

# INSIGHT

**Prysmian**  
Group

Quarterly  
magazine  
**02**  
2015



**Excellence.  
Integrity.  
Understanding.**  
Our values define our business.

## PRYSMIAN CELEBRATES A VERY SPECIAL YEAR

In 2015, the company is marking its tenth anniversary with several initiatives that will take a deeper look at its achievements over the past decade.

**Profitability  
substantially  
higher in Q1**

**A milestone  
in cable safety**

**Major offshore  
wind contract**

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# An upbeat journey through 2015

The first quarter of the year saw Prysmian posting good revenue growth and substantially higher profitability, allowing us to set a realistic goal of Adjusted EBITDA in the range of €560- €610 million for the full year. The Group affirmed its global leadership in the cable industry through its ability to demonstrate resilience against the backdrop of the economic downturn and is now benefiting from the progressive signs of recovery. The Group also continued to benefit from its persistent focus on organisational and manufacturing-footprint efficiency, while a new record in the transmission order book added to the upbeat outlook.

In this issue, we FOCUS ON on 2015 being a very special year for the company, as it marks the 10th anniversary of becoming Prysmian, but also on our continuous and steadfast commitment to sustainability, that has become a hallmark of the company. Commemorations for the 10-year anniversary include several initiatives aimed at Prysmian people and stakeholders, as we take the opportunity to have a closer and deeper look at the achievements of the past decade.

The GLOBAL SCENARIO section is devoted to the new EU Construction Products Regulation, that sees Prysmian preparing to share key messages on the importance of the directive, as it contributes to the enhancement of safety and the elevation of quality standards throughout the industry. The quarter also saw Prysmian secure important new contracts for offshore wind farms and cross-country power connection, detailed in the DOING BUSINESS section. Among the noteworthy achievements in recent months is the news that Prysmian climbed the league table compiled by Compend's Webranking, the most well-known analysis of corporate and financial communications in Europe, reported in the GETTING THINGS DONE section.

Editorial Team - Insight





## A very special year

2015 marks the 10<sup>th</sup> anniversary of becoming Prysmian

This year, the company is commemorating its 10<sup>th</sup> anniversary with several initiatives aimed at its people and stakeholders, as it both celebrates and takes a closer and deeper look at its achievements during the decade.

CEO Valerio Battista stated that nowadays Prysmian Group enjoys an enviable position as a globally-recognised brand and a reputation for being a reliable company that takes a pragmatic and efficient approach. In 10 years, the group managed to become the global leader in

its industry and to further strengthen this position. It's a success story, according to Mr Battista, that Prysmian wrote thanks to the way it always stood by its values, each and every day. These values are more than just words: they're in the DNA of Prysmian and its people. Excellence, integrity and understanding are part of the company identity, and Prysmian's success is a direct result of the efforts of all its employees across the world: the 10-year anniversary offers the occasion to recognise the role everyone has played in the company's continued success.

## Spreading a winning culture

In order to help all Prysmian people better understand the Group's philosophy and enable them to work alongside their local head offices to bring Prysmian culture to life, a guideline document has been created. This will also help employees make the most of the opportunities that come with the anniversary and, in the spirit of co-operation, give them a chance to plan and create their own activities, using the guidelines as reference. On top of that, a '10 years of Prysmian' area has specifically been created on the company's intranet homepage, where comprehensive information and documents are being gathered. The area is also used to publish all updates about the anniversary initiatives.

### Communication tools



Throughout 2015, a series of communications pieces are being rolled out to mark the 10-year milestone. The 10<sup>th</sup> anniversary commemorative gold mark will be used in all communications, while a celebratory book has been created to tell the story of the first decade of the company, highlighting its distinctive pragmatic approach. Every employee will be rewarded with a copy of the anniversary book. All activities and initiatives have been developed with the potential to strengthen the Group's brand identity and employee engagement, while reinforcing Prysmian's relationships with stakeholders and supporting the growth of Prysmian and its strategic development plans.

**Excellence. Integrity.  
Understanding.**  
Our people, our values,  
our passion.

# Steadfast commitment

Prysmian builds on its achievements in the path towards sustainability

As Prysmian has embarked on the path towards sustainability in recent years, 2014 saw the launch of several projects which demonstrate the ongoing commitment that has allowed it to achieve significant results in this crucial field.

**Such a steadfast commitment to sustainability is reflected in transparent, structured communications to all stakeholders through the annual [Sustainability Report](#), which gives details of the policy promoted by Prysmian and its economic, environmental and social performance. The 2014 report was prepared in accordance with the new 'Sustainability Reporting Guidelines G4', published by the Global Reporting Initiative (GRI) in 2013, reflecting Prysmian's ongoing commitment to make the reporting process ever-more complete and effective, by increasing the breadth and depth of the topics covered.**

The GRI Reporting Framework is a universally accepted model for sustainability reporting, which includes common practices for different types of entities. It contains topics of a general nature, as well as industry-specific subjects, with the aim of communicating an organisation's sustainability performance.

The Sustainability Report has also been audited by a recognised external firm to provide all stakeholders with assurance as to the reliability of the information contained. The report constitutes a complete account of how the Group manages the economic, environmental, and social impacts deemed of importance for itself and its stakeholders and its performance in these areas. In keeping with past practice, Prysmian is participating in the top international assessments of sustainability for 2014, namely the RobecoSAM Assessment for the Dow Jones Sustainability Index (DJSI) and the Carbon Disclosure Project questionnaire.



