

AN INTEGRATED SUPPLY CHAIN

SOURCING

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The main raw materials used by the Group in its production processes are copper, aluminium, lead, special glass and coating for optical fibres, as well as various petroleum derivatives, such as PVC and polyethylene.

In a market environment characterised by continued global economic fragility with only a slight recovery in volumes, average prices of the principal commodities were generally lower in 2014 than in the previous year. In the case of base metals, copper and lead prices were significantly lower than the year before, down by as much as 6%, reflecting persistent stagnation in some West European countries and a gradual slowdown by emerging market economies (China, Russia, Brazil) leading to fears about possible reductions in future demand by these countries. Aluminium went against this trend, posting a slightly higher price than the previous year mainly due to increased use of this metal in the automotive sector. The Brent crude price was generally in line with 2013 during the first half of the year but went into steep decline from August, to close the last session of 2014 at USD 57/barrel, representing a loss of about 50% from the year's highs in June. Among the petroleum derivatives, the price of ethylene fell significantly, leading to a consequent reduction in polyethylene prices, especially in the second half of the year. Even PVC and plasticiser prices fell, reflecting the lower

commodity costs and still weak demand in the construction industry.

Once again in 2014, the Prysmian Group was able to deal with fluctuations in base metal prices through strict application of its hedging policies and daily matching between purchase and sales commitments. Sales price adjustment mechanisms, combined with attentive hedging, helped in fact to mitigate the impact of price fluctuations on the income statement. As for other raw materials, work continued to rationalise and consolidate the supplier base, using all the synergy and volume levers offered by the Group's size. Risk management activities also continued with regard to the supplier portfolio, aimed on the one hand at reducing dependence on individual suppliers, and on the other at strengthening partnerships with core suppliers or suppliers of critical technologies. The added strengthening of commercial relationships with key suppliers over the year allowed the Group to minimise costs and the risk of disruption in supplies, ensuring benefits not only in the short term but also in the medium and long terms. Lastly, during the year the Procurement function's new organisational structure, introduced in 2013, entered full operation in terms of organisational model, common processes and shared performance indicators.

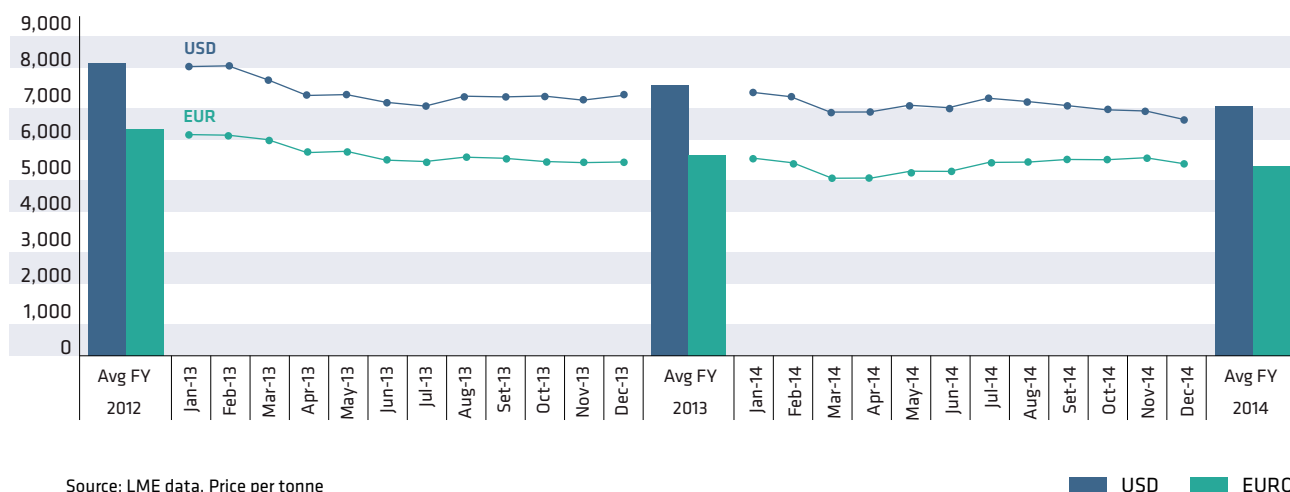


Copper

The average cash settlement price per tonne of copper on the London Metal Exchange (LME) was USD 6,860 (Euro 5,167) in 2014, representing a 6% decline on the prior year

average price in both USD and Euro. Fluctuating between a low of USD 6,306 and a high of USD 7,422, the price was less volatile than in 2013 (low 6,637 – high 8,242).

