

OPERATIONS

The ability of the Group to pursue a policy of responsible business growth derives from Prysmian's capacity to react and respond rapidly to global market requests, via a policy of selective investment that targets the development of strategic and sustainable commercial and manufacturing synergies.



During 2014 the Group continued to implement an industrial strategy based on the following factors:

- focus on products offering higher value added and greater technological content;
- concentration of production at factories that become centres of excellence, with strong technological skills, where it is possible to leverage the economies of scale to increase manufacturing efficiency and reduce capital employed;
- constant search for greater manufacturing efficiency in the commodities sector;
- maintenance of a well-diversified geographical presence in order to minimise distribution costs.

163
MILLION EURO
INVESTED

+18%
COMPARED WITH
THE PRIOR YEAR

The increase in gross annual investment with respect to the prior year (Euro 136 million) was mainly a reflection of the Group's increasing commitment to the development of activities linked to the submarine cables business. Investment to increase production capacity and take account of changes in mix accounted for 30% of the total, principally in the Energy Products and Telecom segments. In addition, the rationalisation of production capacity continued during the year: the factories in St. Petersburg (Russia) and Aubevoye (France) were closed as part of the concentration of manufacturing activities organised by Prysmian, in order to optimise the cost structure in each country and rationalise the industrial footprint of the Group. In particular, investment at the submarine cables factory at Arco Felice (Italy) has been completed, with installation of the capacity needed to manufacture the Western HVDC Link between England and Scotland. Again with regard to the submarine cables business, investment was completed at the Drammen factory (Norway) and significant investment to increase capacity commenced at the Arco Felice and Pikkala (Finland) factories.

Drammen plant, Norway.



INTEGRATED SUSTAINABILITY

Two significant investments were made in the High Voltage business: the first, in Abbeville (United States), involved the installation of a second vertical insulation line for Extra High Voltage cables with extruded insulation, in order to intercept the growth in volume of a market that continues to expand. The second, in Slatina (Romania), was needed in order to satisfy growing demand from the market in South-East Europe.

In the Oil & Gas sector, investment projects were completed at the Sorocaba and Santo André factories (Brazil) while, at the same time, investment continued in those countries with the greatest growth potential: Russia, China and Hungary.

The main investment in the Telecom business related to the verticalisation of optical fibre production processes at the Sorocaba factory in Brazil. The objective is to serve the South American market and Brazil in particular. Investment in additional capacity for the production of optical cables also continued at the new factory in Slatina (Romania), which remains a European centre of excellence for telecom optical cables.

The Prysmian Group has allocated 20% of the resources to achieving efficiency improvements that reduce fixed and variable costs, especially in relation to the use of materials and the design of our products. Specifically, significant investments in efficiency have been made in the Energy Products segment, especially in the metallurgy sector, following the decision of the Group to complete the verticalisation of production at a number of factories (Schuykill Haven in North America, Durango in Mexico, Schwerin in Germany).

GROUP INVESTMENT IN 2014

Group investment during 2014 was mainly allocated to increasing production capacity (30%), other investment (28%) and efficiency improvements (20%).

With regard to the Telecom segment, investment to enhance efficiency has continued at the European factories for the production of optical fibre in Battipaglia (Italy) and Douvrin (France), with a view to reducing fibre manufacturing costs. In particular, the Italian factory will soon complete the installation of a tri-generation plant that will reduce energy costs. Lastly, in South America, rationalisation work has been completed at the Telecom factories in Sorocaba (one Prysmian, the other formerly Draka), with a view to consolidating the production of optical cables, as well as Multimedia & Specials. The Group has invested 12% of the resources in the constant development of our IT systems and in R&D. In particular, investment on implementation of the "SAP Consolidation" project continued during 2014. This is designed to harmonise IT systems across the Group in the coming years: the new ERP system was extended to the Netherlands, Canada and to part of the United States during the past year.

Capital investment to maintain capacity amounted to about 10% of the total, in line with prior years.

Lastly, other investment (28% of the total) includes three investments of particular importance: work to upgrade the Cable Enterprise, a cable-laying ship; purchase of a factory building in Pikkala (Finland), and continuation of the work on the Group's new headquarters at the Ansaldo 20 industrial area in the Bicocca district of Milan. The new headquarters will extend over an area in excess of 20,000 m², so that all business functions based in Milan can be brought together in one location, which will help to save operating costs.

