The return on investments in relocating some cable manufacturing sources to Eastern Europe also made a substantial contribution to the segment's overall results.

Adjusted EBITDA for 2020 came to Euro 214 million, reporting a decrease of Euro 60 million (-21.9%) from Euro 274 million in 2019. This decline is mainly attributable to the negative results of the Group as described above and to those of the associate Yangtze Optical Fibre and Cable Joint Stock Limited Company in China, involving a negative impact of some Euro 8 million, only partially mitigated by a stabilisation in margins despite pressure on prices and achieved thanks to cost efficiencies.

Results by Geographical Area

(Euro/million)	Sales		Adjusted EBITDA	
	2020	2019	2020	2019
EMEA (*)	5,344	6,196	370	491
North America	3,084	3,441	354	352
Latin America	775	931	68	102
Asia Pacific	813	951	48	62
Total	**10,016**	**11,519**	**840**	**1,007**

(*) 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 recorded negative year-on-year organic sales growth of -11.9% in 2020 (-8.9% excluding the *Projects* segment) and -4.2% in 4Q 2020. This reflected adverse performance above all in 2Q 2020 in South Europe, the UK and the Middle East with the spread of the Covid-19 pandemic. Starting in 2H 2020, there was a sequential improvement in the Energy & Infrastructure business, which achieved weakly positive organic growth in 4Q 2020.

North America

North America recorded negative year-on-year organic sales growth of -7.1% in 2020 (-6.5% excluding the *Projects* segment) and -7.9% in 4Q 2020. The Energy & Infrastructure business posted a solid performance, mainly thanks to Power Distribution (dwindling however in the 2H 2020) and Overhead Transmission Lines, as well as continuous improvement in the optical cables business. Margins were supported by a favourable business mix and targeted actions to reduce costs.

LATAM

LATAM recorded negative year-on-year organic sales growth of -9.0% in 2020 (-10.4% excluding the *Projects* segment) and +1.4% in 4Q 2020. This region, severely impacted by the adverse consequences of the Covid-19 pandemic in 2Q 2020, saw a strong second-half recovery. Positive fourth-quarter organic growth was driven primarily by Trade & Installers, Overhead Transmission Lines and Telecom.

APAC

APAC recorded negative year-on-year organic sales growth of -13.0% in 2020 (-10.1% excluding the Projects segment) and -1.8% in 4Q 2020, reflecting the impact of the Covid-19 pandemic. There was nonetheless a significant fourth-quarter recovery thanks to the Energy segment (especially Trade and Installers, Renewables and Elevator), partly mitigated by the performance of Telecom.

COVID-19 EFFECTS

Sales in 2020 have decreased by 13% year-on-year, a reduction of Euro 1,503 million. Group Management has estimated that around 67% of this reduction is attributable to the loss in sales versus pre-pandemic forecasts caused by delays in the award of contracts and the drop in demand experienced by the most cyclically sensitive businesses, as well as by restrictions imposed by some governments on production activities.

As far as operating costs are concerned, Management has estimated the impact of shutting down certain production facilities in response to preventive measures adopted by some governments and of having operated at a much lower capacity than usual to be approximately Euro 37 million, net of related government financial support. In addition, the Group has recorded about Euro 8 million for ineffective hedges and inventory write-downs after items underlying derivatives were no longer realised due to the pandemic.

In addition to the above, approximately Euro 16 million in costs, treated as EBITDA adjustments, have been incurred to disinfect workplaces and buy personal protective equipment in order to allow industrial activities to continue safely and in compliance with the mandatory standards of hygiene dictated by the situation.

The spread of the Covid-19 pandemic has led to the recognition of certain impacts specifically as a result of adjusting the estimates and assumptions made by Group Management. In particular, an impairment loss of some Euro 66 million has been recognised against the property, plant and equipment allocated to the Energy segment's South Europe Region CGU.

Group Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(Euro/million)	31.12.2020	31.12.2019	Change	31.12.2018
Net fixed assets	4,971	5,301	(330)	5,101
Net working capital	523	755	(232)	692
Provisions and net deferred taxes	(579)	(820)	241	(734)
Net capital employed	**4,915**	**5,236**	**(321)**	**5,059**
Employee benefit obligations	506	494	12	463
Total equity	2,423	2,602	(179)	2,374
of which attributable to non-controlling interests	*164*	*187*	*(23)*	*188*
Net financial debt	1,986	2,140	(154)	2,222
Total equity and sources of funds	**4,915**	**5,236**	**(321)**	**5,059**

NET FIXED ASSETS

(Euro/million)	31.12.2020	31.12.2019	Change	31.12.2018
Property, plant and equipment	2,648	2,804	(156)	2,629
Intangible assets	1,997	2,154	(157)	2,162
Equity-accounted investments	312	314	(2)	294
Other investments at fair value through other comprehensive income	13	13	-	13
Assets and liabilities held for sale (*)	1	16	(15)	3
Net fixed assets	**4,971**	**5,301**	**(330)**	**5,101**

(*) Excluding the value of financial assets and liabilities held for sale.

At 31 December 2020, net fixed assets amounted to Euro 4,971 million, compared with Euro 5,301 million at 31 December 2019, posting a decrease of Euro 330 million mainly due to the combined effect of the following factors:

- Euro 244 million in net capital expenditure on property, plant and equipment and intangible assets;
- Euro 393 million in depreciation, amortisation and impairment charges for the period;
- Euro 79 million in increases in property, plant and equipment for new lease agreements accounted for in accordance with IFRS 16;
- Euro 255 million in negative currency translation differences affecting property, plant and equipment and intangible assets;
- Euro 2 million for the net decrease in equity-accounted investments, mainly comprising a positive Euro 18 million for the share of net profit/(loss) of equity-accounted companies, less Euro 8 million in dividend payments and Euro 10 million in negative currency translation differences.

NET WORKING CAPITAL

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

(Euro/million)	31.12.2020	31.12.2019	Change	31.12.2018
Inventories	1,531	1,523	8	1,511
Trade receivables	1,374	1,475	(101)	1,635
Trade payables	(1,958)	(2,062)	104	(2,132)
Other receivables/(payables)	(515)	(187)	(328)	(307)
Net operating working capital	**432**	**749**	**(317)**	**707**
Derivatives	91	6	85	(15)
Net working capital	**523**	**755**	**(232)**	**692**

Net working capital of Euro 523 million at 31 December 2020 was Euro 232 million lower than the corresponding figure of Euro 755 million at 31 December 2019. Net operating working capital, which excludes the value of derivatives, amounted to Euro 432 million (4.3% of fourth-quarter annualised sales) at 31 December 2020, down Euro 317 million from Euro 749 million (6.5% of sales) at 31 December 2019, reflecting the following factors:

- a reduction in working capital employed in multi-year Submarine projects, reflecting their stage of completion;
- an increase in working capital due to a decrease in without-recourse factoring of trade receivables;
- a reduction for the effect of currency differences.

EQUITY

The following table reconciles the Group's equity and net profit/(loss) for 2020 with the corresponding figures reported by Prysmian S.p.A., the Parent Company.

(Euro/million)	Equity at 31.12.2020	Net profit/ (loss) 2020	Equity at 31.12.2019	Net profit/ (loss) 2019
Parent Company Financial Statements	**2,209**	**80**	**2,161**	**179**
Share of equity and net profit of consolidated subsidiaries, net of carrying amount of the related investments	253	212	485	289
Reversal of dividends distributed to the Parent Company by consolidated subsidiaries	-	(123)	-	(154)
Deferred taxes on earnings/reserves distributable by subsidiaries	(30)	-	(30)	(14)
Elimination of intercompany profits and losses included in inventories	(9)	5	(14)	(4)
Non-controlling interests	(164)	4	(187)	(4)
Consolidated Financial Statements	**2,259**	**178**	**2,415**	**292**

NET FINANCIAL DEBT

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

(Euro/million)	31.12.2020	31.12.2019	Change	31.12.2018
Long-term financial payables				
CDP Loans	100	100	-	100
EIB Loans	110	118	(8)	135
Non-convertible bond	748	746	2	745
Convertible Bond 2017	489	478	11	467
Term Loan	996	995	1	993
Bridge Loan	-	-	-	500
Unicredit Loan	200	199	1	199
Mediobanca Loan	100	100	-	-
Intesa Loan	150	149	1	-
Derivatives	12	15	(3)	8
Lease liabilities	143	135	8	11
Other financial payables	9	12	(3)	11
Total long-term financial payables	**3,057**	**3,047**	**10**	**3,169**
Short-term financial payables				
CDP Loans	1	100	(99)	-
EIB Loans	8	17	(9)	17
Non-convertible bond	14	14	-	14
Term Loan	1	1	-	1
Derivatives	16	10	6	8
Lease liabilities	52	44	8	1
Other financial payables	51	36	15	65
Total short-term financial payables	**143**	**222**	**(79)**	**106**
Total financial liabilities	**3,200**	**3,269**	**(69)**	**3,275**
Long-term financial receivables	2	2	-	2
Long-term bank fees	3	4	(1)	-
Financial assets at amortised cost	4	4	-	5
Short-term derivatives	4	6	(2)	2
Short-term financial receivables	4	2	2	7
Short-term bank fees	2	2	-	1
Financial assets at fair value through profit or loss	20	27	(7)	25
Financial assets at fair value through other comprehensive income	11	11	-	10
Financial assets held for sale	1	1	-	-
Cash and cash equivalents	1,163	1,070	93	1,001
Total financial assets	**1,214**	**1,129**	**85**	**1,053**
Net financial debt	**1,986**	**2,140**	**(154)**	**2,222**

Net financial debt of Euro 1,986 million at 31 December 2020 has decreased by Euro 154 million from Euro 2,140 million at 31 December 2019. 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

(Euro/million)	2020	2019	Change	2018
EBITDA	**781**	**907**	**(126)**	**501**
Changes in provisions (including employee benefit obligations) and other movements	(163)	(72)	(91)	147
(Gains)/losses on disposal of property, plant and equipment and intangible assets	(20)	(1)	(19)	(37)
Share of net profit/(loss) of equity-accounted companies	(18)	(24)	6	(59)
Net cash flow from operating activities (before changes in net working capital)	**580**	**810**	**(230)**	**552**
Changes in net working capital	259	67	192	4
Taxes paid	(142)	(111)	(31)	(110)
Dividends from investments in equity-accounted companies	8	9	(1)	16
Net cash flow from operating activities	**705**	**775**	**(70)**	**462**
Cash flow from acquisitions and/or disposals	(5)	(7)	2	(1,290)
Net cash flow used in operating investing activities	(244)	(248)	4	(278)
Free cash flow (unlevered)	**456**	**520**	**(64)**	**(1,106)**
Net finance costs	(86)	(94)	8	(84)
Free cash flow (levered)	**370**	**426**	**(56)**	**(1,190)**
Dividend distribution	(70)	(119)	49	(105)
Capital contributions and other changes in equity	1	2	(1)	496
Net cash flow provided/(used) in the year	**301**	**309**	**(8)**	**(799)**
Opening net financial debt	**(2,140)**	**(2,222)**	**82**	**(436)**
Net cash flow provided/(used) in the year	301	309	(8)	(799)
Conversion of Convertible Bond 2013	-	-	-	283
Net financial debt General Cable	-	-	-	(1,215)
Increase due to IFRS 16	(79)	(211)	132	-
Other changes	(68)	(16)	(52)	(55)
Closing net financial debt	**(1,986)**	**(2,140)**	**154**	**(2,222)**

Net cash flow provided by operating activities (before changes in net working capital) amounted to Euro 580 million at the end of 2020.

The decrease in net working capital, described earlier, provided Euro 259 million in cash flow. After Euro 142 million in tax payments and Euro 8 million in dividend receipts, operating activities in 2020 therefore provided a net cash inflow of Euro 705 million.

Net operating capital expenditure used Euro 244 million in cash in 2020, a large part of which relating to projects to increase and rationalise production capacity and to develop new products.

In addition, Euro 86 million in net finance costs were paid and Euro 70 million in dividends were distributed during the year.

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

The alternative indicators used for reviewing the reclassified statement of financial position include:
- **Net fixed assets:** sum of the following items contained in the statement of financial position:
  - Intangible assets
  - Property, plant and equipment
  - Equity-accounted investments
  - Other investments at fair value through other comprehensive income
  - Assets held for sale involving Land and Buildings (excluding financial assets and liabilities held for sale)
- **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

(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.

- 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
  - Loan arrangement fees recorded in Other non-current receivables
  - Short-term financial receivables recorded in Other current receivables
  - Loan arrangement fees 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 2020

(Euro/million)		Note	31.12.2020 As per financial statements	31.12.2019 As per financial statements
Total net fixed assets	**A**		**4,971**	**5,301**
Inventories		6	1,531	1,523
Trade receivables		5	1,374	1,475
Trade payables		13	(1,958)	(2,062)
Other receivables		5	522	854
Other payables		13	(1,001)	(980)
Current tax payables			(25)	(51)
Derivatives		8	67	(13)
Items not included in net working capital:				
Financial receivables		5	6	4
Prepaid finance costs		5	5	6
Interest rate swaps		8	(19)	(21)
Forward currency contracts on financial transactions		8	(5)	2
Total net working capital	**B**		**523**	**755**
Provisions for risks and charges		14	(591)	(777)
Deferred tax assets		16	207	170
Deferred tax liabilities		16	(195)	(213)
Total provisions	**C**		**(579)**	**(820)**
Net capital employed	**D = A + B + C**		**4,915**	**5,236**
Employee benefit obligations	**E**	15	**506**	**494**
Total equity	**F**	11	**2,423**	**2,602**
Borrowings from banks and other lenders		12	3,172	3,244
Financial assets at amortised cost			(4)	(4)
Financial assets at fair value through other comprehensive income		4	(20)	(27)
Financial assets at fair value through profit or loss		7	(11)	(11)
Financial assets held for sale		10	(1)	(1)
Cash and cash equivalents		9	(1,163)	(1,070)
Financial receivables		5	(6)	(4)
Prepaid finance costs		5	(5)	(6)
Interest rate derivatives		8	19	21
Forward currency contracts on financial transactions		8	5	(2)
Net financial debt	**G**		**1,986**	**2,140**
Total equity and sources of funds	**H = E + F + G**		**4,915**	**5,236**

RECONCILIATION BETWEEN THE PRINCIPAL INCOME STATEMENT INDICATORS AND THE INCOME STATEMENT CONTAINED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES FOR 2020

(Euro/million)		2020 As per income statement	2019 As per income statement
Sales A		**10,016**	**11,519**
Change in inventories of finished goods and work in progress		69	(16)
Other income		99	96
Raw materials, consumables and goods		(6,464)	(7,218)
Personnel costs		(1,409)	(1,539)
Other expenses		(1,579)	(1,958)
Operating costs	**B**	**(9,284)**	**(10,635)**
Share of net profit/(loss) of equity-accounted companies	**C**	**18**	**24**
Fair value stock options	**D**	**31**	**(1)**
EBITDA	**E = A + B + C + D**	**781**	**907**
Other non-recurring expenses and revenues	**F**	**(9)**	**32**
Personnel costs for company reorganisation	**G**	**(24)**	**(69)**
Other costs and revenues for company reorganisation	**H**	**(8)**	**(16)**
Other non-operating expenses	**I**	**(18)**	**(47)**
Total adjustments to EBITDA	**L = F + G + H + I**	**(59)**	**(100)**
Adjusted EBITDA M = E – L		**840**	**1,007**
Share of net profit/(loss) of equity-accounted companies	**N**	**18**	**24**
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**O = M – N**	**822**	**983**

(Euro/million)		2020 As per income statement	2019 As per income statement
Operating income	**A**	**353**	**569**
Other non-recurring expenses and revenues		(9)	32
Personnel costs for company reorganisation		(24)	(69)
Other costs and revenues for company reorganisation		(8)	(16)
Other non-operating expenses		(18)	(47)
Total adjustments to EBITDA	**B**	**(59)**	**(100)**
Fair value change in metal derivatives	**C**	**(4)**	**15**
Fair value stock options	**D**	**(31)**	**1**
Non-recurring impairment and releases	**E**	**(68)**	**(36)**
Adjusted operating income	**G = A - B - C - D - E**	**515**	**689**

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 such 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 ethics, exposing the Group to possible penalties and undermining its reputation in the marketplace;
- Planning and Reporting Risks: risks related to the adverse effects of incomplete, incorrect and/or untimely information with possible impacts on the Group's strategic, operational and financial decisions.

THE PRYSMIAN RISK MODEL

STRATEGIC	FINANCIAL	OPERATIONAL
Macroeconomic. demand trends & Competivie environment	Raw materials price volatility	Sales & Tendering
Stakeholder expectations and Corporate Social Responsibility	Exchange rate volatility	Production Capaccity / Efficiency
Key customer & business partners	Interest rate volatility	Supply Chain Capaity / Efficiency
Emerging country risk	Financial instruments	Business interruption / Catastrophic events
Law & regulation evolution	Credit risk	Contract execution / liabilities
Research & Development	Liquidy risk / Working Capital risk	Product quality / liabilities
M&A / JVs and integration process	Capital availability / cost risk	Environmental
Operative CAPEX	Financial counterparties	Information Technology
Strategy implementation		Human Resources
Organizational framework & governance		Outsourcing

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.

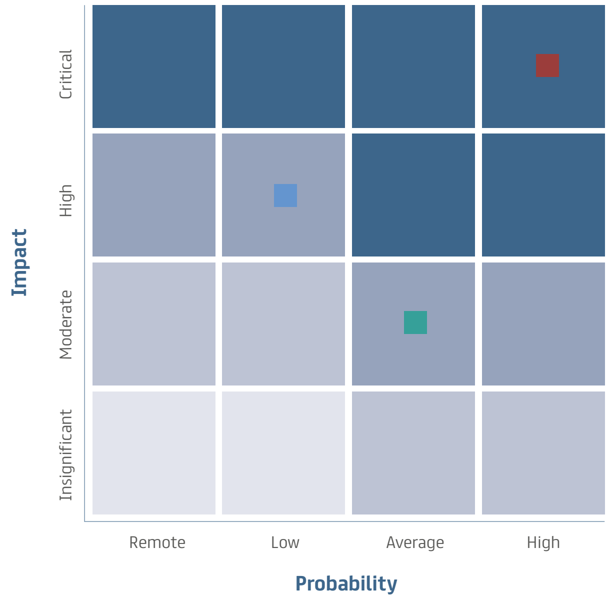
The results of measuring exposure to the risks analysed are then represented on a 4x4 heat map, which, by combining the variables in question, provides an immediate picture of the most significant risk events.

RISK ASSESSMENT CRITERIA

Assessment criteria
Impact
Probability
Level of Control

Level of Risk Management

- Risk NOT ADEQUATELY understood and/or managed
- Risk understood and/or managed with ROOM FOR IMPROVEMENT
- Risk ADEQUATELY understood 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, however, depends on the nature of the risk event identified, so in the case of:

- *external risks outside* the Group's control, it will be possible to implement tools that support the assessment of scenarios should the risk materialise, by defining the possible action plans to mitigate impacts (e.g. continuous monitoring activities, stress testing of the business plan, 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 strategic planning process through identifying potential events that could affect its sustainability, and which is updated annually with the involvement of key members of management.
In 2020, 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.
Among the main risk factors, those that can have an impact in terms of economic, environmental and social sustainability (ESG Environmental, Social, Governance risks) have also been assessed. 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 (Financial Risk Management). As stated in the Explanatory Notes to the Consolidated Financial Statements (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 2020, 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 dependence 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 dependence risk at a group level.

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.

Risk of market contraction or softer demand due to Covid-19

The global macroeconomic situation deteriorated over the course of 2020 due to the spread of the Covid-19 pandemic.
In response to this health emergency, governments in most countries have adopted containment measures, including travel bans, quarantines and other public emergency measures, with serious repercussions for economic activity and the entire production system. The program of extraordinary measures, swiftly deployed by the Group since the onset of the Covid-19 pandemic, is proving effective and has put people first. Accordingly, in order to preserve the permanent employment of its resources, steps have been taken to safeguard the health of employees, including through the ongoing performance of tests and provision of hygiene materials and personal protective equipment. The Group has also implemented a series of measures intended to mitigate risks arising from the Covid-19 pandemic with the purpose of defending its cash generating capability, through rigorous working capital management and effective cost monitoring designed to reduce both fixed and variable expenditure. A much more rigorous investment policy has also been adopted, while preserving a strategic allocation of resources.

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 2020, and six-monthly monitoring(1) of financial covenant compliance (fully satisfied at 31 December 2020), the Group is of the opinion that this risk is significantly mitigated and that it is capable of raising sufficient financial resources 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 reporting date of 30 June and at the full-year reporting date of 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 program covering almost all its operating companies; this is managed centrally by the Risk Management department, which monitors, with the assistance of the Group's Credit Management function, the level of exposure to risk and intervenes when tolerance limits are exceeded due to possible difficulty in finding coverage on the market.
It should be noted that credit risk was not particularly impacted during 2020 by the spread of the Covid-19 pandemic.
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. Given 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 2020, the Group's total financial resources and undrawn committed credit lines are 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, aluminium and lead, 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 and aluminium and, although less significant, of lead 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

Possible defects in the design and manufacture of Prysmian Group's products could give rise to civil or criminal liability towards its 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 running 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 all "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 a customer will therefore also depend on the results of risk assessment.
Management periodically carries out risk assessment for completed and ongoing contracts and analyses the risks involved. The Group has set aside specific provisions for such risks that represent the best estimate of the related liabilities based on available information.

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. The new vessel will enter into service in the second quarter of 2021, as a result of which the risk of dependence on the "Giulio Verne" will be significantly reduced.

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 2020, 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 are subject to specific environmental regulations, amongst which those concerning the management of raw materials, energy resources and hazardous substances, water discharges, air emissions and waste, including pollution prevention and minimisation of impacts on environmental factors (soil, subsoil, water resources, atmosphere).
The evolution of such regulations is towards an ever stricter compliance burden on businesses, often implying adaption of technologies (Best Available Techniques) and risk prevention systems, with the associated 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.
In order to prevent and mitigate environmental risks, the Group has adopted an ISO14000 certified environmental management system at most of its production sites.
Environmental issues are managed centrally by the HQ Health Safety & Environment (HSE) department which, by coordinating local HSE departments, is responsible for adopting systems to ensure strict compliance with legislation in accordance with best practice, for collecting and analysing environmental data via a centralised platform, for monitoring risk exposure using specific indicators, for organising specific training activities and carrying out audits at production sites.

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, technology 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 clear Information Security strategy has been defined in this regard setting out the governance structure adopted by the Group and the guidelines for managing cyber risk within IT architectures and business processes. A special Information Security Committee, consisting of the key figures involved in managing cyber risk(1),

(1) 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.

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 significant 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.

Risk of lack or loss of key resources

The Group is exposed to the risk of lack or loss of key resources with strategic operational roles. Such persons can be identified by their managerial responsibilities and/or specific know-how, necessary for the implementation of corporate strategies, and are hard to replace quickly.

In order to ensure business continuity in line with its strategic objectives, the Group has established the following:

- "Job Band Program" to define the classification of personnel through a due job weighting with respect to responsibility, problem solving and know-how, in line with company strategies, using a common, global organisational language;
- "Group Academy" to train and develop the following skills within the Group: Leadership (Management School), Technical (Professional School) and E-Learning (Digital School);
- "Make it", "Sell it", "Sum it" recruitment programs for professionals in the production, quality, procurement, logistics, sales and finance functions;
- "People Performance Program" to manage career paths;
- "Talent management program" to accelerate development of our talents;
- "Long-Term Incentive Program" to motivate and retain the Group's key managers;
- "Graduate Program" aimed at attracting and recruiting talented, high-potential personnel to ensure successful future staff replacements internally;
- "Non-compete agreements" formalised for those employees who possess technical process and product innovation know-how representing strategic value added for the business in its particular competitive sector.

Finally, Internal Job Posting was launched at a regional level in 2020, with the aim of making it global at a later date, to facilitate the development of people's cross-functional skills and continue to build a global corporate culture.

Key supplier dependence risks

In carrying out its operations, Prysmian Group relies on many suppliers of goods and services, some of which are important suppliers of raw materials like, for example, certain metals (copper, aluminium and lead) and some polymer compounds, especially in the high voltage and submarine cables business. Dependence on key suppliers obviously constitutes a risk in the event of delivery problems, quality issues or price rises, and, in the case of certain raw material suppliers, Prysmian is potentially exposed to their industrial risk (fire, explosion, flood, etc.).
With the objective of preventing and mitigating these risks, the Group has a well-established qualification system for selecting and working with reliable suppliers of goods and services and, where possible, identifying possible alternatives to therefore avoid single-source situations.
The mitigation strategy is therefore based on partnerships with a number of key suppliers aimed at reducing the Group's exposure to supply shortages, on close monitoring of their performance and on projects and investments in R&D to develop alternative technical solutions.

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.

The process of the UK's withdrawal from the European Union came to an end on 31 December 2020, after a long transition period during which the European Union and the United Kingdom negotiated their future relationship, with an agreement signed on 24 December 2020. In general, this agreement includes not only restrictions on the movement of people but also additional customs requirements for goods.
Although a withdrawal agreement has been reached, the climate of uncertainty arising from Brexit will continue to affect investment and consumption in the coming months, with possible consequent impacts on the Group's profitability, as well as possible impacts on the UK subsidiary's supply chain.

LEGAL AND COMPLIANCE RISKS

Risks of non-compliance with Code of Ethics, Policies and Procedures

Non-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. Through its Internal Audit & Compliance department, the Group undertakes to constantly monitor compliance with and effective application of these rules, not tolerating any kind of violation.
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 policies, procedures or the Code of Ethics, and hence of current legislation and regulations, by persons carrying out 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 vision when managing sensitive information, not only with respect to regulatory compliance 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.);
- Evaluation and 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 have been provided to Prysmian's many European legal entities, including the most recent ones acquired from General Cable, 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 are capitalised on as much as possible in the compliance activities required by other national regulations, including the "Ley General de Proteccion de Datos", now applicable in Brazil and inspired by the same principles.

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 multiple 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, often through local commercial agents and public officials, in countries at potential risk of corruption (as per the Corruption Perception Index[(1)]).

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 2019, carrying on from the previous year, Prysmian Group continued 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.

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. This program, introduced in 2019, continued to run throughout 2020.

(1) 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.

