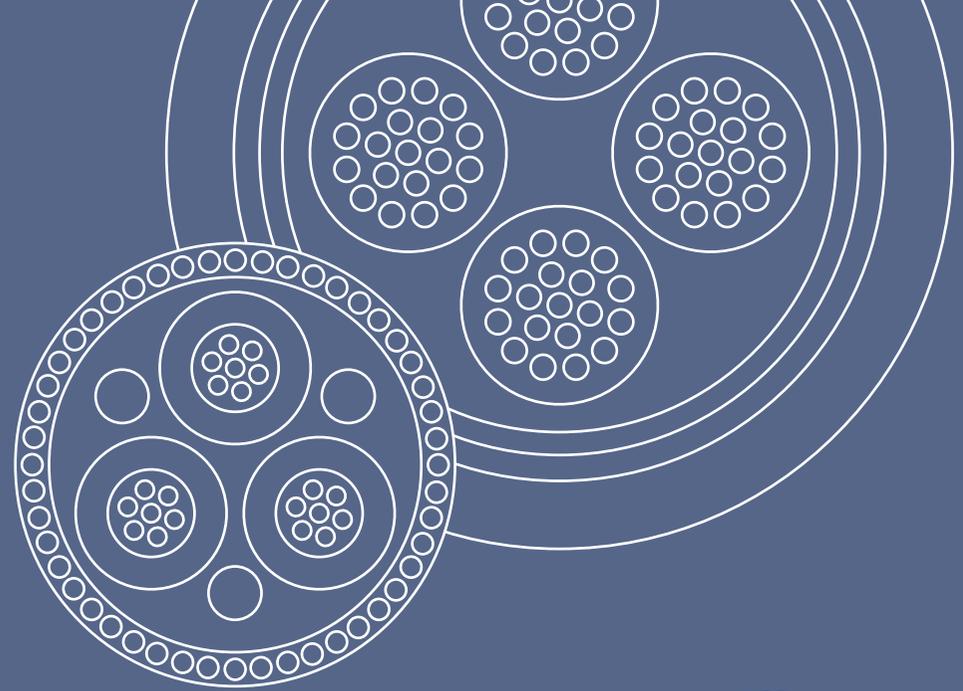
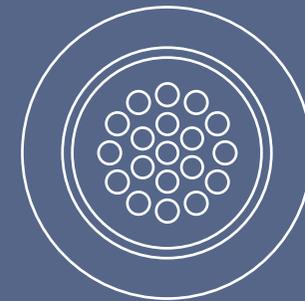
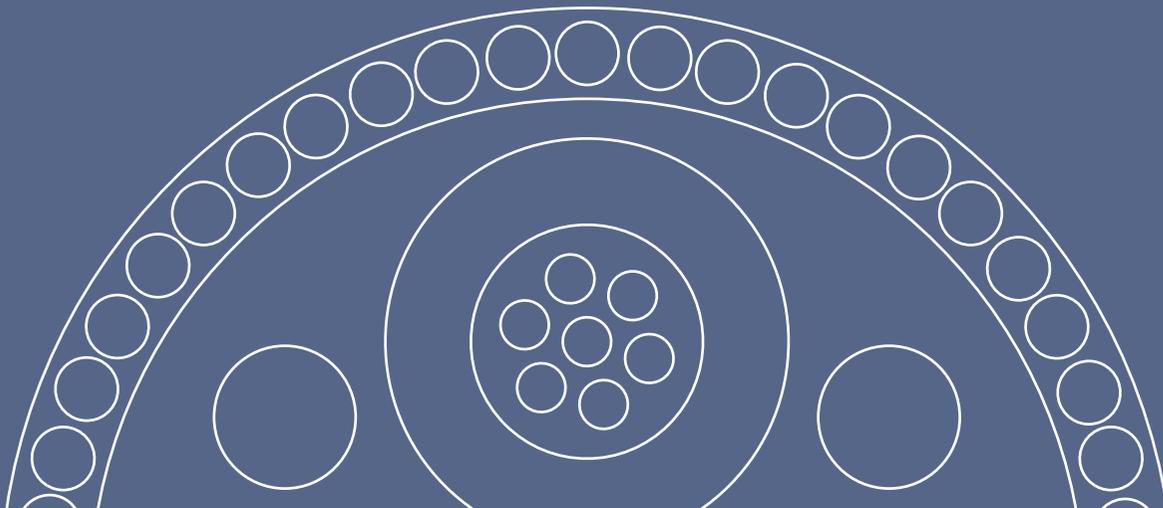


Markus Venzin

# The Prysmian story: building the nerves of the world.





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# Foreword.

You may well be wondering, why a book? And why now? After all, we are a group with a strong engineering background. That means we don't talk about it, we DO it! We are pragmatists who are here to follow through and get the job done – not beat our chests and tell everyone about it.

True.

But just as there is a time for action, there is a time for reflection. Looking back upon our experiences, mistakes and accomplishments, codifying and learning from them, is how we grow and make our next actions more focused, efficient and impactful. Understanding our history also instils a sense of ownership beyond that which shareholding plans can provide, and helps us to see the vital role we play in this company's rich heritage. Besides, in this, our 10th year of existence as Prysmian Group, why not take the time to celebrate a major milestone?

We need to recognise all those who have contributed to our success: the employees, the shareholders and, of course, the customers. We need to express our gratitude, because achievements on this scale cannot be taken for granted, and we can do so by telling our story.

Despite our size, global reach and prestige as a blue chip public company, we have kept a pretty low profile so far. Sure, a few of our international projects make headlines. But in general people don't know us, and that's a shame, because one of the great things about our company is that it's full of brilliant stories, and not just those that are picked up by the media. For every epic story, there are

thousands of little ones, many of which go untold. These achievements and anecdotes are created by the everyday ideas and actions of our people.

This book will share many of these stories, and I cannot think of anyone more qualified to tell them than Markus Venzin, Professor of Global Strategy at the Management and Technology Department of Bocconi University. As our long-time partner and collaborator in the Prysmian Academy, with a long track record consulting for multinational firms, Markus, who is Swiss German, has authored several books on corporate strategy and views every company he deals with through the critical lens of an academic. His approach is no different for an anniversary book. Markus tells our story in an engaging way, but always with the purpose of highlighting areas for improvement.

So in this book we are not just looking back, but forward, and defining our path for the future. As a company, we're always evolving. Adapting our offerings to meet the ever-changing needs of communities around the world – our versatility is one of the reasons for our success.

We provide our customers worldwide with superior cable solutions based on state-of-the-art technology and consistent excellence in execution, ultimately delivering sustainable growth and profit.

I see our future as being a company able to remain at the forefront of delivering connections to communities. There will always be a need for energy and information. Our future remains bright as long as we are able to stay effective, efficient and sustainable. As long as we stay on this course, we will continue to raise the bar for our industry.

Valerio Battista

Chief Executive Officer Prysmian Group

# Introduction.

In the 17 years I have spent at SDA Bocconi teaching about, and consulting for, leading multinational companies, few corporate entities have proven as outstanding as Prysmian in terms of managerial excellence. This is a company that does what it says, executing with total transparency and exacting attention to detail. Because it is a business-to-business company, its existence is relatively unknown outside of the cable industry for which it sets the bar.

Few realise that the world simply could not run without the products that Prysmian develops, manufactures and installs throughout the globe – cables that are as necessary for connecting and powering our modern-day existence as the human body’s nerves are to sustaining life. In effect, Prysmian specialises in building the central nervous systems of the world.

How? Prysmian is everywhere. Its energy cables are sold for industrial applications in a wide range of industries, including nuclear, oil, renewable energy, defence, mining, marine, railway, aviation, automotive, aerospace and electro-medical. Prysmian also provides power transmission cable systems, such as High Voltage underground and submarine cables and cable solutions for power distribution grids to TSO’s (Transmission Systems Operators) and utilities. Prysmian also produces cables for construction with special fire behaviour characteristics that are essential in major commercial and residential properties, and services the telecommunications industry with multimedia cable solutions, optical cables, optical fibre and copper cables. Try life without Prysmian’s products. They make the world run.

There simply is no major industry, city, power or telecom infrastructure that has not somehow been touched by the connective threads of Prysmian’s cables.

Consider, for example, these fascinating facts:

Each year, Prysmian Group produces more than 1 million tonnes of energy cables – equal to the weight of 120 Eiffel Towers and enough to wind around the earth at the Equator 250 times. Prysmian’s cables power one of the U.S.A.’s largest power grids, lighting up New York City’s Times Square and illuminating the lights of Broadway. And millions of American football fans are able to watch the SuperBowl thanks to Prysmian’s television cables, which exist in countless living rooms around the globe.

So what is it exactly that sets this relatively unknown, yet highly significant, multinational corporation apart? What is its role in the 21st Century, and how did it become such an industry leader, and an integral part of such a vast range of industries and industrial sectors?

The proud history described in this anniversary book will tell that story. In addition to commemorating a truly landmark year, the purpose of chronicling the Prysmian legacy is to provide a blueprint for its future. Stakeholders, shareholders, partners and employees from the top down will finally be able to see, in black and white, the hard-won lessons of this company, garnered from almost 140 years of experience, from the trials to the triumphs, and everything learnt in-between.

There is much wisdom to be gained from following the Prysmian journey. In many ways, this is a handbook for leaders, but more inspirational. Despite market challenges, such as relentless competition from smaller, local companies, price erosions and therefore pressures on margins, Prysmian remains streaks ahead of its large peers, with plenty of room for continued and accelerated growth as it moves from the consolidation and cost-cutting phase following its integration with Draka. The Prysmian Group is poised to scale new heights over the next decade by focusing on four strategic areas of growth: the creation of a second home region;

the identification of profitable niche markets; the building of recurrent business, and investment in the infrastructure of its core business. Staying on this course will reap revenue and profits – putting it in a league of its own.

Innovation is a key part of this story. Prysmian has always been at the leading edge of technology, with a vast array of cables, from Extra High to Low Voltage, optical fibre to cables utilising nanotechnologies and materials, which connect the world, power the economy and improve the environment in a myriad of ways. Prysmian makes cables that are able to safely and efficiently transfer unprecedented amounts of electrical power along thousands of kilometres.

