

## FINANCIAL MARKET PERFORMANCE

The macro environment in 2014 was marked by a gradual strengthening of the US economy but continued overall weakness in Europe, despite tentative signs of recovery, especially in the first part of the year.

Prysmian S.p.A. has been listed on the Italian Stock Exchange since 3 May 2007 and has been included since September 2007 in the FTSE MIB index, comprising the top 40 Italian companies by capitalisation and stock liquidity. The Prysmian stock has since entered the principal world and sector indexes, including the Morgan Stanley Capital International index and the Dow Jones Stoxx 600, made up of the world's largest companies by capitalisation, and the FTSE ECPI Italia SRI Leaders, composed of a select basket of stocks of Italian companies that demonstrate excellent Environmental, Social and Governance (ESG) practice.

World economic growth in 2014 was rather limited, like in the previous two years, reflecting persistent weakness in the Eurozone and further slowdown by emerging market economies, partly offset by a solid recovery in both the United States and United Kingdom. In particular, the weakening of emerging market economies was mainly due to the geopolitical problems in Russia, as well as the sharp slowdown by the Brazilian economy, faced with high inflation, collapse of the local currency and declining investment. In the United States, the combination of important monetary and fiscal expansionary policies resulted in an acceleration of growth during the year, with a steady fall in unemployment to the lowest levels since 2009, increased consumer confidence and consumer spending, and new record highs for US equity markets. In Europe, economic recovery gradually lost momentum after the first quarter of the year, exacerbated by the extreme rigidity of the deficit-cutting measures in several Eurozone countries and by the limited impact of intervention by the European Central Bank, as well as by renewed uncertainty over the political and financial situation in Greece. Despite the partial improvement in competitiveness and gradual recovery in exports, also thanks to a weaker Euro against the Dollar, Europe continued to display significant structural weakness in many countries, especially with regard to the lack of recovery in domestic demand and continued high unemployment in countries like Spain, Greece, Portugal and Italy.

The main world equity markets generally reflected the uncertainties arising from wide disparities in global economic performance, in turn also impacted by rising geopolitical tensions in different parts of the world (Middle East, Russia-Ukraine, Hong Kong), and related consequences for oil prices, which halved from over USD 110 a barrel in June to USD 57 in late December. In fact, while US indexes performed well, with rises of between 8% (Dow Jones, to new record highs) and 13% (Nasdaq), European exchanges presented a

mixed performance: weakly positive in Germany (+3%) and Spain (+4%), stable in Italy and negative in France (-1%) and Britain (-3%). Asian and emerging market indexes also had a mixed performance: sharp rebound in China (+64%) after a negative 2013, strong progress in India (+37%), positive in Japan (+7%) and Hong Kong (+1%), negative in Brazil (-3%) and Korea (-5%).

