

Fact Book 2014

# DELIVERING ON PROMISE

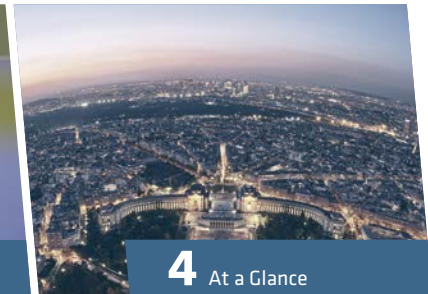


**Prysmian**  
Group

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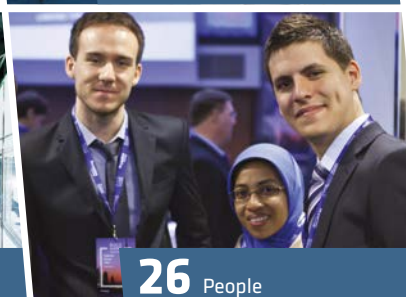
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Interview with CEO Valerio Battista

# SUCCEEDING THANKS TO A CONSTANT FOCUS ON THE MARKET

**In 2014, Prysmian managed to maintain and possibly strengthen its leadership in the global cable industry: what was, in your judgement, the main factor behind your success?**

By keeping a constant focus on the market and our customers, we achieved the profit targets that we announced to the market. This meant that we were able to reward our shareholders with a proposed dividend in line with 2013, despite the improvement in net financial position, albeit only symbolic. **In 2014, we kept our promise to add value to the businesses of our customers with our top end products and systems** that satisfied, and exceeded, their requirements.

**So successful leadership owes much to the superior solutions you can offer. Which part of the business performed particularly well, in particular compared to competitors?**

The decisive contributions to our recent successes have been made from the strategic submarine cables and systems businesses. These business segments posted strong

growth and the optical cables part of the business saw recovering volumes and profitability.

It is particularly significant that our encouraging results have been achieved in the context of economic conditions that remain challenging. Despite recovering demand for some business types, contrasting weakness remains in some of the more cyclical sectors.

We also encountered technical issues over the course of the year, namely in the execution of the Western Link project, but managed to successfully overcome them by keeping in mind that the client always comes first. In this context, **we have relentlessly pursued our growth strategy, by focusing on investments and on ongoing actions to improve efficiency.** In other words, investing in the future. I think that this is the right way to reward our shareholders and always protect our clients in terms of excellence, quality and state-of-the-art technology. Our strategy includes the awareness that what is good for our clients is good for us.

“As managers with the responsibility to satisfy the expectations of our stakeholders, we keep a constant focus on value creation.”

Prysmian Group

Valerio Battista,  
Prysmian Group CEO



**Can you provide us with examples of this strategy?**

We are driving forward the process of putting clients even more at the centre of our strategy, establishing distribution channels that mirror their own. That means maintaining the widest possible geographical reach, in order to meet our clients' needs locally, in every corner of the world.

That's why we are creating regional centres of excellence with high levels of expertise, from which we believe the highest level of technological innovation can be achieved consistently, everywhere.

More generally, our focus has always been one of pursuing greater manufacturing efficiency.

**In 2014, we further increased the Group's overall capital expenditure to €163 million.**

Significant investment (around 30% of the total) was aimed at improving technological capabilities and our proposition mix, with a particular focus on increasing the Group's footprint in Energy Projects and Telecom segments. The Energy Products segment gained tactical capital investments to support the development of promising markets. A significant portion of capital spending was channelled to reduce fixed and variable costs, with a focus on product design and experimentation with new materials. **Innovation is the key to leadership, value creation and clients' satisfaction. It is also our main competitive advantage.**

At a Glance

# PRYSMIAN GROUP

## Leader of market, innovation and technology in the global cable industry

With over **130 years of experience**, sales of around **€7 billion** in 2014, more than **19,000 employees** in **50 countries** and **89 production sites**; the Group offers the widest possible range of state-of-the-art products, services, technology and expertise for every type of industry. The Group has an extensive commercial reach and a strong commitment to innovation, with 17 research and development centres in Europe, the U.S., South America and China, and more than 500 professionals, and more than **500 professionals**.

The Group is organised along the operating segments of **Energy Projects**, **Energy Products** and **Telecom**. It also operates in the business of subterranean and submarine cables and systems for the transmission and distribution of energy, special cables for applications in many different industrial sectors, and medium and low voltage cables for the construction and infrastructure industries. For the **telecommunications** industry, the Group manufactures cables and accessories for voice, video and data transmission, offering a comprehensive range of optical fibres, optical and copper cables and connectivity systems.

89  
plants

50  
countries

19,000  
Employees

17  
R&D Centres

6.8  
billion euro  
sales in 2014

130  
years of experience





EMEA  
**54**  
plants

APAC  
**19**  
plants

## Performance in figures

**40Gb**

Capacity of a new bidirectional transmission fibre Potential upgrade to 4 \* 25Gb

**4.2 fibres per mm<sup>2</sup>**

Record density of fibres in a 1728 fibre 23mm diameter cable

**5,836**

Patents and pending patent applications throughout the world

**2,200MW;  
more than 400km**

Western Link: world record for insulated cable rating and length of route

**58%**

Of plants certified OHSAS 18001

**93%**

Of plants certified ISO14001

A winning strategy

# PIONEERING THE FUTURE

The ultimate goal of a leader is that of achieving superior performances and sustaining them for the long term. To accomplish this mission, a vision is needed and shared values must be adhered to. Prysmian's strategy is based upon continuous anticipation of the market and pioneering the future.

## VISION

Prysmian Group believes in the effective, efficient and sustainable supply of Energy and Information as a primary driver in the development of communities.

## MISSION

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

## VALUES

**Excellence.** Every day we relentlessly pursue excellence in all we do.  
**Understanding.** We listen closely to our customers to really understand their needs.  
**Integrity.** We uphold the highest standards of integrity in our actions.

## Seeking healthy value

Prysmian Group **anticipates customer needs** as it continuously improves its competence in research, innovation, customer centricity, employees' development and environmental sustainability. It seeks healthy value creation through **balanced and sustainable growth** and pays the greatest attention to **financial discipline**. As a public company, it is focused on securing **market confidence** by delivering on-target results. When deciding how and where to grow, the Group gives priority to **sustainable expansion** with the aim of preserving adequate profitability, even at the expense of an increase in market share. Prysmian Group is recognised for its ability to be **aggregator and leader** as well as an optimiser of industrial processes.

## With an ad-hoc matrix structure

**Customer Centricity** is our ability to anticipate and meticulously satisfy customer needs, from product design through to delivery. It is also the provision of a level of service in line with customer expectations that are constantly monitored against defined, agreed parameters. Thanks to its ad-hoc matrix structure, **Factory Reliability** improves the planning and the execution of manufacturing output, enabling effective and efficient preparation for swings in sales volumes and variations in output. Prysmian Group has started **Supply Chain Integration** projects with its most important global customers - from the producers of raw materials and semi-finished products to the end cable user - with the goal of improving process effectiveness and efficiency.