In fact, Prysmian is to global infrastructure what Intel is to computer technology – providing the internal mechanisms that enable it to function, making the extraordinary possible.

It provides the inner workings that power everything from skyscrapers to oil wells, making transportation safer and linking the power grids and communications networks of the world. As CEO Valerio Battista puts it:

“We create those vital connections that ensure energy and information is carried effectively, efficiently, everywhere.”

But, as extraordinary as the Prysmian story is for its projects and numbers, it's the human capital behind these achievements that this book celebrates. Ever since the company first gained its independence from Pirelli in 2005, becoming Prysmian as it is known today, the multinational's growth trajectory has been

breath-taking, and that's thanks to the dedication and vision of Prysmian's people, from the C-suite of its Milan headquarters, to the regional and local management teams, to the factory floors in every corner of the world. They are the reason for Prysmian's success as it commemorates its 10th anniversary and looks forward to future decades as the world's leading provider of energy and telecommunications cable solutions.

Through colourful storytelling and scene-setting, these next pages will describe corporate governance as well as the inner workings of its matrix organisation structure, and how this is being optimised. They will touch on themes of global versus local management, strategic alliances and efficiency-driven management. They will look at growth, particularly international expansion, through organic processes as well as via acquisition. And they will examine ongoing challenges, such as the need to escape the commodity trap of construction cables. Throughout, the individual experiences of key players, including Prysmian's charismatic leadership, will unfold.

Of course,

the Prysmian story is not just about Prysmian. Other corporate histories make up the whole, most notably through the recent transformational merger with Dutch cable producer, Draka Holding.

While Prysmian and Draka's founding stories will be included, describing each company's early DNA, the primary focus will be on the past 10 years, when Prysmian entered a new phase of growth and globalisation as an independent company. These next chapters will detail the many challenges the business faced, from the sweeping changes to its corporate structure during the spin-off from Pirelli through Goldman Sachs' leveraged buyout, to its listing on the Milan Stock Exchange in 2007 (the first step to becoming Italy's first and only public company without controlling shareholders), and the delicate and tense negotiations that resulted

in its merger with Draka Holding in 2011. Throughout, they will explore the company's core values, including its principles of pragmatism, and describe the consistent emphasis on efficiency and cost cutting as it leveraged the complementary strengths of the two entities in the post-merger integration process.

After looking back and learning from past mistakes and triumphs, we'll look ahead, examining where innovation, investment and an emphasis on creating a more customer-centric service can take this business to yet new heights of success.

On a personal note, the Prysmian Group's many accomplishments come as no surprise. Having walked through its headquarters in Milan, and met with hundreds of managers from every location, I have witnessed first-hand the enthusiasm and passion of this company's employees at all levels. It's a sense of ownership and accountability that translates into the commitment and quality of everything this remarkable company delivers to its customers – something to be celebrated.

So consider this your personal invitation to reflect on the Prysmian journey, taking pride in its past while learning for its future – your future. Because wherever you sit in the organisation, as an employee, partner or stakeholder, you are a key part of its heritage.

## Author's note.

The content of the first two chapters is based largely on the reconstruction of facts provided by Germano Maifreda, in the following documents: 'Non solo pneumatici. Prime ricerche sulla produzione cavi Pirelli (1879-1979)' ['Not Only Tires. Researches on the Pirelli Cables production'], in *Studi in memoria di Tommaso Fanfani*, eds A. Bianchi, G. Conti, D. Manetti, V. Pinchera, volume 2 (Pisa: Fondazione Piaggio-Pacini, 2013), pp. 513-28.

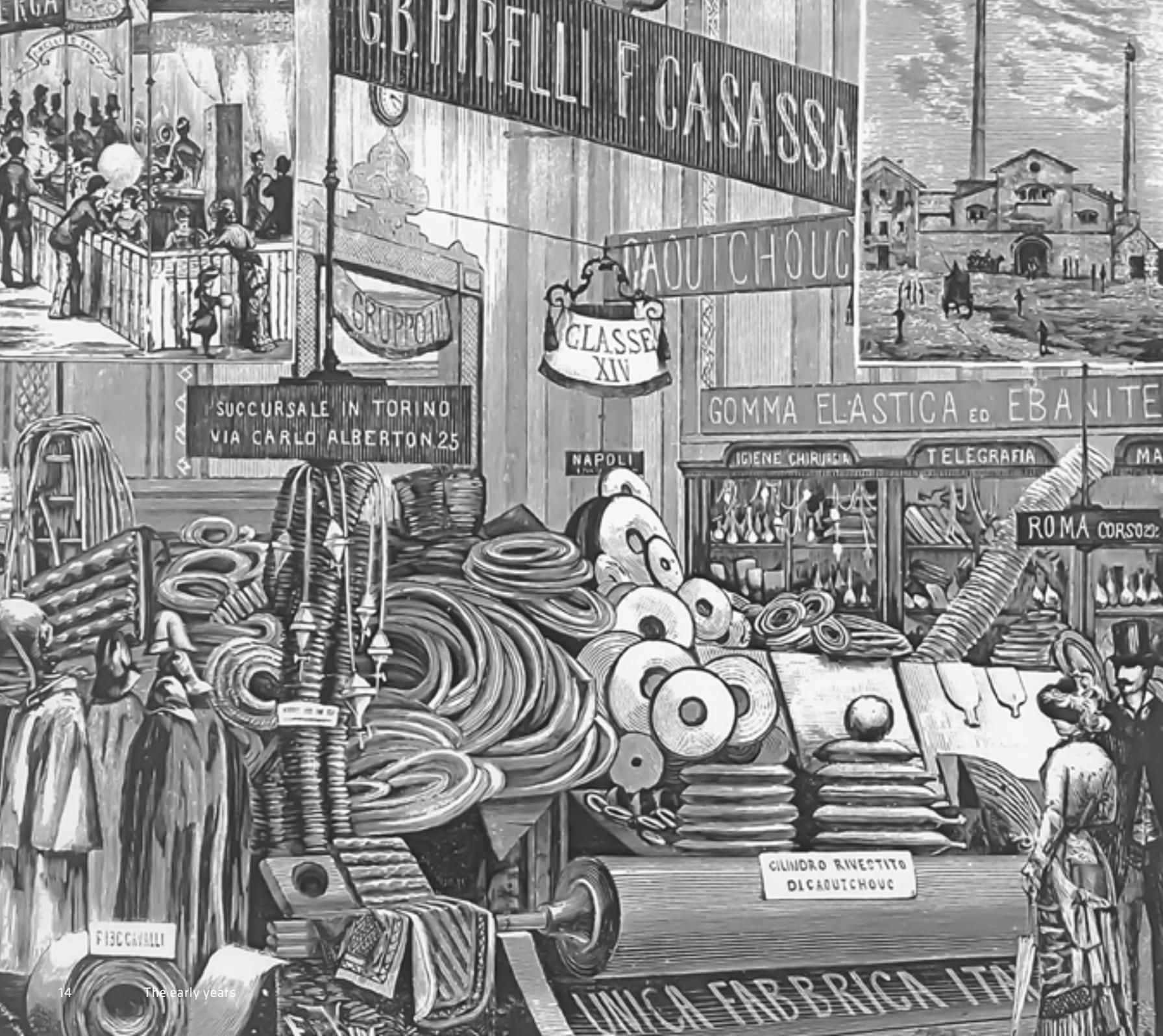
Unless otherwise stated within the text or footnotes, other quotes and facts are based on extensive interviews with Prysmian Group employees and other primary source materials, including annual reports, corporate brochures, as well as the Prysmian Group website.

The Prysmian story is your story.

# The early years.

CHAPTER ONE





G.B. PIRELLI & F. CASASSA

CAOUTCHOUC

GLASSE  
XIV

SUCCURSALE IN TORINO  
VIA CARLO ALBERTO N. 25

GOMMA ELASTICA ED EBANITE

NAPOLI

IGIENE CHIRURGICA

TELEGRAFIA

MA

ROMA CORSO 23

CILINDRO RIVESTITO  
DI CAOUTCHOUC

FIBBOCANTILI

LUNICA FABBRICA ITALIANA

Among the true unsung heroes of the early part of the last century were the brave young engineers and labourers who laid thousands of kilometres of telegraphic cable on the ocean floor, connecting countries and continents for the first time in history. These men risked their lives on the high seas, their hair growing grey as they spent months at a time away from home, never knowing what they were going to hit fathoms below. They suffered countless frustrations and setbacks as rubber insulation ripped and cables routinely snapped under the tonnage of seawater. In 1925, when the cable division of Pirelli undertook to connect Italy with the rest of the world with 5,150 kilometres of copper submarine telegraph cable, it was much more than just a feat of engineering. It was an example of the kind of extraordinary human endeavour – pitting Man against Nature’s harshest conditions – that was necessary to create the infrastructure of globalisation.

Then as now, employees were engaged in some of the most strategically important infrastructure projects in the world, making billions of people safer, more connected, and more productive. These heroes included not just the installers, but also the people toiling back in the laboratories of Pirelli. With their vision and their focus on scientific research and innovation, they gave life to an industry that had never existed before and that is still integral to our – cables. In effect, these people were instrumental in helping to build the industrialised world, as we know it today. Their work took dedication, persistence and great courage. And yet, for the most part, their sacrifice, labour and innovation remained unseen, silently supporting the more visible landmarks and testaments to progress.

They built the nerves of the world – invisible, yet vital, connective threads in every major area of industry, energy, communications and civil engineering.

Left page: Pirelli products at the National Exhibition, 1881, E. Ximenes.

Their crucial work, precisely because it was so effective, hummed along efficiently, stayed hidden in the background, or under the sea. For this reason, their incredible accomplishments have never been properly recognised or celebrated. But all of that is about to change...

## The rubber expert.

It all started with a rubber tree back in 1872, when Giovanni Battista Pirelli recognised the myriad of industrial and automotive uses for the substance, and opened his first plant. He founded the company in Milan on the Via Ponte Seveso, establishing what quickly became one of the most celebrated Italian brands in the world. Giovanni Battista Pirelli rose from humble beginnings to become patriarch of a prominent family that was among the most important dynasties in the history of Italian capitalism, helping to lead the industrialisation not just of his country, but also of Europe and the Americas.