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 Compliance Program, during 2020 the related Policy was revised, along with the Policy on Gifts and Entertainment Expenses.
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 Conflict of Interest policy was issued in 2019.
In accordance with this policy, in 2020 all employees and consultants were required to disclose all potential conflicts of interest, which were then duly analysed and evaluated. With the assistance of the Human Resources department, the necessary corrective actions were then taken to mitigate or eliminate any potential conflicts.
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 abide by 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.
More detailed documents on the antitrust regulations in force in the European Union, North America, China and Australia have also 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 raising the accountability of individuals for their professional duties under antitrust legislation. Training in this area continued to be pursued in 2020. In particular, due to the Covid-19 emergency, classroom lessons were replaced by specific online training delivered via the Microsoft Skype/Teams platforms for certain functions, including Sales, Finance and Procurement. In addition, e-learning modules are available on the company intranet to support and raise awareness of and attention to this issue on an ongoing basis.
With regard to the antitrust investigations still in progress, details of which can be found in the note on Provisions for risks and charges in the Explanatory Notes to the Consolidated Financial Statements, the Group has a specific provision for risks and charges amounting to approximately Euro 120 million as at 31 December 2020. Despite the uncertainty of the outcome of the investigations and legal actions in progress, the amount of this provision is considered to represent the best estimate of the liability based on the information available at the date of the current report.

Risks arising from export restrictions

Many countries regulate international trade transactions and enforce laws and regulations governing trade in products, software, technology and services, including financial transactions and brokering.
Export control regimes, governed by laws of the United States, the EU (article 215 of the Treaty on the Functioning of the EU) and the United Nations (Chapter VII of the UN Charter), identify the parties (natural or legal persons) to whom the application of targeted restrictions (e.g. arms embargoes, travel bans, financial or diplomatic sanctions, etc.) is mandatory.
Failure to comply may result in the imposition of fines and criminal and/or civil penalties, including imprisonment.

In order to prevent and mitigate this risk, Prysmian Group has adopted a policy to manage and control its exports that involves among other things:

- Monitoring of countries and parties subject to restrictions, as well as the level of restrictions in force;
- Due Diligence on restricted persons, in order to avoid transactions with prohibited parties, including screening of Prysmian Group employees and visitors;
- Product classification to determine the applicable export compliance regulations. Classification allows the Group to understand where and to whom products may be exported and whether a licence or other permit is required;
- Basic training for all employees on export controls and specific training for staff in functions responsible for international trade transactions and export controls;
- Requirement for an end-user declaration certifying that the buyer or end-user of goods/technology complies with applicable export regulations.

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.

In addition, the risks related to climate change are reproduced below from the Consolidated Non-Financial Statement (Sustainability Report 2020), in which further details can be found.

Risks related to climate change

Risks related to the availability of water

Prysmian's plants primarily consume water for industrial purposes, in particular for certain cooling phases of their processes.
Prysmian has analysed water stress, defined as the ratio of demand for water to the amount available, assuming a time horizon until 2040 and a scenario of high CO_2 emissions, to assess the geographical location of the Group's plants exposed to the risk of reduced water availability.
Most of the plants for which a potential risk was identified adopt production processes that involve water recirculation designed to reduce consumption. Risk mitigation measures also include further improvement in the water recirculation percentage and/or the opportunity to install new recirculation systems to optimise water consumption, where necessary or cost effective, thus resulting in a low exposure to risk.

Risks associated with rising sea levels, involving potential damage to production facilities

The Group has been monitoring the risk of climate change since 2017 and, in particular of rising sea levels, with the aim of assessing potential impacts on its production facilities.
The results confirm that in the time horizon considered, extending to 2080, in a scenario of high CO_2 emissions, no direct impacts on the Group's production facilities are expected. It should be noted, however, that the rise in sea level could change with an increased exposure to the risk of coastal flooding in the wake of severe weather conditions; this scenario, nonetheless, applies to a very limited number of production facilities and will be monitored to anticipate developments and introduce additional systems of control where necessary.

Risks related to greater severity of extreme weather events, involving potential damage to production facilities

The Group constantly monitors the exposure of its production sites to weather events like storms, floods, hailstorms, etc. and has also assessed its exposure with a time horizon running to 2035, in a scenario of high CO_2 emissions; this assessment has confirmed a low overall exposure to risks arising from changes in summer and winter rainfall and from rising temperatures, with the exception of a very small number of facilities in areas with a maximum expected temperature rise of +1.5°. A sensitivity analysis carried out for the period 2020-2035, assuming an additional increase in the severity and frequency of extreme weather events, also based on weather events that have impacted the Group's assets in the last 20 years, has confirmed a low exposure.

Risk of increased production costs due to increased prices for greenhouse gas emissions (Carbon Tax or Emission Trading Scheme)

This risk relates to a potential increase in production costs due to a wider application of laws and regulations on GHG emissions, both in the form of taxes (carbon tax) and as an emissions market (Emission Trading Scheme). In order to mitigate the consequences, the Group constantly monitors the evolution of laws and regulations on GHG emissions around the world, especially in countries where it has production sites, and has drawn up a strategic plan with quantitative targets for the reduction of GHG emissions, monitored using specific indicators.
In addition, in 2020 the Group initiated a process to set medium- and long-term targets for the reduction of Scope 1 and 2 emissions and to quantify and manage Scope 3 emissions. These targets will be set on a scientific basis in accordance with the Science-Based Target Initiative and taking into account expected temperature rise scenarios.

Risk of non-compliance with environmental regulations and those concerning energy efficiency and management of greenhouse gas emissions, including more stringent reporting requirements

Prysmian conducts its business in compliance with national and international environmental norms and regulations, paying particular attention to the risk of failure to comply or to comply swiftly with changes in regulations that may occur in its business context. In particular, the Group has analysed the potential risk of non-compliance with any changes in local legislation transposing the Energy Efficiency Directive 2012/27/EU (EED) on end-use energy efficiency. In order to manage this risk, several measures have been deployed, including Energy Audit Plans at plants, energy efficiency projects, specific training sessions, and adoption of specific indicators to monitor risk exposure and take prompt action to reduce the risk below the tolerance thresholds.
In addition, in 2020 the Group began a process to set medium- and long-term targets for the reduction of Scope 1 and 2 emissions and to quantify and manage Scope 3 emissions. These targets will be set on a scientific basis in accordance with the Science-Based Target Initiative and taking into account expected temperature rise scenarios.

Research and Development

Sustainable Innovation

We ensured that R&D activities continued during the pandemic, confirming the strategic priority to innovate in support of the energy transition process. In order to intensify exchange and discussion with the entire value chain, we have invested in the creation of an ecosystem, a multi-stakeholder partnership.

Globally, Prysmian Group R&D consists of more than 900 professionals, working in 25 R&D centres around the world. The R&D HQ, located near the Headquarters in Milan, coordinates the activities of local R&D centres and promotes breakthrough innovations via projects that take a medium/long-term approach. It includes laboratories where development of new cables and technologies can be performed in full autonomy, being able to count on an experimental prototype room for production of cables and compounds, on an electrical testing facility, equipped with the most advanced systems for EHV cables testing, and a physical-chemical lab gifted with cutting-edge instruments dedicated to deeply analyze cable and material properties.

Group R&D is responsible for the overall innovation strategy, aimed at making Prysmian a key player in the value chain supporting Energy Transition, Digitalization and Sustainability. Local R&D centres participate actively in new product development, the Design-to-Cost (DTC) program and the rationalisation of product families. The Design to Cost program represents a tangible initial example of this model. Using the best materials, adopting efficient processes and implementing innovative projects, this program has achieved in 2020 cost savings totaling more than Euro 42 million, with more than 1,800 projects completed at our manufacturing plants.

Since the end of February, the Covid-19 emergency has definitely impacted the daily activity of the Group R&D and obliged the Company to adopt all necessary measures in order to safeguard the health of the workforce. Nevertheless, R&D is considered a strategic priority for the Company and the continuity of its activities was guaranteed at all levels, through the application of differentiated measures in consideration of the typology of projects, their urgency and the impact on the business, especially in terms of service continuity towards our customers.

2020 numbers

104 mln€
invested
in Research Centres*

5,600 ABOUT
Patents covering the
main innovations

25
Research Centres

203
Product families launched
during the year

50
Collaborations with
research centres and universities

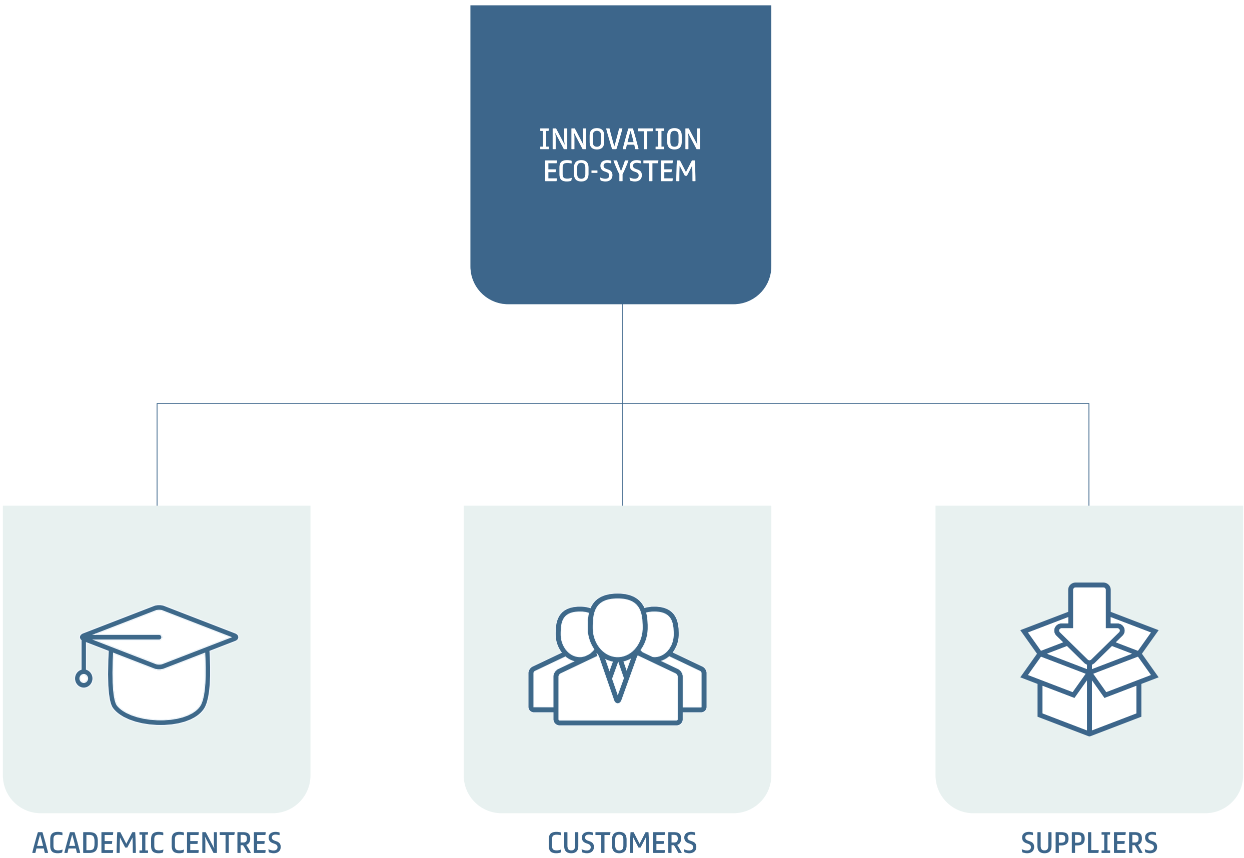
900
Professionals

* Euro 90 million in operating expenses and Euro 14 million in investment expenditure.

INNOVATION ECO-SYSTEM

When carrying out research, the Prysmian Group is aware that today – as evidenced by the UN 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. The feedback they are able to provide is extremely important for the identification of those requirements and aspects 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.



PARTNERSHIP

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

Università degli Studi di Milano, Genova, Salerno, Università di 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 Desenvolvimento em 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)

Università di Lille 1 (France)

Nokia Bell Labs USA and (France)

Università di Strasburgo (France)

Technical University of Eindhoven (Holland)

Nano Carbon Enhanced Materials Consortium (United Kingdom)

Norner (Norway)

The specific research carried out includes:

- In 2020 Carbon Hub was initiated as a consortium with Prysmian as one of the co-founding members. The activities, led by Rice University, have covered the first loop of definition and selection of the relevant topics for the call of proposal. The call has been issued on 5 main streams fitting with Carbon Hub view and a total of 15 Proposals have been shortlisted for the final step. 3 projects have been selected as winners to get founded by Carbon Hub and additional 5 are in a second bucket for possible additional founding.
- Together with Politecnico di Milano and the University of Salerno, the Group has studied and defined the crystalline structure of extruded PP blends;
- Together within the University of Padova, the Group has studied the behaviour of several flame - retardant additives, which will provide a basis for developing a new line of LSOH compounds;
- Together with the University of Palermo, the Group is working on the advanced characterisation and testing of high voltage cables and materials.
- In order to effectively support the future evolution of the electrification process, Prysmian has started to study (in partnership with Universities and Research Centers) specific solutions for the LV and MV distribution networks also in DC (Direct Current). The continuously increasing use of DC in several steps of the supply chain of electrical energy will require dedicated connections with improved performances.

- On the path towards the development of technologies for the mobility of the future, Prysmian Group has continued and further expanded its support and cooperation with Hardt, a business leader active in the development of a network of Hyperloop links in Europe. Following the approval of the Hyperloop Development Program by the Dutch Ministries of Infrastructure & Water Management and Economic Affairs & Climate in 2020, Prysmian has developed and supplied the first motor cable for the electromagnetic levitation and propulsion system for the European Hyperloop Center, which will be located in Groningen (NL).

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 in a virtual manner because of the protective measures against Covid-19, with a view of illustrating the active role played by the Group in guiding the changes currently under way.

The Group attended the following conferences:

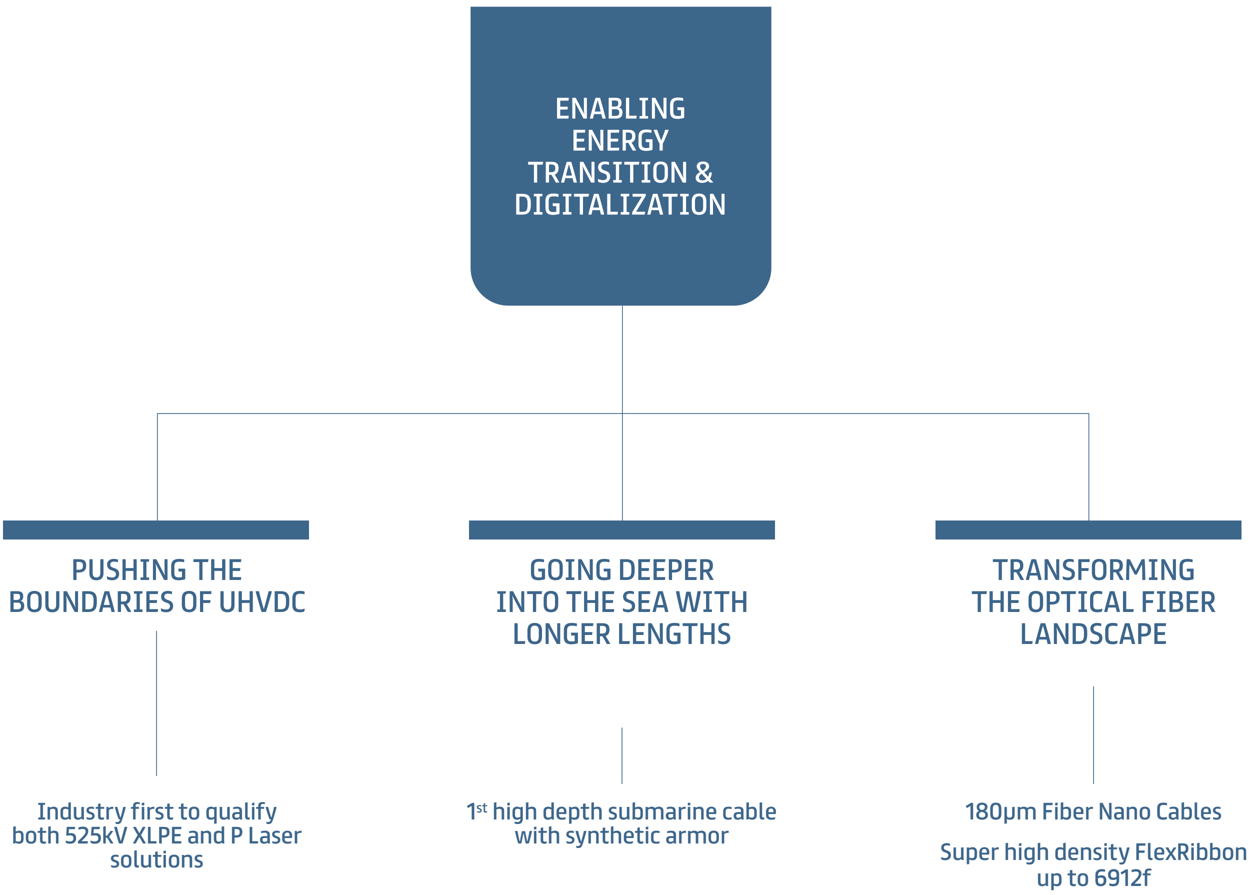
- FTTH Council Europe Conference, December 2020: workshop on the sustainability of fixed optical networks, speaking slot on minicables;
- IWCS (International Wire & Cables Symposium), October 2020: attended with technical papers on optical cables;
- CRU World Optical Fibre & Cable conference, October 2020: Optical Fibre and Cable Leadership Panel (A. Bosch), Speech on the sustainability of optical fibre (O. Delwal);
- CRU Cable and Wire Conference, 3 July 2020: 3 speeches: keynote speech on Covid-19 impact on the cable industry (S. Siripurapu);
- FT ETNO Tech and Politics Forum, December 2020: speech on the role of innovation, sustainability and investments in building future-proof telecom networks;
- FT - Prysmian Group Digital Talks "Telecoms Role on the Recovery": an event organized by Prysmian and Financial Times about infrastructure, innovation and sustainability;
- Wind Europe Technology Workshop - Assessment & Analysis of Operating Wind Farms, 8 – 11 June 2020: "Digital tools and remote sensing solution to monitor the operations of electrical components", Opening session (speaker: R.Gil) along with G.Dickson, Wind Europe CEO;
- Recharge Digital Round Table, 24 June 2020: "Offshore Wind: engine of the Global Energy Transition", Prysmian as Sponsor & Panelist (R.Gil), together with Equinor, GE and Goldwind;
- Wind Europe Sofa Talk, 9 July 2020: "Tomorrow's technology: away from the politics, what will the wind industry look like in 20 years time?", Prysmian as Panelist (R.Gil), together with Siemens Gamesa and Ørsted;
- CIGRE Digital E-session, 24 August–3 September 2020: 21 contributions from engineers and researchers, who authored or co-authored 6 papers on several topics;
- FINANCIAL TIMES DIGITAL DIALOGUE - The future of offshore wind, 19 November 2020: Digital Dialogue/Panel discussion with H.Ozmen, Siemens & Ørsted;
- REUTERS EVENT - Energy transition European summit, 23 November 2020: Opening CEO Keynote Panel "Is the Energy Transition Failing?", Panelists: V. Battista & National Grid, Lundin Energy, Mainstream Renewable Power, Enviva.

R&D BY THE PRYSMIAN GROUP: FOCUS

Core areas

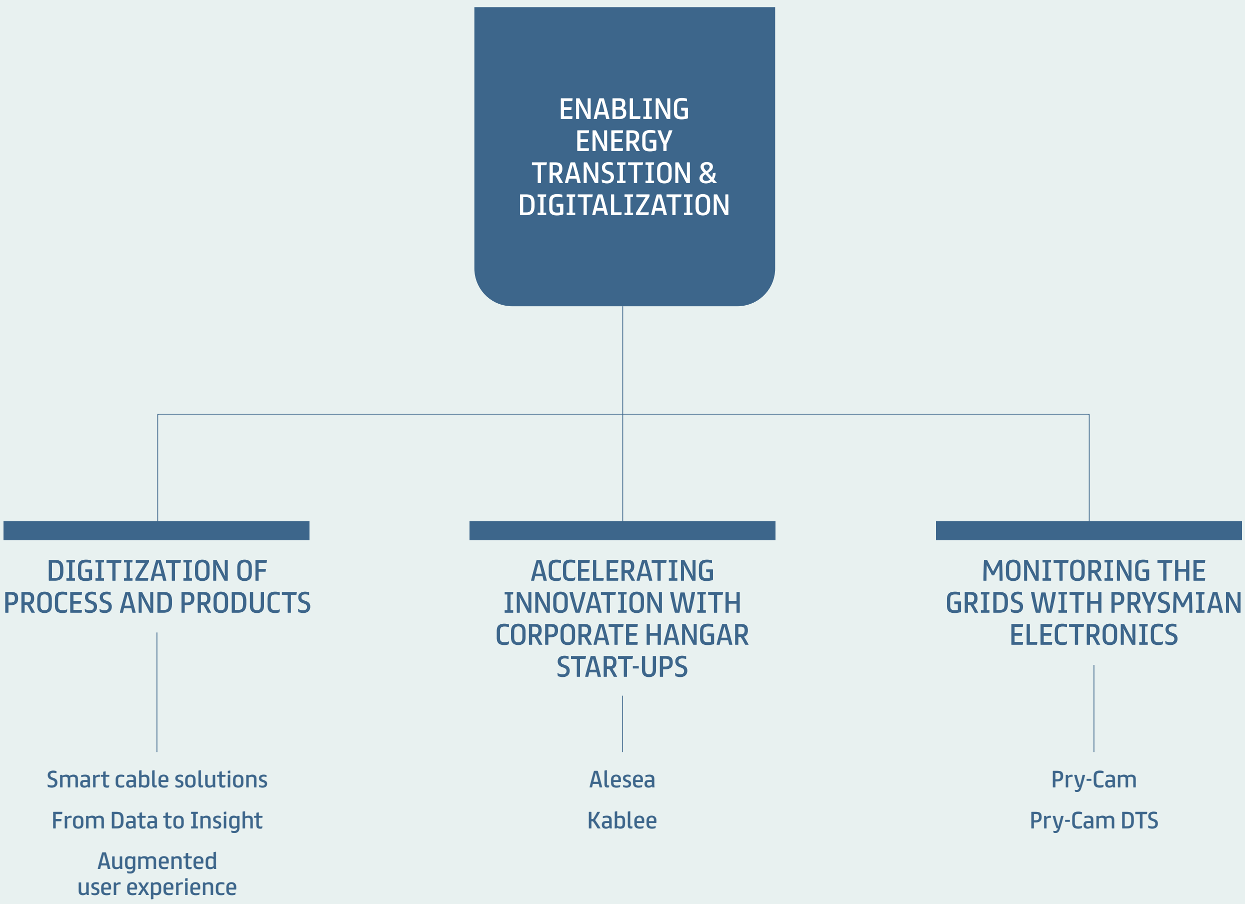
The main aspect guiding the strategy of the Prysmian Group is the need to concentrate on factors that facilitate the development of cabled infrastructures for the transportation of power and information. These, today, are essential elements in all current transformations of society, from the new electric 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.



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 increasing grid reliability and provide advanced tools for trouble shooting. Corporate Hangar is an accelerator of innovation that seeks to generate 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.



Digital Ambition

Prysmian Group's "digital ambition" is the guiding principle that will enable the transition from leading manufacturer of cabling systems to solution provider for the energy and telecom sectors. By optimizing business performance through data leveraging digital tools and solutions, growth will be sustained by a combination of products and digital services, supporting collective intelligence by digitalizing the company's culture. This ambition is based on 3 pillars:

- efficiency through data, to reduce waste and improve performance;
- develop value-added digital products, by extracting and generating value from enterprise data;
- foster new digital practices in the organization, to empower the entire workforce.

In this framework, data are at the core of the Company "digitalization" process to keep a leadership position in the current fast-changing market. In line with this approach, Prysmian Group has started a program to deliver value from the data collected in the plants to prevent quality issues, reduce costs and improve efficiency through new enhanced tools based on advanced statistical algorithms and machine learning. Digital Innovation brings us closer to an holistically approached sustainable development, addressing economic sustainability by amplifying outputs from the same amount of inputs, social sustainability by bringing people closer from afar and environmental sustainability by allowing for the most efficient use of resources.

Prysmian's Open Innovation Infrastructure: Corporate Hangar

Prysmian Group established Corporate Hangar, an accelerator focused on supporting the Group in its open innovation goals. Corporate Hangar has incubated 3 start ups: Alesea, a virtual assistant for cable management; Kablee, a digital business development tool for cable makers that aims at bringing data connectivity to rural areas and creates a marketplace for scrap cables; and Cultifutura, that develops vertical farming solutions for offices. In 2020, over 5000 Alesea tracking devices have been deployed around the world; Kablee's e-commerce platform has supported the first transactions; and Cultifutura has successfully tested its proprietary IoT system for vertical farming technology.

While Corporate Hangar's focus is to accelerate innovation in Prysmian Group, it is free to explore innovation projects with other partners. Indeed, Corporate Hangar is moving in this direction with a focus on sustainability. For example, together with the Italian paper mill association and the Italian paper recycling association, Corporate Hangar studies ways to reduce the paper recycling waste (pulper waste) and to separate and re-use the plastic found in the waste. Similarly, Corporate Hangar studies how to improve the quality of the ashes generated by biomass combustion processes and to transform those ashes into building materials to be used, for example, in air filters.

Prysmian Electronics

In 2020 Prysmian Electronics focused on the completion of the development of a new monitoring system for low voltage market. This is a system for monitoring low voltage applications based on Pry-Cam technology, which uses a device to measure the main parameters of a low voltage domestic electrical installation. The device has been designed to help electricians make the necessary checks during the acceptance testing of new electrical installations, or when carrying out maintenance or periodic checks. This can be defined as a “prosumer” device, as it can be used by both professional electricians and end consumers, with different functionalities depending on the skills of the user, but with the same purpose: check the proper functioning of the electrical installation and, therefore, its safety. The system is also focused on energy consumption and CO_2 equivalent with the aim of create a new energy awareness. The product is on the market since beginning of the 2021. Due to the Covid-19 the launch was delayed.

Innovation steering committee

In 2020 Prysmian Group created an Innovation Steering Committee bringing together R&D, Prysmian Electronics, Corporate Hangar, and Digital Innovation, responsible for mapping the Group’s innovation portfolio and reinforcing the relevance for corporate strategy.