## Environment

**93%**

ISO14001 Certified production sites

**-3.2%<sup>GJ</sup>**

Energy consumption compared with 2013



## Communities

**77%**

Grants for corporate citizenship and philanthropy initiatives in the health and welfare sector



## Supply Chain

**76%**

Metals purchased from suppliers monitored by the group on sustainability matters

More than

**70%**

Local purchases of services

**28%**

Wooden drums reused



## People

**96.6%**

Employees permanent contracts



## Innovation

**€ 16** Million

Cost reductions deriving from the design to cost (dtc) programme



### Engaging stakeholders

Prysmian took an important step in its relations with stakeholders by organising its first ever Multi-Stakeholder Engagement event in Milan on the subject of sustainability. The event provided an opportunity for representatives of various stakeholder categories to participate actively, through open discussions and workshops in which they expressed and exchanged ideas, opinions and perspectives on a range of topics relating to sustainability and corporate social responsibility. The discussion served to highlight the issues viewed by stakeholders as priorities for steering the Group towards new and broader future horizons. The stakeholders suggested potential sustainability initiatives and targets that the business should adopt in the long term, in order to improve its path towards sustainability.

### A code for business partners

Aware of the effects that its suppliers' activities have on the environment and society, Prysmian pays great attention to sustainability in its relations with business partners. For this reason, the Group decided to adopt a Code of Business Conduct, aimed at disseminating responsible business practices by defining principles of economic, environmental and social responsibility for application throughout the Group's value chain. The Code, which applies to all Group employees and suppliers, is being adopted from 2015. The Group also promotes the development of its employees by providing continuing education and ongoing individual enrichment opportunities within an international working environment.

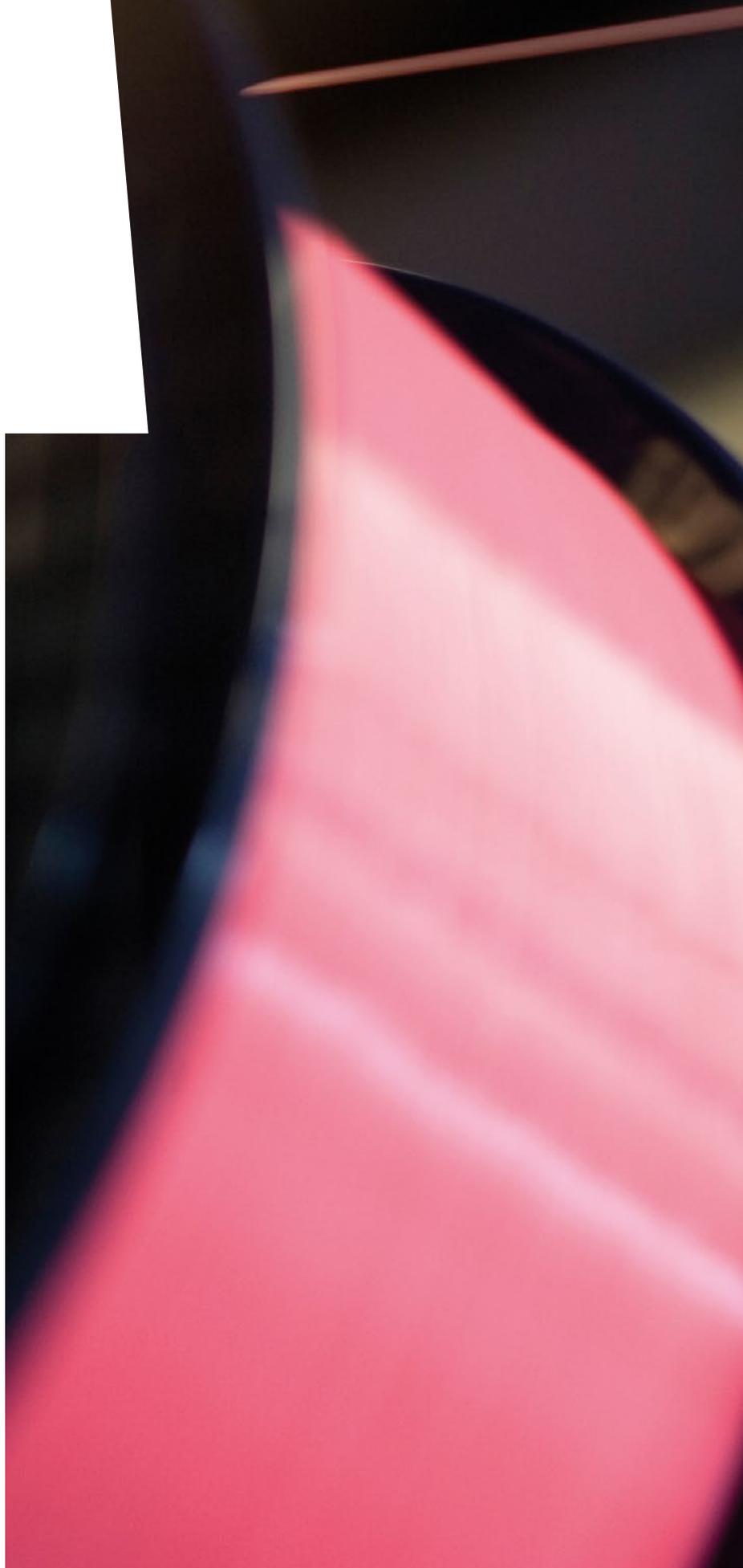
# Profitability substantially higher in Q1

Good revenue growth and substantially higher profitability characterised Prysmian Group's [first-quarter consolidated results for 2015](#), approved by the Board of Directors.

**CEO Valerio Battista** pointed out that these positive results reflected the Group's positioning in the high-tech businesses of submarine and optical cables, in which Prysmian remains the world leader. The cable businesses have shown resilience despite the economic downturn, and are now benefiting from the progressive signs of recovery. The Group also continued to benefit from its persistent focus on organisation and manufacturing-footprint efficiency.