The seed of an idea was sewn after a visit to one of the most developed countries at that time, France, where he was exposed to technological advances in the manufacturing of rubber. Seeing the rich vein of opportunity to be mined, he immediately brought on board the French industrialist Antoine-Aime Goulard, who was known for manufacturing rubber tubes, and made him technical director.

Pirelli’s global ambitions were evident from the start. As a rubber specialist manufacturer, he discovered uses for caoutchouc, otherwise known as Indian rubber, ranging from surgical supplies, toys and bra cushions. Factories mushroomed and whole new industries were born.

The rapid expansion – the first of many – was enabled through well-chosen and well-timed strategic partnerships with individuals and companies outside Pirelli’s area of heavy-industry expertise. The industrialist also joined forces with Francesco Casassa, who grew the business from the manufacturing of “rubber for haberdashery and sanitary articles into insulated electrical wires.” In 1877, Pirelli was transformed into G.B. Pirelli, F. Casassa & Co. Along with an entire catalogue of coats, overcoats, and cloaks for travellers, coachmen and the military; Pirelli’s factories along

the Seveso gave life to the first production of insulated wires. They were even producing fabrics for gators, aprons and a multitude of other clothing items and accessories using the highest quality cotton muslin and alpaca wools. The entrepreneurs were using the same technology for the insulating and waterproofing of cables, translating rubber to consumer products, and thus the cable industry was born.

The history of the cable industry began with Pirelli, whose cable division would become Prysmian. Since the early years, the production of cables proved to be the main driver of the company.

The latter part of the 19th century marks the beginning of the production of the first underground cables for power transmission purposes. By 1879, Pirelli possessed a combination of French industrial expertise and skilled labour that was unparalleled. Ever the industrial pioneer, he used this technological know-how and capacity to launch the first production of telegraphic insulated wires for military engineering purposes. This resulted in the formal establishment of the cable division of Pirelli in 1879, with the first production of insulated wiring and cables for electric and telegraphic application. The growth, by product range, sectors and markets took place at such a breathtaking pace during those first few years that, by the time of Casassa's death in 1883, when the company became known as Pirelli & Co, Pirelli had become the dominant manufacturer of rubber products in Europe and, arguably, the world.

But the real area of excitement was cables. Giovanni Battista Pirelli quickly acted to seize the potential international opportunities coming from the launch of the first telephone company in the U.S., in 1876, the first electric railway in Berlin, in 1879 and the invention of the electric light bulb that same year. 1882 would herald the opening of the first New York power plant, and, soon after, major cities throughout the world would be illuminated by electricity – including Milan. In 1883, the Piazza della Scala in Milan became the first city square in Europe to be lit by electricity, using Pirelli electric cables, of course.



The employees of the Milan plant at the beginning of the century.

## Looking beyond borders.

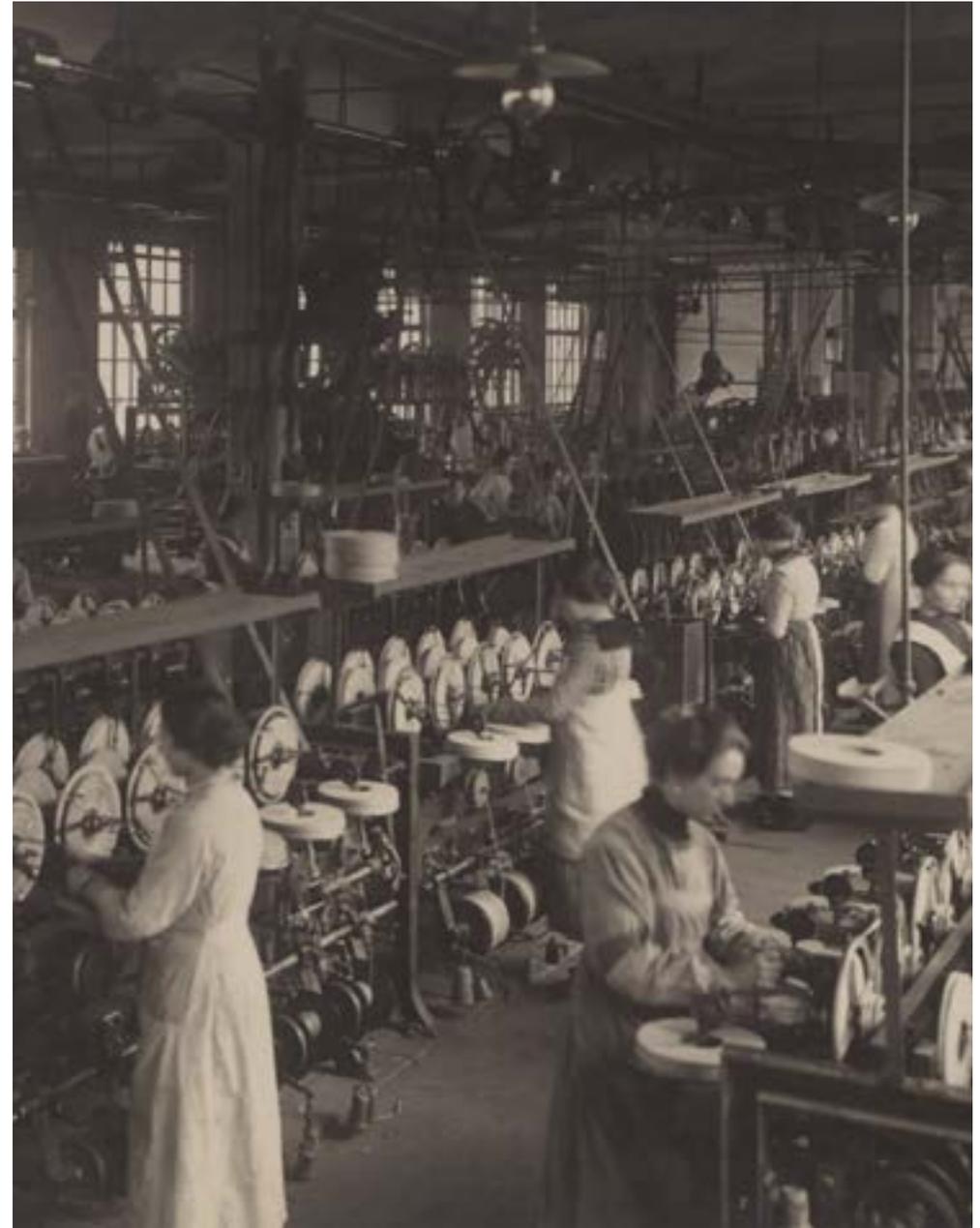
The close of the 19<sup>th</sup> century and the years prior to World War I launched Pirelli into the global marketplace with the manufacture, export and installation of its cable products to all of Europe and throughout Latin America. International development in energy, telecommunications and infrastructure was picking up the pace, and Pirelli was always ahead in the race.

By that time, Pirelli Group employed 300 blue and white-collar workers. The first production of submarine telegraph cables took place in Milan in 1886, for the installation on the bed of the Red Sea, connecting Massaua on the coast of Eritrea, and the nearby port town of Assab, to an English telegraphic network already in existence on Perim Island off the southwest coast of Yemen. The project, covering a distance of 600 kilometres, was commissioned by the Italian government and would be the first of many submarine telegraphic cable projects Pirelli would undertake, each one increasing in distance and logistical complexity. Having passed the test, Pirelli became the favoured supplier to the Italian government, laying the first telegraphic cables to connect 13 islands, from Napoli to Palermo, to the Italian peninsula. The installation covered 800 kilometres of seabed.

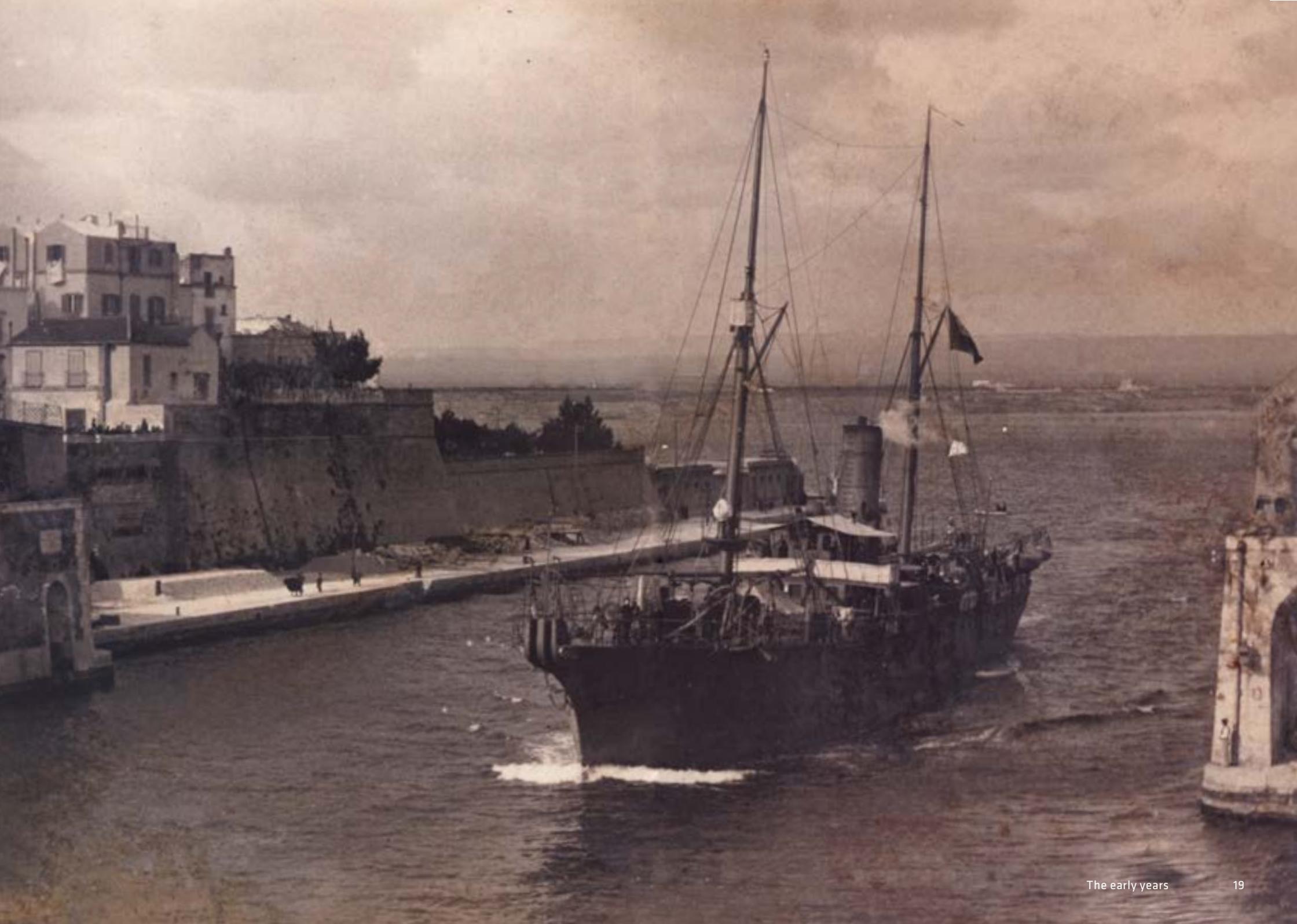
By the end of the century, there wasn't a city or port in the region that had not been touched by Pirelli's underground and submarine cables, whether for transmitting telegraphic signals or transporting energy in urban areas.