The Innovation Steering Committee aims to achieve three things. Firstly, to position Prysmian as a leader in the cables industry by continually improving its products and services. Secondly, to present an overview of the innovation portfolio both inside the company and outside, consolidating each group’s efforts in a way that makes it possible to communicate more effectively internally and to customers. Thirdly, to create an innovation culture that promotes an entrepreneurial spirit. This process has already started with an internal “innovation contest” where employees can propose new ideas and innovation projects through cross-functional calls for ideas

New products introduction (npi)

The introduction of new products (NP) is tracked using an internal tool created in order to support the analysis and the economic results of new products vitality (Global Turnover/NP Turnover perimeter) and to track the key projects (top NP projects) during the period of vitality of three years.

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 organization.

The consolidation of the New products process, together with GC Legacy, provides a new value in order to sustain the business, overcome competitors and acquire new customers.

The number of NP families generated in 2020 and the mix of projects between Innovation and Product Development allowed the achievement of an overall 2,4% vitality compared with 2,0% in Q3 2019.

Despite the Covid-19 crisis impact on all business segments, the overall NP results of the Group (PG + GC) analysed in 2020 identified a greater resilience. The Group receives a strong contribution from the 869 new product families, introduced in the system, with an overall vitality of 13% in 3Q 2020, compared to the 12,3% of 3Q 2019 led by Energy segment, Telecom Segment and Submarine cable for Project Segment. New products Turnover generated 836 million through Q3 2020 with an increase compared to Q3 2019 (800 million).

The R&D group generated a huge number of new products during 2020. Some statistics:

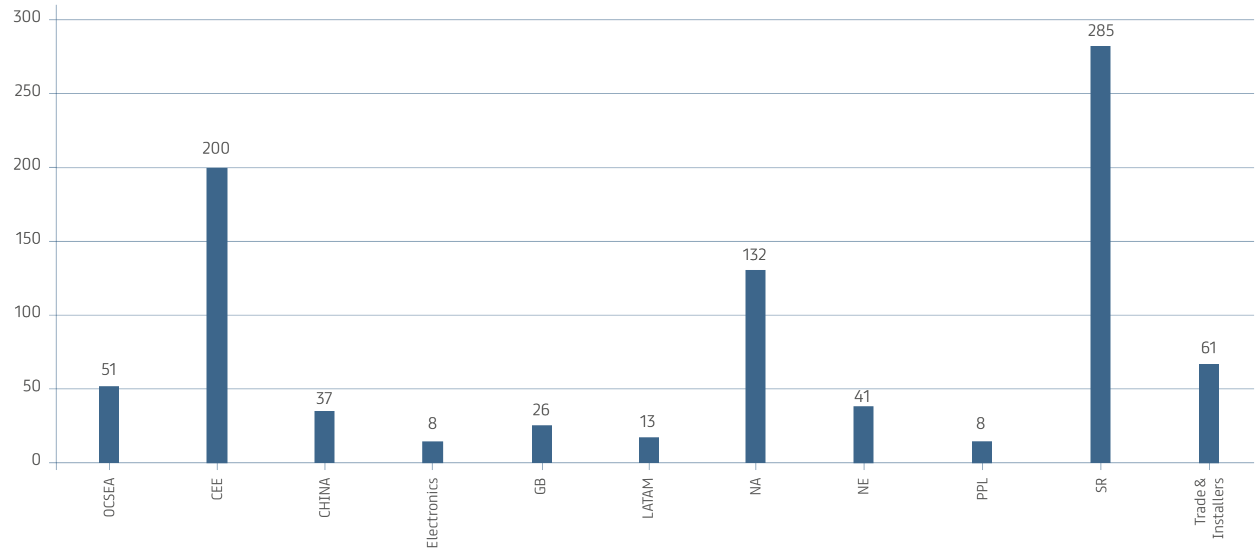
over **70** **New products in the Innovation category**

over **600** **New products in the product Development category**

The global number of new products is driven by a huge increase in the turnover of the innovation category. It is mainly due to the Business Submarine and North America region, with an overall growth to 33.4% in the 3Q 2020 respect to 29.6% in the 3Q 2019.

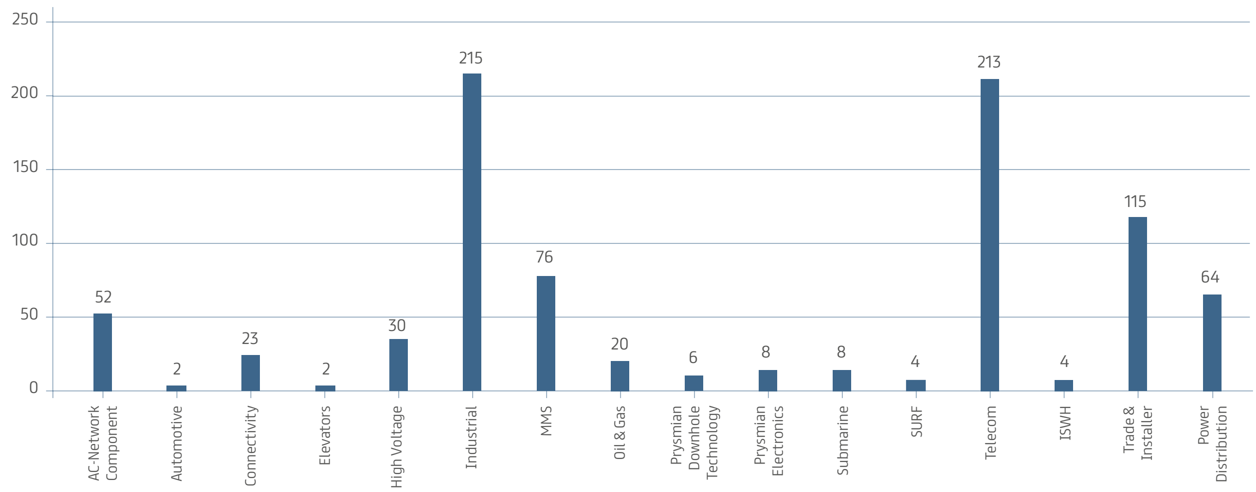
The good results of the product development category were principally attributable to the Trade & Installers and Power Distribution BU (65% of the entire category).

OVERALL NP RESULT 2020 – ACTIVE NEW PRODUCT FAMILIES BY REGION (1)



869 Total number of families

OVERALL NP RESULT 2020 – ACTIVE NEW PRODUCT FAMILIES BY BUSINESS UNIT (1)



(1) Certain families of new products are not included in the classification by Region or by Business Unit and, as a result, the total number of families "869" and the total reported in the chart "842" do not coincide.

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 2020 are related to following areas:

- Halogen-free, flame retardant compounds;
- PP blends and XLPE for HV insulations;
- Thermal properties of polymers and compounds;
- Ultra-high molecular weight polyethylene (UHMWPE) fibres;
- Nanocarbon structures, such as carbon nanotubes (CNTs) and graphene.

MONITORING OF HAZARDOUS SUBSTANCES

The system implemented in France, based on the specially developed SAP transaction aimed to report the presence of hazardous substances in every single cable item, has been extended in 2020 to Italy, Spain and Germany, as planned. The system tracks the presence of hazardous substances based on Reach/Rohs regulations but is applicable also for monitoring other type of substances requested by specific industry regulation (automotive, OEMs ...) and allows the identification of the cable items for which the hazardous substance exceeds the maximum allowed limit. Based on the above mentioned system and within the wider activity related to the development of the Eco-Label rating system, a special application has been developed by IT in order to allow the tracking of dangerous substances in cables for every Prysmian Groups affiliate where the IT systems are currently live.

CARBON FOOTPRINT (CFP)

The system implemented in CA (Common Analysis software platform), for assessment of CFP and Potential recyclability of the cable items calculated in the proprietary cable design system, has been extended to the new areas following the roll-out plan of CA / SAP1C. In particular, the extension has been fully completed in France, Spain, Portugal and Chile. As far as the implementation of the CFP calculation system in Cable Builder is concerned, the general data structure of CB has been conceived and built in view of allowing the environmental parameters calculation for each cable, with same base criteria as currently applied in CA.

In December 2020 an updated version of Ecoinvent database (Ecoinvent 3.6) has been loaded in CA, related to the materials' CFP factors (classified according to technical families in CA) and the energy mix of each country where the factory is located. In the same time also the average machine power data for each factory, used to calculate the CFP contribution of the production process, have been updated, based on 2019 values.

The system is providing a very helpful base of data for the environmental information of each cable, as requested by the market. This aspect is evidenced especially by the DSO and TSO that are using this information in order to rate their suppliers form the sustainability point of view.

ECO-LABEL FOR CABLES

In 2020 the activity for the conceptual definition of the internal Eco-Label rating for cables was performed, collecting the inputs from various Company functions (R&D, HSE, Communications, BUs).

The concept of the Eco-Label rating was defined based on the identification of 6 criteria, under which each single cable item will be judged and classified. The 6 criteria are the following:

- Carbon Footprint;
- Absence of extremely hazardous substances;
- Recyclability/Circularity;
- Recycling input rate (usage of recycled as raw materials);
- Environmental benefits (Low Carbon products + CPR);
- Cable transmission efficiency.

Carbon footprint and Recyclability are information already available for the vast majority of PG products in CA. These parameters are calculated according to a simplified approach (cradle to gate and potential recyclability) but effective in order to allow precise numerical values for each cable item. The concept of absence of very high concern substances is strictly connected to the Reach / Rohs regulation classification and is already mentioned in a specific chapter of this document. Recycling input rate is considering the presence of recycled materials in the RMs or the metals used for the production of the cable and is applied introducing a dedicated field in the SAP database of Raw Materials. Environmental benefit is rated as combination of 2 characteristics: the fact that the cable is considered as Low Carbon product, according to the CBI (Climate Bonds Initiative) taxonomy, and the cable performance in terms of reaction to fire, especially related to the production of smokes and halogen gas release in case of fires. The last criteria (transmission efficiency) is taken into account considering the electrical voltage class for which the cable is rated, that is related to the ratio between the joule losses in the conductor and the transmitted power.

The application of the 6 parameters, their combination and the valorization of the final on-off condition that triggers the assignation of the Eco-Label class have been extensively tested via simulation on the products portfolio of Italy, France and Spain. The launch in the market of the Eco-Label cable rating will happen in Italy in early 2021, and will follow in France, Spain, The Netherlands and Germany.

PROJECTS

- Sirocco HD microduct optical cables

In 2020 Prysmian continued its development of a new range of micro blowable cables with “Pico” tubes. The new tube technology, combined with the use of 200μm optical fibres enables loose tubes to be made smaller, resulting in significantly lower cable diameters and the introduction of Sirocco HD, a new range of cables.

In September 2020, KPN (a Dutch landline and mobile telecommunications company) were the first telecom company in Europe to start a field trial for a more sustainable installation of a fiber optic network using the Sirocco HD cables. The pilot projects were developed in the Netherlands, in Buitenpost and Nijmegen.

The use of Sirocco HD provides reductions in the volume of plastics used by approximately 50%. In addition, more cable and tube could be supplied on a reel, which reduced cutting losses and the number of wooden reels by 70%. For the 11,000 connections required in the trial this resulted in approximately 6 full freight transports less than if the conventional cable had been used. The ducts used were also made from 90% recycled plastic, providing overall a much more sustainable solution. This field trial involving 11,000 households, saves an average of approximately 760 plastic carrier bags per connection.

Further advantages emerged during the installation, such as less excavation works were required at the network concentration points, which led to less soil that had to be removed and processed.

Also due to the smaller and more flexible cables and ducts, the often-full cable routes are less stressed making the solution easier to install.

- Prysun range solar cables

Prysmian Group's solar PV cable portfolio consists of a full range of quality solar photovoltaic products, renowned in the field for their easy installation, reliability and longevity attributes and complying with all major international standards. In the last 2 years Prysmian's PV portfolio has been optimized as a result of the synergies of PG &GC R&D teams all over the world, with a global technology and know-how sharing to find the best solutions with or combined capabilities. Thanks to Prysmian's global presence, PV cables are manufactured in different locations in four different continents to serve both our global and our local customers and business partners and to reduce the environmental impact of the transportation of the cables between different continents and regions.

- High depth submarine cables

The Crete Peloponnese project met significant technological challenges, far exceeding what has

been achieved so far in similar international projects. These are mainly the length and the maximum installation depth. Prysmian decided to face this challenging target developing an innovative cable solution with a synthetic armour together with all the necessary improvements on accessories and installation methodologies for a safe and reliable deployment of the link. The link has been installed successfully in 2020 and represents most powerful 3 core design cable transporting 200 MW, installed at the maximum depth of 1000 m.

This project must be considered as a starting point of a new technological platform that will allow to exceed many technical barriers, up to now considered not feasible, for an efficient and effective creation of a grid able to optimize the usage of renewable energy sources.

- EHVDC solutions for german corridors

In the field of the EHV application for DC current, Prysmian pursued the development and industrialization program of 525 kV extruded cables systems, after the successful completion of the pre-qualification tests at 525 kV obtained in 2019 for the two qualified solutions: XLPE and P-Laser.

In the case of XLPE, other two prototypes were produced in two different Prysmian Factories and are now under PQ test according Cigre TB 496.

In the case of P-Laser, the Prysmian proprietary technology to produce thermoplastic recyclables cables, other pilot production runs were performed in Gron Plant (France) aimed at industrializing the technology and increasing reliability of product performance.

- EV charging cables

As the worldwide leader of cable manufacturing, Prysmian has dedicated R&D efforts to this sector for years. In US, we have consolidated experience on offering for the North American market starting from the General cable era. Instead in Europe and for international market, we have successfully developed and certified the products starting from 2 years ago.

Nowadays, Prysmian can offer a wide range of products for AC and DC charging to many well-known international customers. We are also part of CharIN, the association that seeks to establish and accelerate the development of standards for charging systems, thus contributing directly to the evolution of the e-mobility eco-system.

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. Nevertheless, the Prysmian Group has a smaller number of patents and patent applications under examination globally at 31 December 2020 than in the prior year.

This is because fewer patents were filed than those that expired or were abandoned because no longer of interest. In order to contain costs in a complex period such as that linked to the Covid-19 pandemic, the Group decided to review the patents portfolio more closely and abandon patents that would be difficult, if not impossible, to enforce for market protection purposes. The number of inventions covered by at least one patent or patent application has decreased slightly in both the Energy and Telecom sectors.

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 29 patent applications were filed during 2020, of which 11 relating to the Energy sector and 18 to the Telecom sector. In addition to the effects of the Covid-19 pandemic, the reduction in the number of new filings was also partly a natural effect of the merger of Prysmian Group and General Cable.

in 2020
29 **patent applications**

of which
11 **relating to the Energy sector**

of which
18 **relating to the Telecom sector**

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.

It is important to note that Group patents have been used in a number of counterfeiting cases filed in Italy, Germany and the United Kingdom during 2020. These legal initiatives are integral to a broader strategy adopted by the Group to safeguard the investment made in research and development.

Prysmian Group owns a significant number of trademarks deriving from the pre-existing Prysmian Group and the pre-existing General Cable group. This portfolio has been and 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 decreased during 2020; however, given the greater internationalization of the Group, a number of established trademarks have been registered in additional countries. 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	FY 2020	FY 2019 (1)
Patents and patent applications filed	5,581	5,881
Inventions covered by patents and patent applications filed	806	857
Inventions linked to the Energy Products and Projects segment	289	317
Inventions linked to the Telecom segment	517	540
Patent applications filed during the year	29	41
Patent applications in the Energy Products and Projects segment	11	17
Patent applications in the Telecom segment	18	24
Patents granted during the year	194	225
Patents granted by the European Patent Office (EPO)	52	45
Patents granted in the USA	40	50
Number of trademarks owned	877	927
Number of registrations	5,068	4,769

(1) The data disclosed in the 2019 NFS about the patents granted during that year and the patents granted in the USA has been restated. The change reflects a communication about the grant of patents received subsequent to the preparation of that NFS.

Incentive Plans

Long-term incentive plan

The Prysmian S.p.A. Shareholders' Meeting of 28 April 2020 approved a long-term incentive plan, designed to motivate management to create sustainable value over time, including by deferring part of their annual bonus in shares. The plan is also tied to long-term ESG objectives (Environment Social Governance). The Shareholders' Meeting authorised a bonus capital increase, as proposed by the Board of Directors, to be reserved for Prysmian Group employees in execution of the above plan. This capital increase can reach a maximum nominal amount of Euro 1,100,000 through transfer, pursuant to art. 2349 of the Italian Civil Code, of a corresponding amount from profits or earnings reserves, with the issue of no more than 11,000,000 ordinary shares of nominal value Euro 0.10 each. At the same time, the shareholders' resolution of 12 April 2018 relating to a similar capital increase was revoked, amending article 6 of the By-laws. Recognition of the effects of the long-term incentive plan in the year ended 31 December 2020 has resulted in recording personnel costs of Euro 29 million in a specific equity reserve.

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 2020.

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 2020.

Secondary offices and basic corporate information

The list of secondary offices and basic corporate information about 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 (Financial risk management).

Treasury shares

Information about treasury shares can be found in Note 11 to the Consolidated Financial Statements at 31 December 2020.

Business Outlook

The year 2020 was marked by the spread of the Covid-19 pandemic, which had unprecedented negative impacts on the global economic macroscenario. In response to this health emergency, most countries took containment measures such as restrictions on movement, quarantines and other public emergency initiatives, with severe repercussions on global economic activity and the entire manufacturing system.

According to the International Monetary Fund estimates updated at January 2021, the global growth contraction for 2020 is estimated at 3.5% compared to the 3.3% growth projected in the pre-pandemic forecast. In the Euro area, the contraction of economy in 2020 is estimated at around 7.2%, compared to -3.4% for the United States. Estimates call for China being the only country among the big economies to end the year on a positive territory (+2.3%), albeit at a level far below the pre-Covid projections (+6.1%). Within this scenario, many countries are preparing national economic revitalisation plans, such as Next Generation EU in Europe, which amounts to Euro 750 billion in support of infrastructure development and digitalisation projects. A $1,900 billion aid plan is also being formulated in the United States to stimulate the economy according to the Biden administration's programme.

In addition to the positive effects of the beginning of vaccinations in many countries, the positive impacts of these revitalisation plans on economic growth are reflected in the growth expectations for 2021 prepared by the IMF. According to these estimates, the global economy is expected to grow by 5.5% in 2021 and by 4.2% in 2022. The growth estimate is 5.1% in the United States, which is expected to return to pre-2019 levels as early as the second half of 2021, whereas the Eurozone and the United Kingdom are predicted to reach this milestone in 2022. The Chinese economy is expected to pick up pace, with estimated growth of 8.1% in 2021 and of 5.6% in 2022.

The extraordinary effects of the Covid-19 pandemic impacted also Prysmian Group's results, firstly in China, where production and market demand were severely affected throughout the first quarter of 2020, to then start to recover as of the second quarter. As of mid-March, the impact spread also to other geographical areas (Europe, Middle East, North and South America), particularly in the businesses related to the construction sector (e.g., Trade & Installers) and characterised by significant installation activities. In the second half of the year, business activities recovered gradually in most countries, while remaining at levels far below those of the previous year. This recovery, promptly accompanied by attentive cost management, an extremely flexible supply chain and a highly focused level of customer service, enabled management to protect the Group's performance and limit the impact of the pandemic on the Group's margins. The performance achieved appears even more significant in the light of the negative impact of exchange rates on the Group's EBITDA of Euro 32 million.

Prysmian Group's long-term growth drivers, mainly related to the energy transition to renewable sources, the upgrade of telecommunication networks (digitalisation) and the electrification process, remain unchanged. The Group may also rely on broad diversification by business and geographical areas, a solid financial structure, an efficient, flexible supply chain and a lean organisation — all factors enabling the Group to face the emergency with confidence.

2021 started with encouraging signs in some segments and geographical areas (Energy business in Europe and LatAm, optical cables in North America and Europe), despite the persisting high level of uncertainty at global level. Within this macroeconomic scenario, Prysmian Group expects that demand in the construction and industrial cable businesses will recover in 2021 compared to the previous year. 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 to the development of the offshore wind farms and interconnections required for fostering renewable energy in support of the energy transition. With regard to this segment, the Group expects an improvement compared to the previous year's results, with a more marked growth starting in 2022, when also the German Corridors projects will reach a more advanced stage of execution. In the Telecom segment, the Group forecasts an increase in volumes of the optical cable business in North America and Europe and a persisting price pressure, particularly in Europe. According to estimates, this could generate a decrease in margins, despite the action plan implemented to contain cost and improve production efficiency.

In light of the foregoing, the Group expects to achieve an Adjusted EBITDA for FY 2021 in the range of Euro 870-940 million. The Group also predicts to generate cash flows of approximately Euro 300 million ± 20% (FCF before acquisitions & disposals) in 2021. These projections are based on the absence of significant changes in the evolution of the health emergency and of possible further discontinuities and slowdowns in the global economic activities. In addition, these forecasts are based on the Company's current business scope and do not include antitrust-related impacts on cash flow. In 2021 as well, 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 negative impact on the Group's operating income for approximately Euro 20-25 million.
The (expected) cumulative amount of the negative impact of exchange rates in the two-year period 2020-2021 is estimated at around Euro 55 million.

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, 10 March 2021

ON BEHALF OF THE BOARD OF DIRECTORS

THE CHAIRMAN

Claudio De Conto

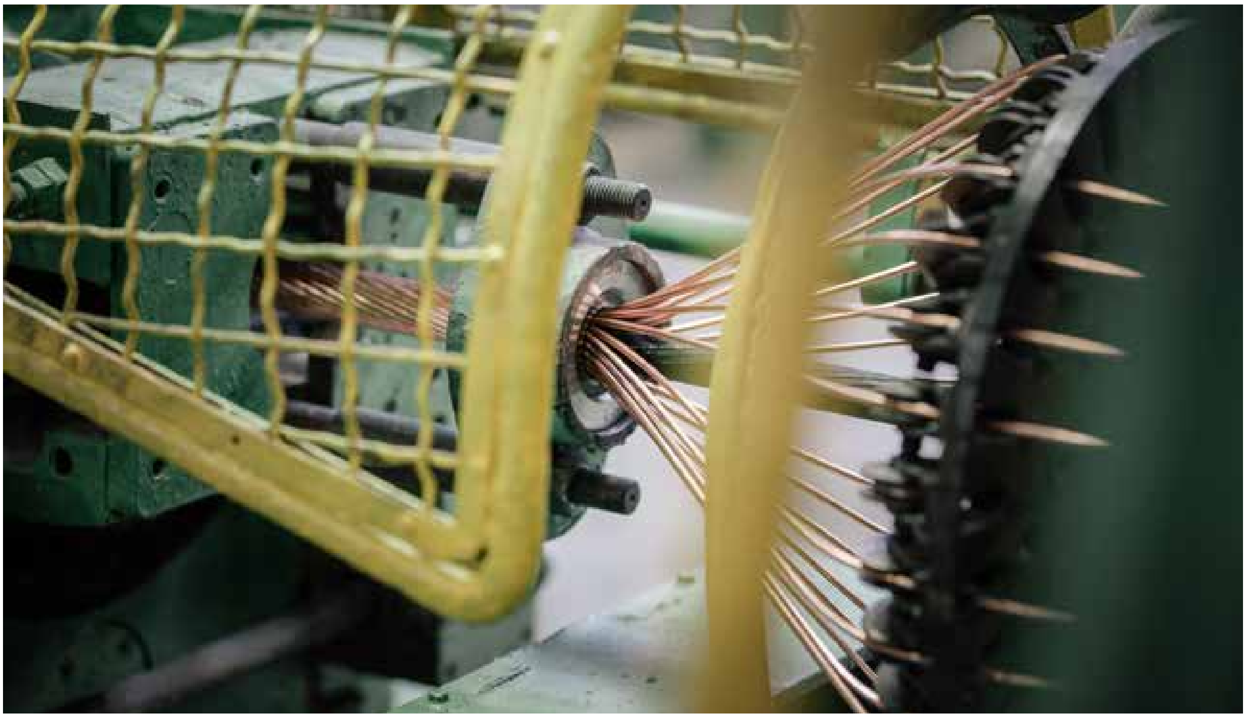
02_CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial position

(Euro/million)	Note	31.12.2020	of which related parties	31.12.2019	of which related parties
Non-current assets					
Property, plant and equipment	1	2,648		2,804	
Goodwill	2	1,508		1,590	
Other intangible assets	2	489		564	
Equity-accounted investments	3	312	312	314	314
Other investments at fair value through other comprehensive income	4	13		13	
Financial assets at amortised cost		4		4	
Derivatives	8	44		7	
Deferred tax assets	16	207		170	
Other receivables	5	30		38	
Total non-current assets		**5,255**		**5,504**	
Current assets					
Inventories	6	1,531		1,523	
Trade receivables	5	1,374	3	1,475	7
Other receivables	5	492	3	816	3
Financial assets at fair value through profit or loss	7	20		27	
Derivatives	8	82		33	
Financial assets at fair value through other comprehensive income	4	11		11	
Cash and cash equivalents	9	1,163		1,070	
Total current assets		**4,673**		**4,955**	
Assets held for sale	10	2		27	
Total assets		**9,930**		**10,486**	
Equity					
Share capital	11	27		27	
Reserves	11	2,054		2,096	
Group share of net profit/(loss)	11	178		292	
Equity attributable to the Group		**2,259**		**2,415**	
Equity attributable to non-controlling interests		164		187	
Total equity		**2,423**		**2,602**	
Non-current liabilities					
Borrowings from banks and other lenders	12	3,045		3,032	
Employee benefit obligations	15	506		494	
Provisions for risks and charges	14	39		60	
Deferred tax liabilities	16	195		213	
Derivatives	8	13		18	
Other payables	13	6		11	
Total non-current liabilities		**3,804**		**3,828**	
Current liabilities					
Borrowings from banks and other lenders	12	127		212	
Provisions for risks and charges	14	552	9	717	4
Derivatives	8	46		35	
Trade payables	13	1,958	2	2,062	5
Other payables	13	995	5	969	4
Current tax payables		25		51	
Total current liabilities		**3,703**		**4,046**	
Liabilities held for sale	10	-		10	
Total liabilities		**7,507**		**7,884**	
Total equity and liabilities		**9,930**		**10,486**	