LINKING THE FUTURE



## Improving reorganisation

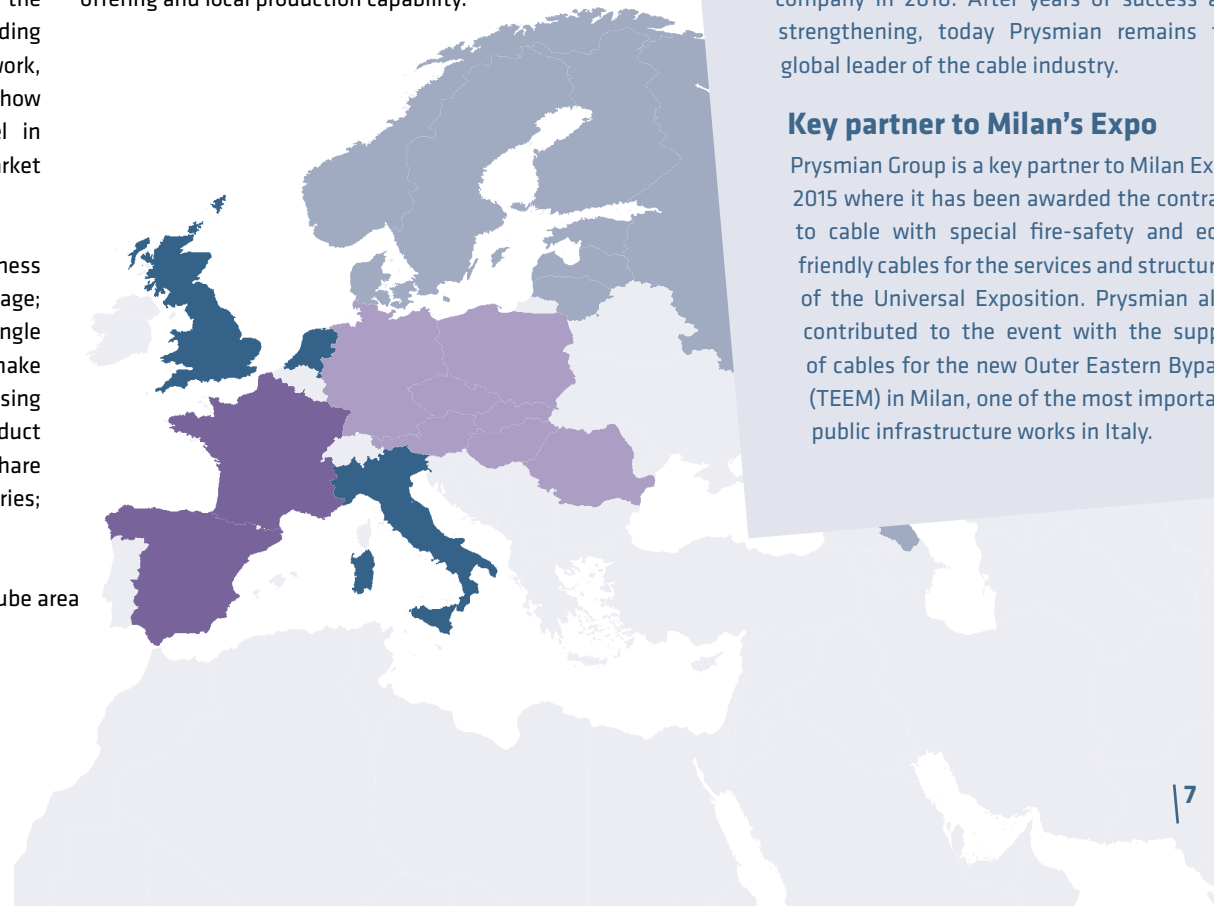
With the goal of speeding up decision-making processes and streamlining internal connections, Prysmian has established three new regions in Europe. These were identified on the basis of clear signals coming from the markets in terms of integration, similarities in product standards and business models. The new region-based organisational development scheme in Europe is also aimed at improving flexibility, increasing competitiveness and fully exploiting business opportunities.

The new regions now cover Northern Europe, including the Nordic countries and Russia; Central Europe, including Germany and the Danube area; and Southern Europe, including Spain and France. Within this framework, Italy, the Netherlands and the UK still show unique characteristics at country level in terms of customers, technologies and market models.

The restructure will improve the business while maintaining the pricing advantage; mirror customers' organisations, with single contact points managing key accounts; make the sales force more effective, by maximising the value of their contacts with more product knowledge and market intelligence; share products more effectively among countries;

- South Europe: Spain + France
- Central East Europe: Germany + Danube area
- North Europe: Nordics + Russia

and overcome the current issue of there being a direct relationship between local market offering and local production capability.



## Prysmian turns 10



2015 marks the tenth anniversary of the creation of Prysmian: a new name for a business created in 2005 when Pirelli Group transferred its cable activities to Goldman Sachs, who renamed the company. In 2007 Prysmian was listed on the Italian Stock Exchange and became a full public company in 2010. After years of success and strengthening, today Prysmian remains the global leader of the cable industry.

### Key partner to Milan's Expo

Prysmian Group is a key partner to Milan Expo 2015 where it has been awarded the contract to cable with special fire-safety and eco-friendly cables for the services and structures of the Universal Exposition. Prysmian also contributed to the event with the supply of cables for the new Outer Eastern Bypass (TEEM) in Milan, one of the most important public infrastructure works in Italy.



# THE TRIDENT OF LEADERSHIP

In order to better demonstrate its business achievements and potential while further improving even more its ability to meet customers' needs, Prysmian Group reported its results along three operating segments starting from the full year 2014 accounts: Energy Projects, Energy Products and Telecom.

The first covers high-tech and high value-added businesses, such as High Voltage Underground, Submarine and SURF; the second offers a complete and innovative portfolio designed to meet the various and many demands in the Power Distribution, Trade & Installers and Industrial & Network Components; the third is in command of connectivity for telecommunication, with an extensive portfolio of cutting edge products and solutions.

## ENERGY PROJECTS

Energy Projects manufactures and installs high- and extra-high voltage cables for subterranean and submarine power transmission and develops the most advanced 'turnkey' systems for installation at depths of up to 2,000 metres. It also offers advanced services for offshore wind farms, covering wind turbine, inter-array and export cables. The business segment also supports the oil industry with a full range of SURF (Subsea Umbilical, Riser and Flowline) products and services for offshore exploration.

## ENERGY PRODUCTS

Energy Products covers the fields of Energy & Infrastructure, including Power Distribution and Trade & Installers, and Industrial & Network Components, comprising Specialties & OEM, Oil & Gas, Elevators, Automotive and Network Components. The business segment manufactures medium-voltage cables and systems to connect industrial and residential buildings to primary distribution grids and low-voltage ones for power distribution and the cabling of buildings with fire-resistant and low-smoke, halogen-free cables.

## TELECOM

Telecom boasts centres of excellence in Battipaglia (Italy), Eindhoven (the Netherlands) and Douvrin (France), and five production sites around the world, as the leading manufacturer of the core component of every type of optical cable; optical fibre. It also supplies passive connectivity solutions that ensure efficient management of optical fibre within networks, and is extremely active in this rapidly growing sector of FTTx.