Building upon success after success, the company had become the go-to manufacturer of cables for industrial applications. In 1888, it was commissioned by the Spanish government to connect Ibiza with Javea, and, in 1890, Spain with Morocco. In 1898, the Greek government also commissioned infrastructure cable projects, culminating in seven submarine cable installations. By the end of the century, there wasn't a city or port in the region that had not been touched by Pirelli's underground and submarine cables, whether for transmitting telegraphic signals or transporting energy in urban areas.

Italcable meanwhile, the company responsible for providing telephone and telegraph cable services to and from Italy, became Pirelli's most important customer. Projects covered long stretches of coastline on two continents, including telegraphic cables between Anzio - Malaga - Las Palmas - San Vicente (5,150 km), in 1924-25. Pirelli also connected Anzio, Barcelona and Malaga (1927-28). In 1938, it also carried out an ambitious installation between Rio de Janeiro and Santos in Brazil.



Biccocca plant, 1920. Fabricating the cores of telephone cables.  
Right page: 1890, the Città di Milano entering the port of Taranto.



## A golden age.

This period coincided with the establishment, in 1910, of Draka Holding by Jan Teewis Duyvis as Hollandsche Draad & Kabel Fabriek, in Amsterdam. More European companies were seeing the demand for industrial application cables, and Draka moved along a parallel growth journey with Pirelli, gradually expanding the product range, industrial footprint and sales throughout strategic markets first in Spain, and later in North America, South America and the UK.

But Pirelli was clearly the market leader, thanks in large measure to two key figures in its early history: Emanuele Jona and Luigi Emanuelli. Jona, a graduate of Turin Polytechnic, was made head of the submarine cable production department by G.B. Pirelli. Due to an approach that was increasingly focused on research and experimentation, he quickly became an important player in a movement characterised by growing innovations in insulation, reinforcements and materials. By the beginning of the new century, thanks to Jona's cutting-edge design and engineering strategy, the company achieved worldwide technology leadership in power cables.

Around the same time, in 1907, Luigi Emanuelli, a new graduate of Milan Polytechnic's engineering programme joined the company's technical staff. Between 1917 and 1924, young Luigi led the development of a new family of cables for power transmission: oil filled cables, also known as OF. This cable technology has been used for decades and it is still used today, in complex projects like the Hudson Transmission Project and the Messina II projects. This invention, which marks the beginning of the high-tech cable industry, is also appropriately known as the "Emanuelli cable". It's why the history of Prysmian is the history of the cable industry.

Innovation led to more business, which in turn required greater capacity. To accommodate this, Pirelli opened a plant in La Spezia specifically dedicated to the production of submarine telegraphic cables – a factory that would remain in business until 1955.

Pirelli had already made substantial capital investments to support its worldwide growth spurt. In 1888, to cover these vast areas, it took the step of acquiring a steamship for the laying of cables, the Città di Milano – a 3,000-foot vessel with a gross tonnage of more than 2,600. It just so happened that Leopoldo Emanuelli, father of cable pioneer Luigi, was the man responsible for implementing the technology and machinery on the cable ship. The ship was handed over to Italy as part of Germany's war reparations at the end of WWI, but became shipwrecked off the coast of Sicily in 1919 – an accident that took the life of Emanuele Jona. A second Città di Milano served many purposes, like the Palermo - Anzio - Cagliari cable installation in 1929, before it was scuttled near Savona in 1943.

## The factory diaspora.

Pirelli's globalisation took place on multiple business fronts, including manufacturing and sales.

Sales offices opened throughout Europe and South America. Meanwhile, industrial expansion continued, with new cable factories opening in France, Brazil, the UK, and Canada.

Pirelli was reaping the gains of all that R&D and factory investments. Since 1910, there had been a series of innovations in submarine cable design in terms of insulation and reinforcement materials, making installations that had once been extremely challenging, possible. There were many firsts as a result, including, in 1906, the first major underwater energy cable, installed through the Garda Lake and, in 1929, the first submarine power cable in the Italian sea, running between Nisida Island, Pozzuoli, and Coroglio Beach.



Biccocca's aerial view in the second half of 1920s.

Meanwhile, more new plants were springing up globally to meet demand on the ground, particularly in markets around the Mediterranean basin that needed these cable products most. By the early part of the 20th century, Pirelli's employee ranks had swollen to 3,000, and several internal changes were taking place to meet the needs of accelerated international expansion.

## Early upgrades.

Throughout this early history, Giovanni Battista Pirelli invested the capital necessary to develop big plants and commission cable-laying vessels, as well as to maintain the workforce required for production and installations. In 1908, Pirelli opened a huge plant outside Milan in a part of the city known as "Biccocca," where Pysmian is now headquartered. The building was the size of a small town, at 220,000 square metres in size, and with plenty of space for all the growing new divisions of the business, as well as labs filled with cutting-edge technology.

But becoming an industry leader took skilled labour and intellectual capital, which is why, in 1923, Pirelli saw the inauguration of the aptly named "Scuola Leopoldo Emanuelli" – after the great engineer, who was Luigi's father.

The purpose of the school was to train students in the design and manufacturing techniques of electricity cables and prepare the next generation of workers. Later on, in 1940, a scientific lab was established to conduct research related to all the three areas of Pirelli – continuing the longstanding Pirelli/Prysmian tradition of investing in human capital.

Pirelli's overall aim was to use the company's internal knowledge base and capacity to develop only products with high margin and international sales potential. Thanks to its small-to-medium size, Pirelli already had the edge against its global competition, but leading the technology race would help it to scale new heights of success. It had all the essential ingredients for fast-track growth. The company was agile and flexible compared to its competitors, who weren't nimble enough to be able to meet market needs. The Pirelli brand was consistently perceived as being of high quality and technologically advanced, with annual reports from this period showing a high rate of exports. But soon the need for exports was reduced as Pirelli built global plants. The first, in 1902, was in Spain – Vilanova I la Geltrú. This development led to massive production of electrical wires and underground cables with metallic reinforcement for power distribution applications – the first of their kind in the world. One of the biggest customers was Societat Catalana de Gas i Electricitat, which bought some 32 km of 50 kV cable in 1914 alone. In 1909, with the opening of Pirelli Ltd, the commercial subsidiary responsible for the U.K and all the territories of the Commonwealth, Pirelli took yet more market share from its rivals. Three years later, its British plant was opened in Southampton, in a 50/50 partnership with General Electric Co. Ltd., and Pirelli General Cable Work Ltd was born.

World War I did little to slow Pirelli cable's international trajectory, which was reflected in the increasing sophistication of its financial and corporate structure. Operations had spread as far and wide as Bucharest and Singapore. Such widely dispersed operations notwithstanding, the leadership remained top-down and centralised up until WWII. All the foreign subsidiaries maintained a strong relationship with headquarters in Milan, where procurement was determined and prices were fixed. All the managers were Italian and in 1919, this top tier of leadership was reorganised into a structure called "Central Management," composed of the Head of the Cable division, the Head of the Rubber division and the Head of Administration. This allowed for more focus on what were essentially becoming two separate businesses.

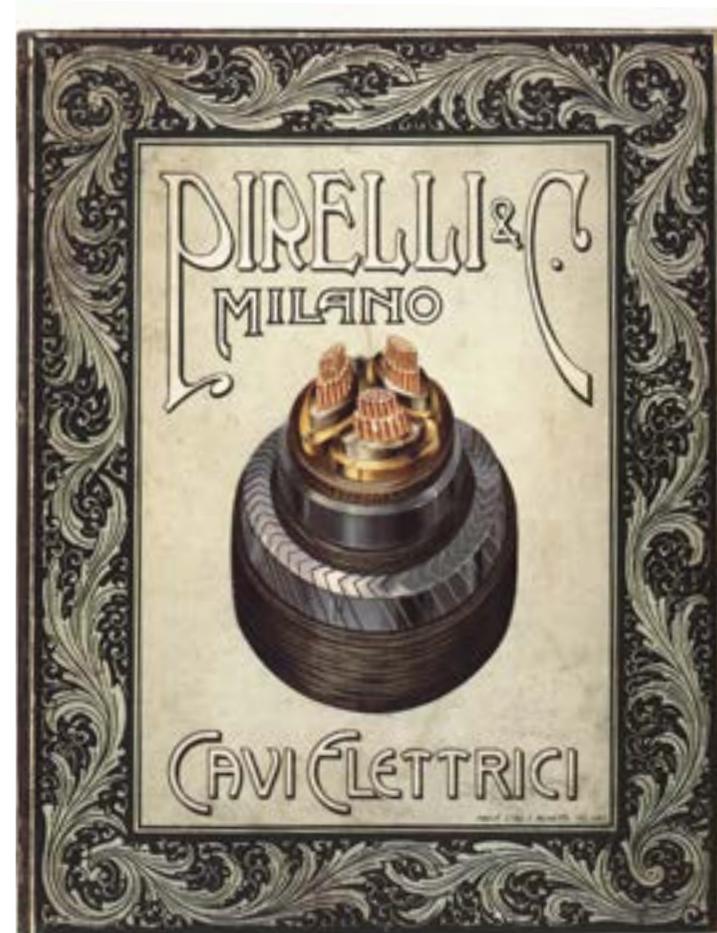
## Wartime growth spurt.