Consolidated Income Statement

(Euro/million)	Note	2020	of which related parties	2019	of which related parties
Sales	17	10,016	25	11,519	35
Change in inventories of finished goods and work in progress	18	69		(16)	
Other income	19	99	5	96	3
Total sales and income		**10,184**		**11,599**	
Raw materials, consumables and supplies	20	(6,464)	(3)	(7,218)	(8)
Fair value change in metal derivatives		(4)		15	
Personnel costs	21	(1,409)	(19)	(1,539)	(11)
Amortisation, depreciation, impairment and impairment reversals	22	(393)		(354)	
Other expenses	23	(1,579)	(8)	(1,958)	(5)
Share of net profit/(loss) of equity-accounted companies	24	18	18	24	24
Operating income		**353**		**569**	
Finance costs	25	(569)		(494)	
Finance income	26	468		369	
Profit/(loss) before taxes		**252**		**444**	
Taxes	27	(78)		(148)	
Net profit/(loss)		**174**		**296**	
Of which:					
- attributable to non-controlling interests		***(4)***		***4***	
- Group share		***178***		***292***	
Basic earnings/(loss) per share (in Euro)	**28**	**0.68**		**1.11**	
Diluted earnings/(loss) per share (in Euro)	**28**	**0.68**		**1.11**	



Other Comprehensive Income

(Euro/million)	2020	2019
Net profit/(loss)	**174**	**296**
Other comprehensive income:		
A) Change in cash flow hedge reserve:	**55**	**1**
– Profit/(loss) for the year	78	-
– Taxes	(23)	1
B) Change in currency translation reserve	**(358)**	**67**
C) Financial instruments at fair value:	**-**	**1**
– Profit/(loss) for the year	-	1
D) Actuarial gains/(losses) on employee benefits (*)	**(19)**	**(22)**
– Profit/(loss) for the year	(28)	(33)
– Taxes	9	11
Total other comprehensive income (A + B + C + D):	**(322)**	**47**
Total comprehensive income/(loss)	**(148)**	**343**
Of which:		
– attributable to non-controlling interests	***(20)***	***8***
– Group share	***(128)***	***335***

(*) 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 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**

(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 2019	**27**	**(14)**	**(249)**	**2,359**	**292**	**2,415**	**187**	**2,602**
Allocation of prior year net result	-	-	-	292	(292)	-	-	-
Fair value - stock options	-	-	-	30	-	30	1	31
Dividend distribution	-	-	-	(66)	-	(66)	(4)	(70)
Other changes in equity	-	-	-	1	-	1	-	1
Capital paid in by non-controlling interests	-	-	-	-	-	-	-	-
Effect of hyperinflation	-	-	-	7	-	7	-	7
Total comprehensive income/(loss)	-	54	(341)	(19)	178	(128)	(20)	(148)
Balance at 31 December 2020	**27**	**40**	**(590)**	**2,604**	**178**	**2,259**	**164**	**2,423**

Consolidated Statement of Cash Flows

(Euro/million)	2020	of which related parties	2019	of which related parties
Profit/(loss) before taxes	252		444	
Amortisation, depreciation and impairment	393		354	
Net gains on disposal of property, plant and equipment	(20)		(1)	
Share of net profit/(loss) of equity-accounted companies	(18)	(18)	(24)	(24)
Dividends received from equity-accounted companies	8	8	9	9
Share-based payments	31		(1)	
Fair value change in metal derivatives	4		(15)	
Net finance costs	101		125	
Changes in inventories	(101)		(7)	
Changes in trade receivables/payables	13	1	14	(4)
Changes in other receivables/payables	347	4	60	3
Change in employee benefit obligations	(13)		(15)	
Change in provisions for risks and other movements	(150)		(57)	
Net income taxes paid	(142)		(111)	
A. Cash flow from operating activities	**705**		**775**	
Cash flow from acquisitions and/or disposals	(5)		(7)	
Investments in property, plant and equipment	(240)		(240)	
Disposals of property, plant and equipment and assets held for sale	18		20	
Investments in intangible assets	(22)		(28)	
Investments in financial assets at fair value through profit or loss	(3)		(6)	
Disposals of financial assets at fair value through profit or loss	2		1	
B. Cash flow from investing activities	**(250)**		**(260)**	
Capital contributions and other changes in equity	1		2	
Dividend distribution	(70)		(119)	
Proceeds of new loans	-		350	
Repayments of loans	(117)		(517)	
Changes in other net financial receivables/payables	(53)		(70)	
Finance costs paid (1)	(524)		(418)	
Finance income received (2)	438		324	
C. Cash flow from financing activities	**(325)**		**(448)**	
D. Exchange (losses) gains on cash and cash equivalents	**(36)**		**2**	
E. Net increase/(decrease) in cash and cash equivalents (A + B + C + D)	**94**		**69**	
F. Cash and cash equivalents at the beginning of the year	**1,070**		**1,001**	
G. Cash and cash equivalents at the end of the year (E + F)	**1,164**		**1,070**	
Cash and cash equivalents presented in consolidated statement of financial position	**1,163**		**1,070**	
Cash and cash equivalents presented in assets held for sale	**1**		**-**	

(1) Finance costs paid of Euro 524 million include interest payments of Euro 55 million in 2020 (Euro 62 million in 2019).
(2) Finance income received of Euro 438 million includes interest income of Euro 6 million in 2020 (Euro 5 million in 2019).

03_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 10 March 2021.

A.1 SIGNIFICANT EVENTS IN 2020

Prysmian Group's leadership team invests in the Company as a sign of its commitment and confidence in recovery from the pandemic-related crisis and in the Company's long-term growth prospects

On 3 April 2020, Prysmian Group's leadership team, consisting of CEO Valerio Battista and his 20 worldwide direct reports (the "Group Leadership Team"), informed the Group that it had accepted the CEO's proposal to invest in Prysmian S.p.A. shares 50% of the net incentive earned by each based on the positive performance in financial year 2019, whose results were in line with company targets. On 1 June 2020, Prysmian Group announced the finalisation of agreements between the Group Leadership Team and the financial intermediary engaged to execute the above share investment scheme. Under the terms of these agreements, the Group Leadership Team engaged a financial intermediary to purchase the Company's shares on the market for a total of approximately Euro 1,500,000, corresponding to approximately 50% of the net incentive earned by each manager in respect of financial year 2019 (the "2019 MBO").
The financial intermediary made the share purchases between the first and fifth business day after the date on which the funds for the purchases were made available to it, namely 1 June 2020. The instructions given by each of the Group Leadership Team's managers to the financial intermediary included the authorisation to lock up the shares purchased until the end of 2022.

Long-term incentive plan

The Prysmian S.p.A. Shareholders' Meeting of 28 April 2020 approved a long-term incentive plan, designed to motivate management to create sustainable value over time, including by deferring part of their annual bonus in shares. The plan is also tied to long-term ESG objectives (Environment Social Governance). The Shareholders' Meeting authorised a bonus capital increase, as proposed by the Board of Directors, to be reserved for Prysmian Group employees in execution of the above plan. This capital increase can reach a maximum nominal amount of Euro 1,100,000 through transfer, pursuant to art. 2349 of the Italian Civil Code, of a corresponding amount from profits or earnings reserves, with the issue of no more than 11,000,000 ordinary shares of nominal value Euro 0.10 each. At the same time, the shareholders' resolution of 12 April 2018 relating to a similar capital increase was revoked, amending article 6 of the By-laws. Recognition of the effects of the long-term incentive plan in the year ended 31 December 2020 has resulted in recording personnel costs of Euro 29 million in a specific equity reserve.

Termination of the contract relating to Carlisle Companies Incorporated's offer to acquire the business of Draka Fileca SAS

On 22 October 2019, the Group had announced the receipt of an 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). On 19 June 2020, Prysmian Group announced that the contract relating to this transaction had been terminated, as the required regulatory approvals had not been obtained by the agreed deadline.

Prysmian Group announces the acquisition of EHC Global, a leading manufacturer of strategic components and provider of integrated solutions for the vertical transportation industry

Prysmian Group announced on 22 July 2020 that it had signed an agreement to acquire 100% of EHC Global in a transaction valued at CAD 130 million. The acquisition was completed on 8 January 2021, more details of which can be found in the note on "Events after the reporting period".

New industrial projects and initiatives

Contract for a 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 the contract, Prysmian will oversee the engineering, supply and installation of at least 9,800 km of optical ground wires (OPGW) and 5,100 km 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 metres 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.

Contract for the construction of an offshore wind farm in France

On 4 March 2020, the Group announced it had won a contract worth approximately 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 Group'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 state-of-the-art cable-laying vessels. Delivery and commissioning are scheduled for 2023.

Contract for two new projects with Terna for development of the Italian power transmission grid

On 10 March 2020, 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 agreement, worth Euro 40 million with an option for a further Euro 10 million, refers to an HVAC cable system covering the Italian section of the Italy-Austria cross-border interconnection between the Glorenza and the Nauders substations, due to start operating by 2022. The second agreement, worth Euro 40 million with an option for a further Euro 40 million and relating to the on-site supply of 220 kV HVAC cable systems, is a framework contract, valid until 2022, intended to serve the needs of power transmission systems in Southern Italy. Both contracts include design and installation engineering, the supply of cables - manufactured at the plant in Gron, France, the Group's excellence centre for high and extra-high voltage cables - and accessories, as well as civil engineering works and other possible optional supplies.

SuedOstLink project for the first of the three German Corridors

On 5 May 2020, Prysmian Group announced that TenneT TSO GmbH, operator of the Dutch-German grid, had awarded it a contract for the SuedOstLink project in Germany, one of the world's longest HVDC underground transmission lines. The total value awarded to the Group for this contract, according to the options, is approximately Euro 500 million. Prysmian will be responsible for the design, manufacture, supply, installation, splicing, testing and commissioning of a 2GW underground transmission cable running through the TenneT-operated section of this first German Corridor. The project is expected to be completed in early 2026.

A-Nord project for the second of the three German Corridors

On 11 May 2020, Prysmian Group announced that Amprion GmbH, a German grid operator, had awarded it a contract for the A-Nord underground cable, part of the German "Corridor A" 2GW power transmission project. Under this contract, worth over Euro 500 million for the Group, Prysmian will be responsible for the design, manufacture, supply, installation, jointing, testing and commissioning of a 1GW underground transmission cable covering the entire northern route of the German Corridors. Work on the HVDC system is scheduled to begin by 2023.

Contract with Vattenfall for the first zero-subsidy offshore wind farm

On 20 May 2020, Prysmian Group finalised a contract for a project awarded by Vattenfall, a leading European energy company, to supply the submarine inter-array cable systems for the Hollandse Kust

Zuid III and IV offshore wind farm 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.

Crete-Attica submarine interconnection project in Greece

On 26 May 2020, Prysmian Group was awarded a contract worth approximately Euro 270 million by Ariadne Interconnection, a wholly-owned subsidiary of IPTO, Greece's transmission system operator, for submarine interconnections between the island of Crete and the Greek mainland (Attica region). The first lot, worth Euro 250 million, involves the design, supply, installation and commissioning of an end-to-end HVDC cable along a 335 km route between the island of Crete and the Attica region. The second lot, worth Euro 20 million, involves the design, supply, installation and commissioning of two submarine telecommunication links for a total length of 670 km between the island of Crete and the Attica region. Prysmian will install the submarine cables using one of its own cable-lay vessels. Delivery and commissioning for both projects are scheduled over the period 2020-2023.

Contract for the Saint-Brieuc wind farm in France

On 27 May 2020, Ailes Marines, in charge of the development, construction, installation and operation of an offshore wind farm in the bay of Saint-Brieuc, awarded Prysmian Group a contract worth about Euro 80 million to supply the submarine inter-array cable systems for the Saint-Brieuc offshore wind farm in France. Delivery and commissioning are scheduled by the end of 2022.

SuedLink project for the third and longest of the three German Corridors

On 29 June 2020, Prysmian Group was awarded contracts for the SuedLink Corridor in Germany, the longest ever underground cable project, by the German transmission system operators TransnetBW GmbH and TenneT. Under this project, worth a total of approximately Euro 800 million for the Group, Prysmian will design, manufacture, supply, lay, joint, test and commission a 2GW underground cable system linking the north of Germany to its regions in the south. The project is due to be completed in 2026.

Prysmian launches the first fibre-optic network with 90% recycled plastic

On 15 September 2020, the Group announced that it will be working with Dutch operator KPN on a pilot project to install a fibre-optic network containing 90% recycled plastic. KPN will be the first telecommunications firm in Europe to use the new Prysmian cable concept to install connections for its customers. Pilot projects will take place in Buitenpost (Friesland) and Nijmegen, both in the Netherlands. Further benefits are expected to emerge during installation, such as a reduced need for excavation at network concentration sites, leading to less soil for removal and disposal. In addition, approximately 50% fewer raw materials (plastic or PE) are required for the production of the new cables and tubes than for traditional cabling. On top of these direct savings, the new concept offers an indirect environmental benefit since over 90% of the tubes are manufactured using high-quality recycled PE. These savings translate into an immediate reduction of the CO_2 emissions and ultimately of end-of-life waste. Lastly, Prysmian expects to achieve a further reduction in CO_2 emissions through savings in logistics, storage, and packaging materials, which will be evaluated in a real-life test for KPN.

Preferred bidder agreement signed for Sofia offshore wind farm project worth over Euro 200 million

On 17 November 2020, the Group announced it had signed a preferred bidder agreement worth over Euro 200 million with RWE Renewables Sofia Offshore Wind Farm, the world's second largest offshore wind farm developer, for the construction of a turnkey submarine and land high voltage cable system to connect the Sofia offshore wind farm to the mainland. The 1.4 GW Sofia offshore wind farm is the largest offshore wind project currently under development, and, once fully operational in 2025, it will be able to generate enough power to supply over 1.2 million UK homes with renewable electricity.

World-first installation of a 180μm optical fibre cable in Germany

On 17 December 2020, the Group announced it had completed its first project using its new Sirocco Extreme optical fibre cable for Stadtwerke Landau a.d. Isar, a utility provider. This world-first installation of a 180μm optical fibre cable will enable a large number of households and businesses in Landau to benefit from high-performance FTTx and 5G networks. Sirocco Extreme is the first 180μm optical fibre cable available on the market. It enables faster, cheaper and more sustainable installations and is fully compatible for splicing with any standard fibre. Home office, online schooling and increased levels of video streaming during the Covid-19 pandemic have led to a significant rise in internet data traffic and hence greater demand for secure, high-performance optical fibre networks that can reduce the risk of future data bottlenecks.

Other significant events

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"). 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 failed to 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 the court system, 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 so as to purchase the shares representing 49% of the Company's share capital as soon as possible. This case is currently still pending, slowed down by the ongoing Covid-19 emergency in India, and so control of the company is considered to have not yet been acquired.

Covid-19 "People First", Business protection, Innovation/Digitalisation

The Group's significant presence in China enabled it to understand the emergence of the Covid Pandemic at an early stage. "People first", i.e. putting people's health and safety first, technological innovation and lean manufacturing, and business protection are the three mainstays of the Group's strategy in response to the Pandemic. "People First' has translated into increased investment in health and safety (+29% to Euro 17 million), the mass procurement of hygiene material and equipment and performance of tests and analyses to detect infections, the redefinition of procedures for staying safe at work and the extensive use of remote working, the digitalisation of the Academy's training activities and actions for the benefit of communities affected by the virus (from the wiring of the Wuhan hospital to citizenship initiatives in other parts of the world). In a context in which our very social and economic priorities are being redefined, the Group has confirmed its ambition to be an enabler of energy transition and digitalisation. The Group has deepened its commitment to technological innovation: from its flagship 525 kV P-Laser cable and innovations in fibres and optical cables, like Sirocco, its record-breaking cable for fibre density, to its submarine cable for record depths of up to 3,000 metres. Equally significant is the Fast Forward Project to digitalise manufacturing processes. Putting health and safety first has also enabled the Group to ensure continuity of its supply chain and business. Uptime at its production facilities has never dropped below 70-80%, keeping the level of customer service practically intact, with on-time delivery performance at over 94%. The Group has also swiftly deployed a robust cost containment program as well as measures to protect cash generation.

Update on the 2011 Antitrust proceedings in Brazil

On 15 April 2020, Prysmian Group announced that the Tribunal of the Brazilian antitrust authority had issued the operative part of its decision in relation to proceedings initiated in 2011 in which it has ruled that Prysmian Group participated in anti-competitive practices in the Brazilian market for high voltage underground and submarine cables. The Tribunal has held Prysmian Group liable for the period from February 2001 to March 2004 and ordered it to pay a fine of BRL 10.2 million (approximately Euro 1.8 million), in line with the amount contained in the provisions recognised by the Group for this specific matter. Prysmian Group has filed an appeal against the CADE ruling.

Approval of financial statements at 31 December 2019 and dividend distribution

On 28 April 2020, the shareholders of Prysmian S.p.A. approved the financial statements for 2019 and the distribution of a gross dividend of Euro 0.25 per share, for a total of some Euro 66 million. The dividend was paid out from 20 May 2020, with record date 19 May 2020 and ex-dividend date 18 May 2020.

Ruling by the EU Court of Justice on the appeals filed against the European Commission decision relating to the Antitrust investigation into high voltage underground and submarine power cables markets

On 24 September 2020, the Group announced that the Court of Justice of the European Union had issued its ruling on the appeal filed by Prysmian S.p.A. and Prysmian Cavi e Sistemi S.r.l. against the General Court's ruling dated 12 July 2018 which, as already communicated to the market on the same date, upheld the European Commission decision of 2 April 2014 concerning the Antitrust investigation into high voltage underground and submarine power cables markets. Under this ruling,

the Court dismissed the appeal filed by Group companies and, by so doing it upheld the liability and fine envisaged under the European Commission's original decision. It will be recalled that the European Commission had 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, ordering them to pay a fine of Euro 67,310,000, and it had 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, ordering them to pay a fine of Euro 37,303,000. Further to the EU Court of Justice's ruling, the European Commission requested the Prysmian Group to pay half of the fine it was jointly and severally liable for with Pirelli & C. S.p.A. and The Goldman Sachs Group Inc., amounting to approximately Euro 52 million plus interest. Using the provisions already set aside in previous years, the Group has gone ahead and made this payment.
The Group also made other payments in 2020 to settle follow-on litigation initiated by third parties to obtain compensation for damages allegedly suffered as a result of Prysmian's involvement in the anti-competitive practices fined by the European Commission, as well as for legal expenses. The total disbursements for all the above, and therefore including payment of half of the fine imposed by the European Commission, came to approximately Euro 112 million.
Lastly, it should be noted that the Group has adequate provisions in place in order to be able to meet claims for damages arising from this decision.

Race to zero net CO_2 emissions begins

On 25 November 2020, the Group announced the launch of a new project aimed at accelerating its race to zero net CO_2 emissions. The announcement was made on the occasion of Prysmian Group's "Sustainability Day", a digital stakeholder engagement event during which the Group's top management shared Prysmian's vision, priorities and plans for its sustainability roadmap. The project aims to set science-based carbon reduction targets for the Group and will consider both Scope 1&2 (own organisation) and Scope 3 (value chain) GHG emissions. Carbon reduction targets are considered "Science-Based Targets" if they are in line with what climate science says is necessary to achieve the Paris Agreement goals: to limit global warming to below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C. Prysmian Group is supported in the project by the Carbon Trust, the leading organisation helping companies and governments to realise ambitious plans for a sustainable, low carbon future. By 2022 Prysmian plans to invest around Euro 450 million to further improve the sustainability of its organisation and supply chain and accelerate the development of cutting-edge cable technologies, assets and services. Energy consumption reduction, the circular economy, waste recycling, and promoting a health & safety culture are key in Prysmian's efforts to improve the sustainability of its supply chain. The transition to renewable energy is closely linked to the ability to transmit and dispatch energy from one place to another, from those locations where renewable energy is produced (offshore wind farms) to those where it is consumed (urban centres). Prysmian Group is committed to supporting the development of greener and smarter power grids, by making available innovative cable technologies capable of covering longer distances and suitable for installation at greater depths, ensuring higher performance, reliability and sustainability.

Legal action for patent infringements in the UK brought against Emtelle UK Limited

On 27 November 2020, Prysmian Group announced that it had commenced legal action against Emtelle UK Limited for infringement of some of its patents in the UK. Prysmian claims that Emtelle's FibreFlow products infringe the UK designations of Prysmian's European Patents EP(UK) 1,420,279 B1 and EP (UK) 1,668,392B1 for optical fibre cables.

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

With reference to the restructuring of industrial activities in Spain that involved the Manlleu and Montcada i Reixac sites in Catalonia last year, necessary for organisational and manufacturing reasons in order to recalibrate production capacity to market demand, the Group has maintained a constant dialogue and active collaboration with trade union representatives at these sites for the effective implementation of the plan envisaged in the November 2019 agreement.
The industrial plan aims to concentrate Spanish energy cable production at the Group's Catalan sites in Santa Perpètua de Mogoda and Vilanova i la Geltrú, as well as at General Cable's centre of excellence for low-voltage copper cables in Abrera, thereby maintaining the business's competitiveness in Spain. The total number of workers involved is 487 (of whom 334 at Manlleu and 153 at Montcada i Reixac).
Among the measures envisaged by the November 2019 agreement, unanimously approved by workers' representatives, was the gradual cessation of production activity at the sites concerned, which took place in April 2020 for the Montcada plant and in November 2020 for the Manlleu plant, although certain industrial activities will continue at the latter site during 2021.

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 2020 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. 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 2020 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 reports components of profit or loss deferred 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 ACCOUNTING STANDARDS AND PRINCIPLES

The accounting policies and basis of consolidation used to prepare the 2020 Consolidated Financial Statements are consistent with those used for the 2019 Consolidated Financial Statements. This means there are no new standards or interpretations that have been applied for the first time in these financial statements and that have had an impact on them. 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 2020 and of their effects will now follow.

Metal derivatives

As from 1 January 2020, in the case of centrally managed derivatives, and as from 1 July 2020, in the case of derivatives arranged by subsidiaries in North America, Brazil and China, the Group has designated certain derivatives denominated in EUR, GBP, USD and RMB entered into with brokers and aimed at mitigating the risk of fluctuations in copper and aluminium prices, as cash flow hedges, being hedging instruments associated with highly probable transactions. These derivative financial instruments, which qualify for recognition as hedging instruments, are designed to hedge the price risk of commodities that are the subject of highly probable future purchase transactions (hedged items). A derivative that sets the commodity's purchase price is designated as a hedging instrument, since it relates to a physical commodity purchase that will be made. When the physical purchase is made, the Group unwinds the buy derivatives with sell derivatives. The effectiveness of the hedging relationships is assessed from the inception of each derivative instrument until its closure. The fair values of the various derivative financial instruments used as hedging instruments are presented in Note 8. Derivatives. Movements in the "Cash flow hedge reserve" forming part of equity are reported in Note 11. Share capital and reserves.
In the case of derivatives designated as cash flow hedges and managed centrally, the new accounting treatment, based on cash flow hedge accounting, has been applied to the fair value changes since 31 December 2019 in derivatives outstanding at 31 December 2020 (just for those commodities included in the period covered by the cash flow hedge accounting method), meaning both those entered into since 31 December 2019 and those already recorded at 31 December 2019. In the case of derivatives arranged by North American, Brazilian and Chinese subsidiaries, the new accounting treatment, based on cash flow hedge accounting, has been applied to the fair value changes since 30 June 2020 in derivatives outstanding at 31 December 2020 (just for those commodities included in the period covered by the cash flow hedge accounting method), meaning both those entered into since 30 June 2020 and those already recorded at 30 June 2020.
As a result of the above, in 2020 the Group has recognised a positive movement of Euro 68 million pre-tax in the cash flow hedge reserve forming part of equity for the positive change in the fair value of derivatives designated as hedging instruments during the year.

Other new standards, interpretations and amendments

The following is a list of other new accounting standards, interpretations and amendments whose application became mandatory from 1 January 2020 but which have not had a material impact on the consolidated financial statements at 31 December 2020:

- *Amendments to IFRS 3: Definition of business;*
- *Amendments to IAS 1 and IAS 8: Definition of material;*
- *Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform.*

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

The following new Standards, Amendments and Interpretations have been issued at the date of preparing the present report but are not yet applicable:

New Standards, Amendments and Interpretations	Mandatory application as from
IFRS 17 Insurance Contracts	1 January 2021
Amendments to IFRS 3: Reference to the conceptual Framework	1 January 2022
Amendments to IAS 16: Proceed before Intended Use	1 January 2022
Amendments to IAS 37: Costs of Fulfilling a Contract	1 January 2022
Amendments to IFRS 1: Subsidiary as a first-time adopter	1 January 2022
Amendments to IFRS 9: Fees in the '10%' test for derecognition financial liabilities	1 January 2022
Amendments to IAS 41: Taxation in fair value measurements	1 January 2022
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023

Preliminary review of the new Standards, Amendments and Interpretations listed above indicates that they have no material 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 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 2020, compared with 31 December 2019, are listed below. In any case, such changes have not had a material impact on the Group's consolidated financial statements at 31 December 2020.

Liquidations

Liquidated companies	Nation	Date
General Cable Middle East	Mauritius	13 January 2020
Draka Cables (Hong Kong) Ltd	China	28 January 2020
Draka Distribution Aberdeen Ltd	United Kingdom	28 January 2020
Tasfiye Halinde Draka Comteq Kablo Ld. Şti	Turkey	25 June 2020
General Cable New Zealand Limited	New Zealand	27 July 2020
General Cable Holdings New Zealand	New Zealand	27 July 2020
GC Specialty & Automotive	Mauritius	23 October 2020
General Cable Trading	Mauritius	27 October 2020
General Cable Botswana (Pty) Ltd	Gaborone West	3 December 2020

Mergers

Merged company	Merged into	Nation	Date
Phelps Dodge International Corporation	General Cable Industries Inc.	Cayman Islands	31 December 2020

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 Shanghai Optical Fibre Cable Co. Ltd	Shanghai Guang Ye Optical Fibre Cable Co. Ltd	China	3 September 2020

Appendix A contains a complete list of the companies included in the scope of consolidation at 31 December 2020.

C. Financial Risk Management

The Group's activities are exposed to various forms of risk: market risk (including exchange rate, interest rate and price risks), credit risk and liquidity risk. The Group's risk management strategy focuses on the unpredictability of markets and aims to minimise the potentially negative impact on the Group's results. Certain types of risk are mitigated using derivative instruments.
Monitoring of key financial risks is centrally coordinated by the Group Finance Department, and by the Purchasing Department where price risk is concerned, in close cooperation with the Group's operating companies. Risk management policies are approved by the Group Finance, Administration and Control Department, which provides written guidelines on managing the above risks and on using (derivative and non-derivative) financial instruments.