COPPER

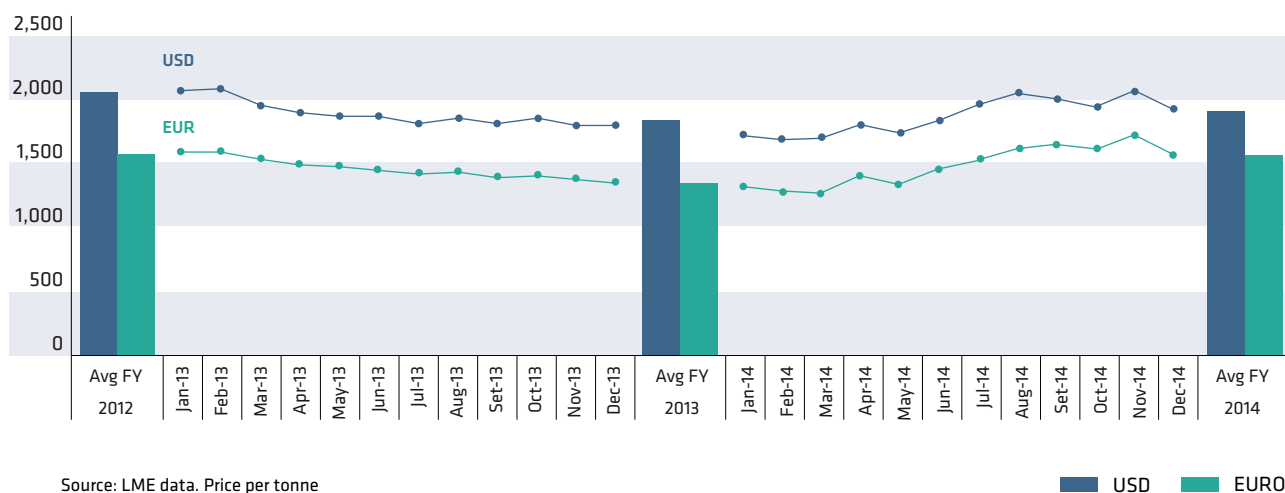


Aluminium

The average price of aluminium increased by about 1% during 2014, both in USD and Euro, reflecting a growing imbalance between supply and demand. Stocks in the official London Metal Exchange warehouses fell by 1

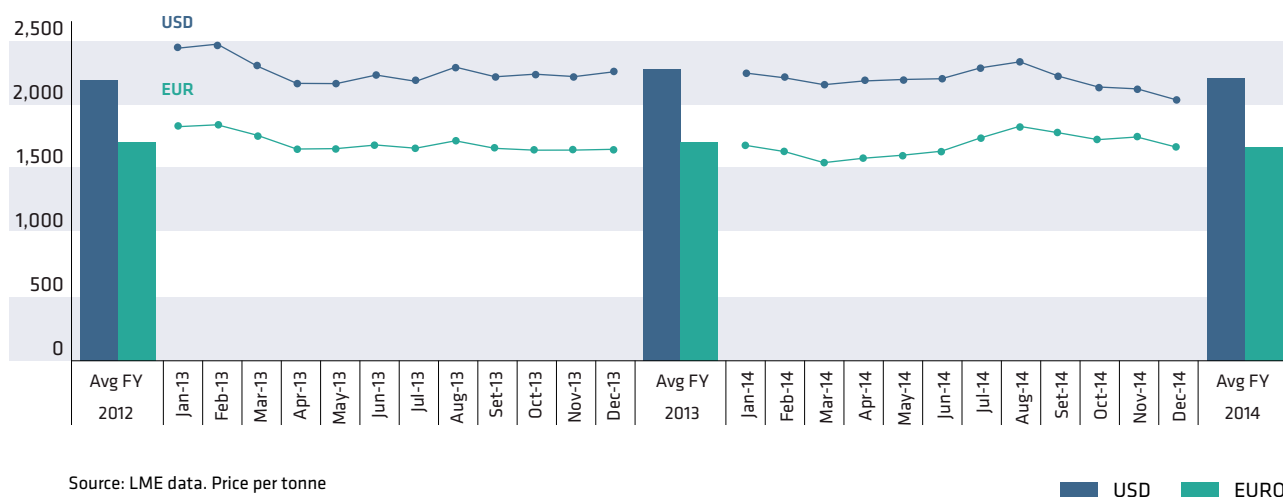
million tonnes, from over 5 million tonnes at the beginning of 2014 to just over 4 million at year end. This situation put pressure on conversion premiums. The average price per tonne of aluminium was USD 1,866 (Euro 1,409) in 2014, compared with USD 1,846 (Euro 1,391) in 2013.

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Lead

The average price per tonne of lead on the London Metal Exchange was USD 2,096 (Euro 1,578) in 2014, down 2% in both USD and Euro terms on the previous year.

LEAD**Oil**

Brent crude prices remained largely stable in the first seven months of 2014, ranging between USD 105 and USD 115; prices started to fall steadily from August, until reaching USD 57/barrel at the end of December. Brent crude had an average price per barrel for the whole of 2014 of USD 100, down 9%

on 2013 (USD 109). Even the price expressed in euros was 9% lower, declining from Euro 82/barrel in 2013 to Euro 75/barrel in 2014. Ethylene prices declined more moderately, in the order of 6%. Even the other principal petroleum derivatives reported lower prices than in the previous year as a result.

BRENT