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

FINANCE AND M&A ACTIVITIES

Bond issuance

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

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

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

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

Acquisition of Gulf Coast Downhole Technologies (GCDT)

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

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

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

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

Acquisition of majority stake in Oman Cables Industry (SAOG)

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

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

OTHER SIGNIFICANT EVENTS

ANTITRUST INVESTIGATION

On 2 April 2014, the European Commission concluded the investigations started in January 2009 by adopting a decision under which it found that, between 18 February 1999 and 28 January 2009, the world's largest cable producers, including Prysmian Cavi e Sistemi S.r.l., adopted anti-competitive practices in the European market for high voltage submarine and underground power cables.

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

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

Western HVDC Link Contract (UK)

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

Plant closures

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

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

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

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

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

Audit firm engagement

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

Group employee share purchase plan (YES Plan)

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