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

[a] Exchange rate risk

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

The principal exchange rates affecting the Group are:
- Euro/US Dollar: in relation to trade and financial transactions in US dollars by Eurozone companies on the North American and Middle Eastern markets, and similar transactions in Euro by North American companies on the European market;
- Euro/British Pound: in relation to trade and financial transactions by Eurozone companies on the British market and vice versa;
- Euro/Canadian Dollar: in relation to trade and financial transactions by Eurozone companies on the Canadian market and vice versa;
- Euro/Australian Dollar: in relation to trade and financial transactions by Eurozone companies on the Australian market and vice versa;
- Euro/Hungarian Forint: in relation to trade and financial transactions by Hungarian companies on the Eurozone market and vice versa;
- Euro/Romanian Leu: in relation to trade and financial transactions by Eurozone companies on the Romanian market and vice versa;
- Euro/Norwegian Krone: in relation to trade and financial transactions by Eurozone companies on the Norwegian market and vice versa;
- US Dollar/Brazilian Real: in relation to trade and financial transactions by companies operating on the South American market;
- US Dollar/Omani Rial: in relation to trade and financial transactions by companies operating on the Omani market;
- Euro/Swedish Krona: in relation to trade and financial transactions by Eurozone companies on the Swedish market and vice versa;
- Euro/Singapore Dollar: in relation to trade and financial transactions by Eurozone companies on the Singapore market and vice versa.

In 2020, trade and financial flows exposed to the above exchange rates accounted for around 84% of the total exposure to exchange rate risk arising from trade and financial transactions.

The Group is also exposed to exchange rate risks on the following exchange rates: Bahraini Dinar/Euro, UAE Dirham/Euro, Euro/Czech Koruna. None of these exposures, taken individually, accounted for more than 2% of the overall exposure to transactional exchange rate risk in 2020.

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 2020 and 31 December 2019.

(Euro/million)	2020		2019	
	-5%	+5%	-5%	+5%
Euro	(0.49)	0.44	(0.68)	0.61
US Dollar	(1.42)	1.29	(2.95)	2.67
Other currencies	(1.25)	1.13	(1.00)	0.91
Total	**(3.16)**	**2.86**	**(4.63)**	**4.19**

(Euro/million)	2020		2019	
	-10%	+10%	-10%	+10%
Euro	(1.04)	0.85	(1.43)	1.17
US Dollar	(3.01)	2.46	(6.23)	5.10
Other currencies	(2.63)	2.15	(2.12)	1.73
Total	**(6.68)**	**5.46**	**(9.78)**	**8.00**

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 2020 and 31 December 2019.

(Euro/million)	2020		2019	
	-5%	+5%	-5%	+5%
US Dollar	(0.56)	0.51	2.07	(2.29)
Euro	(0.42)	0.38	1.53	(1.69)
Qatari Riyal	(0.53)	0.48	1.11	(1.23)
United Arab Emirates Dirham	(0.01)	0.01	1.03	(1.14)
Other currencies	(2.41)	2.18	3.79	(4.19)
Total	**(3.93)**	**3.56**	**9.53**	**(10.54)**

(Euro/million)	2020		2019	
	-10%	+10%	-10%	+10%
US Dollar	(1.18)	0.96	3.95	(4.83)
Euro	(0.88)	0.72	2.92	(3.57)
Qatari Riyal	(1.11)	0.91	2.12	(2.59)
United Arab Emirates Dirham	(0.02)	0.02	1.97	(2.41)
Other currencies	(5.06)	4.14	7.24	(8.84)
Total	**(8.25)**	**6.75**	**18.20**	**(22.24)**

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 2020 and 31 December 2019, 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)	2020		2019	
	-0.25%	+0.25%	-0.25%	+0.25%
Euro	(0.53)	0.53	0.12	(0.12)
US Dollar	(0.23)	0.23	(0.25)	0.25
British Pound	(0.08)	0.08	(0.05)	0.05
Other currencies	(0.44)	0.44	(0.50)	0.50
Total	**(1.28)**	**1.28**	**(0.68)**	**0.68**

At 31 December 2020, 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 58.03% of the Group's total cost of materials in 2020 (58.8% in 2019), 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.

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 consolidated equity of a 10% increase/decrease in strategic material prices versus prices at 31 December 2020 and 31 December 2019, assuming that all other variables remain equal.

(Euro/million)		2020		2019
	-10%	+10%	-10%	+10%
LME	(34.09)	34.09	(26.08)	26.08
COMEX	4.18	(4.18)	(17.18)	17.18
SME	(1.27)	1.27	(1.90)	1.90
Total	**(31.18)**	**31.18**	**(45.16)**	**45.16**

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. It should be noted that credit risk was not particularly impacted during 2020 by the spread of the Covid-19 pandemic.

During 2020 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 2020 (like at 31 December 2019) 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)	31.12.2020	31.12.2019
Cash and cash equivalents	1,163	1,070
Financial assets at fair value through profit or loss	20	27
Financial assets at fair value through other comprehensive income	11	11
Undrawn committed lines of credit	1,000	1,000
Total	**2,194**	**2,108**

Undrawn committed lines of credit at 31 December 2020 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)				31.12.2020
	Due within 1 year	Due between 1 - 2 years	Due between 2 - 5 years	Due after 5 years
Borrowings from banks and other lenders	174	1,315	1,726	63
Derivatives	46	8	5	-
Trade and other payables	2,953	6	-	-
Total	**3,173**	**1,329**	**1,731**	**63**

(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	260	95	2,988	59
Derivatives	35	9	9	-
Trade and other payables	3,031	11	-	-
Total	**3,326**	**115**	**2,997**	**59**

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)						31.12.2020
	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	-	1,374	-	-	-	-
Other receivables	-	522	-	-	-	-
Financial assets at fair value through profit or loss	20	-	-	-	-	-
Derivatives (assets)	38	-	-	-	-	88
Cash and cash equivalents	-	1,163	-	-	-	-
Borrowings from banks and other lenders	-	-	-	-	3,172	-
Trade payables	-	-	-	-	1,958	-
Other payables	-	-	-	-	1,001	-
Derivatives (liabilities)	-	-	-	31	-	28

(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

C.1 CAPITAL RISK MANAGEMENT

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

The Group also monitors capital 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 2020 and 31 December 2019 are shown below:

(Euro/million)	2020	2019
Net financial debt	1,986	2,140
Equity	2,423	2,602
Total capital	**4,409**	**4,742**
Gearing ratio	**45.04%**	**45.13%**

C.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)				31.12.2020
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value:				
Derivatives through profit or loss	-	38	-	38
Hedging derivatives	-	88	-	88
Financial assets at fair value through profit or loss	16	4	-	20
Other investments at fair value through other comprehensive income	-	-	13	13
Financial assets at fair value through other comprehensive income	11	-	-	11
Total assets	**27**	**130**	**13**	**170**
Liabilities				
Financial liabilities at fair value:				
Derivatives through profit or loss	-	31	-	31
Hedging derivatives	-	28	-	28
Total liabilities	**-**	**59**	**-**	**59**

(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**

Financial assets classified in fair value Level 3 have reported no significant movements in either 2020 or 2019.

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 2020 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 2020 would not have had significant effects on net profit at that date.

D. Segment Information

The Group's operating segments are:

- *Energy*, whose smallest identifiable CGU are Regions/Countries depending on the specific organisation;
- *Projects*, whose smallest identifiable CGUs are the High Voltage, Submarine Power, Submarine Telecom and Offshore Specialties businesses;
- *Telecom*, whose smallest CGU is the operating segment itself.

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.

D.1 OPERATING SEGMENTS

The following tables present information by operating segment.

(Euro/million)	2020							
	Projects	Energy				Telecom	Corporate	Group total
		E&I	Industrial & NWC	Other	Total Energy			
Sales [1]	1,438	4,735	2,252	220	7,207	1,371	-	10,016
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**186**	**272**	**165**	**(1)**	**436**	**200**	**-**	**822**
% of sales	13.0%	5.8%	7.3%		6.1%	14.6%		8.2%
Adjusted EBITDA (A)	**186**	**275**	**166**	**(1)**	**440**	**214**	**-**	**840**
% of sales	13.0%	5.8%	7.4%		6.1%	15.6%		8.4%
Adjustments	(13)	(24)	(18)	(3)	(45)	8	(9)	(59)
EBITDA (B)	**173**	**251**	**148**	**(4)**	**395**	**222**	**(9)**	**781**
% of sales	12.1%	5.3%	6.6%		5.5%	16.2%		7.8%
Amortisation and depreciation (C)	(64)	(123)	(57)	(5)	(185)	(76)	-	(325)
Adjusted operating income (A + C)	**122**	**152**	**109**	**(6)**	**255**	**138**	**-**	**515**
% of sales	8.5%	3.2%	4.8%		3.5%	10.1%		5.1%
Fair value change in metal derivatives (D)								(4)
Fair value stock options (E)								(31)
Asset (impairment) and impairment reversal (F)					(68)			(68)
Operating income (B + C + D + E + F)								**353**
% of sales								3.5%
Finance income								468
Finance costs								(569)
Taxes								(78)
Net profit/(loss)								**174**
% of sales								1.7%
Attributable to:								
Owners of the parent								178
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)								2019
		Energy						
	Projects	E&I	Industrial & NWC	Other	Total Energy	Telecom	Corporate	Group total
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.

D.2 GEOGRAPHICAL AREAS

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

(Euro/million)	2020	2019
Sales	10,016	11,519
EMEA (*)	5,344	6,196
(of which Italy)	*1,021*	*1,292*
North America	3,084	3,441
Latin America	775	931
Asia Pacific	813	951

(*) EMEA: Europe, Middle East and Africa.

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 2019	**301**	**821**	**1,192**	**51**	**105**	**334**	**2,804**
Movements in 2020:							
– Investments	-	9	11	3	6	195	224
– Increases for leases (IFRS 16)	4	20	1	6	48	-	79
– Disposals		(1)	(1)	-	-	-	(2)
– Depreciation	(1)	(54)	(135)	(17)	(52)	-	(259)
– Impairment	(9)	(5)	(50)	-	-	-	(64)
– Currency translation differences	(9)	(43)	(68)	(2)	(7)	(15)	(144)
– Reclassifications (to)/from Assets held for sale	(3)	6	4	-	-	1	8
– Monetary revaluation for hyperinflation	-	-	1	-	-	1	2
– Other	-	33	74	12	19	(138)	-
Balance at 31 December 2020	**283**	**786**	**1,029**	**53**	**119**	**378**	**2,648**
Of which:							
– Historical cost	***299***	***1,208***	***2,234***	***177***	***293***	***383***	***4,594***
– Accumulated depreciation and impairment	***(16)***	***(422)***	***(1,205)***	***(124)***	***(174)***	***(5)***	***(1,946)***
Net book value	**283**	**786**	**1,029**	**53**	**119**	**378**	**2,648**

(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)
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**

In 2020, gross capital expenditure on property, plant and equipment came to Euro 224 million.

Details of this expenditure during the course of 2020 are provided below:

- Projects to increase and technologically upgrade production capacity and develop new products/markets: Euro 147 million (66% of the total).
  - Within the *Projects* operating segment, the most significant investment was the continuation of work on the new state-of-the-art cable-laying vessel, involving a total estimated investment in excess of Euro 170 million. This strategic asset will consolidate Prysmian's turnkey approach, under which it serves EPCI (Engineering, Procurement, Construction & Installation) projects with end-to-end solutions which include engineering, manufacturing, installation, and monitoring and diagnostic services for submarine power transmission lines. In particular, the investment in this new vessel will support long-term growth prospects in the submarine cables business, strengthening the Group's installation and execution capabilities for interconnection and offshore wind projects.
  - *Energy* segment investments focused on certain niche markets to guarantee satisfaction of growing demand in some value-added sectors: in North America, for example, the Group invested in Sedalia, Missouri, where it continued the investments begun last year to support the growth in business for special purpose aluminium cables and serve a market that proved particularly buoyant this year and that holds good prospects for the years to come; in Taunton, Massachusetts, work started last year to increase production capacity for special cables for industrial applications was continued with the aim of optimising the potential of the new compounding plant, due to become fully operational in 2021 after relocating operations from the nearby plant in North Dighton, also in Massachusetts. In Latin America, and in particular in Brazil, the plant in Pocos de Caldas, in the state of Minas Gerais, increased its production capacity for aluminium conductors used by electricity operators in their energy transmission services.

- In the *Telecom* segment, the Group's Lexington plant in South Carolina confirmed its role as a centre of excellence in the United States for the production of optical telecom cables: the Group completed a series of investments in cable production using new state-of-the-art FlexRibbon technology that compacts the maximum fibre count into the smallest cable possible by using extremely flexible fibre ribbons that can be rolled up for high packing densities or laid flat for ribbon splicing, all of which making them easier to install in smaller ducts than the traditional flat-ribbon design. The significant growth of the Telecom business in the North American region is also confirmed by an investment in the Claremont plant in North Carolina, where production will be increased for ADSS (All Dielectric Self Supporting) cables, used in outdoor applications and mainly installed on transmission towers to reach North America's vast rural areas.

- Multiple projects to improve industrial efficiency and rationalise production capacity: Euro 32 million (14% of the total).
- Structural work: Euro 45 million (20% of the total).

At 31 December 2020, the value of machinery pledged as collateral against long-term loans was virtually nil.

Impairment test of property, plant and equipment

The spread of the new "Covid-19" coronavirus around the world has been treated by Management as a compelling indicator of impairment for the Group, leading to the performance of impairment tests for all its CGUs, both top and second tier ones.
The WACC (Weighted Average Cost of Capital) used for discounting cash flows to determine value in use for each CGU was calculated specifically taking account of the geographical area and operating segment to which each CGU belonged.
In particular, the WACC used for the *Telecom* segment, consisting of a single CGU, was 5.4% for 2021 and 5.3% for 2022 and beyond. The WACC used for all the CGUs within the *Projects* segment was 6.2% for 2021 and 6% for 2022 and beyond. The WACC used for the *Energy* segment varied according to CGU and ranged between a minimum of 5.9% and a maximum of 9.7% for 2021, and a minimum of 5.9% and a maximum of 8.7% for 2022 and beyond. As will be noted, cash flows for 2021 were discounted at higher rates to account for the greater degree of uncertainty arising from the Covid-19 pandemic.
A perpetuity growth rate of 2% was used to calculate terminal value for all the CGUs, being a rate consistent with the IMF's world economic growth forecasts.

These impairment tests have resulted in a write-down totalling Euro 63 million against the value of Land, Buildings and Plant and machinery allocated to the *Energy - South Europe* CGU, while no impairment losses were identified for other CGUs. Considering also, included into the Other intangible assets, Euro 3 million as impairment of Patents, concessions, licences, trademarks and similar rights, the overall impairment related to the GGU Energy – South Europe has been Euro 66 million. The cash flow projection for this CGU has been determined, for 2021, using the post-tax cash flow taken from the Group's 2021 budget, approved by the Board of Directors on 3 March 2021. This forecast was then extended to 2022-2023 using growth estimates such that the compound average growth rate (CAGR) from 2020 to 2023 was equal to the estimated CAGR for the two-year period; in addition, specific forecasts were made regarding margin recovery in the years after 2021.
The WACC (Weighted Average Cost of Capital) used to discount cash flows for determining value in use for the *Energy - South Europe* CGU ranged between 6.2% and 9.4%, depending on the individual countries included within the CGU. A higher WACC has been used for 2021 than for subsequent years due to the

higher degree of uncertainty prevailing this year because of the Covid-19 pandemic. The perpetuity growth rate (G) projected after 2023 was 2%, consistent with long-term growth forecasts.

Right-of-use assets under IFRS 16

The following table reports movements during 2020 in right-of-use assets recognised in Property, plant and equipment in accordance with IFRS 16:

(Euro/million)	Land	Buildings	Plant and machinery	Equipment	Other assets	Total
Balance at 31 December 2019	**10**	**90**	**14**	**7**	**46**	**167**
Movements in 2020:						
– Investments	4	20	1	6	48	79
– Depreciation	(1)	(18)	(2)	(4)	(32)	(57)
– Impairment	-	-	-	-	-	-
– Currency translation differences	-	(6)	(1)	(1)	(1)	(9)
Balance at 31 December 2020	**13**	**86**	**12**	**8**	**61**	**180**
Of which:						
– Historical cost	***14***	***118***	***15***	***14***	***104***	***265***
– Accumulated depreciation and impairment	***(1)***	***(32)***	***(3)***	***(6)***	***(43)***	***(85)***
Net book value	**13**	**86**	**12**	**8**	**61**	**180**

The depreciation charge for right-of-use assets accounted for in accordance with IFRS 16 amounts to Euro 57 million.

The following table presents the assets and liabilities for leases accounted for in accordance with IFRS 16:

(Euro/million)	31.12.2020	IFRS 16 effects	31.12.2020 with IFRS 16
Non-current assets			
Property, plant and equipment	2,468	180	2,648
Total assets	**2,468**	**180**	**2,648**
Non-current liabilities			
Borrowings from banks and other lenders	2,910	135	3,045
Current liabilities			
Borrowings from banks and other lenders	76	51	127
Total liabilities	**2,986**	**186**	**3,172**

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

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 intangible assets	Intangibles in progress and advances	Total
Balance at 31 December 2019	**4**	**100**	**1,590**	**40**	**383**	**37**	**2,154**
Movements in 2020:							
– Investments	-	1	-	9	-	12	22
– Amortisation	(2)	(14)	-	(9)	(41)	-	(66)
– Impairment	-	(3)	-	-	(1)	-	(4)
– Currency translation differences	(1)	(5)	(82)	1	(25)	1	(111)
– Other	1	4	-	26	4	(33)	2
Balance at 31 December 2020	**2**	**83**	**1,508**	**67**	**320**	**17**	**1,997**
Of which:							
– Historical cost	***60***	***187***	***1,528***	***164***	***594***	***38***	***2,571***
– Accumulated amortisation and impairment	***(58)***	***(104)***	***(20)***	***(97)***	***(274)***	***(21)***	***(574)***
Net book value	**2**	**83**	**1,508**	**67**	**320**	**17**	**1,997**

(Euro/million)	Patents	Concessions, licences, trademarks and similar rights	Goodwill	Software	Other intangible 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
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**

In 2020, gross capital expenditure on intangible assets came to Euro 22 million. Work continued in 2020 on completing the "SAP Consolidation (1C)" program, intended to standardise back office processes, involving the platform's roll-out to France (former General Cable), Chile and Oman.
In addition, transitions were successfully completed to the new SAP S4/HANA ERP system by some of the companies in the United States and to the new SAP BW4/HANA business intelligence system. In addition, a project was started to migrate all countries currently using SAP 1C to the S4/HANA platform (scheduled for completion in 2021).
In the Operations area, FastTrack, the new Corporate MES, was implemented at the Telecom plant in Slatina, the Group's largest by size and one of the most important by production volumes. Towards the end of the year implementation projects also got underway at Pikkala (Finland) and Slatina Energy

(Romania) and will consolidate the energy cables model and its integrated innovative data analytics tools.
Two other areas of the business that saw important IT investments were the Human Resources function, for which a major digitalisation project was launched on the Workday platform, and the Treasury function, with the consolidation of current systems on the new SAP Treasury S4 platform.
In a year in which the pandemic has severely tested global infrastructure and IT systems, Prysmian's IT function has played a key role in increasing the Group's digital competitive advantage by enhancing existing resources and implementing new communication and collaboration systems (Microsoft Teams, telepresence, Workplace virtualisation, digital signatures, WAN extension).
At the same time, a digital strategy ("Digital Ambition") has been developed to drive innovation and support Prysmian's transition from a pure cable manufacturer to a solutions provider, structured around three application areas: the introduction of new digital products/services, the optimisation of business performance by using data, and support for collective intelligence and digital culture.
Robotic automation of processes, artificial intelligence, augmented reality and the development of natural language to facilitate human-machine interaction are some of the solutions now part of Prysmian's Digital Innovation portfolio, with significant results in terms of raising plant production yields and supporting business continuity and customer relations.

Goodwill

At 31 December 2020, Prysmian Group reported Euro 1,508 million in Goodwill (Euro 1,590 million at 31 December 2019).

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*:

(Euro/million)	31.12.2019	Currency translation differences	31.12.2020
Energy goodwill	1,055	(55)	1,000
Projects goodwill	238	(12)	226
Telecom goodwill	297	(15)	282
Total goodwill	**1,590**	**(82)**	**1,508**

The value in use of the *Projects* and *Energy* segments was calculated as the sum of the value in use of all their constituent CGUs, which, as described earlier, have been tested specifically, while this approach was not necessary for the Telecom segment which constitutes a stand-alone CGU.

The cash flows for all CGUs, except for those for which specific variables were identified, were determined as follows:

a) for 2021, the post-tax cash flow was taken from the Group's 2021 budget, approved by the Board of Directors on 3 March 2021;
b) the cash flow forecasts were extended to the period 2022-2023 on the basis of growth projections consistent with the growth rates of the countries concerned;
c) terminal value was calculated using a 2% perpetual growth rate, consistent with expected long-term world growth forecasts.

The rate used to discount cash flows was 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 higher than carrying amount for the *Projects* operating segment (146%), *Energy* operating segment (130%) and *Telecom* operating segment (149%). The WACC used for the *Projects* segment was 6.2% for 2021 and 6.0% for 2022 and beyond. For recoverable amount to be equal to carrying amount, a theoretical WACC of 10.3% would have to be used. The WACC used for the *Energy* segment was 6.9% for 2021 and 6.6% for 2022 and beyond. For recoverable amount to be equal to carrying amount, a theoretical WACC of 11.6% would have to be used. The WACC used for the *Telecom* segment was 5.4% for 2021 and 5.3% for 2022 and beyond. For recoverable amount to be equal to carrying amount, a theoretical WACC of 10.2% would have to be used.
In order to take account of the greater uncertainty prevailing in the years assumed to be still impacted by the Covid-19 pandemic, it was decided that all three segments should use a different WACC for 2021 to that for 2022 and beyond.
For recoverable amount to be equal to carrying amount, the growth rate for all segments would have to be negative.

3. EQUITY-ACCOUNTED INVESTMENTS

This balance, amounting to Euro 312 million, has decreased by Euro 2 million since 31 December 2019 when it amounted to Euro 314 million, reflecting the effects shown in the following table:

(Euro/million)	31.12.2020 Investments in associates
Opening balance	**314**
Movements:	
– Currency translation differences	(10)
– Share of net profit/(loss)	18
– Disposals	(2)
– Dividends	(8)
Closing balance	**312**

(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
Closing balance	**314**

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

(Euro/million)	31.12.2020	31.12.2019
Yangtze Optical Fibre and Cable Joint Stock Limited Company	263	262
Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd.	25	27
Kabeltrommel Gmbh & Co.K.G.	7	6
Elkat Ltd.	6	7
Rodco Ltd.	2	2
Phelps Dodge Yantai China Holdings, Inc	-	2
Eksa Sp.Zo.o	3	3
Power Cables Malaysia Sdn Bhd	6	5
Total equity-accounted investments	**312**	**314**

The value of investments includes Euro 18 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 2020, the fair value of the investment in Yangtze Optical Fibre and Cable Joint Stock Limited Company was Euro 196 million (based on the price quoted on the Hong Kong market), while its carrying amount was Euro 288 million (inclusive of Yangtze Optical Fibre & Cable (Shanghai) Co. Ltd.),

thus higher than fair value, identified by the aforementioned market price. However, this should not be treated as a lasting situation, also in light of the fact that this is the first year carrying amount has exceeded market value. This difference, moreover, is to be viewed as dependent on the current crisis triggered by the spread of the Covid-19 pandemic. This situation will continue to be monitored over the coming months.

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)	Kabel-trommel 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
	31.12.2020	30.09.2020	31.12.2020	31.12.2020	31.12.2020
Non-current assets	n.a.	555	n.a.	9	10
Current assets	n.a.	1,057	n.a.	56	18
Total assets	**n.a.**	**1,612**	**n.a.**	**65**	**28**
Equity	n.a.	969	n.a.	41	14
Non-current liabilities	n.a.	132	n.a.	5	2
Current liabilities	n.a.	511	n.a.	19	12
Total equity and liabilities	**n.a.**	**1,612**	**n.a.**	**65**	**28**
	2020	2020	2020	2020	2020
Sales of goods and services	n.a.	692	n.a.	70	33
Net profit/(loss) for the year	n.a.	52	n.a.	1	2
Comprehensive income/(loss) for the year	n.a.	46	n.a.	1	2
Dividends received	2	6	-	0	-

(*) 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 2020.

(Euro/million)	Kabel-trommel 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	31.12.2019	31.12.2019	31.12.2019	31.12.2019
Non-current assets	9	540	6	10	11
Current assets	18	1,004	20	52	16
Total assets	**27**	**1,544**	**26**	**62**	**27**
Equity	11	993	23	42	13
Non-current liabilities	9	29	-	5	2
Current liabilities	7	522	3	15	12
Total equity and liabilities	**27**	**1,544**	**26**	**62**	**27**
	2019	2019	2019	2019	2019
Sales of goods and services	34	1,004	193	92	33
Net profit/(loss) for the year	4	101	2	1	(1)
Comprehensive income/(loss) for the year	4	103	2	1	(1)
Dividends received	1	6	-	1	-

4. OTHER INVESTMENTS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Details are as follows:

(Euro/million)	31.12.2020	31.12.2019
Other investments at fair value through other comprehensive income - non current	13	13
Financial assets at fair value through other comprehensive income - current	11	11
Total	**24**	**24**

Other investments at fair value through other comprehensive income (non-current) 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	31.12.2020	31.12.2019
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
Other			2,08	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)	31.12.2020	31.12.2019
Euro	14	14
Tunisian Dinar	1	1
Indian Rupee	9	9
Total	**24**	**24**

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)			31.12.2020
	Non-current	Current	Total
Trade receivables	1	1,468	1,469
Allowance for doubtful accounts	(1)	(94)	(95)
Total trade receivables	-	**1,374**	**1,374**
Other receivables:			
Tax receivables	6	228	234
Financial receivables	2	4	6
Prepaid finance costs	3	2	5
Receivables from employees	1	4	5
Pension plan receivables	-	3	3
Construction contracts	-	162	162
Advances to suppliers	4	21	25
Other	14	68	82
Total other receivables	**30**	**492**	**522**
Total	**30**	**1,866**	**1,896**

(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**

No individual customer accounted for more than 10% of the Group's net receivables in either 2019 or 2020.