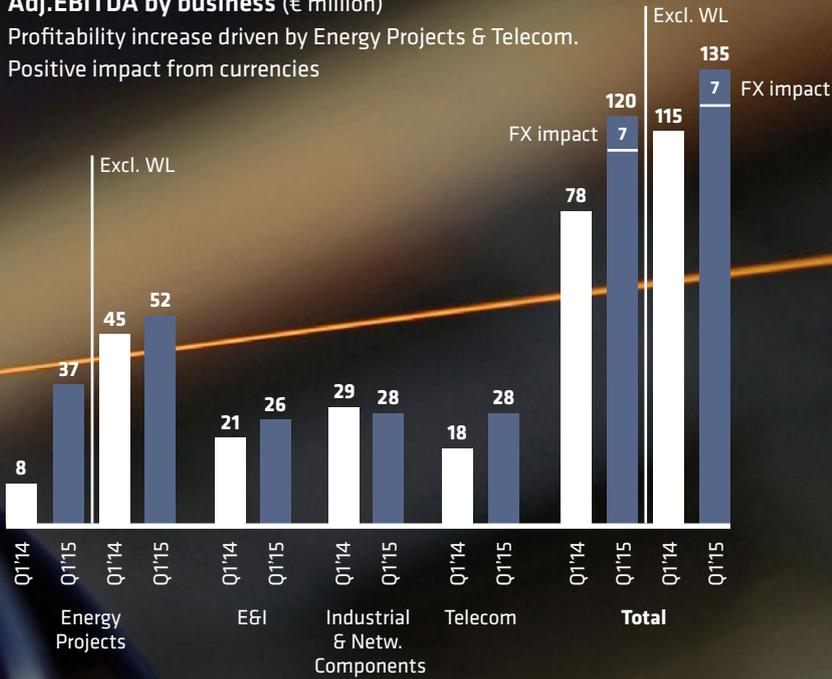
For the FY 2015, Prysmian has set a realistic goal of Adjusted EBITDA in the range of €560- €610 million, thanks to Telecom and Energy Projects business. It also found support in the transmission order book, that has reached a new record level of €3.1 billion, and from the stabilisation of the trend in the cyclical businesses.

Mr Battista also wished with "great satisfaction" to draw attention to the success achieved by the YES employee share purchase plan, that has reached a landmark 6,500 employee shareholders, reflecting a total investment of €12 million. It's a result that bears witness to the strong engagement of Prysmian people in the Group's future business.



**Adj. EBITDA by business (€ million)**

Profitability increase driven by Energy Projects & Telecom.  
Positive impact from currencies



**Sales up to €1,753 million, posting organic growth of +5,9%, strong performance by Energy Projects and Optical Cables.**

**Adjusted EBITDA came in at €120 million, up 53.4% on 1Q 2014. Excluding Western Link, would have been €135 million.**

**Net profit came in at €42 million compared with €5 million in 1Q 2014.**

**Net financial position at the end of March 2015 amounted to €1,040 million, down from €1,133 million one year earlier.**

## Energy Projects up, Transmission orders hit new record

The Operative Segment posted strong sales for Submarine, Umbilical and DHT cables, while Underground stayed in line with one year earlier.



Sales by the Energy Projects Operative Segment reached €333 million in the first quarter of 2015, with organic growth jumping 19.5%. Profitability improved significantly, with an Adjusted EBITDA of €37 million from €8 million in the first quarter of 2014 while the EBITDA margin on sales reached 11.1% from 3.1% in the first quarter of 2014. Excluding the adverse impact of Western Link, Adjusted EBITDA would have been €52 million, up from €45 million in the same quarter of 2014.

The **Submarine business** benefited from project execution capability: the main projects in progress in the quarter were the Exxon Mobil contract, involving the new ship 'Cable Enterprise'; the Greece-Cyclades and Italy-Montenegro interconnectors; and, the cabling of the Borwin3 and Dolwin3 offshore wind farms. In addition, the production of deep-water cable for the Western Link project has been accelerated. Sales of **High Voltage Underground** were

essentially in line with the same period of 2014, with positive performance in Britain, France and the Middle East. This helped counterbalance weakness in Italy, Northern Europe and Russia, as well as delays in some projects in North America and the slowdown in Brazil.

The order book for **Underground and Submarine** transmission climbed to a new record of €3.1 billion, as the

Group was awarded Submarine projects totaling around €340 million, while in the Underground sector, the Group won the major contract for the Italy-France interconnector, worth €200 million.

The strong sales performance by the **SURF business** was underpinned by demand for umbilical cables in Brazil, and by the robust growth of the DHT segment in North America.

## Energy Products posted organic growth

Slight organic sales increase for Trade & Installers and Power Distribution with stabilising prices, good results for Elevators and O&G.



**Sales of the Energy Products Operating Segment amounted to €1,141 million, posting organic growth of +1.0% on the first quarter of 2014, mainly due to the recovery in volumes in North America and Northern Europe and the growth in Asian countries, partially offset by a sales fall in Brazil. There was also a slight improvement in profitability with Adjusted EBITDA up 5.9% at €55 million while margin on sales remained stable at 4.8%.**

**Energy & Infrastructure** were up organically by 3.3% to €686 million, as the Group pursued a strategy of product mix improvement which benefited from the first steps of recovery in the market. Profitability improved with Adjusted EBITDA for the quarter at €26 million from €21 million one year earlier.

**Trade & Installers** saw a consolidation of the signs of recovery emerging in the last part of 2014, with prices remaining in line and moderate organic sales growth. The trend was positive in North America, Northern and Eastern Europe and Spain,

while remaining stable at low levels in other European countries.

**Power Distribution** also reported in-line prices and reasonable organic growth in sales, mainly due to volume recovery in the Nordic countries, Germany and Argentina, where the Group benefited from new investments into the electric networks.

**Industrial & Network Components** sales amounted to €430 million, with Adjusted EBITDA substantially stable at €28 million. Oil & Gas sales were good, supported particularly by the project business in Asia

Pacific, the Middle East and the Caspian region, while profitability was hit by the decline in volumes for Maintenance, Repair & Operations. Specialties & OEM recorded an overall positive performance in Asia Pacific and a slight improvement in the Americas. Weakness continued in the Infrastructure and Marine sector, while Railway, Rolling Stock and Nuclear performed well. Elevators posted a solid performance across all regions. In the Network Components, positive performance for HV in China helped offset weakness in Europe.



