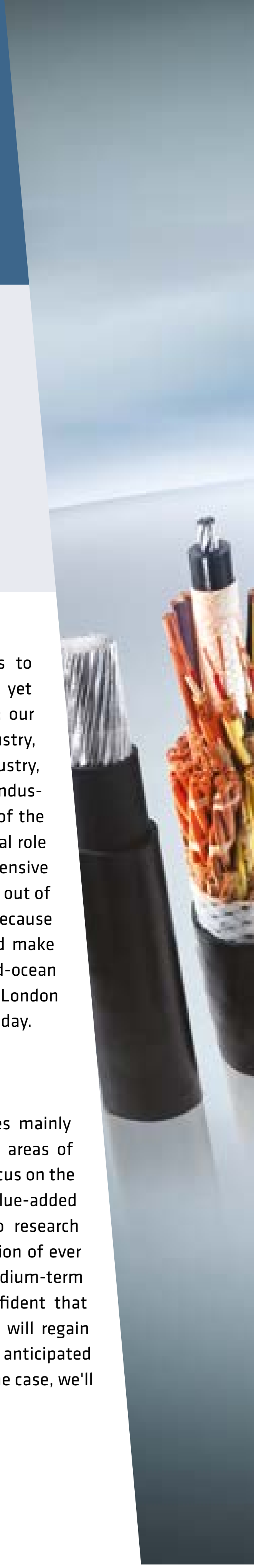
REVIEW OF ENERGY PRODUCTS OPERATING SEGMENT

INTERVIEW WITH HANS NIEMAN, Senior Vice President Energy Products



What is the perimeter of the Energy Products operating segment, one of the two segments into which the Energy business has been divided?

The Energy Products Operating Segment is able to offer a broad portfolio of products for two lines of business: the first is Energy & Infrastructure, which in turn includes Trade & Installers and Power Distribution; the second is Industrial & Network Components, which comprises Specialties & OEM, Oil & Gas, Elevators, Automotive and Network Components. In practice, the segment aims to cover the needs of different industries and has a customer base consisting of top companies the world over.

What does it mean to be a leader and remain a leader in energy cables?