# Major projects

## EXCEPTIONAL MILESTONES IN THE TRANSPORTS INDUSTRY

Prysmian has cabled some of the world's biggest aircraft and ships, like the Airbus 380 and the Royal Caribbean's GENESIS fleet, as well as the fastest trains and the most innovative metro systems, like the one recently inaugurated in Shanghai.

## ONSHORE INFRASTRUCTURES FOR ELECTRICITY GRIDS

Prysmian Group has been active in the construction of electricity grids in some of the world's largest metropolises, from New York to Buenos Aires, London to St. Petersburg, and Hong Kong to Sydney.

## SUPPORTING THE PETROCHEMICALS INDUSTRY

The Group offers solutions for both upstream exploration and production activities, and downstream hydrocarbon processing and storage, ranging from power, instrumentation and control cables to SURF products and services, including umbilical cables for offshore platforms and high-tech flexible pipes.

## POWERING AND MAKING SKYSCRAPERS AND LANDMARKS SAFER

The Group's fire-resistant cables are at the very heart of some of the world's most spectacular buildings, like the All England Lawn Tennis Club in Wimbledon, London; the Marina Bay Sands resort in Singapore, the Shard skyscraper in London and the Burj Khalifa in Dubai, the world's tallest building. In Milan, Prysmian will ensure the safety of the 20 million visitors expected at the Expo 2015. The Group's elevator cables are in the new World Trade Center in New York City.

## RECORDS SETTING POWER CONNECTIONS

Prysmian Group has worked for major submarine interconnection projects, including: a recent project for the link between the Cyclades Islands and Greece; the record setting Western Link project in the United Kingdom; and the Trans Bay, Neptune and Hudson projects in the US. It is also a world leader in submarine connections for offshore wind farms such as the West of Adlergrund cluster in the Baltic Sea.

## THE TOP MANUFACTURER OF TELECOM CABLES

With a wide range of fibre solutions for voice, video and data; continuous investment in R&D and around 30 dedicated factories, Prysmian makes communication work between communities around the world. In Australia the Group is helping the government to create a Fibre-to-the-Premises network that will connect 93% of the country.



# Achievements 2014

## Major contracts in submarine and offshore links



In 2014 the **Energy Projects business segment** secured major projects including: a 200km submarine link for Emirates Holdings; the Shannon River Crossing in Ireland; the high voltage link across the Dardanelles and, in the offshore wind farms; the connection in the North Sea for the Dutch-German operator TenneT and that of West of Adlergrund in the Baltic Sea for the German operator 50Hertz Offshore GmbH.

## Rail infrastructures and fire-safety spotted



The **Energy Products business segment** was awarded several rail infrastructure projects, such as the framework agreement with the Swiss Railways and others in Italy, France and Denmark; while the Trade & Installers business saw Prysmian's fire-safety cables at the centre of a number of projects, including the MOSE flood barrier in Venice and two projects in the UK: the new Leeds Arena and the intriguing Sky Garden skyscraper in London.

## New products introduced in Telecom



The **Telecom operating segment** gained the execution of many new projects and the renewal of ongoing partnerships with all the major global players, as well as intense technological innovation with the introduction of new products, including the *Flextube*® technology, in response to ever-increasing needs for cable miniaturisation.

Financial achievements

# PROTECTING PROFITABILITY

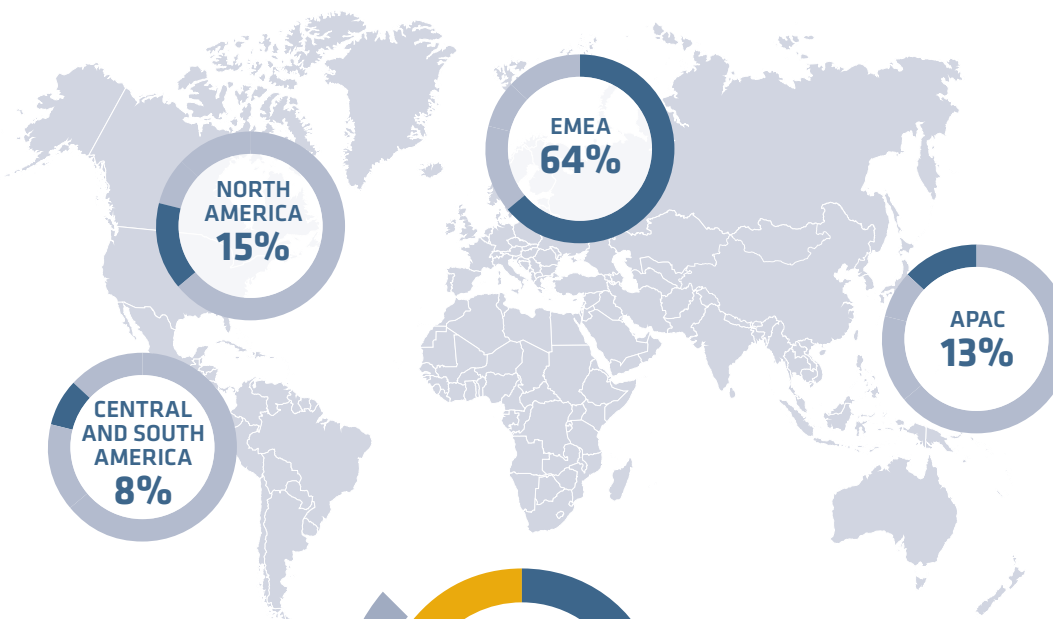
ADJ. EBITDA **€509 MILLION**  
 NET FINANCIAL POSITION **€802 MILLION**  
 FREE CASH FLOW **€98 MILLION**  
 CUMULATED SYNERGIES **~€140 MILLION**

Prysmian Group's performance confirmed signs of slight recovery in sales volumes, accompanied by a generally stable level of profitability for full year 2014.

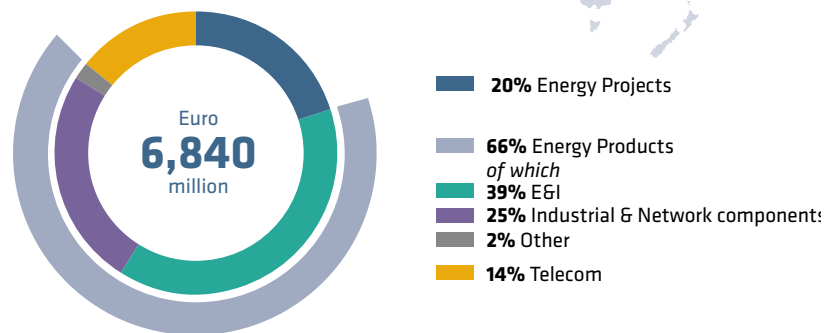
CEO Valerio Battista pointed out the decisive contributions made to this result by strong growth in Submarine Cables and Systems businesses, and from Optical Cables too, with recovering volumes and profitability. He stressed that this was a particularly significant result, having been achieved in challenging circumstances while demand has begun to recover for some businesses, like Optical Cables and Renewables, weakness remains in Power Distribution. A slowdown in the Oil & Gas market has been evident too.

The Group posted positive organic growth with particularly performance in Submarine Cable and Systems, and solid recovery in the Telecoms.