## Telecom enjoyed strong demand for opticals

The operating segment posted improved profitability as prices stabilised with steady volumes for Multimedia Solutions.



**Sales by the Telecom Operative Segment jumped 13.1% organically to €279 million in the quarter. Adjusted EBITDA rose sharply to €28 million from €18 million one year earlier.**

Sales grew thanks to strong demand in optical fibre cables, while profitability also benefited from the stabilisation of prices and from the contribution of Yangtze Optical Fibre and Cable Joint Stock Company. Margin on sales also improved to 10.1% from 7.6%.

**Optical Cables and Connectivity** saw

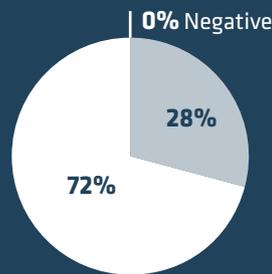
a significant recovery in demand in most regions. In Europe, the Group won contracts for major projects to make backhaul links and FTTH connections for leading operators, such as Telefonica in Spain, Orange and Free in France and Telecom Italia in Italy. In North America, development of the new ultra-broadband and FTTH networks led to a good increase

in demand too, while in Asia Pacific, the National Broadband Network project resumed in Australia and demand was positive in Southeast Asia. South America recorded the weakest performance, since the Brazilian measures in support of investment still failed to deliver.

**Multimedia Solutions** showed volumes and prices stabilisation in Europe. The Group maintained its strategic focus on higher value-added products and businesses, such as data centres in Europe.



Brokers' Recommendation\*



- Positive
- Neutral

\*As of May 15, 2015

## Ratings stayed widely positive, targets raised

After the release of Q1 results, almost all the brokers confirmed their positive view on Prysmian stock.

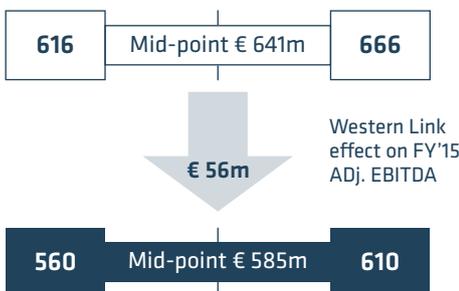
Among them, Goldman Sachs confirmed its "Buy" rating with an increase of its target price from €19.5 to €21 and highlighted positively the all-time high backlog in SUB/HV.

Citi improved the rating from "Neutral" to "Buy" and increased its target from €18 to €22.5, while Morgan Stanley confirmed its "Overweight" and increased the target to €22.5 mentioning higher than expected organic growth. Equita sim reiterated the "Buy" as well and increased the target to €22 as it said it sees the stock at a 13% discount compared to the Capital Goods sector. Also Mediobanca confirmed the "Buy" and lifted its target price to €20.8 stating that Telecom and Energy projects were the main drivers.

No brokers had a negative rating on the stock.

## Adjusted EBITDA for FY 2015 expected to mark a significant improvement

FY 2015 Adj. EBITDA target vs FY 2014 (€ 509m)



The macro environment saw signs of slight improvement in Europe, while remaining sturdy in the U.S. Geopolitical tensions in the Middle East and Russia and the slow-down of some economies such as China

and Brazil continued to raise doubts over the short-medium term. In such a context, the Group's expectation for FY 2015 is that demand in the cyclical businesses of medium voltage cables for utilities and building wires will record a slight recovery with signs of price stabilising. In the Energy Projects segment, the Group confirmed an improving trend, with potential growth in the Submarine and SURF businesses, though partially offset by weak demand for HV underground.

**In the Submarine cables business, the negative impact of the Western Link project is expected to be significantly lower in 2015: €56 million on Adjusted EBITDA against €94 million in 2014.**

In the Industrial O&G business, the reduction in the industry investments are likely to have a negative impact, particularly during the second half of the year.

The Telecom business is expected to see continued recovery in demand for optical fibre cables in the coming quarters, especially in Europe and the United States, albeit at a slower pace than in 2014. Based on the existing order book and considering all these factors, **the Group is forecasting Adjusted EBITDA for FY 2015 in the range of €560-610 million (€616-666 million excluding the negative impact of WL), marking a significant improvement from the €509 million reported in 2014.**

# A milestone in cable safety

## The European Construction Products Regulation (CPR) enters its final phase

The European CPR, which became fully applicable in all member states in July 2013, has now entered its final phase, as CE marking will be applicable in all EU countries from mid-2015. The CPR covers any cable product, from power to control and communications cables, and is intended to be incorporated in construction works, including both buildings and civil engineering works.

All cable products will be subject to performance requirements. In particular, the essential characteristics of cables regulated under the CPR are reaction

and resistance to fire, and the release of dangerous substances. Other performance characteristics will remain subject to the provisions of other relevant directives and regulations, such as the European Low Voltage Directive (LVD).

**The application of the CPR ensures the availability of reliable information on construction products in relation to their performance, by providing a common technical language and offering uniform assessment methods (Euroclasses).** These methods have been compiled in unified technical standards

which are to be used by manufacturers (when declaring performance), authorities within member states (when specifying requirements) and users (when choosing products suitable for their intended use in construction works).

Except for limited derogations, the CPR introduces a mandatory Declaration of Performance (DoP) and the CE marking on fire performance for cables used in EU construction works. The CPR will not impose requirements on the level of cable performance and the setting of safety levels remains a national responsibility.

### Leading the way

Prysmian is preparing to spread key messages on the importance of the new EU Construction Products, as CPR concerns and contributes to enhancing people's safety and to elevating the quality standards of the industry. For its part, the Group is developing solutions targeted to the full CPR-compliant product portfolios in all the countries where it operates. The company, together with its Research & Development experts from all over Europe, is now fully ready for the new regulation. It has introduced a unique cross-function CPR team for each country, with the goal of serving and supporting its customers with regard to the new CE marking rules, while at the same time trying to anticipate future market requirements.