Despite, or perhaps because of, the turbulence of two world wars, Pirelli's cable division flourished. In the 1920s, the company was the undisputed leader in the cable industry.

During this period it undertook the transatlantic challenge described at the top of this chapter, as well as, in the following years, the installation of 132 kV oil-filled cables, in New York and Chicago, and a transatlantic ocean link between North Africa and Brazil. Pirelli also supplied 60,000-volt power cables for the electrification of the Swiss Gotthard Railway, and opened Latin American plants in Brazil and Argentina – operations that would play a crucial role in the business in the coming decades.

The challenges of World War I, which limited demand for exports, encouraged the company to re-examine its international presence, and take measures to optimise the role of these global outposts. These foreign subsidiaries were reorganised in terms of ownership and financial operations. The post-war shortage of rubber also prompted a rethinking on how to source one of Pirelli's most important raw materials. Clearly, this crucial commodity was

vulnerable to geopolitical turmoil. Ever the pragmatist, Pirelli took the step of buying rubber trees plantations in Ulu Tiram, Malaysia, and in Boenisari Lendra, on the island of Java, for the sole purpose of avoiding future shortages. The business would need a steady source, as the cable industry was about to explode in two major areas of infrastructure: communications and energy.



Cover of advertising brochure, 1906.

## The age of the telephone.

The advent of the telephone age spurred new demand. Pirelli first began the manufacturing of telephone cables in 1911 under American licensing, later developing its own proprietary technology (submarine telephone cables did not appear in Europe until after 1920).

In Italy, the company was at the forefront, pushing for advances in communications technology to bolster demand for its cables by promoting and lobbying for the establishment of Sirti (the Italian company of long-distance telephone networks development).

In the early 1920s, the cable division manufactured the first group of underground cables for the Turin-Milan-Genoa telephone network. In 1930, the first of many important submarine telephone cables produced by Pirelli was delivered to the Italian Ministry of Postal and Telegraph Communications to connect Zara and Lussino Island in Dalmatia. In 1932, Pirelli began a years-long manufacturing operation to produce the longest submarine cable in the world: the Fiumicino-Olbia (2,700 km).

The years following the Great War also saw tremendous growth from the sales of Luigi Emanuelli's oil-filled (OF) cables. Used for power transmission at very high voltages, his invention had by now become the backbone of the industry. Again, OF cables would continue to be a key product of the Group for many years to come.

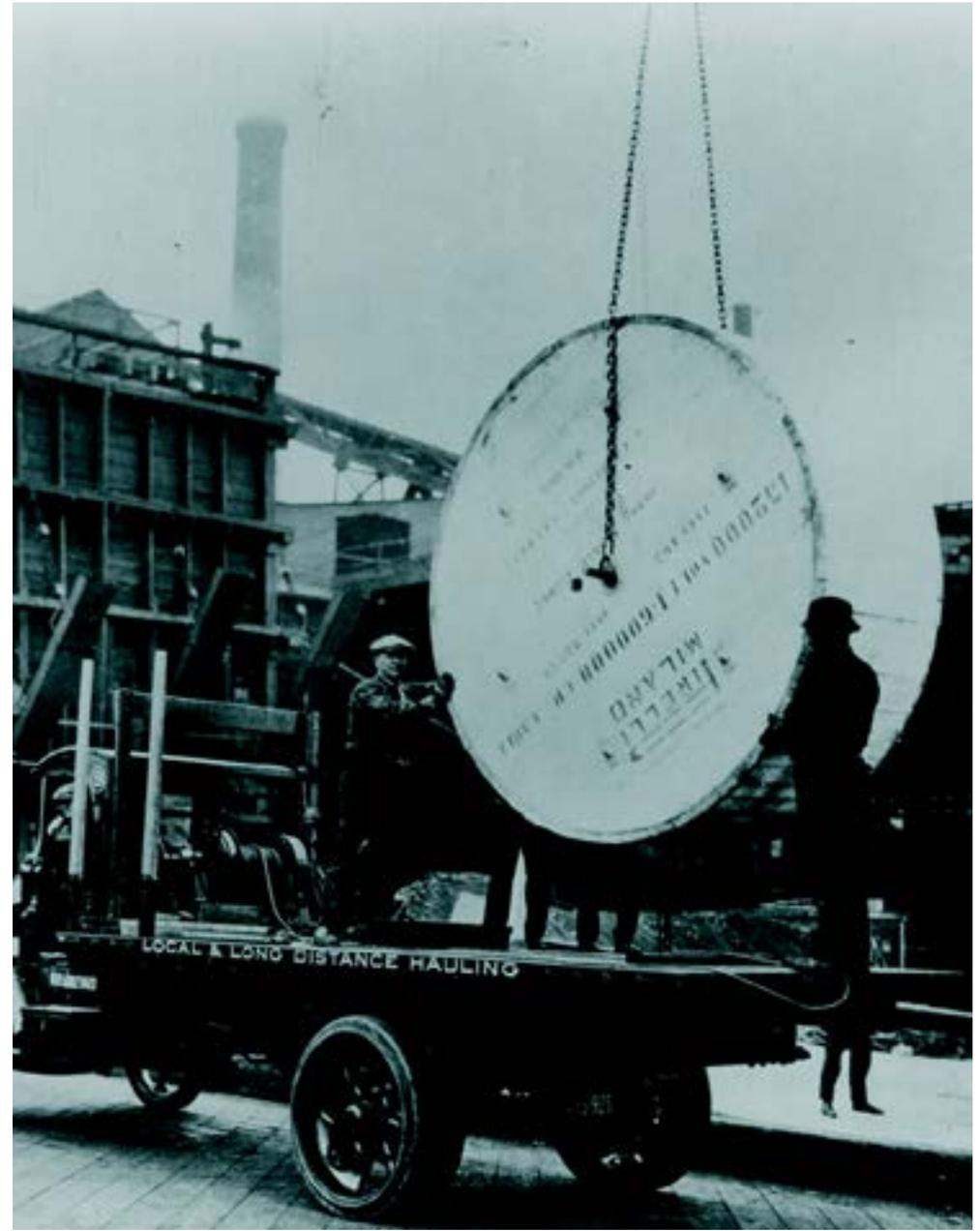
Despite the innovation taking place at Pirelli's Milan headquarters, the industrial uptake of OF cables in Italy had been frustratingly slow. Public and private infrastructure in the Italian market was not able to absorb the offer of high quality technological goods, and OF cable sales remained marginal. Once again, Pirelli had to look beyond its borders. The new plant in Southampton, England, produced 10 times more OF cables than the Italian factory. Buyers of the product were even further afield, where it was used in the installation of High Voltage grids to connect some of the world's biggest cities, including New York and Chicago in 1927, before returning closer to home with London, in 1932 and Paris, in 1936.

WWII saw production ramp up, but when peace returned, like many Italian companies, the Pirelli Group was forced to reduce the number of employees who'd been hired during the war. The workforce shrank from 17,000 in 1950 to 11,200 in 1960. Adding to Pirelli's post-war challenges was Italy's entry into the European Common Market, as the EU was then called. This international body was established to meet the needs of reconstruction and economic recovery in the post-war years, but there were unintended costs and consequences in the short term – the market became flooded with competition.

By the end of the 1950s, Germany represented 37% of the European cable market, France 32%, Benelux 16% and Italy 15%. Across the region, plants were similar in terms of size and workforce and just 10% of production was exported, but this completely level playing field did a disservice to the cable industry. The benefits of intra-European trade were limited. In most European countries, production exceeded demand and there was little incentive for innovation. Technological progress was negligible, and the boom years that characterised those first few decades of Pirelli's existence slowed.



1925, first direct telegraph cable from Italy to America.  
Laying the cable from the Città di Milano to the town of Anzio.



New York, 1927. Oil-filled underground cables manufactured in Milan for the New York metropolitan area's electrical power network being loaded from a barge onto trucks.

By the end of the war years, Pirelli had created a cable industry virtually from scratch, bringing Europe and the rest of the Western Hemisphere into the industrial and communications age. From telegraphic and phone cables to high voltage cables that put cities and towns in lights, it had laid the foundation for 20th century modernisation.

But future growth would depend on aggressive innovation. Pirelli had to progress on multiple technological fronts, creating cables for new industrial and energy applications, servicing an increasingly diverse range of business, construction and infrastructure needs. As long as it continued on its path as a nimble pragmatist, finding real solutions to real problems, the best was yet to come.



1953, engineer Luigi Emanuelli and Alberto Pirelli at the La Spezia plant the day of boarding of a new type of transatlantic cable to be laid from S. Vicente (Cape Verde) to Recife (Brazil).

# Post-war pragmatism.

CHAPTER TWO





**B**urgeoning competition in Europe, both through early intra-European trade and new technological developments, required a swift and radical rethinking of overall global production and strategy. After the Second World War, one innovation in particular lowered the bar for entry into the space Pirelli's cable division had dominated for decades. Insulation by way of sheeted paper was substituted with thermoplastic materials for lower-voltage classes of cable.

This innovation created a new kind of cable that required much less investment in materials and production processes. The manufacturing equipment was also cheaper, while semi-finished products could be easily procured and a lower-skilled workforce employed. For these reasons, this upstart product was quickly adopted by the industries that used to depend on Pirelli's technological know-how. It effectively blurred the distinction between the large industries of energy and telephone cables and the more limited industry of simple rubber cables.

## Nipping at their heels.

As a result of the lower barriers to entry, a plethora of new small-to-medium sized cable companies emerged, causing production capacity to surpass market demand. This resulted in severe competition, a drop in prices and unsatisfying returns on investments.