## SALES 2014 BY GEOGRAPHICAL AREA



## SALES 2014 BY BUSINESS AREA





### **Total shareholder payout of €90 million**

In a market context that remains challenging, Prysmian Group has in 2014 relentlessly pursued its actions to contain costs and reorganise its manufacturing footprint. This action, combined with efficient financial management, helped the Group to ensure good cash flow and a net financial performance that was markedly better than initially expected.

Prysmian achieved the profit targets announced to the market and rewarded its shareholders with a dividend in line with 2013 of €0.42 per share, involving a total payout of approximately €90 million.

Financial achievements

# 2014 TARGETS MET

Sales amounted to €6,840 million with 1.8% organic growth.

Adjusted EBITDA came in at €509 million which, excluding Western Link, would have been €603 million, basically in line with 2013, while net profit came in at €115 million.

Net financial position at the end of 2014 amounted to €802 million (€805 million in 2013), well ahead of expectations.



Adj. EBITDA at €509m  
(€603m excl. Western Link):  
**GUIDANCE ACHIEVED**

High Voltage cables  
plant, Drammen, Norway





## Investing in high value-added businesses

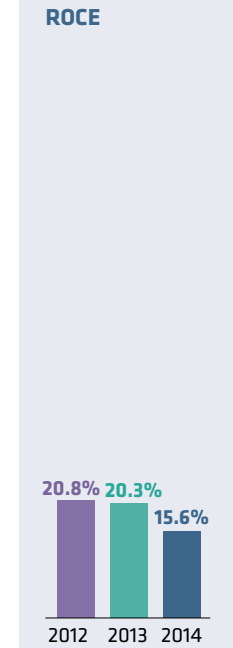
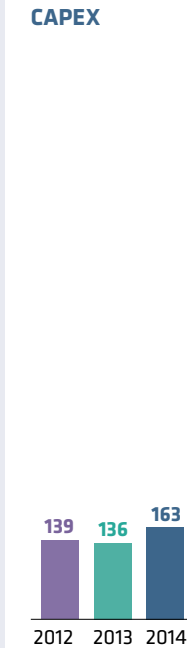
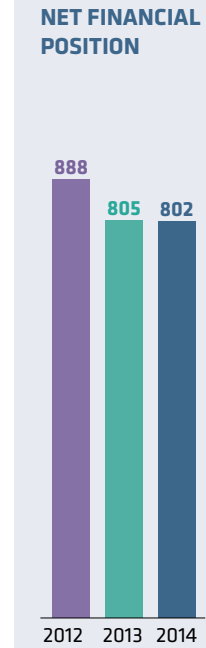
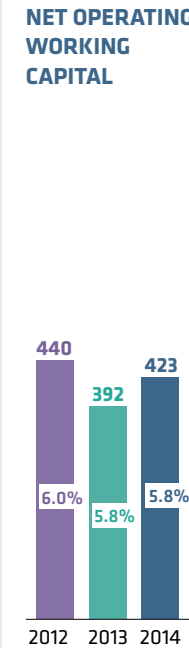
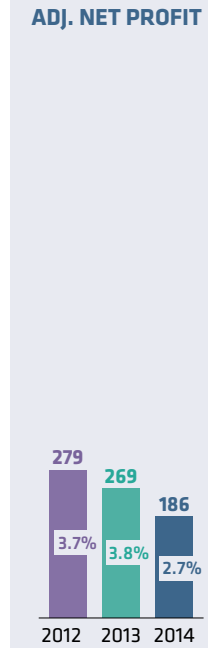
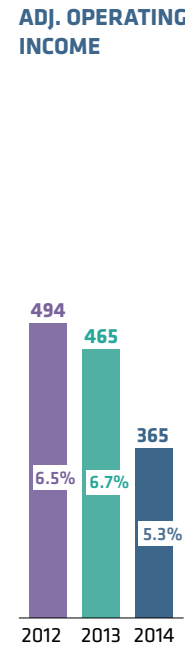
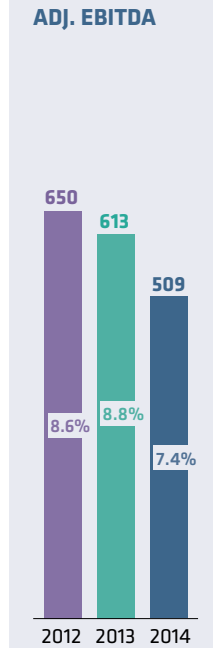
Capital expenditure rose to € 163 million in 2014, +20% vs. 2013. The main reason for the increase is linked to the strategic Submarine business, where investments to increase production capacity and develop additional technological capabilities were made at all three production sites located in Arco Felice (Italy), Pikkala (Finland) and Drammen (Norway). Also of note was the upgrade of the “Cable Enterprise” cable-laying ship which

will additionally boost the Group’s submarine project execution capabilities.

A significant proportion of overall capital expenditure was devoted to improving efficiency in order to reduce fixed and variable costs, with a focus on product design and experimentation with new materials. In the optical fibre field, the investment programme to recover fibre manufacturing competitiveness continued to move ahead.

## Key financials

Amounts in millions of Euro - Percentages on sales



Note: Euro million

# SALES BUOYANT FOR POWER TRANSMISSION

The Energy Projects segment scored headline growth due to strong results in its submarine cables business, while sales of high voltage underground cable also remained strong.

**Sales made by the Energy Projects operating segment came in at €1,355 million in 2014, with organic growth of +1.7% (which, excluding Western Link, would have been €1,416 million, with organic growth of +6.1%). The profitability would have risen, excluding Western Link, with Adjusted EBITDA coming in at €248 million.**

Sales for power transmission were highly buoyant, despite the delay in the Western Link project. The Group confirmed its market and technological leadership by winning several new projects for both energy interconnections and for offshore wind farms. High Voltage Underground power transmission cables maintained generally stable sales despite the impact of weak demand for new energy infrastructure in several major European markets. The order book for underground and submarine cables and systems stands at about €2.8 billion.

**SALES 2014** €1,355 mln

**ADJ. EBITDA** €154 mln

**Massimo Battaini**  
Head of Energy  
Projects



**What does it mean for a global leader to offer turnkey solutions?** It means strengthening its leadership and dictating new standards for the entire industry. It also means being able to act as a strategic partner for country-systems. Take the case of Germany, Europe's largest and strongest economy, with the very ambitious and admirable goal of shifting from fossil fuels to renewables. Prysmian is the ideal partner for Germany in this project.

**What are the prospects for the segment in the future?** Submarine sales grew in 2014, with work still in progress on major projects. Demand is still positive in the Middle and Far East and in some North European markets. Prysmian is perfectly equipped to cope with this thanks to recent investments in our European plants, especially in the high value-added market sub-sectors.





## Submarine in the Baltic Sea

Germany's grid operator 50Hertz Offshore GmbH chose Prysmian for a €730 million project involving the construction of high voltage submarine cables to connect the West of Adlergrund offshore wind farm cluster in the German Baltic Sea to electricity grids on the mainland. The cable will run along a route of about 90km to connect wind farms 40km north-east of Rügen Island with north-east Germany.