### Internal ambassadors in Spain

Twenty Prysmian marketing professionals from all over Europe gathered in Vilanova, Spain, to build knowledge and share best practice on the CPR. The aim was to bring everyone up to speed about the central and local CPR implementation frameworks and to create awareness of the objectives the Group needs to hit during the final phase of CPR Reaction to Fire. In particular, the tools created for the Internal CPR Ambassadors were handed out to the attendees, together with training and usage guidelines.



### Ready for stricter requirements in the UK

The standard in the United Kingdom for low voltage electrical installations now requires that all cable installations in escape routes are fixed with fire-resistant components, to improve fire safety. Prysmian's website has a series of guidance documents that include suitable fixing advice for fire-performance cables, that can be referenced for the new requirements for fixing of non-fire resistant cables within escape routes.





# No end in sight for optical cable growth

Production is running high in all markets but future investments to boost capacity are likely to be aimed at high-growth countries.

Global demand for optical cable has grown sharply in recent years and industry watchers and operators are wondering whether the trend is sustainable in terms both of production capacity and new orders. Installation of optical cable in communication networks is running at an annual 300 million fibre-km. In 2006 it was just 95 million.

**From 2006 to 2014, the compound annual growth was 15.2% despite the great recession:** it increased 24% from 2008 to 2009, when almost every other industry suffered a sharp downturn. But growth varies significantly among countries and regions and within each country. The world has more than 3,000 potential customers for single-mode optical cable, and several hundred have network construction projects underway.

## Big operators make the market

A relatively small handful of big clients can have a strong effect on the growth in demand. In 2014, Spain's demand nearly doubled as one big carrier, Telefonica, accounted for most of it. Top customers include AT&T, India's BSNL and Reliance Jio Infocomm, China Mobile, Orange, Telefonica, and Telmex, which accounted for more than 16 million km of installed cable in 2014.

Some of the most advanced markets, such as Japan, the US, and major Western European countries, began installing optical cable more than 30 years ago, and most of it is still operating quite well. In recent years, these markets have been adding fibre to their access network – in FTTx projects, but this trend is also losing steam, as already occurred in Japan, Singapore, and other countries.

## Growing weight of the emerging markets

**200**   
telecom cable  
markets worldwide

Developing economies started using fibre more recently and operators are still building inter-city backbones and metropolitan networks, while FTTx installations are limited. Over the next five years, a major contribution is expected to come from India and South-East Asia, while other high-growth markets will include Mexico, Central, and South America, Africa and the Middle East. With more than 200 telecom cable markets worldwide and only 55 countries with optical cable producers, most rely on imports.



Countries with net exports include Belgium, China, France, Germany, India, Israel, Japan, Netherlands, Poland, Romania, South Africa, South Korea, Spain, Switzerland, Turkey, and the US. Africa relies entirely on imported cable.

### **Investments seen in high growth countries**

Optical cable production is running high in all markets. Factories are busy and the opportunities for new factories or expansion are not over, but future investments are likely to be aimed at high-growth countries or regions that have fewer local producers or where there are local partners to facilitate operations.

### **Apple to invest \$1.8bn in new European data centres**

The Cupertino-based tech behemoth announced a \$1.8 billion plan to build and operate two data centres in Europe, each 100% powered by renewable energy. Each will measure 166,000m<sup>2</sup> and both are expected to start operations in 2017. The facilities are to be located in County Galway, Ireland, and in Denmark's central Jutland, and are aimed at powering Apple's online services, including the iTunes Store, App Store, iMessage, Maps and Siri for customers across Europe. According to Apple's CEO Tim Cook, the new investment represents the company's biggest-ever project in Europe. Like all Apple data centres, the new facilities will run entirely on renewable sources. Apple said it will develop additional projects, from wind or other sources, to provide additional power.

