

## SIGNIFICANT EVENTS DURING THE YEAR

### NEW INDUSTRIAL PROJECTS AND INITIATIVES

On 30 January 2017, the Group announced it had signed a GBP 27 million contract with East Anglia One Limited to supply and install an onshore cable connection for the East Anglia ONE offshore wind farm. Consisting of 102 turbines, the GBP 2.5 billion wind farm will generate sufficient electricity to power 500,000 homes. Prysmian will be responsible for the design, production, installation and testing of the cables and their accessories. Work began in 2017, with cable installation due to be completed in September 2018.

On 21 February 2017, Prysmian announced the award of a contract worth more than Euro 300 million by Réseau de Transport D'Electricité (RTE) to provide submarine cable systems to link three offshore wind farms to the mainland power grid in France.

Prysmian will be responsible for the design, supply, installation, testing and commissioning of two HV export power cables for each of the three offshore wind farms, covering both the submarine and onshore routes to connect Fécamp, Calvados and St Nazaire to the French electricity grid.

The cables are due to be delivered over the period 2018 to 2020, according to the scheduling of the individual wind farms.

On 27 February 2017, Prysmian secured a new contract, under a wider consortium agreement with Balfour Beatty, a world leading group in infrastructure construction, for the development of a new High Voltage Direct Current (HVDC) interconnector between France and the UK through the Channel Tunnel. The project is one of the European Commission's Projects of Common Interest and has been awarded by Eleclink, a wholly-owned subsidiary of Groupe Eurotunnel, which will build an interconnector through the Channel Tunnel to provide a power transmission link between the UK and France with a capacity of 1000 MW in either direction of flow. The total contract value for the consortium is approximately Euro 219 million, of which the share of Prysmian, responsible for coordinating the design, supply, installation and commissioning of the interconnector, is approximately Euro 79 million.

On 10 March 2017, the Group signed two new cable system contracts for offshore wind farms in Germany (Merkur) and Denmark (Horns Rev 3). Both contracts involve inter-array connections, a market segment in which Prysmian aims to grow and has developed new technologies and specific installation capabilities.

In the case of the contract for the Merkur offshore wind farm in Germany, awarded by Tideway B.V., Prysmian will be responsible for the design, engineering, manufacturing, testing and supply of approximately 90 km of 33 kV inter-array submarine cables and related accessories.

The Horns Rev 3 project (Denmark), to be carried out in the North Sea, approximately 25 km off the coast of Denmark, involves the design and supply of more than 100 km of 33 kV inter-array submarine cables in various cross sections.

On 7 April 2017, Prysmian signed a contract worth around Euro 350 million with IFA2 SAS, a joint venture between National Grid IFA2 Ltd, part of National Grid UK, and RTE of France. The contract is for the turnkey design, manufacture and installation of a submarine and underground power cable to connect Tourbe in France to Chilling in Hampshire, UK.

The submarine cables will be manufactured at the Prysmian production facility in Pikkala, Finland, while the underground cables will be manufactured at the Prysmian factory in Gron, France. The Prysmian cable-laying vessels Cable Enterprise and Ulisse will both be used for installation of the submarine cables.

The entire system is due to be completed in 2020.

On 8 May 2017, the Group signed a major supply agreement with the US company Verizon Communications to support expansion of the telecom carrier's optical network that will promote the development of 5G services, while improving the 4G LTE capacity of the broadband network. The three-year contract is worth approximately USD 300 million and involves the supply of 17 million fibre kilometres of ribbon and loose tube cables.

Both Prysmian and Verizon believe that demand for optical fibre cables for the next-generation passive optical network (NGPON2) will last well beyond 2020 as new technologies like 5G and the IoT become reality. Prysmian will make a significant investment in 2018 in its US-based optical cable production capacity to support the Verizon project and the growth of investments by other major telecom carriers in North America.

On 13 June 2017, the Group inaugurated its new optical fibre manufacturing facility in Slatina, Romania. The new facility is part of a three-year Euro 250 million investment plan aimed at expanding the Group's global production capacity to meet the growing demand for optical cables linked with the deployment of new high-speed telecommunication networks. This plan involves existing facilities in Italy, France, the Netherlands, North and South America, and the development of new facilities like those in Slatina (Romania), Presov (Czech Republic) and Durango (Mexico).