Trade receivables

The gross amount of past due receivables that are totally or partially impaired is Euro 232 million at 31 December 2020 (Euro 322 million at 31 December 2019).

The ageing of past due impaired receivables is as follows:

(Euro/million)	31.12.2020	31.12.2019
1 to 30 days	96	133
31 to 90 days	42	67
91 to 180 days	17	30
181 to 365 days	20	28
More than 365 days	57	64
Total	**232**	**322**

The value of trade receivables past due but not impaired is Euro 80 million at 31 December 2020 (Euro 82 million at 31 December 2019). 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)	31.12.2020	31.12.2019
1 to 30 days	5	2
31 to 90 days	1	5
91 to 180 days	-	-
181 to 365 days	2	2
More than 365 days	72	73
Total	**80**	**82**

The value of trade receivables not past due is Euro 1,157 million at 31 December 2020 (Euro 1,159 million at 31 December 2019). 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)	31.12.2020	31.12.2019
Euro	814	883
US Dollar	447	544
Chinese Renminbi (Yuan)	110	128
Brazilian Real	109	122
Omani Rial	95	127
British Pound	48	148
Mexican Peso	42	23
Turkish Lira	40	36
Canadian Dollar	34	55
Colombian Peso	23	25
Chilean Peso	18	17
Indonesian Rupiah	13	48
Russian Rouble	13	13
Australian Dollar	12	18
Singapore Dollar	11	10
Romanian Leu	11	8
Other currencies	56	124
Total	**1,896**	**2,329**

The allowance for doubtful accounts amounts to Euro 95 million at 31 December 2020 (Euro 88 million at 31 December 2019).

Movements in this allowance are shown in the following table:

(Euro/million)	31.12.2020	31.12.2019
Opening balance	**88**	**88**
Movements:		
– Increases in allowance	20	14
– Releases	(6)	(8)
– Bad debt write-offs	(3)	(2)
– Currency translation differences and other movements	(4)	(4)
Closing balance	**95**	**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 5 million at 31 December 2020 (Euro 6 million at 31 December 2019), 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)	31.12.2020	31.12.2019
Construction contract revenue to date	10,968	10,270
Amounts invoiced	(11,174)	(10,118)
Net amount due from/(to) customers for construction contracts	**(206)**	**152**
Of which:		
– Other receivables for construction contracts	***162***	***450***
– Other payables for construction contracts	***(368)***	***(298)***

6. INVENTORIES

Details are as follows:

(Euro/million)	31.12.2020	31.12.2019
Raw materials	432	439
of which allowance for obsolete and slow-moving raw materials	(52)	(47)
Work in progress and semi-finished goods	370	329
of which allowance for obsolete and slow-moving work in progress and semi-finished goods	(16)	(15)
Finished goods (*)	729	755
of which allowance for obsolete and slow-moving finished goods	*(79)*	*(78)*
Total	**1,531**	**1,523**

(*) Finished goods also include goods for resale.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Details are as follows:

(Euro/million)	31.12.2020	31.12.2019
Listed securities	16	18
Unlisted securities	4	9
Total	**20**	**27**

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)	31.12.2020	31.12.2019
Opening balance	**27**	**25**
Movements:		
– Currency translation differences	(8)	(3)
– Purchase of securities	3	6
– Disposal of securities	(2)	(1)
Closing balance	**20**	**27**

8. DERIVATIVES

Details are as follows:

(Euro/million)	31.12.2020	
	Asset	Liability
Non-current		
Interest rate derivatives (cash flow hedges)	-	12
Forward currency contracts on commercial transactions (cash flow hedges)	2	
Metal derivatives (cash flow hedges)	40	-
Total hedging derivatives	**42**	**12**
Forward currency contracts on commercial transactions	-	-
Metal derivatives	2	1
Total other derivatives	**2**	**1**
Total non-current	**44**	**13**
Current		
Interest rate derivatives (cash flow hedges)	-	7
Forward currency contracts on commercial transactions (cash flow hedges)	6	3
Metal derivatives (cash flow hedges)	40	6
Total hedging derivatives	**46**	**16**
Forward currency contracts on commercial transactions	4	10
Forward currency contracts on financial transactions	4	9
Metal derivatives	28	11
Total other derivatives	**36**	**30**
Total current	**82**	**46**
Total	**126**	**59**

(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**

Forward currency contracts have a notional value of Euro 2,249 million at 31 December 2020 (Euro 2,258 million at 31 December 2019); total notional value at 31 December 2020 includes Euro 441 million in derivatives designated as cash flow hedges (Euro 563 million at 31 December 2019).

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 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 rate interest flows over the period 2018-2024;
- interest rate swaps for an overall notional value of Euro 100 million, with the objective of hedging variable rate interest flows over the period 2020-2024.

At 31 December 2020, like at 31 December 2019, almost all the derivative contracts had been entered into with major financial institutions.
Metal derivatives have a notional value of Euro 1,273 million at 31 December 2020 (Euro 1,219 million at 31 December 2019).

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:

					31.12.2020
(Euro/million)	Gross derivatives	Amounts offset	Derivatives recognised in statement of financial position	Amounts not offset (1)	Net derivatives
Assets					
Forward currency contracts	16	-	16	(13)	3
Interest rate derivatives	-	-	-	-	-
Metal derivatives	110	-	110	(18)	92
Total assets	**126**	**-**	**126**	**(31)**	**95**
Liabilities					
Forward currency contracts	22	-	22	(13)	9
Interest rate derivatives	19	-	19	-	19
Metal derivatives	18	-	18	(18)	-
Total liabilities	**59**	**-**	**59**	**(31)**	**28**

					31.12.2019
(Euro/million)	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**

(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)	2020		2019	
	Gross reserve	Tax effect	Gross reserve	Tax effect
Opening balance	**(20)**	**7**	**(20)**	**6**
Changes in fair value	72	(20)	(7)	2
Reserve for other finance costs/(income)	4	(1)		-
Release to construction contract costs/(revenues)	-	-	6	(1)
Other	-	-	1	-
Closing balance	**56**	**(14)**	**(20)**	**7**

9. CASH AND CASH EQUIVALENTS

Details are as follows:

(Euro/million)	31.12.2020	31.12.2019
Cash and cheques	1	1
Bank and postal deposits	1,162	1,069
Total	**1,163**	**1,070**

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 797 million at 31 December 2020, while at 31 December 2019 the figure was Euro 724 million.
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)	31.12.2020	31.12.2019
Assets held for sale:		
Buildings	-	12
Other assets	1	14
Financial assets	1	1
Total assets held for sale	**2**	**27**
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)	31.12.2020	
	Assets	Liabilities
Opening balance	**27**	**10**
– Disposals	(3)	(2)
– Reclassification	(22)	(8)
Closing balance	**2**	**-**

(Euro/million)	31.12.2019	
	Assets	Liabilities
Opening balance	**3**	**-**
– Disposals	(10)	-
– Reclassification	34	10
Closing balance	**27**	**10**

Al 31 December 2019, assets and liabilities held for sale amounted to Euro 17 million and related to the assets and liabilities of Draka Fileca SAS, a group company for which, on 22 October 2019, the Group had received a binding offer, subject to meeting certain conditions, of Euro 73 million from Carlisle Companies Incorporated. On 19 June 2020, the Group announced that the contract relating to this transaction had been terminated, as the required regulatory approvals had not been obtained by the agreed deadline, meaning that the assets and liabilities of Draka Fileca SAS have been reclassified to the appropriate balance sheet lines.
Assets held for sale are classified in Level 3 of the fair value hierarchy.

11. SHARE CAPITAL AND RESERVES

Consolidated equity has recorded a negative change of Euro 179 million since 31 December 2019, mainly reflecting the net effect of:
- negative currency translation differences of Euro 358 million;
- the positive post-tax change of Euro 55 million in the fair value of derivatives designated as cash flow hedges;
- a positive change of Euro 31 million in the share-based compensation reserve linked to stock option plans;
- the distribution of Euro 70 million in dividends;
- a decrease of Euro 19 million in the reserves for actuarial gains and losses on employee benefits;
- the net profit for the year of Euro 174 million;
- an increase of Euro 7 million for the effects of hyperinflation.

At 31 December 2020, 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 2018	**268,144,246**	**(5,097,213)**	**263,047,033**
Allotments and sales (1)	-	206,051	206,051
Balance at 31 December 2019	**268,144,246**	**(4,891,162)**	**263,253,084**
Allotments and sales (2)	-	131,729	131,729
Balance at 31 December 2020	**268,144,246**	**(4,759,433)**	**263,384,813**

(1) Allotment and/or sale of treasury shares under the YES Group employee share purchase plan (206,051 shares).
(2) Allotment and/or sale of treasury shares under the YES Group employee share purchase plan (131,729 shares).

Treasury shares

Movements in treasury shares during 2020 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 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**
– Allotments and sales	(131,729)	(13,173)	-	19.92	(2,624,042)
Balance at 31 December 2020	**4,759,433**	**475,944**	**1.77%**	**20.34**	**96,816,950**

The shareholders’ authorisation to buy back and dispose of own shares dated 5 June 2019 expired on 5 December 2020.

12. BORROWINGS FROM BANKS AND OTHER LENDERS

Details are as follows:

(Euro/million)			31.12.2020
	Non-current	Current	Total
Borrowings from banks and other lenders	219	60	279
Term Loan	996	1	997
Unicredit Loan	200	-	200
Mediobanca Loan	100	-	100
Intesa Loan	150	-	150
Non-convertible bond	748	14	762
Convertible Bond 2017	489	-	489
Lease liabilities	143	52	195
Total	**3,045**	**127**	**3,172**

(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**

Borrowings from banks and other lenders and Bonds are analysed as follows:

(Euro/million)	31.12.2020	31.12.2019
CDP Loans	100	200
EIB Loans	118	135
Term Loan	997	996
Unicredit Loan	200	199
Mediobanca Loan	100	100
Intesa Loan	150	149
Other borrowings	61	48
Borrowings from banks and other lenders	**1,726**	**1,827**
Non-convertible bond	762	760
Convertible Bond 2017	489	478
Total	**2,977**	**3,065**

The Group's principal credit agreements in place at the reporting date are as follows:

Revolving Credit Facility 2019
On 3 April 2019, the Group renewed a Euro 1,000 million five-year revolving credit facility with a syndicate of leading Italian and international banks. 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 2020, this facility was not being used.

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 of Euro 100 million, drawn down in its entirety and later repaid in full on its maturity date of 30 September 2020.
On 28 October 2019, the Group entered into a second agreement with Cassa Depositi e Prestiti S.p.A. 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 2020, the fair value of the CDP Loan 2019 approximates its carrying amount. Fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

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 rate interest flows over the period 2018-2024.

At 31 December 2020, 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 2020 was Euro 118 million.

Term Loan
The Term Loan was drawn down by the Group in June 2018 for the purpose of having the necessary financial resources to pay the General Cable purchase consideration, to refinance the existing debt of General Cable and its subsidiaries and to finance acquisition-related fees, commissions, costs and expenses. The Term Loan is for Euro 1 billion and is repayable on the fifth anniversary of the acquisition closing date (6 June 2023).

The interest rates applied are indexed to 6M and 3M Euribor, as the company so chooses. The line was drawn down in full upon acquiring General Cable.
At 31 December 2020, the fair value of the Term Loan approximates its carrying amount. Fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

Interest rate swaps have been arranged in respect of this loan, for an overall notional value of Euro 1,000 million, with the objective of hedging variable rate interest flows.

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 loan was drawn down in full on 16 November 2018 and is repayable in a lump sum at maturity. The interest rate applied is indexed to 6M and 3M Euribor, as the company so chooses.
The fair value of the loan approximates its carrying amount. Fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

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. The loan was drawn down in full on 22 February 2019 and is repayable in a lump sum at maturity. The interest rate applied is indexed to 6M and 3M Euribor, as the company so chooses.
The fair value of the loan approximates its carrying amount. Fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

Intesa 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. The loan was drawn down in full on 18 October 2019 and is repayable in a lump sum at maturity.
The fair value of the loan approximates its carrying amount. Fair value has been determined using valuation techniques that refer to observable market data (Level 2 of the fair value hierarchy).

The following tables summarise the committed lines available to the Group at 31 December 2020 and 31 December 2019:

(Euro/million)			31.12.2020
	Total lines	Drawn	Undrawn
Revolving Credit Facility 2019	1,000	-	1,000
CDP Loans	100	(100)	-
EIB Loans	118	(118)	-
Term Loan	1,000	(1,000)	-
Unicredit Loan	200	(200)	-
Mediobanca Loan	100	(100)	-
Intesa Loan	150	(150)	-
Total	**2,668**	**(1,668)**	**1,000**

(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**

The Revolving Credit Facility 2019 is intended to finance ordinary working capital requirements and can also be used for the issue of guarantees.

Bonds

As at 31 December 2020, Prysmian Group has the bond issues in place described in the following paragraphs.

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 2020, the non-convertible bond has a fair value of Euro 772 million. Fair value has been determined with reference to the quoted price in the relevant market (Level 1 of the fair value hierarchy).

Convertible Bond 2017
On 12 January 2017, the Board of Directors approved the placement of an equity-linked bond, known as "Prysmian S.p.A. Euro 500 million Zero Coupon Equity Linked Bonds due 2022" maturing 17 January 2022 and reserved for institutional investors. The bond settlement date was 17 January 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.

The bond matures in 2022.
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.
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	39
Related costs	(2)
Balance at 31 December 2020	**489**

At 31 December 2020, the fair value of the Convertible Bond 2017 (equity component and debt component) is Euro 511 million, of which the fair value of the debt component is Euro 494 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). As discussed in the note on "Events after the reporting period", on 26 January 2021 the Group repurchased 50% of the Convertible Bond 2017.

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 almost fully redeemed in the two months following the acquisition, with the remaining debt at 31 December 2020 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 2019	**200**	**135**	**478**	**760**	**996**	**448**	**227**	**3,244**
Currency translation differences	-	-	-	-	-	-	(15)	(15)
New funds	-	-	-	-	-	-	26	26
Repayments	(100)	(17)	-	-	-	-	(61)	(178)
Amortisation of bank and financial fees and other expenses	-	-	1	2	1	2	-	6
IFRS 16	-	-	-	-	-	-	79	79
Interest and other movements	-	-	10		-	-	-	10
Balance at 31 December 2020	**100**	**118**	**489**	**762**	**997**	**450**	**256**	**3,172**

(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
IFRS 16	-	-	-	-	-	-	211	211
Interest and other movements	-	-	10	(1)	1	-	-	10
Balance at 31 December 2019	**200**	**135**	**478**	**760**	**996**	**448**	**227**	**3,244**

The following tables provide an analysis by maturity and currency of borrowings from banks and other lenders (excluding lease liabilities) at 31 December 2020 and 2019:

							31.12.2020
(Euro/million)	Variable interest rate			Fixed interest rate			Total
	Euro	USD	Other currencies	Euro	USD	Other currencies	
Due within 1 year	14	9	9	39	2	3	76
Due between 1 and 2 years	-	-	-	1,238	-	-	1,238
Due between 2 and 3 years	1,196	-	-	1	-	-	1,197
Due between 3 and 4 years	459	7	-	-	-	-	466
Due between 4 and 5 years	-	-	-	-	-	-	-
Due after more than 5 years	-	-	-	-	-	-	-
Total	**1,669**	**16**	**9**	**1,278**	**2**	**3**	**2,977**
Average interest rate in period, as per contract	1.0%	1.8%	7.2%	2.1%	2.2%	5.3%	1.5%
Average interest rate in period, including IRS effect (a)	1.3%	1.8%	7.2%	2.1%	2.2%	5.3%	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 2020, the total hedged amount equates to 72.1% 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 2020.

							31.12.2019
(Euro/million)	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	1.4%	3.0%	4.6%	2.1%	8.9%	5.1%	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	31.12.2020	31.12.2019
CDP Loans	12	100	100
EIB Loans	12	110	118
Non-convertible bond	12	748	746
Convertible Bond 2017	12	489	478
Term Loan	12	996	995
Unicredit Loan	12	200	199
Mediobanca Loan	12	100	100
Intesa Loan		150	149
Lease liabilities	12	143	135
Interest rate swaps	8	12	15
Other financial payables	12	9	12
Total long-term financial payables	**12**	**3,057**	**3,047**
CDP Loans	12	-	100
EIB Loans	12	8	17
Non-convertible bond	12	14	14
Term Loan	12	1	1
Unicredit Loan	12	-	-
Intesa Loan		-	-
Lease liabilities	12	52	44
Interest rate swaps	8	7	6
Forward currency contracts on financial transactions	8	9	4
Other financial payables	12	52	36
Total short-term financial payables		**143**	**222**
Total financial liabilities		**3,200**	**3,269**
Long-term financial receivables	5	2	2
Long-term bank fees	5	3	4
Financial assets at amortised cost		4	4
Forward currency contracts on financial transactions (current)	8	4	6
Short-term financial receivables	5	4	2
Short-term bank fees	5	2	2
Financial assets at fair value through profit or loss	7	20	27
Financial assets at fair value through other comprehensive income	4	11	11
Financial assets held for sale	10	1	1
Cash and cash equivalents	9	1,163	1,070
Total financial assets		**1,214**	**1,129**
Net financial debt		**1,986**	**2,140**

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	31.12.2020	31.12.2019
Net financial debt - as reported above		**1,986**	**2,140**
Long-term financial receivables and other assets	5	6	6
Long-term bank fees	5	3	4
Net forward currency contracts on commercial transactions	8	1	2
Net metal derivatives	8	(92)	(8)
Recalculated net financial debt		**1,904**	**2,144**

13. TRADE AND OTHER PAYABLES

Details are as follows:

(Euro/million)			31.12.2020
	Non-current	Current	Total
Trade payables	-	1,958	1,958
Total trade payables	**-**	**1,958**	**1,958**
Other payables:			
Tax and social security payables	1	218	219
Advances from customers	-	408	408
Payables to employees	1	134	135
Accrued expenses	-	105	105
Other	4	130	134
Total other payables	**6**	**995**	**1,001**
Total	**6**	**2,953**	**2,959**

(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**

Trade payables include around Euro 340 million (Euro 236 million at 31 December 2019) 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 368 million at 31 December 2020 and Euro 298 million at 31 December 2019. 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)	31.12.2020	31.12.2019
Euro	1,314	1,326
US Dollar	774	724
British Pound	181	233
Bahraini Dinar	125	67
Chinese Renminbi (Yuan)	118	176
Brazilian Real	99	90
Omani Rial	39	41
Mexican Peso	38	25
Canadian Dollar	34	35
Philippine Peso	29	30
Romanian Leu	28	36
Australian Dollar	25	29
United Arab Emirates Dirham	24	68
Czech Koruna	17	5
Indonesian Rupiah	15	20
Colombian Peso	14	8
Swedish Krona	13	19
Hungarian Forint	13	11
Other currencies	59	99
Total	**2,959**	**3,042**

14. PROVISIONS FOR RISKS AND CHARGES

Details are as follows:

(Euro/million)			31.12.2020 (*)
	Non-current	Current	Total
Restructuring costs	-	31	31
Legal, contractual and other risks	22	349	371
Environmental risks	5	92	97
Tax risks	12	80	92
Total	**39**	**552**	**591**

(*) Provisions for risks at 31 December 2020 include Euro 124 million for potential liabilities.

(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 December 2019 include Euro 170 million for potential liabilities.

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 2019	**72**	**494**	**107**	**104**	**777**
Increases	20	107	-	4	131
Uses	(57)	(132)	(2)	(1)	(192)
Releases	(4)	(82)	-	(1)	(87)
Currency translation differences	-	(12)	(7)	(18)	(37)
Other	-	(4)	(1)	4	(1)
Balance at 31 December 2020	**31**	**371**	**97**	**92**	**591**

The provision for contractual, legal and other risks amounts to Euro 371 million at 31 December 2020 (Euro 494 million at 31 December 2019). 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., had engaged in 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, ordering 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, ordering 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 handed down its rulings on the appeals lodged by the Prysmian Group, including General Cable. These rulings dismissed the appeals and confirmed the previously imposed fines. Prysmian Group, including General Cable, disagreeing with the conclusions reached by the General Court of the European Union, presented an appeal 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 by the European Commission. As a result, the Group went ahead and paid a fine for Euro 2 million.
In rulings handed down on 24 September 2020, 28 October 2020 and 27 January 2021 respectively, the Court of Justice dismissed the appeals brought by Prysmian, Pirelli & C. S.p.A. and The Goldman Sachs Group Inc., thus upholding the liability and fine envisaged under the European Commission's original decision. Further to the ruling dismissing Prysmian's appeal, the European Commission requested Prysmian Group to pay the sum of approximately Euro 20 million, corresponding to half of the fine for the period from 29 July 2005 to 28 January 2009. Following the ruling dismissing the Pirelli appeal, the European Commission requested the Prysmian Group to pay the sum of approximately Euro 37 million, corresponding to half of the fine for the period from 18 February 1999 to 28 July 2005. Using the provisions already set aside in previous years, the Group made this payment on time.
Pirelli & C. S.p.A. has brought a civil action against Prysmian Cavi e Sistemi S.r.l. in the Milan Courts, seeking 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 dismissed in their entirety 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 were then 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 challenged this decision before the Court of Cassation, Italy's highest court of appeal, which confirmed the stay of execution ordered by the Milan Courts. Following the conclusion of the appeal proceedings before the European Court of Justice, Pirelli has resumed the proceedings in the Court of Milan.

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 pre-trial phase had been completed, in response to which Prysmian submitted its brief on 18 January 2019. On 11 February 2019, as a result of its investigation the general superintendence of the Brazilian antitrust authority (Administrative Council for Economic Defense – "CADE") published a statement of objections (Technical Note) in the Brazilian Federal Official Gazette.
On 15 April 2020, the CADE Tribunal issued the operative part of the decision under which it held Prysmian liable for the contested infringement in the period from February 2001 to March 2004 and ordered it to pay a fine of BRL 10.2 million (approximately Euro 1.8 million). Prysmian Group has filed an appeal against the CADE ruling.

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 fined by the European Commission in the decision adopted in April 2014. On 29 July 2020, an agreement was finalised between Prysmian Group and Scottish Power whereby the dispute between the parties was settled out of court. On 10 November 2020, an agreement was also finalised between Prysmian Group and National Grid whereby the dispute between the parties was settled out of court. The pending legal actions have therefore been abandoned and will no longer be pursued. In both cases, the provisions set aside by the Group were sufficient to cover the amounts negotiated in settlement.

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 fined by the European Commission.
During the month of June 2020, the Prysmian companies concerned presented their defence as well as serving a summons on another party to which the EU decision was addressed.

On 2 April 2019, a writ of summons 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 fined 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. By an order dated 3 February 2020, the Court upheld the points raised by the defendants, giving Terna until 11 May 2020 to complete its writ of summons and scheduling a hearing for 20 October 2020. Terna duly completed its summons, which was filed on time.

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 fined 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, a writ of summons 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, a writ of summons 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.

On 23 April 2020, the initial hearing was held for both the above proceedings, which are being dealt with jointly and are now in the pre-trial phase.

On 2 April 2019, a writ of summons 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, brought in the Court of Amsterdam, once again involved a claim for compensation for damages purportedly suffered as a result of the alleged anti-competitive practices fined by the European Commission. On 18 December 2019, the Prysmian Group companies concerned presented their preliminary defence, the hearing of which took place on 8 September 2020, at the end of which the judge reserved passing judgement. On 25 November 2020, the Court of Amsterdam handed down a ruling under which it upheld the submissions made and declined jurisdiction over defendants not based in the Netherlands and thus excluded them from the proceedings. On 19 February 2021, the plaintiffs announced that they had filed an appeal against this ruling.

In view of the circumstances described, the Directors, assisted also by their legal advisors, 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. were 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. Following the conclusion of the appeal proceedings pending before the European Court of Justice, Nexans has resumed the previously stayed legal action.

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 fined 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.

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. In November 2020, the Group companies filed an action requesting that the claims brought by Pirelli & C. S.p.A. be rejected in their entirety and that it be Pirelli & C.. S.p.A. which should hold the Group companies harmless from any third-party claim for damages relating to the practices forming the subject of the European Commission's decision.
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 10 November 2020, the parties reached an agreement under which the dispute was settled out of court. The pending legal action has therefore been abandoned and will no longer be pursued.

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 ordered to pay a fine of Euro 15.6 million. The Group's Spanish subsidiaries have appealed against this decision. The appeal decision is still pending.
The decision of 24 November 2017 also held the Spanish subsidiaries of General Cable liable for breach of local antitrust law. However, they have obtained immunity from paying the related fine (quantified at about Euro 12.6 million) having filed for leniency and collaborated with the local competition authority in its investigations. The Spanish subsidiaries of General Cable have also appealed against the decision of the local competition authority; the appeal decision is still pending.

As at the date of writing the present report, the Chilean Antitrust Authority is conducting an investigation into the Chilean subsidiary Colada Continua Chilena S.A..

In view of the circumstances described, the Directors, also assisted by their legal advisors and in consistency with the accounting policies, 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 writ of summons 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.

In July 2020, a writ of summons was served on a number of cable manufacturers, including Prysmian Group's Spanish subsidiaries, under which companies belonging to the Endesa 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 these potential liabilities unlikely to crystallise, the Directors are of the opinion not to make any provision.

As at 31 December 2020, the provision for the above Antitrust matters amounts to approximately Euro 120 million.
Despite the uncertainty of the outcome of the investigations and legal actions in progress, the amount of this provision is considered to represent the best estimate of the liability based on the information now available.

Warranty provisions
Provisions for legal, contractual and other risks include those for warranties against completed projects, among which the most significant is the warranty provision for the Western Link contract. In light of the

agreement reached with the customer in January 2021, which revised the terms of the original contract and helped reduce the Group's risk exposure in this regard, potential liabilities arising from events that could occur during the warranty period are considered to be adequately covered by the provisions already set aside.