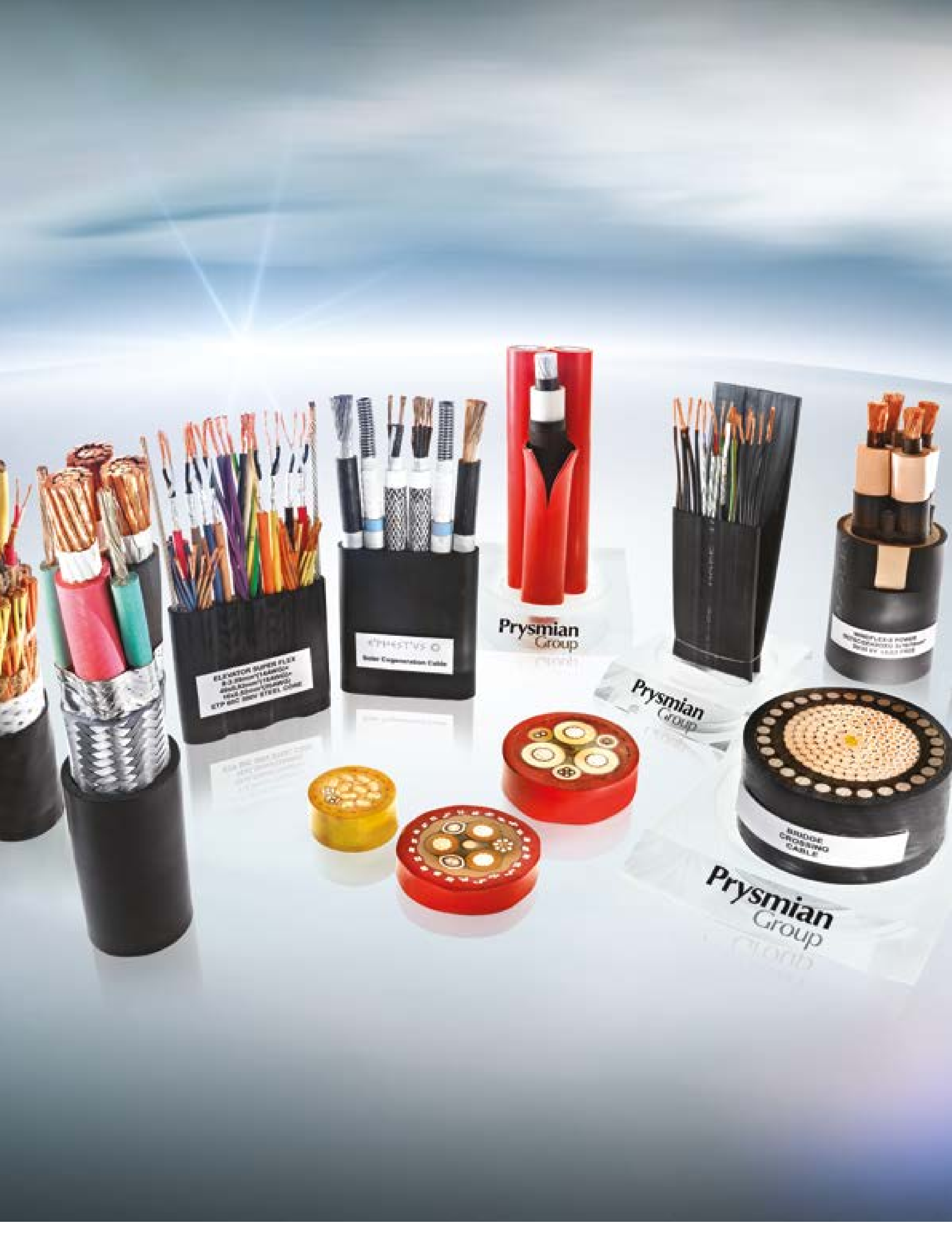
It means setting the standards for the global cable industry at ever higher levels of quality, efficiency and safety, and opening up ever new frontiers of technological innovation. Even in low voltage, which is mistakenly seen as a commodity, our Group aims to stand out by making top quality its hallmark. The planet's construction industry landmarks, real symbols of design and engineering materialising into increasingly bold and spectacular buildings, are made safe thanks to Prysmian fire-resistant cables, able to save lives in the event of fire. These products are constantly being improved by our research and development labs, helping raise industry standards ever higher.

Why has Prysmian been selected for these world leading projects?

For its ability to put the customer first, to anticipate their needs, to have an ever-ready response to the challenge of quality and excellence, to act as a one-stop-shop where customers can find all the answers to their questions, even those they haven't yet asked. Obviously there aren't just buildings: our customers are also in the transportation industry, from the sea to the skies, in the Oil & Gas industry, and the elevators and renewable energy industries, always positioned at the very top end of the market. It's obvious that safety plays a critical role in all these industries, not only because extensive asset management services help get the best out of all components over their life cycle, but also because higher quality cables can minimise risks and make infrastructure safer. Like in the case of mid-ocean oil platforms, the Airbus 380, or the historic London Tube that transports millions of people every day.

What are the prospects for the Energy Products Operating Segment?

We closed 2014 with slightly lower revenues mainly because of the economic situation in some areas of the global market, like South America. Our focus on the high end of the market, i.e. that of high value-added products, and our ongoing commitment to research and innovation, culminating in the introduction of ever new products, allow us to take a positive medium-term view. We're optimistic about 2015 and confident that investments in power distribution networks will regain momentum in several parts of the world, as anticipated by Jean-Claude Juncker for Europe. If this is the case, we'll be ready.