On 27 June 2017, the Group was awarded a series of additional works by Terna Rete Italia in relation to the submarine power cable project in the Venetian Lagoon. These works, originally included as an option in the contract awarded to the Group last year, are worth approximately Euro 20 million and include a 6 km 132 kV HVAC cable to be manufactured at the Arco Felice plant.

On 13 December 2017, the Group was awarded a contract worth some Euro 80 million by EWA (Electricity & Water Authority of the Government of the Kingdom of Bahrain) to develop a new 400 kV cable loop circuit. This project adds a crucial link to the infrastructure of the Kingdom of Bahrain and is the first 400 kV XLPE submarine cable to be installed in the GCC (Gulf Cooperation Council) Region. This project follows a previous contract awarded to Prysmian Group by the Gulf Cooperation Council Interconnection Authority (GCCIA) for a 400 kV HVAC submarine interconnection between Saudi Arabia and Bahrain.

Prysmian will provide a complete turnkey solution with delivery and commissioning of the loop circuit scheduled for 2019.

On 22 December 2017, the Group was awarded a contract worth more than Euro 150 million by the Filipino grid operator NGCP (National Grid Corporation of the Philippines) for the design, supply, installation and commissioning of two submarine power cables linking the islands of Cebu and Negros in the Philippines. This project is part of a wider development plan by NGCP, aimed at connecting the islands of Cebu, Negros, and Panay with one another and at strengthening the overall Philippines power transmission network. The submarine cable link, which will play a key role in this plan, is scheduled for completion in the first half of 2019.

## **Mergers & Acquisitions**

### ***Agreement to acquire General Cable for USD 30 per share***

On 4 December 2017, Prysmian Group and General Cable Corporation announced that they had entered into a merger agreement under which Prysmian would acquire 100% of the shares in General Cable for USD 30.00 per share. The transaction values General Cable at approximately USD 3 billion, including debt and other liabilities, and represents a premium of approximately 81% on the General Cable closing price of USD 16.55 per share on 14 July 2017, the last day of trading before the company announced a review of strategic alternatives.

On 16 February 2018 the shareholders of General Cable Corporation approved the acquisition by Prysmian Group of 100% of General Cable's shares for a consideration of USD 30.00 per share.

Present at the meeting was 75.34% of the share capital entitled to vote, of which some 99% voted in favour of the acquisition.

Subject to regulatory approvals and other customary closing conditions, the completion of the acquisition is expected to take place by the third quarter of 2018.

The combined group will be present in more than 50 countries with approximately 31,000 employees. Prysmian expects the combined group to generate run-rate pre-tax cost synergies of approximately Euro 150 million within five years following closing, mainly from improved procurement strategy, overhead cost savings and manufacturing footprint optimisation. One-off integration costs are estimated at approximately Euro 220 million. The transaction will be financed through a mix of new debt (for which Prysmian has received lender commitments), cash on hand and existing credit lines.

## **Finance Activities**

### ***Bond issuance***

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.

At the meeting held on 12 April 2017, the Company's shareholders authorised:

1. the convertibility of the Equity-Linked Bond;
2. 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 has been 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 Company will have the option to call all (but not just a part) of the outstanding bonds at their principal amount from 1 February 2020, should the value of the shares exceed 130% of the conversion price for a specified period of time.

The placement has allowed the Company to diversify its financial resources more widely by raising funds on the capital market.

On 16 May 2017, the Company sent a physical settlement notice to holders of the bonds, granting them the right, with effect from 29 May 2017, to convert them into the Company's existing or new ordinary shares. On 30 May 2017, the Bond was admitted to trading on the Third Market (a multilateral trading facility or MTF) on the Vienna Stock Exchange.

#### ***Share buyback programme***

On 12 January 2017, the Board of Directors approved the adoption of a share buyback programme, which terminated on 30 September 2017.

Purchases were made through a specifically appointed authorised intermediary, acting independently and without any influence from the Company and in a manner consistent with the provisions of art. 3 of Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016.