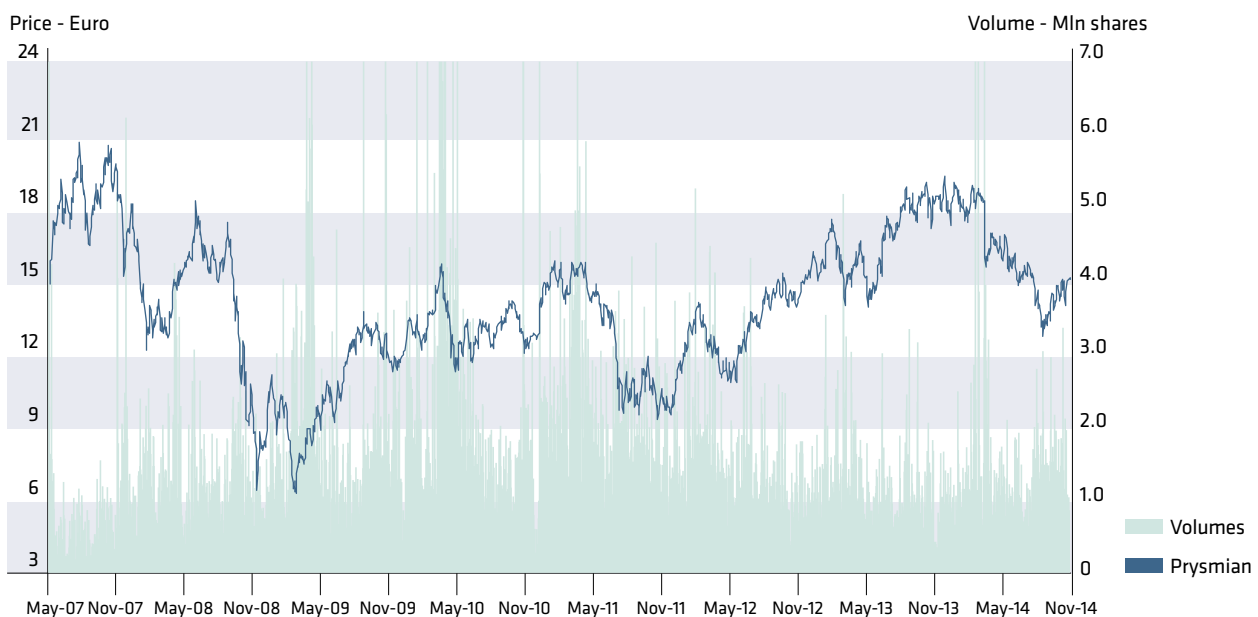
In this context, the Prysmian stock lost approximately 19% of its value over the course of the year, going from Euro 18.71 at the end of 2013 to Euro 15.15 at the end of 2014. The stock's negative performance was almost entirely due to the technical problems encountered in executing the Western HVDC Link contract which, as explained later, had a negative impact on the share price of almost Euro 3, equating to more than Euro 600 million in capitalisation. Despite this extraordinary event, the Prysmian stock nonetheless continued to outperform its main cable industry competitors, who were faced with stagnant demand and major restructuring processes. The stock's performance, including dividend pay-outs (total shareholder return), was -17% over the course of 2014 and +17% since its listing date. Among Prysmian's benchmark indexes, the Euro Stoxx Industrial posted a fall of 2% over the year, confirming the general weakness of the capital goods market in Europe, and of 11% since Prysmian's listing date, while the FTSE MIB was stable in 2014 but down -57% since the Company's IPO, thus confirming the stock's good performance over the medium to long term.

In particular, the first four months of 2014 saw a general stable Prysmian share price, in the wake of a solid set of results for 2013 and in line with analyst expectations, moving in a range between Euro 17.50 and Euro 19.50, that also reflected trends in the sector indexes and the major European markets. At the time of publishing the first-quarter results in early May, Prysmian announced that in the previous few days it had encountered some technical problems in the manufacture of submarine cables for the Western HVDC Link project in the United Kingdom. The stock was initially affected by the uncertainty prevailing until the company had all the facts to estimate the impact of this technical problem more accurately and so fell by 14% in the three days following publication of the results to a price of Euro 15.70 per share. Subsequently, from June to mid-October, the major international markets headed slowly downwards, affected by continuing geopolitical tensions and slower growth by emerging market countries. Recovery in the Eurozone also lost momentum, abetted by fears linked to the political and financial situation in Greece. The