## HV underground in Australia

Ausgrid, a public utility in the state of New South Wales in Australia, selected Prysmian for a high voltage underground cables for the 'North Shore cable upgrade' project, which comes on the back of the separate *Engadine* contract. The projects are part of Ausgrid's network upgrade programme, aimed at replacing cables and equipment installed 40 years ago.



# GROWTH IN ASIA, NORTH AMERICA

Organic sales within this operating segment were higher, reflecting volume recovery in Northern and Eastern Europe and growth in Asian countries.

**The result was offset by exchange rate fluctuations and price reductions that brought sales made by this operating segment down 3.4% on 2013, at €4,491 million. Adjusted EBITDA came in at €239 million.**

Energy & Infrastructure business sales grew organically by 2.7% but contracted by 2.6% due to exchange rate fluctuations and price reductions. Against weakness in infrastructures and energy consumption in Europe, it was able to benefit from growth opportunities in Asia and North America. The Industrial & Network Components business saw a negative change in sales too, while demand for renewables improved considerably. The Elevator leadership was consolidated in North America and expanded into the Chinese and European markets.

**SALES 2014** €4,491 mln

**ADJ. EBITDA** €239 mln

**Hans Nieman**  
Senior Vice President  
Energy Products



**What does it mean to be a leader in energy cables and to remain so?** It means remaining the company that sets the standards for the global cable industry at increasingly levels of quality, efficiency and safety, It also means we have to constantly open up new frontiers of technological innovation. Even in low voltage, which is mistakenly seen as a commodity, our Group aims to stand out by making top quality its hallmark.

**What are the prospects for the Segment?** We are focussed on the high end of the market and our on going commitment to research and innovation, culminating in the introduction of new and innovative products, allows us to take a positive view. We're confident that investments we've made in power distribution will regain momentum, as anticipated by Jean-Claude Juncker for Europe. If this is the case, we'll be ready.





### **The year of the railways**

The most important contract awarded in 2014 was the framework agreement with the Swiss Federal Railways for the supply of some 2,800km of signalling cables to upgrade the entire Swiss rail infrastructure. In the same year, the Energy Products segment also secured contracts for other rail infrastructure programmes in Italy, France and Denmark.

### **Excellence in elevation**

In 2014, the Energy Products segment further consolidated its position as North America market leaders in elevators. Expansion into the Chinese and European markets has followed, with exposure significantly greater than in the previous year. The development of offshore projects in Singapore and China has also offered the segment's main growth opportunities.

# JUMP IN PROFITABILITY

This operating segment saw higher sales at €994 million with adjusted EBITDA up more than 10% to €116 million, also thanks to Yangtze Optical Fibre and Cable.

**Organic sales growth of 4.0% can be reported due to volume recovery, which was partially offset by exchange rate fluctuations and sales price reduction for metal price fluctuations.**

The main driver of the recovery for the Telecom segment was the demand for optical fibre cable, which offset lower demand for copper cables and OPGW products, in turn due to the postponement of investment projects in areas affected by geopolitical turmoil, such as Iraq and Libya. In all the major markets there was a strong upsurge in demand for optical cables, while the general price pressure seen in the first part of the year seemed to stabilise. The Group won contracts for major projects for the implementation of network backbones and FTTH connections in Europe for leading operators, from BT in the UK, to Telefonica and Jazztel in Spain, Orange in France and Telecom Italia in Italy.

**SALES 2014** €994 mln

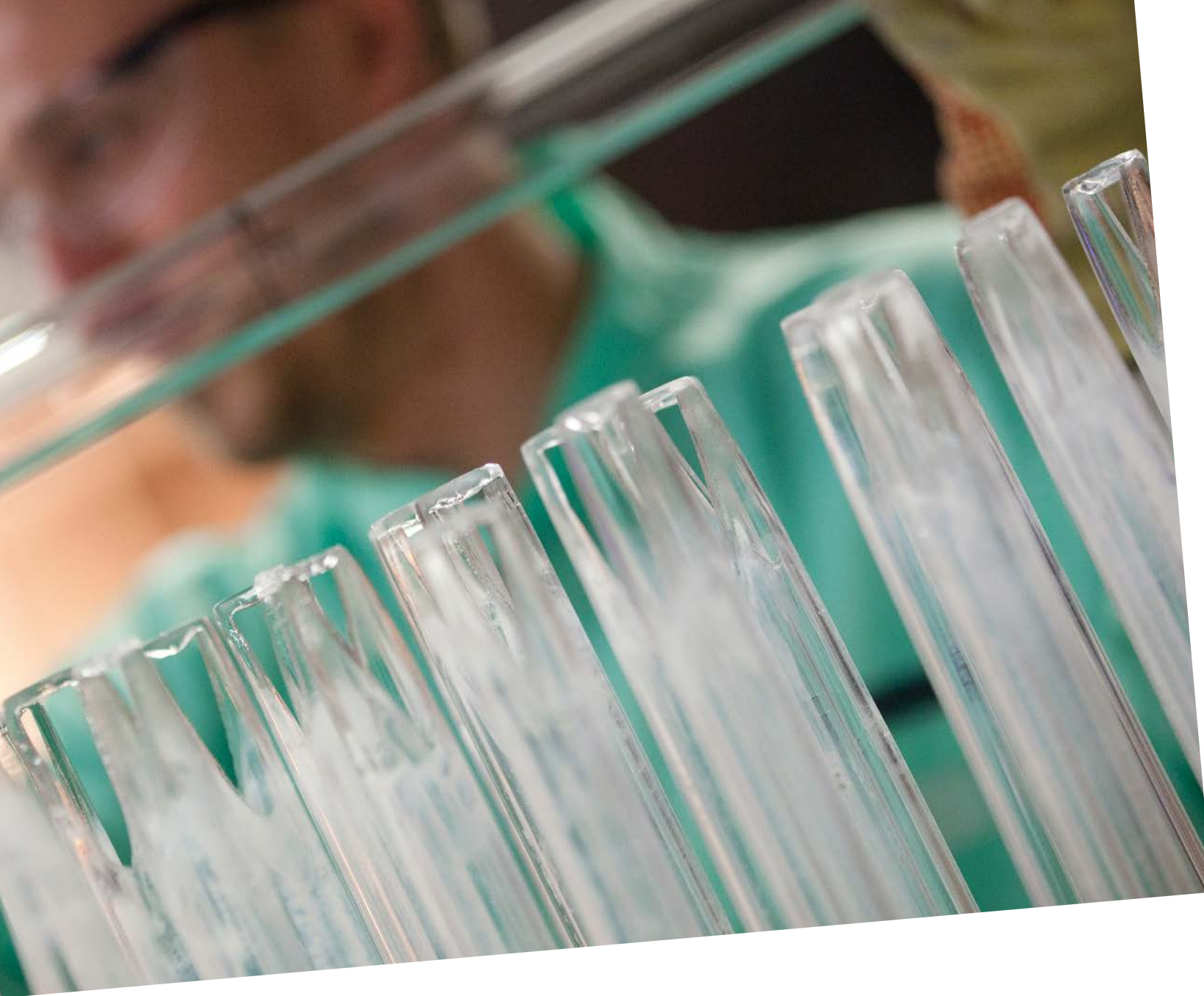
**ADJ. EBITDA** €116 mln

**Philippe Vanhille**  
Senior Vice  
President Telecom



**What does it mean to be a global leader in optical fibre?** It means being at the forefront of the field in digitisation, which, along with electrification, is one of the two most powerful drivers of the planet's industrial and economic growth. We are a global leader in the manufacture of the core component of every type of optical cable: optical fibre.