Prysmian Group
BRIDGE CROSSING CABLE

REVIEW OF ENERGY PRODUCTS OPERATING SEGMENT

(in millions of Euro)

	2014	2013 (*)	Change %	2012 (*)
Sales	4,491	4,649	-3.4%	5,122
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**221**	**259**	**-15.0%**	**289**
% of sales	4.9%	5.6%		5.6%
Adjusted EBITDA	**239**	**276**	**-13.6%**	**304**
% of sales	5.3%	5.9%		5.9%
EBITDA	**195**	**250**	**-22.0%**	**235**
% of sales	4.3%	5.4%		4.6%
Amortisation and depreciation	(62)	(66)		(72)
Adjusted operating income	**177**	**210**	**-16.2%**	**232**
% of sales	3.9%	4.5%		4.5%
Reconciliation of Operating Income / EBITDA to Adjusted Operating Income / Adjusted EBITDA				
EBITDA (A)	**195**	**250**	**-22.0%**	**235**
Non-recurring expenses/(income):				
Company reorganisation	38	29		50
Draka integration costs	-	-		4
Tax inspections	-	-		1
Environmental remediation and other costs	-	(3)		3
Gains on asset disposals	-	(2)		(1)
Other net non-recurring expenses	6	2		11
Total non-recurring expenses/(income) (B)	**44**	**26**		**69**
Adjusted EBITDA (A+B)	**239**	**276**	**-13.6%**	**304**

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit (loss) of associates and joint ventures.

The Energy Products Operating Segment, covering the businesses offering a complete and innovative product portfolio for a variety of industries, is organised into the businesses of Energy & Infrastructure (including Power Distribution, Trade & Installers) and Industrial & Network Components (comprising Specialties & OEM, Oil & Gas, Elevators, Automotive and Network Components).

Sales to third parties by the Energy Products operating segment amounted to Euro 4,491 million in 2014, compared with Euro 4,649 million in 2013, posting a negative change of Euro 158 million (-3.4%), due to the combined effect of the following main factors:

- increase of Euro 65 million (+1.4%) due to organic sales growth, reflecting volume recovery in Northern and Eastern Europe and growth in Asian countries, as partially offset by negative organic growth in South America;
- reduction of Euro 130 million (-2.0%) for exchange rate fluctuations;
- sales price reduction of Euro 93 million (-2.8%) for metal price fluctuations.

Adjusted EBITDA for 2014 came to Euro 239 million, down Euro 37 million (-13.6%) from Euro 276 million in 2013.

The following paragraphs describe market trends and financial performance in each of the business areas of the Energy Products operating segment.