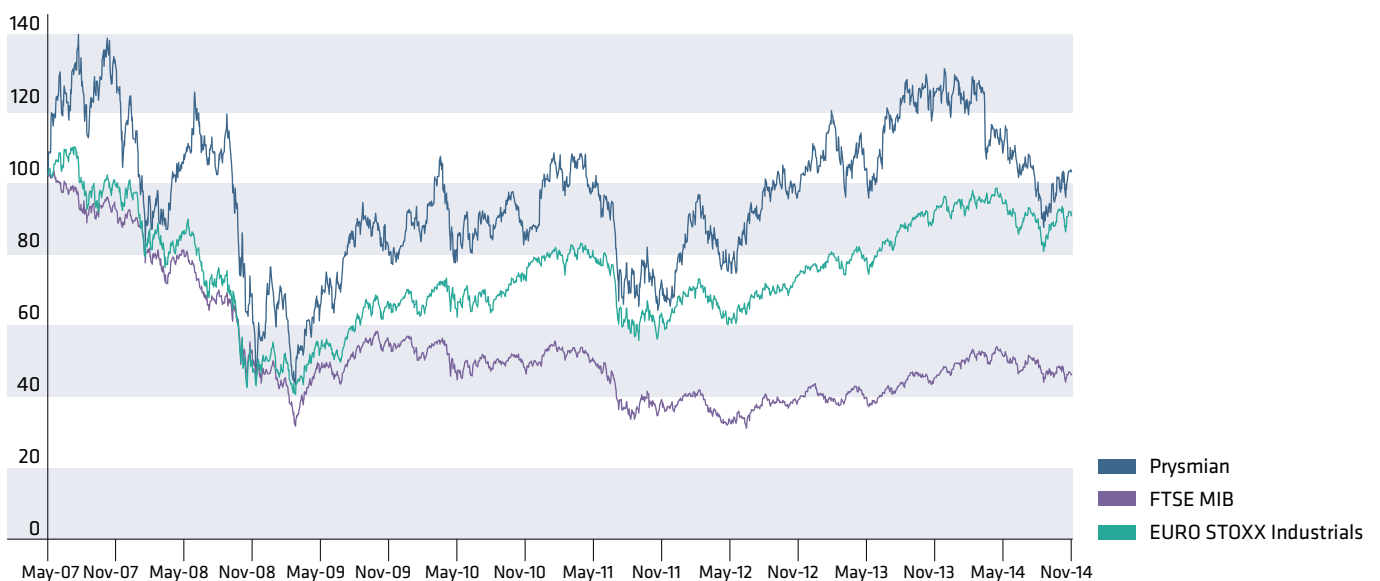
Prysmian stock was affected by this downward trend, as well as by profit warnings by its main competitors, reaching a low for the year of Euro 12.80 in mid-October. Conditions on international financial markets and in the Eurozone slowly improved in the last two months of 2014, thanks to growing expectations of an imminent quantitative easing in Europe by the ECB and to GDP growth in the United States, back to +5% in the third quarter, a rate not seen since 2003. In this context, the stock entered a bullish phase, supported

by publication of the Group's nine-month results for 2014, confirmation of the full-year guidance and the ability to manage the Western Link problem, as well as by a gradual improvement in the recommendations of financial analysts, 67% of whom expressed Positive recommendations (the remaining 33% maintained a Neutral rating and no one gave a Negative rating). The Prysmian stock therefore closed 2014 at a price of Euro 15.15, down 19% from Euro 18.71 at the end of 2013, but nonetheless higher than its original IPO price.

#### PERFORMANCE OF PRYSMIAN STOCK SINCE IPO



#### PERFORMANCE OF PRYSMIAN STOCK VERSUS BENCHMARKS SINCE IPO



During 2014, the stock's liquidity held steady at average daily trading volumes of approximately 1.4 million shares, with an average daily turnover of Euro 23 million, well up on the previous year.

## PRYSMIAN STOCK: PRINCIPAL DATA

(in millions of Euro)

	2014	2013	2012	2011	2010	2009	2008	2007 (*)
Price at 31 December	15.15 €	18.71 €	15.01 €	9.60 €	12.75 €	12.19 €	11.10 €	16.89 €
Change over period	-19.0%	24.7%	56.4%	-24.7%	4.6%	9.8%	-34.3%	12.6%
Average price	16.38 €	16.68 €	13.00 €	12.90 €	13.13 €	10.60 €	13.76 €	18.36 €
Maximum price	19.54 €	19.30 €	15.43 €	15.95 €	15.81 €	13.84 €	18.54 €	21.00 €
Minimum price	12.78 €	14.03 €	9.77 €	9.25 €	11.27 €	6.10 €	6.21 €	15.34 €
Market capitalisation at period end	3,283 Mil €	4,015 Mil €	3,220 Mil €	2,057 Mil €	2,321 Mil €	2,209 Mil €	2,004 Mil €	3,004 Mil €
Average capitalisation	3,512 Mil €	3,578 Mil €	2,787 Mil €	2,701 Mil €	2,388 Mil €	1,918 Mil €	2,482 Mil €	3,305 Mil €
Average daily trading volume	1.4 Mil	1.2 Mil	1.5 Mil	2.2 Mil	2.3 Mil	1.9 Mil	1.3 Mil	1.0 Mil
Average daily turnover	23 Mil €	20 Mil €	20 Mil €	28 Mil €	30 Mil €	19 Mil €	18 Mil €	17 Mil €
Number of shares at 31 December	216,712,397	214,591,710	214,508,781	214,393,481	182,029,302	181,235,039	180,546,227	180,000,000

(\*) Period of reference: 3 May (stock listing date) – 31 December 2007  
Source: data processing Nasdaq OMX.