# Towards efficiency at different speeds

## The need for clear EU legislation for better energy performance builds

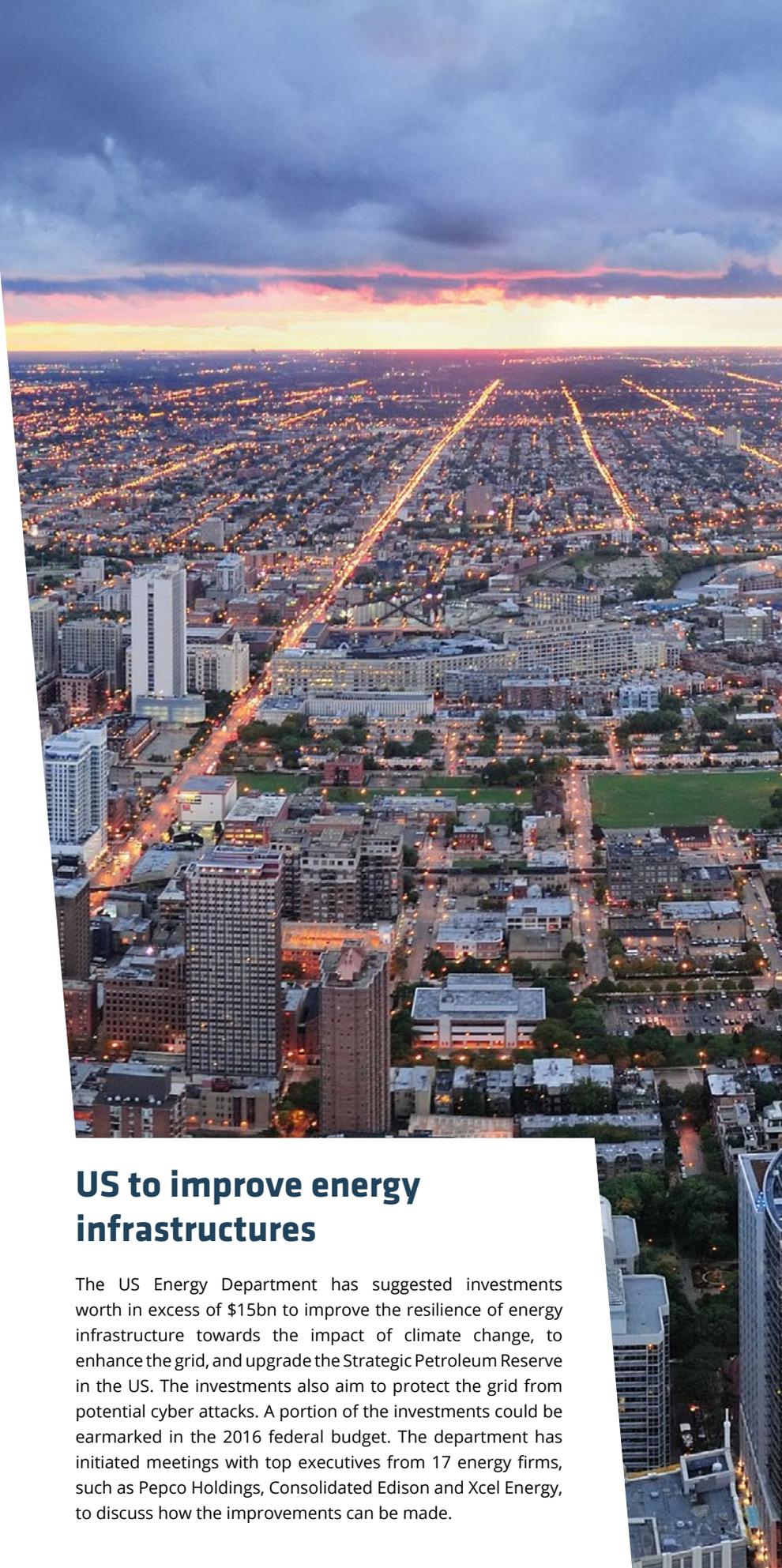
The Juncker investment plan, aimed at stimulating more than €300 billion of investment, mainly in infrastructure, also calls for the prioritisation of energy efficiency in Europe. And the European Commission foresees a crucial role for efficiency in its Energy Union concept. But progress at national level, even if visible, still shows significant difference between member states. This demonstrates, European MPs and industry experts argue, the need for clear EU legislation to help each country make their new and existing buildings energy efficient.

## Half of states still have no plan

The Energy Performance of Buildings Directive already asks member states to develop a working plan aimed at nearly Zero-Energy Buildings (nZEB) by 2020, while setting a deadline in 2018 for public buildings. But half of the countries have not yet defined what an nZEB should look like, while only eight have established their nZEB requirements for existing buildings. The main reason for this is that the directive only provides a broad definition of nZEB and leaves it up to member states to work out a detailed definition. Buildings account for almost half of the EU's energy consumption and 36% of its greenhouse emissions, so their performance is key to Europe's energy transition and the achievement of its 2020 climate targets.

## US to improve energy infrastructures

The US Energy Department has suggested investments worth in excess of \$15bn to improve the resilience of energy infrastructure towards the impact of climate change, to enhance the grid, and upgrade the Strategic Petroleum Reserve in the US. The investments also aim to protect the grid from potential cyber attacks. A portion of the investments could be earmarked in the 2016 federal budget. The department has initiated meetings with top executives from 17 energy firms, such as Pepco Holdings, Consolidated Edison and Xcel Energy, to discuss how the improvements can be made.





### Indonesia speeds up electrification

The Indonesian Government target is to add 35,000MW to the existing 50,000MW and achieve an electrification ratio of 97% for the whole country in 2019.

The effort will cost an estimated \$87bn channeled through 109 projects. State electricity firm Perusahaan Listrik Negara is in charge of distribution and will invest almost half of the money, with the remaining coming from the private sector under the independent power producer scheme.

### Transmission line from Pakistan to Tajikistan

A 500kV transmission line project between Pakistan and Tajikistan has been approved by Pakistan's ruling party as part of the Central Asia-South Asia (CASA) power project. The connection will cost \$314 million with an estimated capacity of 1,300MW. The Pakistani Government has set aside initial funding in the fiscal year 2015, while the World Bank will offer additional resources. The project will now be presented to the Executive Committee of National Economic Council for final approval.

### Copper relies on renewables

Copper demand worldwide will be sustained by the renewable energy industry over the next 20 years, according to industry experts, with an expected annual growth in excess of 3%. The increase in copper usage per MW of generating capacity is expected to be fastest over the next decade, as copper efficiencies per MW have improved over time, while wind turbines become larger and copper usage per MW falls.

Renewable energy growth is also forecast to be fastest over the next decade before slowing into the 2020s and 2030s.

# €230 million contract for offshore wind farm



Prysmian to design, produce and install cable system for the West of Adlergrund in the German Baltic Sea.

A [new contract](#) to design, produce and install a power cable system for the offshore wind park cluster West of Adlergrund in the German Baltic Sea was awarded to Prysmian Group by 50Hertz Offshore GmbH, a subsidiary of 50Hertz Transmission GmbH, transmission operator in Germany.

The project, worth approximately €230 million, comes as a result of 50Hertz exercising an option for a further grid connection already provided for in the existing contract with Prysmian for the West of Adlergrund project. This was originally worth €480 million, effective immediately, with options for further grid connections to be activated separately.

The project scope now includes this additional connection, between planned Offshore Wind Parks, approximately 40km north-east of the island of Ruegen, to the Lubmin substation in North East Germany and then with the mainland electricity grid, along a submarine route of approximately 90km, plus 3km on land.