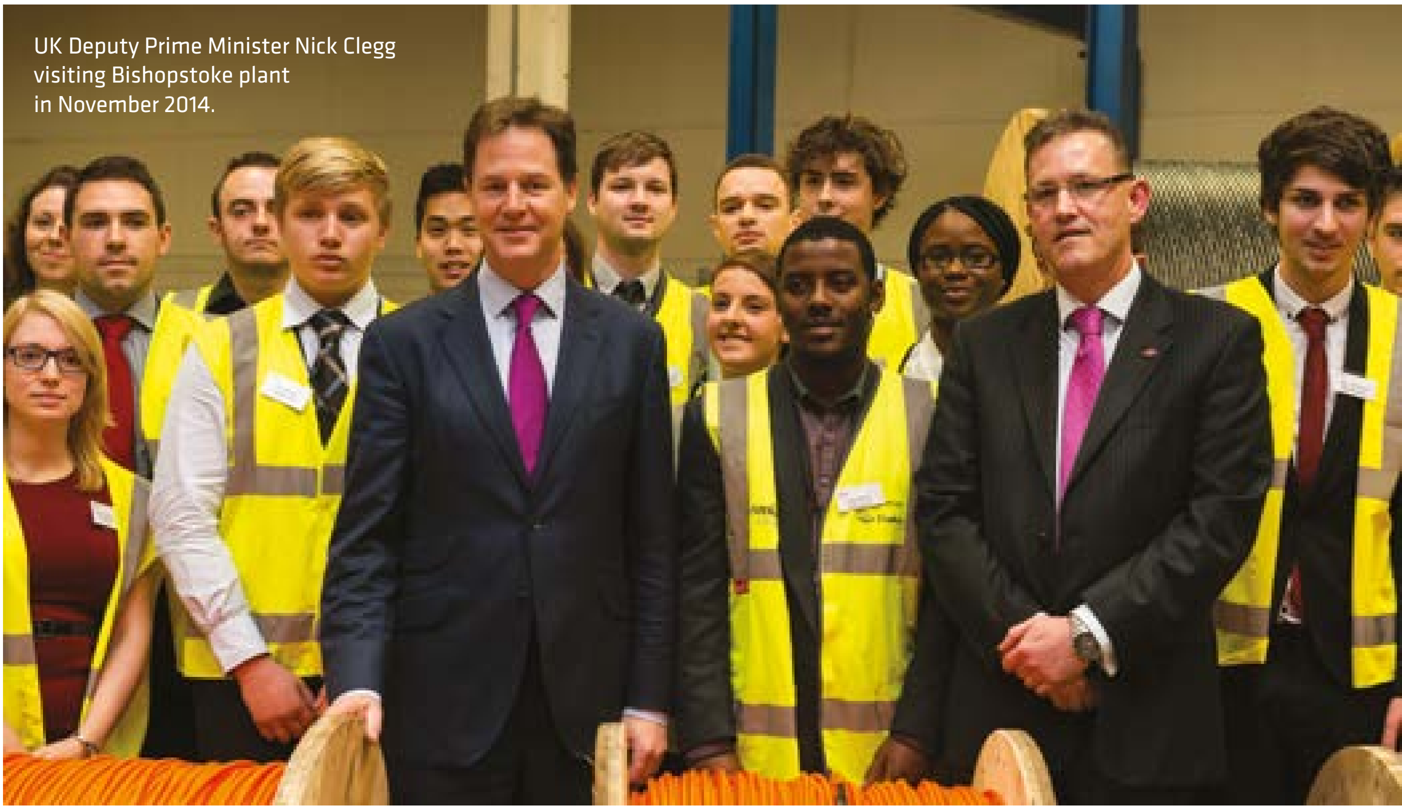
ENERGY & INFRASTRUCTURE

(in millions of Euro)

	2014	2013 (*)	Change %	% organic sales change	2012 (*)
Sales	2,677	2,747	-2.6%	2.7%	3,139
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**91**	**113**	**-20.4%**		**134**
% of sales	3.4%	4.1%			4.3%
Adjusted EBITDA	**108**	**127**	**-16.8%**		**144**
% of sales	4.1%	4.6%			4.6%
Adjusted operating income	**74**	**90**	**-19.4%**		**103**
% of sales	2.8%	3.3%			3.3%

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit (loss) of associates and joint ventures.

Prysmian produces high and medium voltage cable systems to connect industrial and/or civilian buildings to primary distribution grids and low voltage cables and systems for power distribution and the wiring of buildings. All the products offered comply with international standards regarding insulation, fire resistance, smoke emissions and halogen levels. The low voltage product portfolio includes rigid and flexible cables for distributing power to and within residential and commercial structures. The Group concentrates product development and innovation activities on high performance cables, such as Fire-Resistant and Low Smoke zero Halogen cables, capable of guaranteeing specific safety standards. The product range has been recently expanded to satisfy cabling demands for infrastructure such as airports, ports and railway stations, by customers as diverse as international distributors, buying syndicates, installers and wholesalers.


UK Deputy Prime Minister Nick Clegg visiting Bishopstoke plant in November 2014.

Market Overview

Uncertainty about the construction industry's future prospects prevailed over the positive effects of lower metal and commodity prices. Demand for the Power Distribution business line slowed, confirming and reinforcing the downward trend already seen in 2013.

The reference markets have distinct geographical characteristics (despite international product standards) both in terms of customer and supplier fragmentation and the range of items produced and sold.

Throughout the year persistent uncertainty about the construction industry's future prospects prevailed over the positive effects of lower metal and commodity prices; as a result, the largest industry players continued to maintain low stocks and constant pressure on sales prices.

As noted in the nine-month report, countries in Europe, such as Spain and Italy, were particularly hard hit because of the negative impact on the property market of severe restrictions on bank credit. Even Germany and the Netherlands were affected by a stationary trend in demand for new build; this led to growing price pressure, also due to ever increasing competition by small foreign operators from Southern Europe and North Africa seeking outlets for their surplus capacity in the richer markets of Central and Northern Europe.

The North American market, already affected by largely flat demand for products serving infrastructure construction, was partly affected in 2014 by the delay in defining tax incentives for energy-efficient buildings. Nonetheless, Canada saw good growth in demand in the renewables sector (for wind farms).