**H**owever, one level of the industry remained immune - the more complex cables with advanced technological features. Fortunately, this was an area where Pirelli excelled. But, in order to maintain its market position, the leadership realised they needed to invest.

Left page: workers installing an underground energy cable near an Italian historical area.

It began with a drastic overhaul of Pirelli's product line and a wholesale technological modernisation of its plants. In 1948, Pirelli began manufacturing cutting-edge oil-filled cables of 220 kV for the Centrale di Provvidenza delle Acciaierie Terni in its three American plants. Pirelli also launched manufacturing at its new Brazilian plant in Capuava.

The push was on, increasing capacity outside Europe, moving westward. In 1953, a factory in St. Jean, Quebec, was acquired and, in 1956 new cable activity in Mexico was inaugurated in collaboration with American Anaconda and a group of local investors. In 1966 the Pirelli Industria Peruana de Conductores Electricos was established in Lima, Peru, not far from the source of raw materials - the copper mines - along the Pacific coast (Chile-Ecuador).

## Taking action.

Pirelli cable division's top management recognised the need for speed, exploiting its technological edge, and accelerating top tier product development.

**T**he new reality of the cable market also made it necessary to create broader channels of distribution, opening up more production sites beyond Europe and exporting to "The New World," to make up for the shortfall in domestic and regional markets.

This entire post-war period was defined by recognising the realities on the ground and reacting decisively and pragmatically. The needs of the global marketplace had changed, and Pirelli needed to change with them, going to where its customers were, in new markets, and creating hi-tech solutions that met the changing needs of the industries it served.

To that end, in 1953, Pirelli delivered a new deep-sea cable insulated with polyethylene for the transoceanic telegraphic connection of Northern Africa and Brazil (S. Vincente-Recife). It also

built a new factory to substitute production in La Spezia, this time in Arco Felice, Naples. The La Spezia facility's capacity was too limited to serve the Italian market, but Arco Felice more than made up for this shortfall. The corporate journal "Fatti e Notizie" called it "the biggest and most modern in the world," and now, as part of Prysmian, it remains the most technologically advanced plant for submarine cables anywhere. It was here that arcotene – a polyethylene compound used to insulate submarine and underground cables – was introduced.

Domestically, the economy was beginning to rebound. The Italian Ministry of Posts commissioned Pirelli to produce coaxial cables for its new interurban network. Internationally, meanwhile, there was another shift in the global telecommunications industry that required rapid adjustment. Foreign manufacturers became heavily dependent upon submarine amplifiers, which were crucial for the production of long modern telephone cables. This market trend caused Pirelli to abandon the production of submarine telephone cables altogether and focus on increasing the production of submarine energy cables.

By the 1960s, the Italian economy was booming, technology was advancing quickly, and more plants were opening to meet the changing needs of the telecommunications industry.



Three-core medium voltage terminations, with insulant level sight-glass.

## Bigger, better voltage cables.

The economic boom ended with the SACOI project in 1965. The current state-of-the-art factory in Arco Felice, near Naples, was built for the purpose of producing the cables for the SACOI project, which was a landmark achievement. It was a world first in terms of voltage rating and laying depth: a 200 kV submarine cable connecting Sulcis (Sardinia) with Corsica and Tuscany. High Voltage underground and submarine connections produced a steady stream of global business for the rest of the decade.

All of this product expansion and international capacity growth required greater organisational and personnel support. By 1971, Italian manufacturing was contained in five plants: Milano Bicocca, Cusano Milanino, Arco Felice, Livorno, and Livorno Ferraris in Piemonte. These factories were run according to the division of labour; each specialising in specific cables. For the most part, the same cable would be produced in just one plant.

The biggest was in Bicocca, where 120 tonnes of cables were manufactured per day. Most were energy cables, including High Voltage, extruded and OF cables – which had become mainstays of the Pirelli business. Bicocca was the only plant that had its own rolling mill to produce the copper rod necessary for global production.

## A new class of skilled labour.

By the 1970s, the factory workers of the cable division were highly skilled. In fact, it was a workforce like no other.

About 80 of these blue-collar employees specialised in installation, and their role became central to the cables division's success. The installation department, which was part of the Cable division, had two designated areas of expertise: submarine cable-laying and underground cable-laying. These workers collaborated closely with those responsible for cable R&D, coordinating through a project office, which managed and evaluated each installation. It was a streamlined, rational process full of checks and balances. Even the engineers managed commercial issues as they assisted customers from initial product request to offer presentation.

Increasingly, Pirelli's cable division was the jewel in the Pirelli crown.

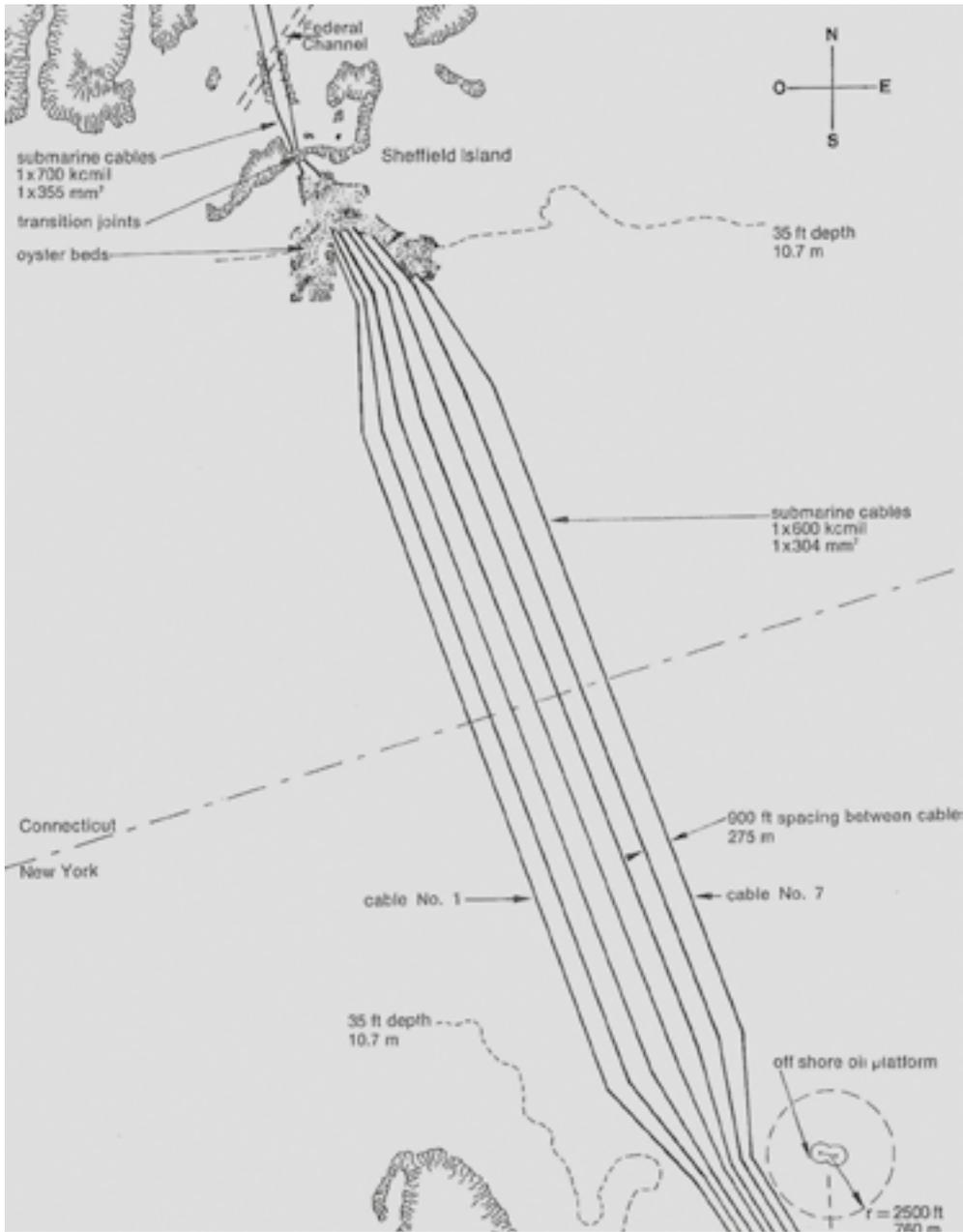
But there were more challenges. Copper prices were on the rise, pressuring profit margins. The domestic market had also weakened. This meant more international expansion, this time to the Middle East, Africa, Australia and Brazil.

Expansion was not just organic. Pirelli also grew internationally by acquisition. In 1978, the Group bought the energy division of the General Cable Corporation, establishing the Pirelli Cable Corporation in the US. This move helped strengthen Pirelli's technological manufacturing and research capabilities as it entered the most advanced cable market in the world. In France, Pirelli purchased the Tréfimétaus Group, a large manufacturing complex. It also acquired France's Filergie Group, one of the first European producers of electric and telephone cables, thus consolidating that country's cable sector. Three years later, in England, a new plant in Southampton produced the submarine cables of Pirelli General, which would be used to connect Britain's energy network to France's via the English Channel. By the end of the 1970s, there were 11 manufacturing units around the world, with a global workforce of 6,000 employees, led by local management teams.

The rapid growth resulted in a highly bureaucratic structure that made it difficult to enact the necessary proprietary and business function changes. Inflation, rising labour costs, a fall in demand, and ongoing labour conflicts contributed to devastating losses.

Despite the failures, the company completed two major cable projects. In 1973, it reached a new record, laying four oil-filled cables of 42 km between Majorca and Minorca. The cables, also produced in the Arco Felice plant, were the longest connection in the world for the transfer of energy in alternating current, and the longest connection in the world for OF cables.

Again the driver of these extraordinary achievements in infrastructure was the cable division's consistent focus on R&D. By the end of the 1970s, there were 260 employees dedicated to research and development at the worldwide R&D centres of the Société Internationale Pirelli, with a focus on energy and telephone cables as well as enamelled wires. Half the budget was dedicated to the energy sector.



The plan of the 7-cables system installed in 1969 across the Long Island Sound.