**The 220kV High Voltage Alternate Current system, with 3-core extruded cables, including a fibre optic cable system, will be produced in the Group's centres of technological and manufacturing excellence for submarine cables in Pikkala in Finland and Arco Felice in Naples, Italy.**

Production of the West of Adlergrund cable system has already started and installation operations are beginning this year. Laying will be performed by the DP2 ship 'Cable Enterprise', which is specifically geared to use her particular expertise in offshore wind farm connections.

## Strategic link between Italy and France

Prysmian to lead the execution of the record-setting power connection worth more than €500 million.

A new High Voltage Direct Current system will interconnect Italy and France along a 190km land route between the substations of Piossasco, near Turin in Italy, and Grand'Île in Savoy, France, with a total of approximately 95km in each country.

[Prysmian Group will lead the consortium](#) of seven companies that secured the project awarded by Terna Rete Italia and RTE, the transmission system operators in Italy and France.

The total value of the project is estimated at more than €500 million. The share of Prysmian, in its capacity as consortium leader that will coordinate the design, supply, installation and related civil works and commissioning of the interconnection is around €200 million.

The Group is also in the final stages of the HVDC interconnection between France and Spain, that is starting operations in mid 2015.

The project, also known as the 'Piemonte-Savoia' interconnection, will play a strategic role in increasing the security of power supply and enabling energy exchange between Italy and France up to 1,200MW, in a new and important step towards the creation of a single European energy market. Commissioning is scheduled for 2019. The overall length of the link is the longest of its type and sets a world record for HVDC underground interconnections using extruded cable technology.

## Powering undersea tunnel machine in Istanbul

Prysmian Group is contributing again to a major infrastructure project in Turkey: power-feeding the boring machine for the 14.6km Avrasya Tunnel in Istanbul with a new special cable.

The boring machine, the second largest in the world, will excavate a new undersea two-level tunnel designed for use by light vehicles only, such as cars and minibuses.

The project is a true milestone in Turkey, running undersea between Europe and Asia. Ground was first broken for its construction in 2011 and the machine used for its excavation is powered by special Tunnelflex TX cable, produced at Prysmian Group's plant in Merlino, Italy. The contract was awarded by Yapı Merkezi İnşaat ve Sanayi A.Ş. and SK Engineering & Construction Co. Ltd.





## Across the Pyrenees

A milestone, record-setting France-Spain power link completed after almost five years of work by Prysmian.

The connection between the substations in Baixas, near Perpignan in France, and Santa Llogaia, near Figueres, in Spain, is the highest-power rated and highest-voltage land extruded High Voltage Direct Current cable system readied for commercial operation by Prysmian Group. The milestone underground cable system [interconnecting France and Spain](#) represents the completion of a project awarded to Prysmian at the end of 2010 by a joint venture between the Spanish grid operator, Red Eléctrica de España, and the French Réseau de Transport d'Électricité. The contract was worth a total of more than €90 million.

**252 km**  
of cables manufactured  
in Gron, France

The project comprises a  $\pm 320$ kV extruded HVDC underground cable turnkey system that includes the engineering, production and installation of two 1,000MW bipolar circuits along a 64km land route, of which 8.6km is in a purpose-built tunnel across the Pyrenees. A total of 252km of cables were manufactured in Gron, France, at one of the Group's excellence centres for Extra High Voltage cables, using specially upgraded production lines and handling systems that allowed the production of very long cable lengths. This allowed a substantial reduction in the overall project execution time and risks.



### Capacity increased, supply secured

The connection between France and Spain is classified as a Priority Project by the EU, as the cable link has substantially increased the transmission capacity between the two countries, improving diversification of sources and security of supply, as well as enhancing electricity market integration in South-West Europe. For Spain in particular, the project will increase grid system stability and, therefore, facilitate the use of renewable energy. The completion of the project re-affirms the Group's worldwide leadership in HVDC grid connections. The Group has also recently announced the successful commissioning and handover of the first and second HVDC offshore grid connections of BorWin2 and HelWin1 and of the Skagerrak 4, connecting Norway and Denmark.

## Getting connected in Norway and Denmark

The Prysmian-made High Voltage Direct Current cable system is readied for commercial operation.

Skagerrak 4 is a High Voltage Direct Current (HVDC) [cable system that interconnects Norway and Denmark](#) and has now been readied for commercial operation. Prysmian was awarded the contract for the land HVDC cable system for the interconnection, worth approximately €40 million by the Danish transmission grid operator Energinet.dk in January 2011. The contract covered the supply, jointing and testing of 92km of 500kV mass-impregnated underground cables and related accessories, with a transmission capacity of 700MW, made at Prysmian's manufacturing facility of Arco Felice in Naples, Italy.

Skagerrak 4 was agreed by the Danish and Norwegian transmission grid operators Energinet.dk and Statnett, to increase

the capacity of the power transmission system between the two Scandinavian countries, enhancing the efficiency and competitiveness of the Nordic electricity market. The project contributes to the development of a more environmentally friendly power market in Europe, by supporting the export of renewable energy produced in Norway and the growth of wind power generation in Denmark. Over the past few years, Prysmian has continued to develop a wide range of state-of-the-art products for HVDC grid interconnections. These latest achievements underline the Group's pre-eminent role in cable transmission systems, its leading position in their commercial application and its ability in successfully executing complex turnkey projects.

### Wind power solutions showcased

Prysmian showcased its state-of-the-art range of products and services for the wind power industry at the 2015 biannual European Wind Energy Association Offshore Event in Copenhagen. Long-term growth perspectives in the renewable sector and business development strategy have further strengthened the Group's commitment to this strategic and added-value market. Its portfolio includes AC and DC power transmission submarine cable systems; and, advanced turbine cabling solutions with high resistance to abrasion, UV radiations, corrosion, bending and torsion stress for increased efficiency, reliability and safety, specifically designed to meet the highly demanding conditions encountered in plants and installation areas.