All transactions were disclosed to the market in accordance with the terms and procedures provided by applicable laws.

Under the above programme, a total of 4,003,943 shares, with a total value of Euro 100,232,034.74 inclusive of related costs, were purchased on the Italian Stock Exchange over the period 23 January to 30 September 2017; the average share purchase price of Euro 25.0333 compares with an average official price over this period of Euro 25.7314.

More information can be found in Note 11 of the Explanatory Notes to the Consolidated Financial Statements.

#### ***Cancellation and repayment of Revolving Credit Facility 2014***

After completing the placement of the new equity-linked bond, the Company reviewed its funding structure, as a result of which on 31 January 2017 it repaid the credit line of Euro 50 million drawn down as at 31 December 2016, cancelling at the same time the five-year revolving credit facility for Euro 100 million with Mediobanca.

#### ***Loan from Cassa Depositi e Prestiti (CDP)***

On 25 September 2017, Prysmian S.p.A. entered into an agreement with Cassa Depositi e Prestiti S.p.A. for a medium/long-term cash loan for a maximum total amount of Euro 100 million. On 29 September 2017, this amount was drawn down in full. The line matures on 30 September 2020. This funding will be used solely for the Group's general purposes, including capital expenditure, expenditure on research, development and innovation, as well as on energy efficiency and environmental stewardship.

***EIB loan for research and development projects***

On 14 November 2017, the European Investment Bank (EIB) and Prysmian Group announced the finalisation of a seven-year bullet loan for Euro 110 million to support the Group's R&D programmes in Europe over the period 2017-2020. Specifically, the EIB loan will be put towards:

- Industrial research: research on innovative materials involving the use of nanotechnology, systems for monitoring and managing underground and submarine networks, optimisation of cable design to reduce power loss and increase transmission capacity, new cables and materials for more sustainable solutions and hybrid energy and telecom cables.
- Innovation and experimentation: the use of alternative materials for cable design and product project optimisation.
- New product development: underground and submarine cables and systems for power transmission, high voltage P-Laser cables, cables for the renewable energy sector, high-performance optical fibres, cables for FTTH and FTTA applications, connectivity and development of smart cables and systems for sensing, monitoring and management.

The financing represents about 50% of the planned investment expenditure in Europe during the period concerned.

The EIB loan is specifically intended to support projects to be developed at R&D centres in six European countries: France, Great Britain, the Netherlands, Spain, Germany and Italy.

***Proposed capital increase***

As anticipated when announcing the acquisition agreement for General Cable Corporation (GCC), the Board of Directors of Prysmian S.p.A. has requested the Group Chief Financial Officer to analyse the opportunity for Prysmian S.p.A. to implement over the next 12 months a rights issue or other similar operations for an aggregate maximum amount of Euro 500,000,000.

The Board of Directors has resolved to convene an Extraordinary General Meeting on 12 April 2018 to vote on a proposed rights issue for an aggregate maximum amount of Euro 500,000,000, subject to the closing of the GCC acquisition.

This operation would be designed to rebalance and optimise Prysmian Group's post-GCC acquisition financial structure, by improving its financial leverage ratios.

***Other significant events******Transfer of registered office***

On 1 March 2017, the Company transferred its registered office from the previous location in Viale Sarca 222, to the new address in Via Chiese 6, Milan.

***Approval of financial statements at 31 December 2016 and dividend distribution***

On 12 April 2017, the shareholders of Prysmian S.p.A. approved the financial statements for 2016 and the distribution of a gross dividend of Euro 0.43 per share, for a total of some Euro 91 million. The dividend was

paid out from 26 April 2017 to shares outstanding on the record date of 25 April 2017, with the shares going ex-dividend on 24 April 2017.

***Centre of excellence in Sorocaba (Brazil)***

During the second quarter of 2017, Prysmian Cabos e Sistemas do Brasil S.A. informed personnel of the start of an investment plan to create a centre of excellence in cable manufacturing at the Sorocaba Eden plant, involving the transfer of production activities currently carried out by the Santo André plant which will be closed; it will take about a year and a half to complete this project.