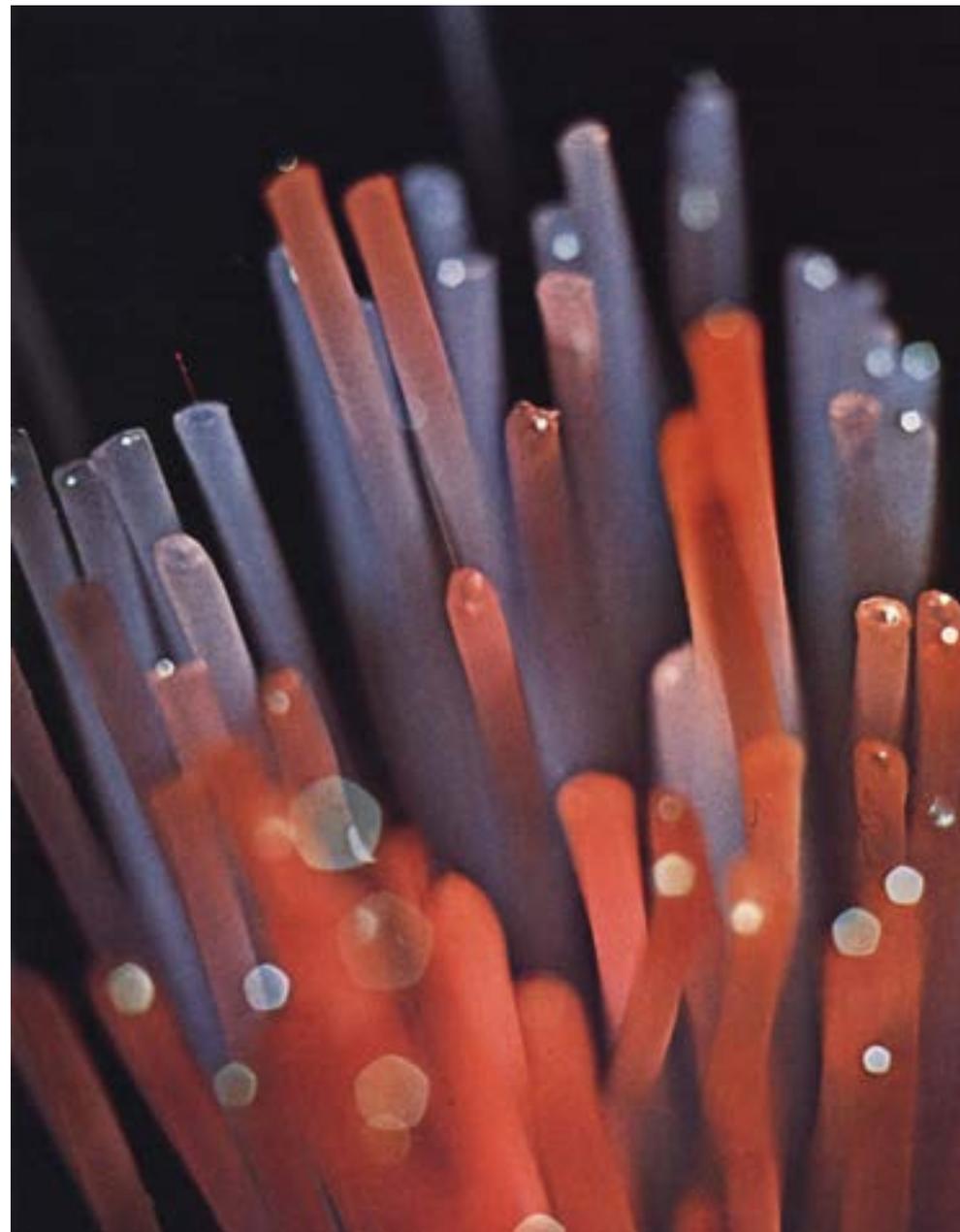


6<sup>th</sup> December 1971, a frogman in scuba gear at work in the Mediterranean Sea during the laying of freshwater pipelines between mainland Sardinia and the offshore island of San Pietro.

## Strides in fibre optics.

One critical outcome of Pirelli's commitment to research was a cable product that would transform the telecommunications industry, as it was then known – fibre optics. The labs in Bicocca began studying optical fibre in 1974, with the aim of learning how best to protect the single fibres. In 1976, the first trials were conducted with cables consisting of 12 fibres. That same year, Pirelli inked an agreement with U.S. Corning Glass which led to the first experimental connection with a 1 km telephone fibre cable for Italy's Centro Studi e Laboratori Telecomunicazioni, or CSELT, in 1977 and, in 1981, Italy's first official fibre optic cable installation for the Italian telephone network connecting Padua and Mestre. Finally, Pirelli was ready to launch into full production. In 1982, it opened its first fibre optic cable plant in Battipaglia (SA) – Fibre Ottiche Sud SpA. By 1984, Pirelli launched international optical fibre cables production with the opening of two plants in Argentina and Brazil.

Experimentation in fibre optics picked up the pace in the second half of the 1980s. Pirelli's most important contribution to fibre optic telecommunication technology was through the development of an optical amplifier in 1989. Designed for long-distance transmission, it enabled 100,000 simultaneous telephone conversations over distances of 300 kilometres. In every respect, Pirelli's cable division was a global leader in fibre optic development and installation. By the early 1990s, it had installed an entire new network for the Italian telephone company along the Tyrrhenian coastline. Pirelli also became the first company in the world to realise a large-scale installation of its optical amplifier system, this time connecting Salt Lake City with Chicago. This led to Pirelli's participation in some of the largest international cabling projects around the world. The cable division soon became a preferred supplier of fibre optic equipment and systems for telecommunications networks everywhere.



Optical fibres.

To meet this demand, Pirelli added yet more production capacity specialising in optical fibres. In 1997 a new plant for the production of optical fibres was opened in Soracaba, Brazil. It was the biggest such facility for the production of optical fibre in South America. That same year, in Bukit Indah, Indonesia, a new plant was opened for the production both of optical fibre cables for telecommunications and conductors for energy transfer. This was Pirelli's first manufacturing base in Asia.

In addition to milestones in fibre optics, the company also rode a wave of innovation in the energy sector.

A collaboration agreement with the American Superconductor Corporation for the development of energy superconductors triggered some groundbreaking inventions later in the decade. One milestone, in 1996, took place through a partnership between Pirelli, the American Electric Power Research Institute and the American Superconductor Corporation with the development of a flexible superconductor cable, which worked at the temperature of liquid nitrogen. This specialised cable permitted power transmission at higher current densities than the maximum obtainable from traditional copper cables.

## The “go go” nineties.

Total transformation was the theme of the decade, on all fronts of the business.

In 1992, Pirelli launched a restructuring plan aimed at the strengthening of its global competitive position. These changes took place under the leadership of Marco Tronchetti Provera, who was named executive VP of Pirelli Spa. To rebalance the financial structure, Pirelli reduced the number of the firm's businesses, marginalising the mature business units with less growth, and refocusing the remaining business units towards products with higher profit potential. The number of cable plants was dramatically reduced as part of an attempt to re-launch the Group as supplier of telecommunication networks. The goal was to develop Pirelli's cable division capacity as the lead supplier of turnkey systems for the sector. But this period of industrial restructuring came to a halt by the middle of the decade. The recession of the early 1990s was deemed over, as was the time for fiscal prudence, or so it seemed. Instead, the late to mid-nineties heralded an era of dreaming big.

Pirelli had launched a goal-oriented “acquisition campaign” with the aim of extending its offerings, knowledge base and international presence through the acquisition of cable operations throughout Europe, Asia, and Africa. The acquisition spree began in Asia with the signing of an agreement with Kabelmetal in Jakarta for the establishment of a new cable plant in Indonesia. Soon to follow was a joint venture with Citic Pacific Ltd. and an investment in China's Wuxi Tong Ling Cable Co.

The company moved quickly to exploit opportunities created by the economic and political climate. The end of the decade was characterised by a vast cycle of privatisations, with the governments ceding their control of the Italian energy giants.

These public institutions demanded to know whether the companies that were manufacturing the transmission and distribution networks could guarantee efficient energy distribution. As a result, many of Pirelli's competitors began to divest, shifting focus away from the energy sector in particular. This created a market opening.

How? Local monopolies no longer had a stranglehold on domestic markets. Under pressure to compete, the old two-way relationship between local cable manufacturers, and local network and service operators disappeared, along with national boundaries. In the past, cable manufacturers followed the specifics defined by domestic clients, and were almost guaranteed revenues. But decision-making had shifted from technical offices to purchasing departments, where the emphasis was on costs. This trend, along with the new trade regime triggered a drop in business volumes and revenues. If cable manufacturing wasn't a core business for these companies, they were ready to sell off these business units. The Nokia and Siemens cable divisions were ripe for the picking.

Pirelli was in the opposite situation. Before the acquisition period, overall revenues were derived largely from energy cables, which weren't facing the same pressure on price points. Coming from this position of relative strength, the company seized the opportunity to acquire Nokia and Siemens' cable units.

The Nokia acquisition stood on its own as significant. Nokia's history dates back to 1865, when mining engineer Fredrik Idestam set up his first wood pulp mill at the Tammerkoski Rapids in South-west Finland. Over the decades, the company grew into an industrial conglomerate involved in the manufacture of rubber products, merging with Finnish Cable Works, a telephone and power cables manufacturer, in 1912. A leader in telecommunications



Divers pulling submarine cable ashore with the cablesip Giulio Verne in the background.

and electronics by the 1990s, the Finnish powerhouse decided to focus on that core business and divest many of its other units, including cables.

And then there was Siemens. Today a large, diversified global powerhouse with over 340,000 employees, Siemens has its roots in the cable business. As early as 1848, it started to build the first long-distance telegraph line in Europe from Berlin to Frankfurt (around 500km). Soon after that, similar contracts in Russia followed. To reduce the dependence on local cable providers, Siemens opened its first cable plant in Woolwich near London in 1863. A decade later, Siemens used its own purpose-built cable-laying ship to lay its own telegraph cable to connect the Old World, starting from Ireland, and the New World, along the American Coast.