15. EMPLOYEE BENEFIT OBLIGATIONS

The Group provides a number of post-employment benefits through schemes 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 such 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 under 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)	31.12.2020	31.12.2019
Pension plans	419	409
Italian statutory severance benefit	15	15
Medical benefit plans	30	27
Termination and other benefits	42	43
Total	**506**	**494**

Pension plan amendments in 2020

There were no significant amendments to existing pension plans during 2020. 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 2020 and 31 December 2019:

(Euro/million)						31.12.2020
	Germany	Great Britain	France	United States	Other countries	Total
Funded pension obligations:						
Present value of obligation	-	226	2	142	88	458
Fair value of plan assets	-	(135)	(2)	(122)	(81)	(340)
Asset ceiling	-	-	-	-	-	-
Unfunded pension obligations:						
Present value of obligations	243	-	36	4	18	301
Total	**243**	**91**	**36**	**24**	**25**	**419**

(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**

At 31 December 2020, the net value of funded plans in "Other countries" of Euro 7 million mainly refers to Canada, Mexico and Spain.
At 31 December 2020, unfunded plans in "Other countries" primarily refer to Sweden and Chile, the present value of whose 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)	2020	2019
Opening defined benefit obligation	**752**	**677**
Current service costs	7	7
Interest costs	13	19
Administrative costs and taxes	2	2
Actuarial (gains)/losses recognised in equity - experience	(3)	(5)
Actuarial (gains)/losses recognised in equity - demographic assumptions	-	(5)
Actuarial (gains)/losses recognised in equity - financial assumptions	52	83
Disbursements from plan assets	(24)	(26)
Disbursements paid directly by the employer	(13)	(15)
Currency translation differences	(29)	17
Reclassifications and legislative amendments to existing plans	-	-
Reclassification to assets and liabilities held for sale	2	(2)
Closing defined benefit obligation	**759**	**752**

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

(Euro/million)	2020	2019
Opening plan assets	**343**	**298**
Interest income on plan assets	8	10
Actuarial gains/(losses) recognised in equity	25	36
Contributions paid in by the employer	23	26
Contributions paid in by plan participants	-	-
Disbursements	(37)	(39)
Plan settlements	-	-
Currency translation differences	(22)	12
Closing plan assets	**340**	**343**

At 31 December 2020, pension plan assets consisted of equities (36.6% versus 35.3% in 2019), government bonds (11.9% versus 11.6% in 2019), corporate bonds (19.1% versus 21.4% in 2019), and other assets (32.4% versus 31.7% in 2019).

The value of the asset ceiling was zero at 31 December 2020, like at 31 December 2019.

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

(Euro/million)						2020
	Germany	Great Britain	France	United States	Other countries	Total
Personnel costs	2	-	2	1	4	9
Interest costs	2	4	-	5	2	13
Expected returns on plan assets	-	(2)	-	(4)	(2)	(8)
Total pension plan costs	**4**	**2**	**2**	**2**	**4**	**14**

(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**

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

As evident from the preceding tables, the most significant plans at 31 December 2020 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 eight types of pension plan in Germany, most of which final salary plans with the retirement age 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 2020, the plans had an average duration of 14.2 years (14.4 years at 31 December 2019).

Total plan membership is made up as follows:

	31.12.2020	31.12.2019
	Number of participants	Number of participants
Active	1,072	1,336
Deferred	1,263	1,040
Pensioners	2,222	2,180
Total membership	**4,557**	**4,556**

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 2021 will amount to Euro 9 million (Euro 9 million at 31 December 2019 for 2020).
The increase in benefits, and so in the recorded liability and service costs, mainly depends on inflation, salary growth and the life expectancy of plan members. Another variable to consider when determining the amount of the liability and 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 2020: 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 incurred any new liabilities since 2013. Currently all employees participate in defined contribution plans.
As at 31 December 2020, the plans had an average duration of approximately 19.6 years (approximately 19.7 years at 31 December 2019).

Total plan membership is made up as follows:

			31.12.2020			31.12.2019
	Draka pension fund Number of participants	Prysmian pension fund Number of participants	Total Number of participants	Draka pension fund Number of participants	Prysmian pension fund Number of participants	Total 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 valuations to determine the level of plan funding, but can also be revised annually.
The benefits payable in 2021 will amount to Euro 4 million (Euro 4 million at 31 December 2019 for 2020).
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 according to market yields of AA corporate bonds denominated in GB pounds.

France

There were five pension plans in operation in France at 31 December 2020, 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 64 for office workers and 63 for other categories. They are all open to new members, except for the funded plan which does not admit new members or incur new liabilities. As at 31 December 2020, the plans had an average duration of approximately 11.47 years (11.4 years at 31 December 2019).

Total plan membership is made up as follows:

	31.12.2020	31.12.2019
	Number of participants	Number of participants
Active	2,689	2,517
Deferred	N/A	N/A
Pensioners	25	25
Total membership	**2,714**	**2,542**

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, determined according to market yields of AA corporate bonds denominated in Euro.
The main risks for the funded plan are those associated with 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 a revision of contribution levels.

United States

There were four pension plans in operation in the United States at 31 December 2020, 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 pension plans generally set the retirement age at 65. They are all closed to new members and do not admit new members or incur new liabilities, except for the "Master Pension Plan" into which payments can still be made for employees already enrolled in the plan. As at 31 December 2020, the plans had an average duration of approximately 9.2 years (9 years at 31 December 2019).

Total plan membership is made up as follows:

	31.12.2020 Number of participants	31.12.2019 Number of participants
Active	453	490
Deferred	581	631
Pensioners	2,896	2,968
Total membership	**3,930**	**4,089**

The benefits and contributions payable in 2021 will amount to Euro 1 million (Euro 6 million al 31 December 2019 for 2020).

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:

								31.12.2020
	Germany		Great Britain		France		United States	
Interest rate	0.60%		1.30%		0.50%		2.30%	
Expected future salary increase	2.26%		N/A		1.58%		2.50%	
Expected increase in pensions	1.70%		N/A		1.00%		0.00%	
Inflation rate	1.70%		3.10%		1.58%		3.00%	
Life expectancy at age 65:	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
People currently aged 65	20.40	23.80	21.30	23.20	24.16	27.63	19.93	21.83
People currently aged 50	23.60	25.60	22.00	24.10	26.23	29.84	21.05	22.91

								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

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.

								31.12.2020
	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	7.35%	-6.63%	10.20%	-9.11%	5.90%	-5.55%	4.62%	-4.34%
Inflation rate	**-0.25%**	**+ 0.25%**	**- 0.25%**	**+ 0.25%**	**- 0.25%**	**+ 0.25%**	**- 0.25%**	**+ 0.25%**
Change in pension plans	-3.04%	3.10%	-3.53%	3.69%	-2.90%	2.99%	0.00%	0.00%

				31.12.2020
	Germany	Great Britain	France	United States
1-year increase in life expectancy	5.84%	3.51%	1.59%	3.13%

								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%

STATUTORY SEVERANCE BENEFIT

Statutory severance benefit refers to Italian companies only and is analysed as follows:

(Euro/million)	2020	2019
Opening balance	**15**	**15**
Actuarial (gains)/losses recognised in equity	1	1
Disbursements	(1)	(1)
Closing balance	**15**	**15**

Net actuarial losses of Euro 1 million have been recognised at 31 December 2020, basically 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 a lump sum, 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:

	31.12.2020	31.12.2019
Interest rate	0.50%	0.75%
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:

	31.12.2020		31.12.2019	
Interest rate	**-0.50%**	**+0.50%**	**-0.50%**	**+0.50%**
Change in statutory severance benefit	4.93%	-4.70%	5.04%	-4.80%
Inflation rate	**-0.25%**	**+0.25%**	**-0.25%**	**+0.25%**
Change in statutory severance benefit	-1.36%	1.70%	-1.38%	1.74%

MEDICAL BENEFIT PLANS

Some Group companies provide medical benefit plans for retired employees. In particular, the Group funds 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)	2020	2019
Opening balance	**27**	**30**
Personnel costs	2	2
Interest costs	-	1
Actuarial (gains)/losses recognised in equity - experience	5	(5)
Disbursements	(1)	(2)
Currency translation differences	(3)	1
Closing balance	**30**	**27**

The actuarial assumptions used to value medical benefit plans are as follows:

	31.12.2020		31.12.2019	
Interest rate	2.43%		3.34%	
Expected future salary increase	0.00%		0.00%	
Increase in claims	5.08%		5.18%	
Life expectancy at age 65:	**Male**	**Female**	**Male**	**Female**
People currently aged 65	20.49	22.50	20.60	22.60
People currently aged 50	21.58	23.52	22.10	24.30

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.

	31.12.2020		31.12.2019	
Interest rate	**-0.5%**	**+0.5%**	**-0.5%**	**+0.5%**
Change in medical benefit plans	8.83%	-7.90%	8.39%	-7.45%
Medical inflation rate	**-0.25%**	**+0.25%**	**-0.25%**	**+0.25%**
Change in medical benefit plans	-4.05%	4.31%	-3.66%	3.89%

	31.12.2020	31.12.2019
1-year increase in life expectancy	4.19%	3.94%

Headcount

Average headcount in the period is reported below, compared with closing headcount at the end of each period:

				2020
	Average	%	Closing	%
Blue collar	20,883	73%	20,730	73%
White collar and management	7,579	27%	7,591	27%
Total	**28,462**	**100%**	**28,321**	**100%**

				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%**

16. DEFERRED TAXES

The balance of deferred tax assets at 31 December 2020 is Euro 207 million (Euro 170 million at 31 December 2019) while that of deferred tax liabilities is Euro 195 million (Euro 213 million at 31 December 2019).

Movements in deferred taxes are analysed as follows:

(Euro/million)	Fixed assets	Provisions (1)	Tax losses	Other	Total
Balance at 31.12.2018	**(298)**	**135**	**11**	**104**	**(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	**(284)**	**173**	**11**	**57**	**(43)**
Currency translation differences	22	(3)	-	2	21
Impact on income statement	28	26	-	(11)	43
Impact on equity	-	8	-	(21)	(13)
Other and reclassifications	1	1	-	2	4
Balance at 31.12.2020	**(232)**	**205**	**11**	**(26)**	**12**

(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 1,052 million in carryforward tax losses at 31 December 2020 (Euro 1,108 million at 31 December 2019). Unrecognised deferred tax assets relating to the above carryforward tax losses and to deductible temporary differences amount to Euro 277 million (Euro 292 million at 31 December 2019).
At 31 December 2020, it has however recognised deferred tax assets of Euro 13 million on carryforward tax losses of Euro 47 million (Euro 85 million at 31 December 2019).

The following table presents details of carryforward tax losses:

(Euro/million)	31.12.2020	31.12.2019
Carryforward tax losses	1,099	1,193
of which recognised as deferred tax assets	47	85
Carryforward expires within 1 year	35	12
Carryforward expires between 2-5 years	53	89
Carryforward expires beyond 5 years	44	43
Unlimited carryforward	967	1,049

17. SALES

Details are as follows:

(Euro/million)	2020	2019
Finished goods	8,825	9,854
Construction contracts	806	1,280
Services	87	111
Other	298	274
Total	**10,016**	**11,519**

18. CHANGE IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

Details are as follows:

(Euro/million)	2020	2019
Finished goods	14	9
Work in progress	55	(25)
Total	**69**	**(16)**

19. OTHER INCOME

Details are as follows:

(Euro/million)	2020	2019
Rental income	2	1
Insurance reimbursements and indemnities	30	36
Gains on disposal of property	20	2
Other revenue and income	47	57
Total	**99**	**96**

20. RAW MATERIALS, CONSUMABLES AND SUPPLIES

Details are as follows:

(Euro/million)	2020	2019
Raw materials	6,492	7,241
Change in inventories	(28)	(23)
Total	**6,464**	**7,218**

21. PERSONNEL COSTS

Details are as follows:

(Euro/million)	2020	2019
Wages and salaries and social security	1,270	1,370
Fair value - stock options	31	(1)
Pension plans	8	9
Medical benefit costs	2	2
Termination and other benefits	29	19
Company reorganisation	24	69
Other personnel costs	45	71
Total	**1,409**	**1,539**

Share-based payments

At 31 December 2020, 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 (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 or received free of charge are subject to a retention period, during which they cannot be sold. The Plan contains purchase windows also in the coming year.
All those who have signed up to 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 have 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 (in years)	0.72
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 2020 for the fair value of options granted under this plan.

The following table provides details about movements in the plan:

	31.12.2020
	Number of options
Options at start of year	215,000
Granted	-
Change in expected participations	(31,922)
Cancelled	-
Exercised	(75,578)
Options at end of year	107,500

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 2020-2022

On 12 November 2019, after receiving the Remuneration Committee's favourable opinion, the Board of Directors adopted a resolution to revoke the LTI Plan 2018-2020, deeming that the incentive and retention functions that characterised its nature and constituted its purposes no longer existed. After extensive benchmarking of best market practices and after gathering feedback from investors, the Remuneration Committee presented the Board of Directors with a proposal to adopt a new long-term incentive plan (LTI), subsequently approved by the Shareholders' Meeting on 28 April 2020 pursuant to art. 114-*bis*, par. 1, of Italian Legislative Decree no. 58/1998. The key drivers of change to which the new LTI Plan responds are:

- simplification and alignment with best market practices;
- sustainability of performance over time;
- greater participation in the creation of long-term value by extending the number of beneficiaries to a wider group of managers and professionals;
- retention to support the post-merger integration phase, especially in some geographies with a particularly competitive talent market.

The Plan extends to some 800 Group employees and involves the allocation of a number of options calculated according to the achievement of operational, economic and financial performance conditions. The Plan consists of the following components: Performance Share, Deferred Share and Matching Share. The Performance Share component consists of the free allocation of shares to plan participants subject to the achievement of performance conditions, measured over a three-year period and subject to continued employment. The vesting period is three years (2020- 2022), with disbursement of the shares envisaged in 2023. The Deferred Share component involves the deferred receipt, through the free allocation of shares subject to continued employment during the vesting period, of 50% of any bonus earned for the years 2020, 2021 and 2022. The vesting of the annual bonus depends on the achievement of specific economic, financial, operational and sustainability objectives defined in advance each year. Lastly, the Matching Share component is combined with the Deferred Shares and consists of the free allocation to participants of 0.5 additional shares for each Deferred Share granted and arising from deferred payment of the bonus for each year. In the case of the Chief Executive Officer and Top Management (consisting of about 40 individuals, including Executive Directors, Key

Management Personnel, first-line positions reporting to the CEO and second-line managers of key areas), the Matching Share component is subject to the achievement of a pre-determined performance condition related to sustainability (ESG).

The actual allocation of shares, in particular with reference to the Performance Share, is subject to the level of achievement of the following performance conditions: cumulative Adjusted EBITDA, cumulative Free Cash Flow, relative TSR measured against a 9-member peer group and ESG, measured by a set of indicators.

The following table provides details about movements in the plan:

	31.12.2020
	Number of options
Options at start of year	-
Granted	2,074,935
Change in expected participations	-
Cancelled	-
Exercised	-
Options at end of year	2,074,935

Costs of Euro 29 million have been recognised as "Personnel costs" in the income statement at 31 December 2020 for the fair value of options granted under this plan.

In accordance with IFRS 2, the options allotted have been measured at their grant date fair value. The fair value of the options has been determined using the following assumptions:

Grant date	28 April 2020
Residual life at grant date (in years)	2.68
Exercise price (Euro)	0
Risk-free interest rate	-0.70%
Expected dividend %	2.30%
Option fair value (market based) at grant date (Euro)	13.54
Option fair value (not market based) at grant date (Euro)	13.85

The information memorandum, prepared under art. 114-*bis* of Legislative Decree 58/98 and describing the characteristics of the above plan, is publicly available on the Company's website at http://www.prysmiangroup.com/, from its registered offices and from Borsa Italiana S.p.A..
As at 31 December 2020, 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)	2020	2019
Depreciation of buildings, plant, machinery and equipment	182	188
Depreciation of other property, plant and equipment	20	17
Amortisation of intangible assets	66	69
Depreciation and impairment of right-of-use assets (IFRS 16)	57	45
Impairment of property, plant and equipment	64	35
Impairment of intangible assets	4	-
Total	**393**	**354**

Details of the impairment loss of Euro 68 million against property, plant and equipment can be found in Note 1. Property, plant and equipment and Note 2. Goodwill and other intangible assets.

23. OTHER EXPENSES

Details are as follows:

(Euro/million)	2020	2019
Professional services	99	94
Insurance	45	70
Maintenance costs	110	122
Selling costs	62	64
Utilities	167	195
Travel costs	24	55
Vessel charter	32	85
Increases in/(releases of) provisions for risks	38	118
Losses on disposal of assets	2	2
Sundry expenses	110	106
Other costs	849	1,042
Company reorganisation	8	10
Non-recurring other expenses	33	(5)
Total	**1,579**	**1,958**

Other costs mainly refer to those incurred for project execution.
The Group expensed Euro 90 million in research and development costs in 2020 (Euro 96 million in 2019), insofar as there were no criteria to justify their capitalisation.

24. SHARE OF NET PROFIT/(LOSS) OF EQUITY-ACCOUNTED COMPANIES

Details are as follows:

(Euro/million)	2020	2019
Share of net profit/(loss) of associates	18	24
Total	**18**	**24**

Further information can be found in Note 3. Equity-accounted investments.

25. FINANCE COSTS

Details are as follows:

(Euro/million)	2020	2019
Interest on loans	15	21
Interest on non-convertible bond	19	19
Interest on convertible bond 2017 - non-monetary component	10	10
Interest Rate Swaps	7	7
Interest on lease liabilities	5	5
Amortisation of bank and financial fees and other expenses	6	6
Employee benefit interest costs net of interest on plan assets	7	10
Other bank interest	5	5
Costs for undrawn credit lines	3	5
Sundry bank fees	16	16
Non-recurring other finance costs	2	2
Finance costs for hyperinflation	2	2
Other	4	10
Finance costs	**101**	**118**
Net losses on forward currency contracts	11	-
Losses on derivatives	**11**	**-**
Foreign currency exchange losses	457	376
Foreign currency exchange losses	**457**	**376**
Total finance costs	**569**	**494**

26. FINANCE INCOME

Details are as follows:

(Euro/million)	2020	2019
Interest income from banks and other financial institutions	6	5
Other finance income	3	12
Finance income	**9**	**17**
Net gains on forward currency contracts	-	9
Gains on derivatives	**-**	**9**
Foreign currency exchange gains	459	343
Total finance income	**468**	**369**

27. TAXES

Details are as follows:

(Euro/million)	2020	2019
Current income taxes	121	144
Deferred income taxes	(43)	4
Total	**78**	**148**

The following table reconciles the effective tax rate with the Parent Company's theoretical tax rate:

(Euro/million)	2020	Tax rate	2019	Tax rate
Profit/(loss) before taxes	252		444	
Theoretical tax expense at Parent Company's nominal tax rate	60	24.0%	107	24.0%
Differences in nominal tax rates of foreign subsidiaries	-	0.0%	5	1.1%
Taxes on distributable reserves	-	0.0%	14	3.2%
Taxes on dividends	11	4.4%	-	0.0%
Release of prior year credit for taxes paid abroad	3	1.2%	3	0.7%
Deferred tax effect on carryforward tax losses	-	0.0%	7	1.6%
IRAP (Italian regional business tax) and US State TAX	14	5.6%	5	1.2%
Taxes for prior years	(12)	-4.8%	3	0.6%
Non-deductible costs/(non-taxable income) and other	2	0.8%	6	1.4%
Effective income taxes	**78**	**31.1%**	**150**	**33.8%**

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). They have not been affected by the Convertible Bond 2017, whose conversion is currently "out of the money", or by the performance shares under the LTI 2020-2022, not being grantable based on the level of cumulative EBITDA in the first year of the three-year plan.

(Euro/million)	2020	2019
Net profit/(loss) attributable to owners of the parent	178	292
Weighted average number of ordinary shares (thousands)	263,274	263,139
Basic earnings per share (in Euro)	**0.68**	**1.11**
Net profit/(loss) attributable to owners of the parent for purposes of diluted earnings per share	178	292
Weighted average number of ordinary shares (thousands)	263,274	263,139
Adjustments for:		
Dilution from incremental shares arising from bond conversion into shares	-	-
Dilution from incremental shares arising from exercise of stock options (thousands)	119	32
Weighted average number of ordinary shares to calculate diluted	263,393	263,171
earnings per share (thousands)	**0.68**	**1.11**
Diluted earnings per share (in Euro)		

The dividend paid in 2020 amounted to approximately Euro 66 million (Euro 0.25 per share). A dividend of Euro 0.50 per share for the year ended 31 December 2020 will be proposed at the annual general meeting to be held on 28 April 2021 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 2020, 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 65 million.

30. COMMITMENTS TO PURCHASE PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Contractual commitments already entered into with third parties as at 31 December 2020 and not yet reflected in the financial statements amount to Euro 125 million for investments in property, plant and equipment (Euro 244 million at the end of 2019); commitments to third parties for investments in intangible assets amount to Euro 2 million at 31 December 2020 (zero at 31 December 2019).

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 256 million at 31 December 2020 (Euro 339 million at 31 December 2019).

32. FINANCIAL COVENANTS

The credit agreements in place at 31 December 2020, 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;
- issuing of particularly significant court orders;
- 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 2020 and 31 December 2019 are as follows:

	31.12.2020	31.12.2019
EBITDA/Net finance costs (1)	14.32x	14.42x
Net financial debt/EBITDA (1)	2.10x	1.99x

(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 its 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 2020 and 31 December 2019:

(Euro/million)	31.12.2020				
	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	312	-	**312**	312	100.0%
Trade receivables	3	-	**3**	1,374	0.2%
Other receivables	3	-	**3**	522	0.6%
Trade payables	2	-	**2**	1,958	0.1%
Other payables	-	5	**5**	1,001	0.5%
Provisions for risks and charges	-	9	**9**	591	1.5%

(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)	2020				
	Equity-accounted companies	Compensation of directors, statutory auditors and key management personnel	Total related parties	Total reported amount	Related party % of total
Sales	25	-	**25**	10,016	0.2%
Other income	5	-	**5**	99	5.1%
Raw materials. consumables and supplies	(3)	-	**(3)**	(6,464)	0.0%
Personnel costs	-	(19)	**(19)**	(1,409)	1.3%
Other expenses	(7)	(1)	**(8)**	(1,579)	0.5%
Share of net profit/(loss) of equity-accounted companies	18	-	**18**	18	100.0%

(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%

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.

Top management compensation

Top management compensation is analysed as follows:

(Euro/000)	2020	2019
Salaries and other short-term benefits - fixed part	7,316	7,418
Salaries and other short-term benefits - variable part	1,836	3,662
Other benefits	562	610
Share-based payments	3,730	-
Total	**13,443**	**11,690**
of which Directors	***7,685***	***6,625***

The amounts shown in the table are the costs recognised in the income statement during the year.
At 31 December 2020, payables for top management compensation amount to Euro 1.8 million, while employee benefit obligations pertaining to top managers are Euro 0.1 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 7.7 million in 2020 (Euro 6.6 million in 2019). The compensation of the Statutory Auditors of Prysmian S.p.A. came to Euro 0.2 million in 2020, 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 2020.

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/000)	2020	2019
Non-recurring other income/(expenses)		
Antitrust	(9)	32
Non-recurring other finance costs		
Non-recurring other finance costs	(2)	(2)
Total	**(11)**	**30**

37. STATEMENT OF CASH FLOWS

After accounting for a positive change of Euro 259 million in working capital, Euro 142 million in tax payments and Euro 8 million in dividend receipts from associates, net cash flow from operating activities was a positive Euro 705 million at the end of 2020.

Acquisitions and/or disposals during the year produced a net outflow of Euro 5 million, mainly due to the down payment against the acquisition of the EHC group, discussed in more detail in the note on "Events after the reporting period".
Net operating capital expenditure used Euro 244 million in cash in 2020, 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 70 million in dividends. Finance costs paid, net of finance income received, came to Euro 86 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 2020 for audit work and other services provided by the independent auditors Ernst & Young and companies in the Ernst & Young network:

(Euro/000)	Recipient	Supplier of services	Fees for 2020	Fees for 2019
Audit services	Parent Company - Prysmian S.p.A.	Ernst & Young Italy	904	1,469
	Italian subsidiaries	Ernst & Young Italy	422	417
	Foreign subsidiaries	Ernst & Young Italy	267	782
	Foreign subsidiaries	Ernst & Young Network	3,257	2,372
Certification services	Parent Company - Prysmian S.p.A.	Ernst & Young Italy	185	182
	Italian subsidiaries	Ernst & Young Italy	3	7
	Foreign subsidiaries	Ernst & Young Network	-	-
Other services	Parent Company - Prysmian S.p.A.	Ernst & Young Italy	-	-
	Italian subsidiaries	Ernst & Young Italy	3	-
	Foreign subsidiaries (1)	Ernst & Young Network	182	364
Total			**5,223**	**5,593**

(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 2020 and that ended 31 December 2019. 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. Subsidiaries 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 recognising in profit or loss (i) the gain or loss arising on the difference between the consideration received and the respective share of equity transferred to third parties, (ii) any amounts relating to the subsidiary recognised in other comprehensive income that may be reclassified to profit or loss and (iii) the gain or loss from adjusting any non-controlling interest retained by Prysmian Group to its fair calculated at the date control is lost.

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 have been considered to belong to a high inflation economy, 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 2020 instead of at the average rates for the reporting period. The effect of applying the standard has been to reduce net sales by Euro 6 million and net profit by Euro 7 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 overall effect for 2020 is a net cost of Euro 1 million, which has been recognised in the income statement under Net finance income (costs).

The exchange rates applied are as follows:

	Closing rates at		Period average rates	
	31.12.2020	31.12.2019	2020	2019
Europe				
British Pound	0.899	0.851	0.890	0.878
Swiss Franc	1.080	1.085	1.071	1.112
Hungarian Forint	363.89	330.53	351.25	325.30
Norwegian Krone	10.470	9.864	10.723	9.851
Swedish Krona	10.034	10.447	10.485	10.589
Czech Koruna	26.242	25.408	26.455	25.670
Danish Krone	7.441	7.472	7.454	7.466
Romanian Leu	4.868	4.783	4.838	4.745
Turkish Lira	9.024	6.663	8.028	6.360
Polish Zloty	4.560	4.257	4.443	4.298
Russian Rouble	91.467	69.956	82.725	72.455
North America				
US Dollar	1.227	1.123	1.142	1.119
Canadian Dollar	1.563	1.460	1.530	1.485
South America	-	-	-	-
Colombian Peso	4,202	3,689	4,216	3,675
Brazilian Real	6.377	4.528	5.891	4.417
Argentine Peso	103.260	67.280	80.638	53.968
Chilean Peso	872.520	844.860	902.955	786.893
Costa Rican Colón	750.556	642.012	668.694	657.623
Mexican Peso	24.416	21.220	24.519	21.557
Peruvian Sol	4.443	3.726	3.996	3.736
Oceania	-	-	-	-
Australian Dollar	1.590	1.600	1.655	1.611
New Zealand Dollar	1.698	1.665	1.756	1.700
Africa	-	-	-	-
CFA Franc	655.957	655.957	655.957	655.957
Angolan Kwanza	800.345	540.037	661.847	406.169
Tunisian Dinar	3.294	3.139	3.200	3.280
Asia				
Chinese Renminbi (Yuan)	8.023	7.821	7.875	7.735
United Arab Emirates Dirham	4.507	4.126	4.195	4.111
Hong Kong Dollar	9.514	8.747	8.859	8.772
Singapore Dollar	1.622	1.511	1.574	1.527
Indian Rupee	89.661	80.187	84.639	78.836
Indonesian Rupiah	17,241	15,596	16,627	15,835
Japanese Yen	126.490	121.940	121.846	122.006
Thai Baht	36.727	33.415	35.708	34.757
Philippine Peso	59.125	56.900	56.615	57.985
Omani Rial	0.472	0.432	0.439	0.430
Malaysian Ringgit	4.934	4.595	4.796	4.637
Qatari Riyal	4.467	4.089	4.158	4.075
Saudi Riyal	4.602	4.213	4.284	4.198

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 Mexico Holdings S.A. de C.V. (Mexico) present their financial statements in a currency other than that of the country they operate in, as their main transactions are not conducted in the local currency but in the reporting currency.
Foreign currency exchange gains and losses arising on completion of transactions or on the year-end translation of assets and liabilities denominated in foreign currencies are recognised in profit or loss.
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.