**What are the prospects for the Telecom Segment?** The global market for optical fibre cables is predicted to grow, but with big regional variations in rate of growth. In 2014, high demand was reported in fast-developing markets, like China, and those with high levels of investment needed in communication infrastructure, like India. This was accompanied by a recovery in volumes in Europe. We are ready to take all these opportunities.



### **Partnering with global players**

The Telecom operating segment secured many interesting projects and renewed partnerships with all the industry's major global players. As well as this, intense technological innovation has led to the introduction of several exciting new products.

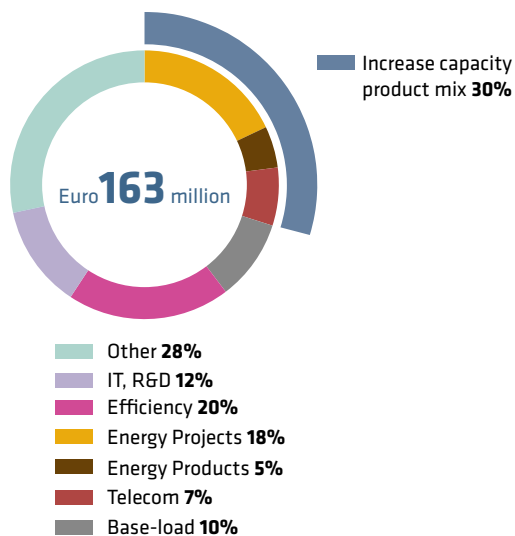
### **Showcasing top-end technologies**

The world's largest event for Fibre-to-the-Home, the FTTH Council Europe Conference, in Stockholm, was the occasion to present *Flextube*<sup>®</sup> technology in response to ever increasing needs for cable miniaturisation. The ECOC Conference in Cannes saw Prysmian present its innovative WideCap-OM4 multi-mode fibre whose ability to operate at particularly long wavelengths responds to ever growing demand by data centres.

# INVESTMENTS FOCUSED ON ENERGY PROJECTS AND TELECOM

Prysmian Group's overall capital expenditure rose to €163 million in 2014 with 30% of the total devoted to increasing capacity and improving the mix. There has been a specific on the Energy Projects and Telecom segments, namely in the submarine cables business. Significant spending has gone into efficiency, product design and experimentation with new materials.

## CAPITAL EXPENDITURE IN 2014



### HV capacity boosted

The High Voltage underground business carried out two major capital expenditure projects in 2014: the first to boost capacity in the Abbeville facility in the United States by building a second production line; the second in the Slatina production site in Romania, which resulted in an increase of yearly capacity to 30,000 tons of energy cables.

## Cable Enterprise fully geared for offshore connections

Among 2014's major achievements there was the upgrade of the Cable Enterprise cable-laying ship, which will significantly improve the Group's submarine project execution capabilities.

The Cable Enterprise vessel has been fully geared for offshore wind farms interconnections as the Group has invested in its conversion from a moored cable-laying barge into a DP2 cable-laying barge that is able to use its own propulsion within the work site. By in-sourcing much of the installation work, Prysmian gained more comprehensive control over the supply chain and extended its installation range to the MV sector, such as inter-array cable installation

between turbines. The vessel will now operate autonomously without the need of tugs during cable laying and will have a total of 9.2MW of power supplying six thrusters. Upgrade works included new decks for accommodation and operational areas, and a new cable tank for future HVDC projects. Most importantly, the vessel retained its ability to ground out and operate in shallow waters.

### Tactical spending to support markets



In 2014, the Energy Products segment carried out some tactical capital investments to support the development of promising markets, with a scope beyond just buildings, including: the transportation industry, from the sea to the skies; the oil and gas industries; and the elevator and renewables industries, to position it at the very top end of the market.

### Telecom capex in Brazil and Romania



2014 saw major capital expenditure by the Telecom business segment. This included funds to upgrade the optical fibre plant of Sorocaba in Brazil, where a plan to improve quality was also implemented over the past two years; and to increase production capacity at the plant in Slatina, in Romania, confirming it as one of Europe's centres of excellence for optical cables.



Innovation

# LEADER IN RESEARCH & DEVELOPMENT

Prysmian Group has always given key strategic importance to Research & Development to maintain its market leadership. 2014 was an intense year for several research and development projects.

The R&D department worked on several projects, particularly in the submarine cables area, but also in Extra High Voltage underground and P-Laser cables, on Oil & Gas cable product development, and on technology transfer between Group factories. The Telecom business segment introduced innovations to optical fibres and to its optical cables and connectivity.

## A Strong Commitment to R&D

Spending on R&D and Innovation was some €70 million in 2014, confirming the Group's steadfast commitment to and focus on long-term sustainable growth. The Group now has 17 Centres of Excellence, with headquarters in Milan, and over 500 skilled professionals. With around 5,800 patents granted or filed and partnerships with major universities and research centres in many countries, Prysmian Group intends to stay as industry leader in R&D.



## From young talent to Quality boss

Valentina Ghinaglia, 38, is the new Group Quality Director. She was among Prysmian's 'young talents'.

**How has the Academy improved your expertise?** "It gave me the chance to improve and integrate my expertise with soft skills in order to read company decisions and the cable market from a many-sided point of view".

**In which areas should the Quality department focus on in the future?** "We should focus on putting into practice our expertise, collaborating with other functions,

broadening our boundaries and spreading know-how and best practices at a worldwide level as one global team".

**Any suggestions for young talents who aspire to a career with Prysmian?** "Be curious, be proud and ask as many questions as you can, try to understand how the work you do contributes to the company's results, and try to make a difference".



## State-of-the-art technologies

### Submarine record performance

Work continued in 2014 to optimise 220kV AC three-core cables. A prototype with 1600mm<sup>2</sup> aluminium conductors was made, to achieve IEC prequalification for the Arco Felice and Pikkala plants, and a prototype with 1200mm<sup>2</sup> copper conductors, for qualification testing as part of the '50 Hertz' project, one of the largest ever performed in terms of volume and value in the submarine cable production.

### Extra High Voltage progress

In the EHV underground cables, development was completed in 2014 of the prototype 400kV cable with a Milliken 3500mm<sup>2</sup> copper conductor, the largest ever developed by the Group. In addition, the Gron plant in France produced prototype Milliken aluminium conductors measuring 4000mm<sup>2</sup>, while the Delft plant in the Netherlands produced similar prototypes, which will be used for the 380kV Randstaadt connection.

### Test passed for P-Laser technology

In the P-Laser technology, the 150 kV class passed its qualification test, conducted on a system complete with accessories and completed with a series of additional high-temperature. Qualification testing also started for a P-Laser HVDC 320kV cable and related accessories. The P-Laser system is particularly suitable for high voltage direct current (HVDC) applications because of the greater chemical stability.