Markets in South America reversed the previous year's volume gains after reporting a downturn in demand caused by slowdown in the industrial and residential construction sectors.

Lastly, despite the Australian dollar's depreciation during the year, demand continued to stagnate on the Australian construction market, defined by strong competitive pressures from Asian operators.

Demand for the Power Distribution business line slowed in 2014, confirming and reinforcing the downward trend already seen in 2013.

This trend reflected generally stagnant energy consumption in the principal European countries, which in turn adversely affected demand by the major utilities. The latter, operating in a recessionary economic environment, either maintained an extremely cautious approach given the difficulties in forecasting future growth, or else they concentrated on restructuring to improve efficiency and reduce supply-side costs. As a result, the competitive environment in terms of price and mix remained extremely challenging almost everywhere.

Markets in the Americas showed signs of general stability in 2014 compared with the previous year.

Financial Performance

Sales to third parties by the E&I business area amounted to Euro 2,677 million in 2014, compared with Euro 2,747 million in 2013, posting a negative change of Euro 70 million (-2.6%) due to the combined effect of the following main factors:

- positive organic growth of Euro 75 million (+2.7%);
- reduction of Euro 89 million (-3.3%) for exchange rate fluctuations;
- sales price reduction of Euro 56 million (-2.0%) for metal price fluctuations.

Prysmian Group continued its strategy in this business area of focusing on commercial relationships with top international customers and its development of tactical actions to avoid losing sales opportunities, by differentiating its offer in the various markets and by increasing its market share in specific geographical areas. This has led to a very complex commercial strategy, not only focused where possible on improving the sales mix, but also aimed at regaining market share while seeking to minimise the impact on sales margins.

The general precariousness of demand for infrastructure, combined with the state of energy consumption in most European markets, certainly affected the performance of the Group, which was nonetheless able to benefit from growth opportunities in Asian and North American markets.

By contrast, Prysmian Group's sales suffered in South America, where the trend in demand remained negative and where pressure on prices started to be felt.

Given the factors described above, Adjusted EBITDA for 2014 came to Euro 108 million, down from Euro 127 million in the previous year.

INDUSTRIAL & NETWORK COMPONENTS

(in millions of Euro)

	2014	2013 (*)	Change %	% organic sales change	2012 (*)
Sales	1,708	1,788	-4.4%	-0.3%	1,849
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	**125**	**141**	**-11.1%**		**154**
% of sales	7.4%	7.9%			8.3%
EBITDA Adjusted	**126**	**141**	**-11.1%**		**154**
% of sales	7.4%	7.9%			8.3%
Adjusted operating income	**100**	**116**	**-14.8%**		**126**
% of sales	5.9%	6.5%			6.7%

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit (loss) of associates and joint ventures.

The extensive range of cables developed specially for certain industries is characterised by the highly specific nature of the solutions offered. In the transport market, Prysmian cables are used in the construction of ships and trains, and in the automotive and aerospace industries; in the infrastructure market, the principal applications for its cables are found in railways, docks and airports. The product range also includes cables for the mining industry, for elevators and for applications in the renewable energy field (solar and wind power), cables for military use and for nuclear power stations, able to withstand the highest radiation environments.

The range of products for the Oil & Gas industry includes low and medium voltage power cables, and instrumentation and control cables for use in the oil and petrochemicals industry (offshore platforms, onshore extraction facilities, refineries, chemical plants for fertilizer production, and so on).

Lastly, the Group produces accessories and network components, such as joints and terminations for low, medium, high and extra high voltage cables and submarine systems, to connect cables with one another and/or connect them with other network devices, suitable for industrial, construction and infrastructure applications and for use within power transmission and distribution grids.

Market Overview

Considerable inconsistencies between the various business lines and large disparities between the different geographical areas. General recovery in demand for renewables.

Trends on Industrial cable markets in 2014 displayed considerable inconsistencies between the various business lines and large disparities between the different geographical areas. The common tendency was for more fragmented and erratic demand, concentrated on smaller scale but technologically more complex projects than in the past, accompanied by more exacting requirements regarding quality and after-sales service.