Right-of-use assets under IFRS 16

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 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;
- future lease payments are 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 are considered for the purposes of determining the lease term, if reasonably certain to be exercised.

Right-of-use assets are measured at cost, whose initial amount is equal to the lease liability.
The Group uses the exemption for short-term leases since their recognition would have an insignificant impact on the financial liability.

The financial liabilities recognised under IFRS 16, amounting to Euro 195 million, are analysed by maturity as follows:

(Euro/million)				31.12.2020
	Less than 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years
Lease liabilities	51	35	46	63

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.
Additional details concerning the composition of 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 of ownership of the instrument and the related control.

(a) Financial assets at amortised cost

The Group classifies in this category receivables and securities that it expects to hold to maturity, 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 under "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 equity 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 invests its liquidity and whose disposal date is not known, classified as current assets.
The above equity 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 equity and therefore designated as hedging instruments. Further details can be found in section B.2 Newly adopted accounting standards and principles.

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).

The Group adopts a simplified approach to calculating ECLs for trade receivables and contract assets: it 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, defined as the amount 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 records 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 under "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, unless 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.

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 time value of money, and risks specific 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 reported 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 measured at the higher of the amount obtained under the method described above for calculating provisions for risks and charges and the liability's original present value.
Additional details can be found in Note 29. Contingent liabilities.
Provisions for risks and charges include an estimate of legal costs to be incurred if such costs are incidental to the discharge 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, normally coinciding with shipment or delivery of the goods and acceptance by the customer. The Group checks whether there are conditions in the contract that represent separate performance obligations to which a portion of the transaction price must be allocated (e.g., warranties), as well as the effects arising from the presence of any variable consideration, significant financing components or non-cash consideration payable to the customer. In the case of variable consideration, this is estimated based on the amount to which the Group will be entitled when the goods are transferred to the customer; such consideration is estimated at contract inception and is recognised only when it is highly probable. The Group grants discounts to certain customers when 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 expected discounts, the Group applies the “most likely amount” method for contracts with a single-volume discount threshold and the “expected value” method for contracts with multiple thresholds. Generally, the Group receives short-term advances from its customers and the agreed amount of consideration is not adjusted 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 makes the related payment will not exceed one year.
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 grant and, when the right to the grant is assured since it is reasonably certain that the Group will comply with the conditions for its receipt and that the grant will be received.

(a) Grants related to assets

Government grants for property, plant and equipment are recorded as deferred income under “Other payables”, classified as current and non-current liabilities for the long-term and short-term portion of such grants respectively. 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 taxable income for the year, applying the tax rates in force at the reporting date.
Deferred taxes are calculated on all differences arising between the tax base of an asset or liability and its carrying amount, except for goodwill and differences arising from investments in subsidiaries, where the timing of the reversal of such differences is controlled by the Group and it is probable that they will not reverse in a reasonably foreseeable future. Deferred tax assets, including those relating to past tax losses, not offset by deferred tax liabilities, are recognised to the extent it is likely that future taxable profit will be available against which they can be recovered.
Deferred taxes are determined using tax rates that are expected to apply in the years when the differences are realised or extinguished, on the basis of tax rates that have been enacted or substantively enacted 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, in which case the tax effect is 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 under the related circumstances. The application of these estimates and assumptions affects 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 uncertainty surrounding the assumptions and conditions on which the estimates were based.
The following is a brief description of the accounting policies that require the Prysmian Group's Management to exercise greater subjectivity of judgement in making 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 to reflect the risk of an adverse 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 that depend 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 is determined by calculating value in use, a calculation that requires the use of estimates.
More details about the Goodwill impairment test 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 accounting policies and impairment testing procedures, property, plant and equipment and intangible assets with finite useful lives are tested for impairment, recognised through write-down, when there are indications that their carrying amount may be difficult to recover through use. 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 the loss using suitable valuation techniques. Correct identification of indicators of potential impairment, as well as its very measurement, depend on factors that may vary over time, thus influencing the judgements and estimates made by Management.
Prysmian Group has assessed during the course of 2020 whether there was any evidence that its CGUs might be impaired and has consequently tested for impairment those CGUs considered potentially at "risk". It should be noted that during 2020 the spread of the Covid-19 pandemic was treated as a pervasive indicator of impairment, resulting in the performance of impairment tests for all CGUs.
The outcome of impairment tests at 31 December 2020 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) Climate change

As more fully explained in the Directors' Report and in the Disclosure of Non-Financial Information, the Group is developing an ambitious "Net Zero" strategy, in line with the requirements of the Paris Agreement. At the same time, the Group is analysing and assessing the risks and opportunities of climate change and has set targets for the reduction of greenhouse gas emissions classified as Scope 1 and 2 (direct and indirect emissions generated by its own activities) and as Scope 3 (generated by the value chain).

The consequences in terms of investments, costs and other impacts on cash flows have been considered when preparing financial forecasts, consistent with the state of progress of this process. The 2020 impairment tests have taken into account the impacts on investment flows, as far as they can be currently estimated, without any significant effects on the test results. It is possible that in the future the carrying amount of assets or liabilities recognised in the Group's financial statements may be subject to different impacts as the strategy of managing climate change evolves.

(d) 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.

(e) 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 the course of formation.

(f) Taxes

Consolidated companies are subject to different tax jurisdictions. A high level of judgement is needed to establish the estimated global tax charge, also because of uncertain tax treatments. There are many transactions for which the relevant tax liability is difficult to estimate at year end. The Group recognises liabilities for ongoing tax risks on the basis of estimates, possibly made with the assistance of outside experts.

(g) 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 sales orders in the order book, or failing that by the replacement cost of the asset or raw material. 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.

(h) 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.

(i) Incentive and share purchase plans

The employee share purchase plan, directed at almost all the Group's employees, provides an opportunity for them to obtain shares on preferential terms and conditions. The operation of this plan is described in Note 21. Personnel costs. The grant of shares is subject to continued employment with the Group in the months between signing up to one of the plan's purchase windows and the purchase of the shares themselves on the equity market. The plan's financial and economic impact has therefore been estimated on the basis of the best possible estimates and information currently available. The incentive plan 2020-2022 involves the allocation of a number of options calculated according to the achievement of operational, economic and financial performance conditions. The plan's financial and economic impact has therefore been estimated on the basis of the best possible estimates and information available at the valuation date. More details can be found in Note 21. Personnel costs.

41. EVENTS AFTER THE REPORTING PERIOD

Prysmian Group completes the acquisition of EHC Global

On 8 January 2021, the Group announced it had completed the acquisition of EHC Global, a leading manufacturer of strategic components and integrated solutions for the vertical transportation industry. Established in 1977, EHC Global is a manufacturer and supplier of escalator handrails, rollers, elevator belts, strategic components and integrated solutions for the vertical transportation industry. EHC Global also offers a comprehensive range of technical and installation services for escalators and moving walkways.
The acquisition of EHC Global is in line with Prysmian Group's strategy to develop and strengthen its value-added businesses. EHC Global is a complementary add-on to the Group's Draka Elevator business, broadening its product portfolio to include a wide range of escalator products and services.
The total consideration paid for the acquisition is approximately Euro 80 million. Under the purchase agreement, the price is subject to adjustment clauses and so the final purchase consideration will be defined in the coming months. The EHC group's equity is estimated to be about Euro 34 million at 31 December 2020. The purchase price allocation process has only just begun and will be completed during 2021, as permitted by international accounting standards. Assuming, therefore, that the EHC group's equity currently represents the best estimate of the fair value of its assets and liabilities, goodwill of approximately Euro 46 million would be recognised.

Details of the assets and above goodwill are shown below:

	(Euro/million)
Cash out	80
Derivatives (collar) for acquisition	-
Acquisition price (A)	**80**
Fair value of net assets acquired (B)	**34**
Goodwill (A-B)	**46**
Purchase consideration	80
Cash and cash equivalents held by acquiree	(6)
Acquisition cash flow	**74**

	(Euro/million)
Property, plant and equipment	7
Intangible assets	1
Assets held for sale	-
Financial assets	6
Derivatives	-
Deferred taxes	-
Inventories	8
Trade and other receivables	17
Trade and other payables	(9)
Borrowings from banks and other lenders	(3)
Employee benefit obligations and other provisions	-
Cash and cash equivalents	6
Net assets acquired (B)	**34**

Acquisition-related costs are estimated at around Euro 1 million pre-tax and have been expensed to income.
Considering the EHC group's aggregate figures for 2020, it would have contributed Euro 75 million to Prysmian's sales and Euro 6 million to profit for the year had it been consolidated from 1 January 2020.

Placement of a Euro 750 million equity-linked bond

On 26 January 2021, the Group announced the successful placement (the "Placement") of an equity-linked bond (the "Bonds") for an amount of Euro 750 million.
The Bonds will have a 5-year maturity and a minimum denomination of Euro 100,000 each, and will be zero coupon. The issue price is Euro 102.50, representing a yield to maturity of -0.49% per annum. The initial price for the conversion of the Bonds into the Company's ordinary shares will be Euro 40.2355, representing a 47.50% premium on the weighted average price by volume of Prysmian ordinary shares on the Milan Stock Exchange between launch and pricing. The Bonds may be converted into the Company's ordinary shares, subject to approval by an extraordinary shareholders' meeting, to be held no later than 30 June 2021 (the "Long-stop Date"), of a share capital increase with exclusion of preferential subscription rights under art. 2441, par. 5, of the Italian Civil Code, to be used exclusively to service conversion of the Bonds (the "Capital Increase"). After such approval, the Company shall issue a notice to the Bondholders (the "Physical Settlement Notice"). Under the terms and conditions of the Bonds, and following the date

referred to in the Physical Settlement Notice, the Company shall settle any exercise of conversion rights with Prysmian ordinary shares issued under the Capital Increase or, at the Company's discretion, with existing Prysmian ordinary shares held by the Company.
Should the Capital Increase not be approved on or before the Long-stop Date, the Company may, within a limited period of time (and in any case no later than 10 dealing days after the Long-stop Date), give notice to the Bondholders (a "Shareholder Event Notice") and redeem all of the Bonds in cash at a premium determined in accordance with the terms and conditions of the Bonds.
Should the Capital Increase not be approved and should the Company not publish a Shareholder Event Notice by the date stated in the terms and conditions of the Bonds (and in certain limited circumstances prior to such date), each Bondholder may, in accordance with the Bond terms and conditions, request early redemption of their Bonds in cash. In such circumstances, the Company shall redeem the Bonds against payment of a cash amount equal to the market value determined in accordance with the terms and conditions of the Bonds.
The Company will have the option to redeem all - but not only some - of the Bonds at their principal amount from 12 February 2024, should the value of the new and/or existing ordinary shares exceed 130% of the conversion price for a specified period of time.
In line with market practice, and subject to the successful issuance of the Bonds, the Company has agreed not to place any further ordinary shares or related securities or enter into certain derivative transactions relating to Prysmian ordinary shares for a 90-day lock-up period subject to certain customary exceptions (including for share options or incentive schemes) and in connection with the Concurrent Repurchase.
Subject to the successful issuance of the Bonds, an application will be made to admit the Bonds to trading on an internationally recognised, regularly operating, regulated market or a multilateral trading facility (MTF) by no later than 30 June 2021.
The net proceeds from the Bond issue have been used for the Concurrent Repurchase described below, for refinancing the 2017 Bonds at maturity, as well as for general corporate purposes.

Repurchase of the 2017 Bonds

On 26 January 2021, the Group announced the repurchase of the Company's outstanding Euro 500 million zero-coupon equity-linked bonds due in 2022 and issued on 17 January 2017 (the "2017 Bonds").
The total principal amount of the 2017 Bonds which the Company has accepted to repurchase is equal to Euro 250,000,000 representing 50% of the 2017 Bonds initially issued, at a repurchase price ("Repurchase Price") of Euro 104,250 per Euro 100,000 in principal amount of the 2017 Bonds.

CDP Loan for Euro 75 million

On 28 January 2021, a new loan for Euro 75 million over 4.5 years was agreed with Cassa Depositi e Prestiti S.p.A. (CDP), for the purpose of financing part of the Group's expenditure for the purchase of the "Leonardo Da Vinci" cable-laying vessel.
This loan was drawn down in its entirety on 9 February 2021, with a bullet repayment envisaged at maturity on 28 July 2025.

Interest Rate Swap (IRS) to hedge the CDP Loan

On 4 February 2021, two IRSs were negotiated by Prysmian S.p.A. to hedge the new Euro 75 million loan.

Construction of new fibre-optic Telecom link in Brazil

On 24 February 2021, the Group announced that it will supply 770 km of MINISUB submarine optical fibre telecom cables to link the city of Macapá to Santarém and Alenquer, located in the north of the Amazon region, as part of the Norte Conectado project awarded by RNP, Rede Nacional de Ensino and Pesquisa, a Brazilian internet provider. The MINISUB solution is one of the most widely used technologies in the world. The cables will be produced at Prysmian's state-of-the-art manufacturing facility in Nordenham (Germany) and will be delivered in the second half of 2021.

New organisational structure

On 3 February 2021, the Group announced that it had adopted a new organisational structure, in line with international best practices, with the aim of reinforcing its focus on the strategic opportunities offered by the global transition to low-carbon energy and digitalisation-based economies.
The introduction of this new structure marks the successful completion of the integration with General Cable, which has significantly enlarged the Group and broadened its geographical diversification.

Under the leadership of the CEO, the new organisation will pivot around the following key roles:
- Chief Operating Officer
- Business Divisions
- Group Functions

Under the new organisation, the CEO will further intensify the Group's focus on its organic and non-organic growth strategy, as well as on accelerating major innovation projects. The two global megatrends of transition to low-carbon energy and development of telecommunications networks to support digitalisation are among the major growth opportunities on which the Company will be focusing to ensure sustainable growth. In order to leverage the Group's wide geographic presence and customer proximity, while delivering business synergies at the same time, the new role of Chief Operating Officer (COO) will oversee the Group's operational strategy and performance and results of the Regions, in conjunction with the Group's three Business Divisions. The Business Divisions, which report directly to the CEO, are focused on the strategic development of their different segments, with P&L responsibility for the global Business Units, in conjunction with the COO. In addition, they drive key decisions on product technology, production allocation and the most important projects. The Group Functions, reporting directly to the CEO, guide the governance and harmonisation of the main corporate processes, providing operational support to all Group entities. With the aim of strengthening the focus on ESG objectives, a Group Chief Sustainability Officer and a Chief Innovation Officer have been appointed.

Milan, 10 March 2021

ON BEHALF OF THE BOARD OF DIRECTORS

THE CHAIRMAN

Claudio De Conto

SCOPE OF CONSOLIDATION – APPENDIX A

The following companies have been consolidated line-by-line:

FULLY CONSOLIDATED SUBSIDIARIES ON A LINE BY LINE BASIS

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
EUROPE					
Austria					
Prysmian OEKW GmbH	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.
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 & Systems 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

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
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 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.		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
Prysmian Telecom Cables and Systems UK Ltd.	Eastleigh	British Pound	1	100.00%	Prysmian Cables & Systems Ltd.
Ireland					
Prysmian Re Company Designated Activity Company	Dublin	Euro	20,000,000	100.00%	Draka Holding B.V.
Italy					
Prysmian Cavi e Sistemi S.r.l.	Milan	Euro	50,000,000	100.00%	Prysmian S.p.A.
Prysmian Cavi e Sistemi Italia S.r.l.	Milan	Euro	77,143,249	100.00%	Prysmian S.p.A.
Prysmian Treasury S.r.l.	Milan	Euro	80,000,000	100.00%	Prysmian S.p.A.
Prysmian PowerLink S.r.l.	Milan	Euro	100,000,000	100.00%	Prysmian S.p.A.
Fibre Ottiche Sud - F.O.S. S.r.l.	Battipaglia	Euro	47,700,000	100.00%	Prysmian S.p.A.
Prysmian Electronics S.r.l.	Milan	Euro	10,000	100.00%	Prysmian Cavi e Sistemi S.r.l.
General Cable Italia S.r.l. in liquidation	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 Unipes-soal.
Czech Republic					
Draka Kabely. S.r.o.	Velké Meziříčí	Czech Koruna	255,000,000	100.00%	Draka Holding B.V.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Romania					
Prysmian Cabluri Si Sisteme S.A.	Slatina	Leu Rumeno	103,850,920	99.9995%	Draka Holding B.V.
				0.0005%	Prysmian Cavi e Sistemi S.r.l.
Russia					
Limited Liability Company Prysmian RUS	Rybinsk city	Russian Rouble	230,000,000	99.00%	Draka Holding B.V.
				1.00%	Prysmian Cavi e Sistemi S.r.l.
Limited Liability Company "Rybinskelektrokabel"	Rybinsk city	Russian Rouble	90,312,000	100.00%	Limited Liability Company Prysmian RUS
Slovakia					
Prysmian Kablo S.r.o.	Bratislava	Euro	21,246,001	99.995%	Prysmian Cavi e Sistemi S.r.l.
				0.005%	Prysmian S.p.A.
Spain					
Prysmian Cables Spain. S.A. (Sociedad Unipersonal)	Vilanova I la Geltrù	Euro	58,178,234.22	100.00%	Draka Holding. S.L.
Draka Holding. S.L. (Sociedad Unipersonal)	Santa Perpetua de Mogo-da	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	100.00%	Draka Holding B.V.
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 new Lira	216,733,652	83.7464%	Draka Holding B.V.
				0.4614%	Turk Prysmian Kablo Ve Sistemleri A.S.
				15.7922%	Third parties
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	126,552,215	100.00%	General Cable Canada Holdings LLC
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.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Phelps Dodge Enfield Corporation	Wilmington	US Dollar	800,000	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
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 Hold-ing 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	547,630,605	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 Ltd	Poços de Caldas	Brazilian Real	536,087,471	100.00%	Prysmian Cavi e Sistemi S.r.l.
Chile					
Prysmian Cables Chile S.p.A.	Santiago	Chile Peso	1,900,000,000	100.00%	Prysmian Cabos e Sistemas do Brasil S.A.
Cobre Cerrillos S.A.	Cerrillos	US Dollar	74,574,400	99.80%	General Cable Holdings (Spain). S.L.
				0.20%	Third parties
Colombia					
Productora de Cables Procables S.A.S.	Bogotà	Colombian Peso	1,902,964,285	99.96%	GC Latin America Holdings. S.L.
				0.04%	GK Technologies. Incorporated
Costa Rica					
Conducen. S.r.l.	Heredia	Costa Rican 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
El Salvador					
Conducen Phelps Dodge Centroamerica-El Salvador. S.A. de C.V.	Antiguo Cuscatlan (La Li-ber	US Dollar	22,858	99.95%	Conducen. S.r.l.
				0.05%	Third parties
Guatemala					
Proveedora de Cables y Alambres PDCA Guatemala. S.A.	Guatemala City	Guatemalan Quetzal	100,000	99.00%	Conducen. S.r.l.
				1.00%	Third parties
Honduras					
Electroconductores de Honduras. S.A. de C.V.	Tegucigalpa	Honduran Lempira	27,600,000	59.39%	General Cable Holdings (Spain). S.L.
				40.61%	Cahosa S.A.
Mexico					
Draka Durango S. de R.L. de C.V.	Durango	Mexican Peso	163,471,787	99.996%	Draka Mexico Holdings S.A. de C.V.
				0.004%	Draka Holding B.V.
Draka Mexico Holdings S.A. de C.V.	Durango	Mexican Peso	57,036,501	99.999998%	Draka Holding B.V.
				0.000002%	Draka Comteq B.V.
NK Mexico Holdings S.A. de C.V.	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.

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
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.
	San Jose			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
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
Perù					
General Cable Peru S.A.C.	Santiago de Surco (Lima)	Nuevo Sol Peruviano	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	Angolan Kwanza	20,000,000	99.80%	General Cable Celcat. Energia e Telecomunicaçoes SA
				0.20%	Third parties
Ivory Coast					
SICABLE - Sociète Ivoirienne de Cables S.A.	Abidjan	CFA Franc	740,000,000	51.00%	Prysmian Cables et Systèmes France S.A.S.
				49.00%	Third parties
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
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.
ASIA					
Saudi Arabia					
Prysmian Powerlink Saudi LLC	Al Khoabar	Saudi Arabian Riyal	500,000	95.00%	Prysmian PowerLink S.r.l.
				5.00%	Third parties

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
China					
Prysmian Tianjin Cables Co. Ltd.	Tianjin	US Dollar	36,790,000	67.00%	Prysmian (China) Investment Company Ltd.
				33.00%	Third parties
Prysmian Cable (Shanghai) Co. Ltd.	Shanghai	US Dollar	5,000,000	100.00%	Prysmian (China) Investment Company Ltd.
Prysmian Wuxi Cable Co. Ltd.	Yixing (Jiangsu Province)	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
Shanghai Guang Ye Optical Fibre Cable Co. Ltd.	Shanghai	US Dollar	15,580,000	55.00%	Draka Comteq Germany GmbH & Co. KG
				45.00%	Third parties
Suzhou Draka Cable Co. Ltd.	Suzhou	Chinese Renminbi (Yuan)	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.
Philippines					
Draka Philippines Inc.	Cebu	Philippine Peso	253,652,000	99.9999975%	Draka Holding B.V.
				0.0000025%	Third parties
India					
Associated Cables Pvt. Ltd.	Mumbai	Indian Rupee	61,261,900	100.00%	Oman Cables Industry (SAOG)
Jaguar Communication Consultancy Services Private Ltd.	Mumbai	Indian Rupee	92,602,218	99.99999%	Prysmian Cavi e Sistemi S.r.l.
				0.000001%	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 Riyal	8,970,000	51.17%	Draka Holding B.V.
				48.83%	Third parties
Oman Aluminium Processing Industries (SPC)	Sohar	Omani Riyal	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.
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

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
Thailand					
MCI-Draka Cable Co. Ltd.	Bangkok	Thai Baht	435,900,000	70.250172%	Draka Cableteq Asia Pacific Holding Pte Ltd.
				0.000023%	Draka (Malaysia) Sdn Bhd
				0.000023%	Sindutch Cable Manufacturer Sdn Bhd
				0.000023%	Singapore Cables Manufacturers Pte Ltd.
				29.749759%	Third parties
General Cable Asia Pacific & Middle East Co., Ltd.	Bangkok	Thai Baht	30,000,000	100.00%	GK Technologies. Incorporated

The following companies have been accounted for using the equity method:

Legal name	Office	Currency	Share capital	% ownership	Direct parent company
EUROPE					
Germany					
Kabeltrommel GmbH & Co. KG	Troisdorf	Euro	10,225,837.65	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
U.K.					
Rodco Ltd.	Woking	British Pound	5,000,000	40.00%	Prysmian Cables & Systems Ltd,
				60.00%	Third parties
Poland					
Eksa Sp.Zo.o.	Sokolów	Polish Zloty	394,000	29.949%	Prysmian Cavi e Sistemi S,r,l,
				70.051%	Third parties
Russia					
Elkat Ltd.	Moscow	Russian Rouble	10,000	40.00%	Prysmian Group Finland OY
				60.00%	Third parties
CENTRAL/SOUTH AMERICA					
Chile					
Colada Continua Chilena S.A.	Quilicura (Santiago Chile)	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 Limite
				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	Malaysia	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:

NON-CONSOLIDATED COMPANIES

Legal name	% ownership	Direct parent company
ASIA		
India		
Ravin Cables Limited	51.00%	Prysmian Cavi e Sistemi S.r.l.
	49.00%	Third parties
United Arab Emirates		
Power Plus Cable CO. LLC	49.00%	Ravin Cables Limited
	51.00%	Third parties
AFRICA		
South Africa		
Pirelli Cables & Systems (Proprietary) Ltd.	100.00%	Prysmian Cavi e Sistemi S.r.l.

Certification of the Consolidated Financial Statements

Pursuant to art. 81-*ter* of consob regulation 11971 dated 14 may 1999 and subsequent amendments and additions

1. The undersigned Valerio Battista, as Chief Executive Officer, and Carlo Soprano and 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 2020 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 2020 has been evaluated on the basis of a procedure established by Prysmian in compliance with the internal control framework established by the Committee of Sponsoring Organizations of the Treadway Commission, which represents the generally accepted standard model internationally.

   It is nonetheless reported that:
   - during 2020, 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 2020:
   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, 10 March 2021

Valerio Battista	**Carlo Soprano**	**Alessandro Brunetti**
Chief Executive Officer	Managers responsible for preparing company financial reports	

Independent Auditors' Report

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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 2020, 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 2020, 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 ongoing and completed contracts	
The consolidated financial statements include revenues related to the "Projects" segment for Euro 1,438 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 and for warranty repairs on completed projects, as well as to contract modifications either expected or under negotiation as well as 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 completed contracts and the expected costs for warranty repairs. The analysis has been performed through the analysis of the contracts and project documentation, the inquiries with project managers 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 2020.

Recoverability of goodwill	
The goodwill recognized in the consolidated financial statements of Prysmian Group as of 31 December 2020 amounts to Euro 1,508 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.	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 and the analysis of future cash flows, taking into account the impairment testing procedure approved by the Board of Directors. 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 2020.

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 2020, 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 2020 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 2020 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, 1 April 2021

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.


PRYSMIAN


Prysmian
Group

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