### Flextube family enlarged

In the optical cables field, a record density product containing 4.2 fibres per mm<sup>2</sup> in a 1728 fibre 23mm diameter cable, made using fibres measuring 200 micrometres in diameter, was added to the *Flextube*<sup>®</sup> family of cables. The products are an excellent solution for use in conduits congested with other cables. Dry/dry technology was also developed for *Flextube*<sup>®</sup> cables in order to reduce cable installation time.



Sustainability

# PRYSMIAN FOR THE ENVIRONMENT



**93%**  
of sites certified  
in accordance with ISO 14001



**59%**  
of sites certified  
in accordance with OHSAS 18001



**5,960,606**  
GJ energy consumption



**93,594,004**  
kg of waste produced



**7,421,534**  
m<sup>3</sup> water consumption



**28%**  
wooden drums reused





## Active policy further consolidated

Prysmian Group believes that the commitment to environmental stewardship and to the conservation of natural resources is critical for creating sustainable value.

This approach is expressed in the products' intrinsic characteristics and in the management of production systems. Prysmian's Health Safety & Environment function, together with other functions and with the backing of the Board of

Directors, established the objectives that are communicated to all Country and Organisational Unit managers. In 2014, HSE further consolidated its action by centralising activities and coordinating the work of local HSE functions. The Management Procedures and corporate Technical Standards have been introduced and applied in the operating units. The HSE function has periodically checked the effectiveness and correct implementation of HSE rules locally.

### Assessing the impact of products

Prysmian Group has defined and applied the methodology for assessing the environmental impact of certain types of products. In addition, the process of obtaining certification for the Group's HSE management systems continued. At the end of 2014, 93% and 59% of the sites were certified in accordance with ISO 14001 and OHSAS 18001 respectively.

### Worldwide inspections carried out

A total of 125 inspections were carried out at the various manufacturing plants, of which a quarter by Prysmian auditors aimed at verifying compliance with the required standard, while the rest were conducted by the Group's main certification body. In addition to these, there were other internal audits on specific matters and inspections by other bodies.

### Tracking greenhouse emissions

The Group has started to collect energy consumption data to keep a track of 'direct' emissions (from the production process), and 'indirect' ones (from bought-in energy). The monitoring and reporting system has allowed Prysmian to participate, once again in 2014, in the Carbon Disclosure Project, the international initiative aimed at achieving the Kyoto Protocol's targets for worldwide reduction in greenhouse gases.

### DJSI admission score improved

Prysmian completed the environmental and safety section of the RobecoSAM corporate sustainability assessment questionnaire for admission to the Dow Jones Sustainability Index, with a major improvement on the prior year score. The HSE function has already planned and launched several other initiatives to ensure even more complete environmental reporting.

People

# OUR PEOPLE ARE OUR BIGGEST ASSET



## Building the teams of the future

**'Build the Future, the Graduate Program'** is Prysmian's international recruitment programme to place young high-potential graduates in different business functions and geographical locations.

Launched in 2012, the programme has resulted in the recruitment of around 130 young people from around the world. Over 16,000 applications were received for the 2014/2015 cohort, out of which 50 recent graduates

were selected from every continent. That was the outcome of an intensive campaign of employer branding in partnership with professional social networks like LinkedIn and Monster, as well as local ones, such as GraduateLand and ChinaJob, the use of online portals, attendance at careers fairs at the world's top engineering and economics universities, and Facebook; all geared to maximising media exposure and receiving the largest number of applications possible.

## Experience matters at Prysmian Group

**Prysmian Group is the high-tech champion in its industry.** State of the art technology and innovation are therefore key strategic resources in the constant search for value and business achievements that it pursues.

But often, as in many high-tech companies, the technological know-how is concentrated in a group of people who 'own' the so-called 'critical know-how'. Prysmian wants expertise to be treated as a strategic asset, to be exchanged and circulated among its

entire people, so that the best practices created during life-long working experiences can be transferred from the more senior people to the more junior ones. That is a key issue and the most experienced workers are a key component in the whole transfer process: by keeping them fully on board, Prysmian enables its entire structure to fully express its competitive potential and secures the handover of its management culture from one generation to another.



Graduate Program:  
**16,000** applications  
**130** recruited

**45%** of senior executives work in their country of origin

**175** expatriates from **35** different nationalities

**600** people involved in the Academy's training activities

## The year that 5,000 said YES

2014 was the year of Your Employee Shares Plan.



Launched in 28 countries at the end of 2013, the plan allows staff to buy Prysmian shares during specific purchase windows in 2014, 2015 and 2016, on preferential terms. Participants can buy Prysmian shares at a discount of up to 25%, thereby encouraging employee participation at every level. The objectives are to increase employees' sense of closeness and belonging to the Group, as well as their engagement, in order to converge the long-term interests of shareholders, customers and employees and to strengthen the internal perception of Prysmian Group as a real 'One Company'. Strong levels of participation saw around 5,000 employees, 32% of the total, signing up in 2014.

# A TRULY PUBLIC COMPANY

As of 31 December 2014, the Prysmian's free float was 100% of the outstanding shares and major shareholdings. Those in excess of 2% accounted for approximately 28% of total share capital, meaning there was no majority or controlling interest.

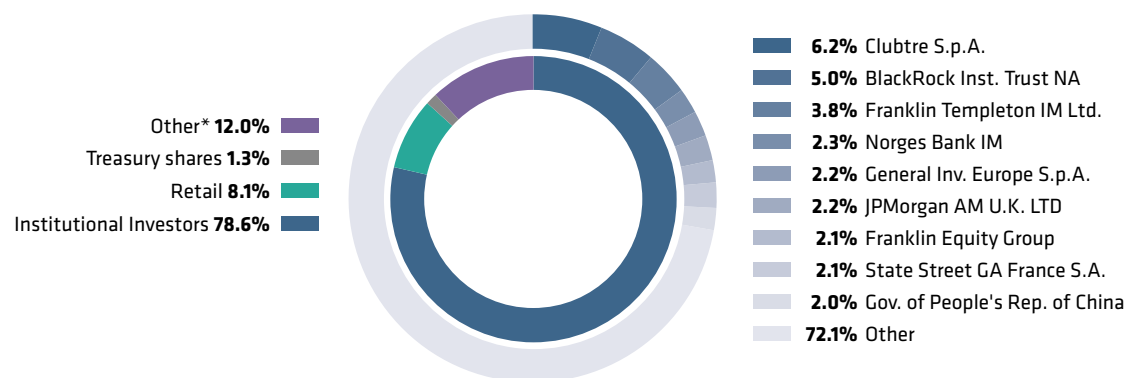
**Prysmian is one of Italy's few global industrial companies to have achieved Public Company status in recent years.**

The ownership by geographical area confirms the predominant presence of US and British investors who, at the end of 2014, accounted for around 45% of the capital held by institutional investors. They were followed by Italian institutional investors with 16%, and by the French with 11%, both higher than the previous year. The proportion of Asian investors was stable.