Some segments of the Industrial market showed stable or growing demand, like certain top sectors of OEMs (like rolling stock), Oil & Gas (Offshore) and the Elevator market, accompanied by a recovery in demand in the renewable energy market; by contrast, other market segments experienced a contraction in volumes, like the Onshore Oil & Gas segment, affected by delays in investment projects, and the low-end mining and infrastructure ranges for the OEM market, where demand depends on specific geographical factors.

In addition, international demand in the standard segments of the Oil & Gas market (MRO) declined in the second half of the year with the falling price of oil.

Demand in the industrial infrastructure and mining sectors was weak and below that in 2013, primarily due to falling commodity prices and significant production overcapacity.

As far as applications for the transport sector are concerned, the major European players adopted a cautious stance due to poor visibility as to when to resume investments and to recent deficit-cutting policies in the Eurozone's major economies; demand in other parts of the world remained buoyant, especially in China and the Far East.

A conflicting pattern of demand was also confirmed in the Automotive sector. While volumes increased on the prior year in areas outside Europe, mainly the Americas and Asia, the restrictive financial policies in Europe forced the ending of incentives in support of the automotive industry with a consequent impact on levels of demand in local markets.

Lastly, the renewable energy market reported particularly positive demand outside Europe, especially in China and North America. In Europe, however, demand remained weak in the wake of restrictive financial policies adopted by the main governments which either cut special incentives or made it more difficult to access credit for onshore wind projects.

Financial Performance

Sales to third parties by the Industrial & Network Components business area amounted to Euro 1,708 million in 2014, compared with Euro 1,788 million in 2013, posting a negative change of Euro 80 million (-4.4%) due to the combined effect of the following main factors:

- negative organic sales growth of Euro 5 million (-0.3%);
- reduction of Euro 38 million (-2.1%) for exchange rate fluctuations;
- sales price reduction of Euro 37 million (-2.0%) for metal price fluctuations.

Overall performance in 2014 by the industrial applications business was affected by the instability of investment demand in the energy resources business (Mining, Oil & Gas), while still having to maintain the necessary geographical and product differentiation, given the wide range of products developed specially for the market and the highly customised nature of the solutions.
In Europe, Prysmian Group saw its order book slow in the high-end OEM sector (mining cables for European markets, mainly Germany) and in the infrastructure sector (power generation cables, mainly for Central-North European markets). Performance in the Oil & Gas sector was basically in line with the previous year thanks to a recovery in the second half of the year and despite a steep downturn in exports by energy-producing nations in the Middle East, the result of a general slowing in investment in the face of regional political and economic instability, and a weak oil price.
In the renewables business, demand improved considerably, particularly in Northern Europe, North America and China, while persistent weakness prevailed in Southern Europe.
The strategy of technological specialisation of the solutions offered allowed Prysmian Group to consolidate its Elevator market leadership in North America and to expand into the Chinese and European markets; its exposure to the European market in particular was still marginal although significantly greater than in the previous year.
Asia, Australia and China were the regions offering the Group the main growth opportunities in 2014, thanks to consolidation of its market share in Australia and the development of Offshore projects in Singapore and China.
Lastly, the Network Components business area reported a slight increase in sales volumes in all product segments, allowing the prior year level of profitability to be maintained despite growing pressure on prices. Sales on European markets remained stable, despite weak medium voltage demand, with similar weakness in High Voltage demand in North America; sales of high voltage accessories recovered in the Chinese market, supported by local production by the Suzhou plant.

Given the factors described above, Adjusted EBITDA for 2014 came to Euro 126 million, down from Euro 141 million in the previous year.

OTHER

(in millions of Euro)

	2014	2013 (*)	2012 (*)
Sales	106	114	134
Adjusted EBITDA before share of net profit/(loss) of equity-accounted companies	5	5	1
Adjusted EBITDA	5	8	6
Adjusted operating income	3	4	3

(*) The previously published prior year comparative figures have been restated following the introduction of IFRS 10 and IFRS 11 and a new method of classifying the share of net profit (loss) of associates and joint ventures.

This business area encompasses occasional sales by Prysmian Group operating units of intermediate goods, raw materials or other products forming part of the production process. These sales are normally linked to local business situations, do not generate high margins and can vary in size from period to period.