# GROUP PERFORMANCE AND RESULTS

## FINANCIAL PERFORMANCE

(in millions of Euro) (*)

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

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

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

The originally published 2013 figures have been restated following the introduction of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit (loss) of associates and joint ventures.

[1] This refers to the acquisition in November 2012 of Global Marine Systems Energy Ltd (now renamed Prysmian PowerLink Services Ltd) from Global Marine Systems Ltd.

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

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

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

The growth in sales was attributable to the following factors:

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

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

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

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

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

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

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

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

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