## Climbing the European web ranking

Good results achieved by Prysmian – along with a top-10 position in Italy.

With a score of 55 points out of 100, Prysmian was ranked 62<sup>nd</sup> at the 18<sup>th</sup> annual edition of the ranking compiled by Comprend's Webranking, the most well-known analysis of corporate and financial communications in Europe, carried out in collaboration with Lundquist. The ranking evaluated the 500 largest European companies by market capitalisation.

Prysmian jumped from 127<sup>th</sup> in the previous edition, climbing the FT Europe 500 ranking. The Group was also ranked in the top 10 of Italian companies included in Webranking FT Europe 500, jumping from 60<sup>th</sup> position last year to 10<sup>th</sup> position this year, as reported by Italy's CorriereEconomia and Forbes.

The research evaluates the ability of the largest European listed companies to meet the growing expectations of stakeholders – rigorously tracked through annual surveys – in terms of transparency and dialogue through digital channels. It also assesses a company's ability to distinguish itself in an increasingly competitive environment, while being able to state the company's position on corporate issues within digital channels, build social media engagement and respond to potential crises.

Prysmian Group also achieved good results in the 2014 Webranking of the largest Italian listed companies, which assesses the Italian companies' ability to meet stakeholders' growing expectations

in terms of transparency and dialogue through digital channels. The Group ranked 16<sup>th</sup> among around 70 Italian companies, jumping from 23<sup>rd</sup> place in the previous edition. According to Lorenzo Caruso, Prysmian Group Corporate & Business Communications Director, **“The Group succeeded in achieving such great results thanks to its efficient and exhaustive approach to communications, and the distinctive way in which it presents content, integrating it across websites and social media channels.”**

### Spending into installation capacity

Prysmian Group's commitment to supporting strategic projects for the development of renewable energy and offshore wind farms is mirrored in recent enhancements of its installation capability.

The Group has invested more than €30 million in the past few years to upgrade its cable-laying ship, 'Cable Enterprise', which is now fully geared to work. Prysmian can now rely on two cable-laying vessels: the 'Giulio Verne', the cable ship with the largest operation capacity in the world, and the 'Cable Enterprise' which is specifically designed for the installation work required for the interconnections on offshore wind parks.



## Bringing fibre to the home in Argentina

Prysmian has been awarded a contract by Telecom Argentina for the supply, installation and commissioning of a complete passive FTTH network, as part of a major project being developed by the operator to build new FTTH/FTTH networks.

**The FTTH network will provide access for a total of 1,500 homes**, in Escobar town, in Martinez town, in Córdoba city and in Brandsen town. The cables supplied are mainly single mode G652D fibre cables for installation in ducts and single mode 657A fibre cables to link up with each home, manufactured at the Prysmian Sorocaba plant in Brazil.

## Strong appeal with investors

Prysmian successfully placed a €750 million bond issue amid almost threefold market demand.

The interest from investors for a seven-year bond launched by the Group resulted in orders in the range of €2 billion. The bond will pay an annual fixed coupon equal to 2.50%, with an issue price equal to 99.002. Prysmian CFO Pier Francesco Facchini pointed out that the strong interest from the market confirmed the Group's credibility with fixed-income investors, achieved due to Prysmian Group's strong and consistent track record of cash generation. With this transaction, the Group further strengthened its financial structure while achieving a significant result in terms of average maturity extension and diversification of financing sources. The bonds are due on 11 April 2022, and have minimum denominations of €100,000, plus integral multiples of €1,000.

Prysmian Spa has applied for the listing of the bonds on the Official List of the Luxembourg Stock Exchange and for admission to trading on the Luxembourg Stock Exchange's regulated market. In connection with the issue of the bonds, stabilisation action might be carried out in accordance with all applicable laws and regulations. The bond offering has been managed by Banca Akros, Banca IMI, Citigroup Global Markets, Crédit Agricole Corporate and Investment Bank, ING Bank and Unicredit Bank.



## Academy activities gearing up



Activity at Prysman Academy, created to implement and design training in a wide range of programmes, has become even more intense as 2015 unfolds.

The **Network Components** business unit decided to address the issue of increasing sales of its products with tailor-made **Professional Training** aimed at spreading the know-how and improving the knowledge of such products among the Network Components, Trade and Installers and Power Distributions sales forces. The training was organised in the Italian port city of Livorno in partnership with the Prysman Group Academy. At the same time, the Academy launched

the first edition of **Finance for Non-Finance Fundamentals**, a training course in co-operation with the Bocconi University aimed at creating a basic financial background that could help Prysman managers in strategic and operating decision processes. There was also training in Claremont, North America, where the Academy held its **Lean Six Sigma training class**. The main Lean Six Sigma methodology is the DMAIC process, and consists of five phases: DEFINE the problem, MEASURE

the current situation, ANALYSE for root cause, IMPROVE the process effectively, and CONTROL the process to maintain the gain. Back in Milan, the next **R&D Academy training** is devoted to cable designers from all over the world who want to be part of Prysman Group cable designers' community. R&D Energy Cable design and the Group Academy have launched the training for cable professionals to improve their skills during a five-day course open to all designers and interested employees.

### Fourth wave from Build the Future

A total of **42 new graduates** are joining the Group in 2015 as part of the fourth wave of Prysman's 'Build the future' program, aimed at recruiting young graduates from around the world with bachelor's degrees in engineering or business administration. Last year, the programme was a huge success in terms of employer branding. In fact, more than 16,000 applications were received, earning the company a place in the rankings of premier branding consulting firm Universum.



### Saying YES for the second year

More than 6,400 Prysman Group employees are now investors, thanks to subscriptions to the second year of the stock ownership plan YES - Your Employee Shares. According to preliminary figures, the plan shows impressive numbers as 40% of Group employees submitted their YES application, with total investment amounting to approximately €5.5 million. The 2015 enrollment campaign for YES made the plan available to 19,000 Group employees in 28 countries around the world.

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