Approximately 71% of the share capital held by institutional investors is represented by investment funds with Value, Growth or GARP strategies, therefore focused on a medium to long-term investment horizon. The proportion of investors adopting an index investment strategy, based on the principal stock indexes, was stable compared with the prior year, as was the share of private equity fund investors, represented by a single Italian fund with a long-term investment horizon and that has been one of the company's shareholders for several years.



## OWNERSHIP STRUCTURE



\*Mainly includes shares held by non-institutional investors and shares with third-party custodians held for trading.  
Source: Nasdaq OMX, Thomson One (December 2014)



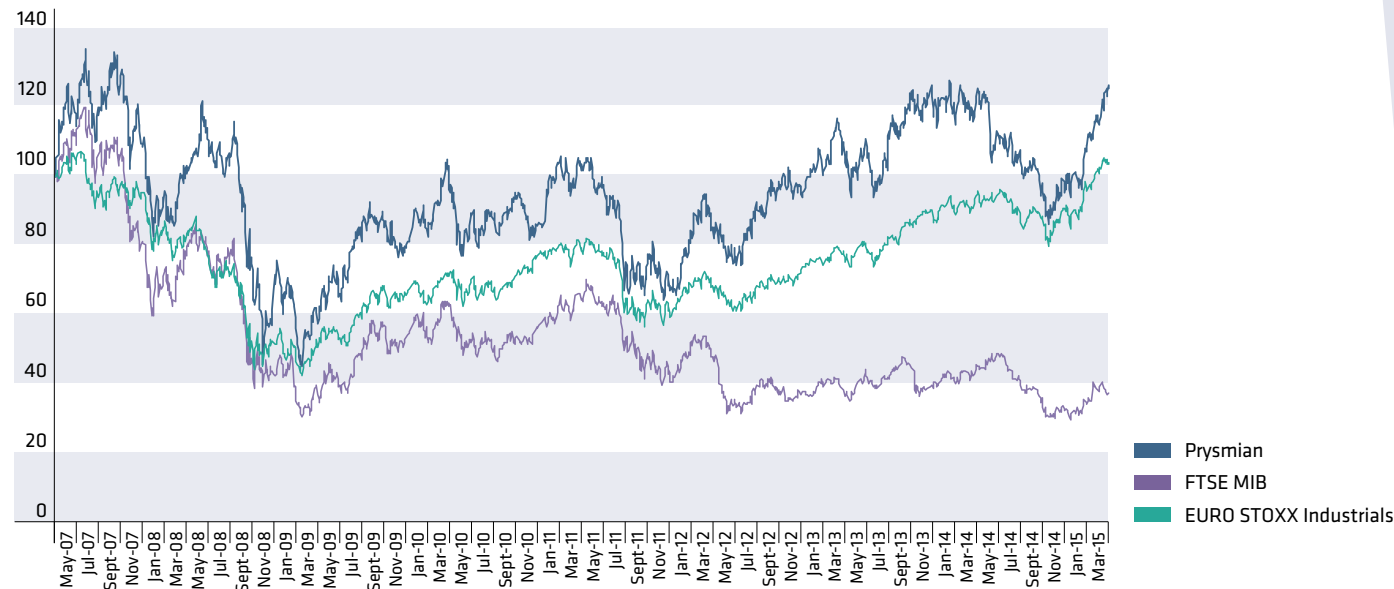
### Continuously in contact with the market

In 2014, brokers' coverage, of Prysmian remained very high and geographically diversified, with 23 regularly following the stock: Banca Akros, Banca Aletti, Banca IMI, Banca Profilo, Barclays Capital, Berenberg, BofA Merrill Lynch, Citi, Credit Suisse, Equita, Espirito Santo, Exane BNP Paribas, Fidentiis, Goldman Sachs, Hammer Partners, HSBC, Intermonte, JP Morgan, Kepler Cheuvreux, Mediobanca, Morgan Stanley, Natixis and UBS. The Investor Relations office maintained regular contacts with investors through the website [www.prysmiangroup.com](http://www.prysmiangroup.com), with its updated graphics and content, corporate documents, press releases and all other information concerning the Group, in Italian and English.

### IR Director on upbeat note



**PRYSMIAN STOCK VERSUS BENCHMARKS SINCE IPO**



**“In 2014, our Group has shown a resilient performance, despite the challenges of the global macro-economic environment, creating the conditions for a more robust performance in 2015”.** - Cristina Bifulco, Director of Investors Relations at Prysmian, makes an upbeat assessment as many brokers agree on a positive outlook for 2015.

Bifulco added that **“The financial markets expects Prysmian to continue to create value and to be perfectly positioned to benefit from the positive impacts of the quantitative easing in Europe.”** According to Cristina, **“The company is perceived as one of the best managed in the capital goods sector and the best-in-class among its peers”.**

# COMMITTED TO TRANSPARENCY

Creating value for shareholders is part of Prysmian's commitment to accuracy, clarity and transparency in the communication of business strategy, objectives and results.

Providing the market with credible information boosts market confidence. The Group is keen to avoid unequal access to information.

In addition to the quarterly conference calls with analysts, the Group promptly informs its shareholders and potential shareholders of any action or decision that could have a material impact on their investment.

## Global roadshows, more than 400 meetings

Contact with the financial market remained very intense in 2014, particularly after the technical problems emerging with the Western HVDC Link project, with more than 400 one-to-one or Group meetings at the company's offices, roadshows in the major financial centers of Europe and North America, as well as participation at conferences organised by major international brokers.





## Production facilities open to investors

Also in 2014, the Group organised several visits for institutional investors and financial analysts to visit its production facilities and R&D centres in Europe, the USA and Asia, in order to give them a more in-depth knowledge of its products and production processes.

## Effective risk management

Prysmian Group has adopted an internal control and risk-management system in compliance with the Self-Regulatory Code<sup>1</sup>, which is in line with the best practices in the field and based on tools and information flows that allow the Board of Directors to take strategic decisions and define the system's guidelines in an informed manner. Furthermore, in light of

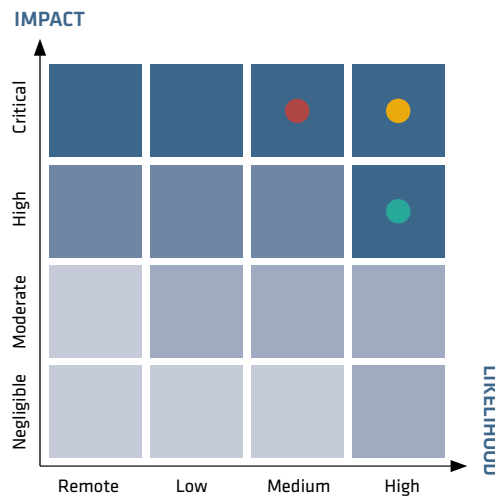
the increasing complexity of its activities and in response to changes in the legislative environment, in 2012 the Board of Directors decided to step up the Group's attention to the internal control and risk-management system, by implementing a dynamic system of Enterprise Risk Management (ERM) and by appointing a specific Internal Risk Management Committee.

## ASSESSMENT CRITERIA

- Impact
- Likelihood
- Level of Risk Management

## LEVEL OF RISK MANAGEMENT

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





Proud member of



**Prysmian**  
Group