Integrating companies with such long histories and traditions in cable making not only gave access to a lot of know-how and prestige, these moves greatly expanded Pirelli Cable's geographical coverage – acquiring Nokia, for example, strengthened the foothold in Northern Europe. The Siemens investment further strengthened Pirelli's geographic presence in Eastern Europe and opened the doors to the Chinese market. This acquisition also permitted Pirelli to consolidate its specialty cable segment, where the Group had a minor presence.

But Pirelli didn't stop there. In 1999, it bought the energy cable and construction division of Australian Metal Manufacturers Ltd, and in 2000 it acquired several subsidiaries of BICC General, which were active in energy cable manufacturing in Italy, the UK, Zimbabwe, Mozambique, Malaysia and China. Founded in 1945 under the name British Insulated Calendar Cables as a construction company and cable manufacturer, BICC could trace its subsidiaries' roots back to 1850, and the early submarine cable installations across the Atlantic. Its storied past also included the construction of Britain's national grid system. This international Group, which had been among the competitors for Pirelli's global cable business, would give the company its largest global presence to date.

The spending spree was capped off with Pirelli's acquisition of a part of the energy cable business of the Dutch cable manufacturer NKF from Draka Holdings. Founded in 1913 as Nederlandsche Kabel-fabriek in Delft, the Netherlands, NKF developed and manufactured heavy-current cables for transporting electrical power, and lower-voltage cables that were instrumental in building Dutch telephone networks, becoming a conglomerate of cable factories by the mid-1970s.

These were among the company's most significant acquisitions, and were instrumental in creating a truly global business. But dreaming big was about to backfire. A seismic change in the HV cable business was coming as the materials used in making the cables transitioned from paper to polymers. Customers continued to demand high quality, but at much lower selling prices. By 2001, a severe slow-down of international demand for energy and telecom cables forced Pirelli to rationalise manufacturing plants and completely reorganise its cable and systems division. The company was paying the price for short-term thinking. Strategic errors were made, including an emphasis on telecoms at the expense of the energy division, and a plunge into the property market at the height of a real estate bubble.

It would take a new leader, someone with laser-sharp focus on efficiency – a true pragmatist who could bring Pirelli back to its core values and prepare the company for the challenges of the 21<sup>st</sup> Century. That man was Valerio Battista.



Pirelli cables Australia, crossing the continent.

It would take a new leader, someone with laser sharp focus on efficiency – a true pragmatist who could bring the cable division back to its core values and prepare the company for the challenges of the 21<sup>st</sup> century.

**Hard choices, bright outcomes.**

**CHAPTER THREE**





It was a warm August afternoon in Rozzano in the Lombardy region just south of Milan, at the country home of Giovanni Ferrario, the Managing Director of Pirelli Group. At his suggestion, Pirelli Cable's top management had got together that long weekend in 2002 for some "team building," culminating in a football match between the cable and tyre divisions. The objective of the talks was to draw up a 360-degree restructuring plan for the cable business and, after some tough discussion, it was time to let off some steam. Among the assembled players was Valerio Battista, the freshly appointed general manager of the energy cable division. It was an intense game. Battista led his people as if they were going into battle, urging them on to play their hardest.

"I remember the game vividly", says Fabrizio Rutschmann, one of the new hires to the senior leadership team in charge of HR. "The mud, the sweat, the shouting, the individual scores, even the way the late afternoon sun lit the playing field, giving it a golden hue... But strangely enough I don't recall which team actually won that day."

In fact, it would be some time before a true winner emerged.

This was just the first of a series of battles in a war for the future of the cable division, which was in a state of free-fall at the time.

By 2001, following the industry downturn and a series of acquisitions, which led to a remarkable increase in size and related decrease in profit, this all-but-bankrupt entity faced a series of deep cuts and drastic downsizing. This country weekend in August was all about getting the core leadership team aligned around a strategy that would surely leave many bruised, bloody and broken on the field. Some hard choices would have to be made, but the outcome was the organisation's ultimate rebirth as Prysmian.

Of course, no one could have known what would happen on this day. A mere few months into his new job, Rutschmann was just getting to know some of his fellow warriors: Fabio Romeo, now Chief

Strategy Officer, Massimo Battaini, today's Senior Vice President of Energy Projects, Andrea Pirondini, currently Chief Operations Officer and, finally, Valerio Battista, their captain. All anyone knew was that they had to come up with a 10-month turnaround plan to restore the company balance sheet and keep their division alive.

"Together we had to make this turnaround a reality in a very short time, and we did it with furious commitment and speed. What takes most companies years to accomplish we did in less than a year," says Rutschmann.

"It was dramatic, and something which unfortunately you cannot forget, but it was a key milestone in making this company solid for the long term."

## The custodian.

Of course, actions like these take strong leadership. Again, someone like Valerio Battista. Lean and compact, with the natural stance of a pugilist, he appears poised and ready to take on any challenge, never forgetting whose future he is fighting for: the company's. For Battista, the long-term health and survival of the business is deeply personal. He looks upon himself as a custodian of the business, and feels the weight of responsibility for Prysmian's wellbeing as if it were his own.

“The basic concept has always been, spend the money of the company as if it were your own, and your money, you have to spend very carefully,” he explains.

Fiscal frugality is in Battista's DNA. A true Tuscan, he was born and raised in the Arezzo area in the post-war era into a middle class family. His mother, an Italian and Latin teacher, and his father, a government official, always impressed upon him the importance of conserving and never wasting, the family's limited resources. Battista learned that hard lesson early on when, as a young boy, he broke into his piggy bank to buy himself a coveted toy. When his father found out, he gave young Valerio a thrashing he would never forget.

“The money was not yours to spend!” his father chastised.

Today, Battista jokes that he channels his father when going through the expenses of his executives.

“The economical discipline in my family has always been very strong. Thanks to my father. He taught me that no matter how much you have, it's a good idea to use the minimum you need to succeed. This has always been my motto. And I probably brought this ethos to Prysmian with me.”

Just managing to “keep his head above water” at the superior school he attended, the prospect of a place in the Mechanical Engineering Department at Florence University focused and motivated him to excel in his final year. Once accepted, he had no choice but to apply himself for the next five years because “with engineering if you don't commit and work hard you never finish.” The school was particularly attractive to Battista because he was fascinated with cars and one of its professors was a former technical director at Ferrari, a place he had hoped to work one day. Once in college, however, he chose a slightly different path, having graduated with a mechanical engineering degree specialising in tools and machinery.

But first, he had to delay his graduation by six months when his mother was struck with a near fatal brain aneurysm. Valerio took turns with his older sister to spend nightlong vigils by his mother's hospital bed. She recovered, and Battista graduated in December 1981. He spent the first six months after obtaining his degree at the university as an academic assistant, teaching lessons to architectural students while waiting to begin his military service. To earn extra cash he took a part time job selling billiard tables to local bars, a job which taught him two valuable lessons: customer service and the art of closing a deal. His boss showed him how to close on a sale through distracting small talk, to get the customer on his side. Battista also learned how to persuade customers to invest in equipment worth the equivalent of 10 months' salary. Making his sales case required a certain amount of empathy and respect for the commitment they were making given their limited resources.

“For someone who works 20 hours a day, it's not easy to part with that kind of money,” he recalls.



Valerio Battista.

## First in the forest.

**W**hile his early post-graduating experience taught him sales, the military taught him leadership. He spent 18 months as a sub-lieutenant at an army base outside Rome, during a time when Italy was still subject to guerrilla attacks by the Brigade Rosse. One particular incident stands out. He was on night duty when, at 3 a.m. reports came in of unusual noises outside the encampment. It could have been the terrorists, since the military was a favourite target, so Battista organised a group to go into the woods and scout the perimeter. Of course, he went first.

“If you are responsible - you have to go in first. You can’t send the others. I was scared, but if you are the number one of the team, you have to be the example. If you ask people to make a sacrifice, you too have to put your hand up for it.”

During his downtime at the barracks, Battista applied for positions at companies in the Tuscany area, and received three prestigious offers. He chose Unoaerre, the largest jewellery manufacturer in the world at that time – 1983 – in part because it was headquartered in his native Arezzo, but also because he was intrigued by the detailed work and precision of manufacturing gold. As Head of its Technical Office, he was responsible for rebuilding the complex machinery that produced gold chains, and then successfully designing and developing new motorised technology with the goal of fully automating this intricate work. He enjoyed the job, and the clean, orderly conditions of the factory. Security had to be kept tight because of the value of the raw materials, and no one could stay in the factory late, because it had to be locked up during off hours, enabling the newly married Battista to rush home to his bride. He would have happily stayed at Unoaerre. But in 1987 Pirelli’s Steel Cord division, which produced the steel cable reels for premium tyre reinforcement, made him an intriguing offer: to join the Operations Department on the understanding that, if he could improve productivity he would be running the factory, including maintenance, production and the rest of operations by the end of the year.

## From gold strands to steel cords.

**A**t first glance, Battista was repelled by the dirty, noisy and stuffy conditions of the plant. The heavy industry was in stark contrast from the pristine, air-conditioned environment of the gold factory. The hours were more punishing too, with the factory open night and day – he didn’t relish the prospect of a 50 kilometre commute to Figline Valdarno from his home. But Battista could never resist a challenge. He was also concerned about the future of Unoaerre. So, he took the role and when the jeweller tried to lure him back after a few months, Battista decided to stay with Steel Cord. He was determined to complete the job he had started, and the future of Pirelli looked pretty good.

In December 1987, after successfully increasing productivity and volumes, he became responsible for operations. Now he had a mandate, so he continued to make aggressive changes to the plant, including a new shift system and, later, an emphasis on quality control and customer service. By applying pragmatism to adapt and adjust to the realities on the ground, including a slump in the tyre market in 1989, he drastically improved the brand perception of the company, and by inviting customers into the plants, helped increase profit margins.

“At the beginning I was fighting with sales managers. Later, I tried to help them, listening and trying to satisfy customers instead of focusing just on volume. And it was a bit like trying to sell the billiards tables.

“If you are responsible - you have to go in first. You can't send the others. I was scared, but if you are the number one of the team, you have to be the example. If you ask people to make a sacrifice, you too have to put your hand up for it.”

Because you have to understand what the customer wants from you and drive the organisation in order to make them happy, but at the same time make them rewarding the company for what it does,” Battista explains.

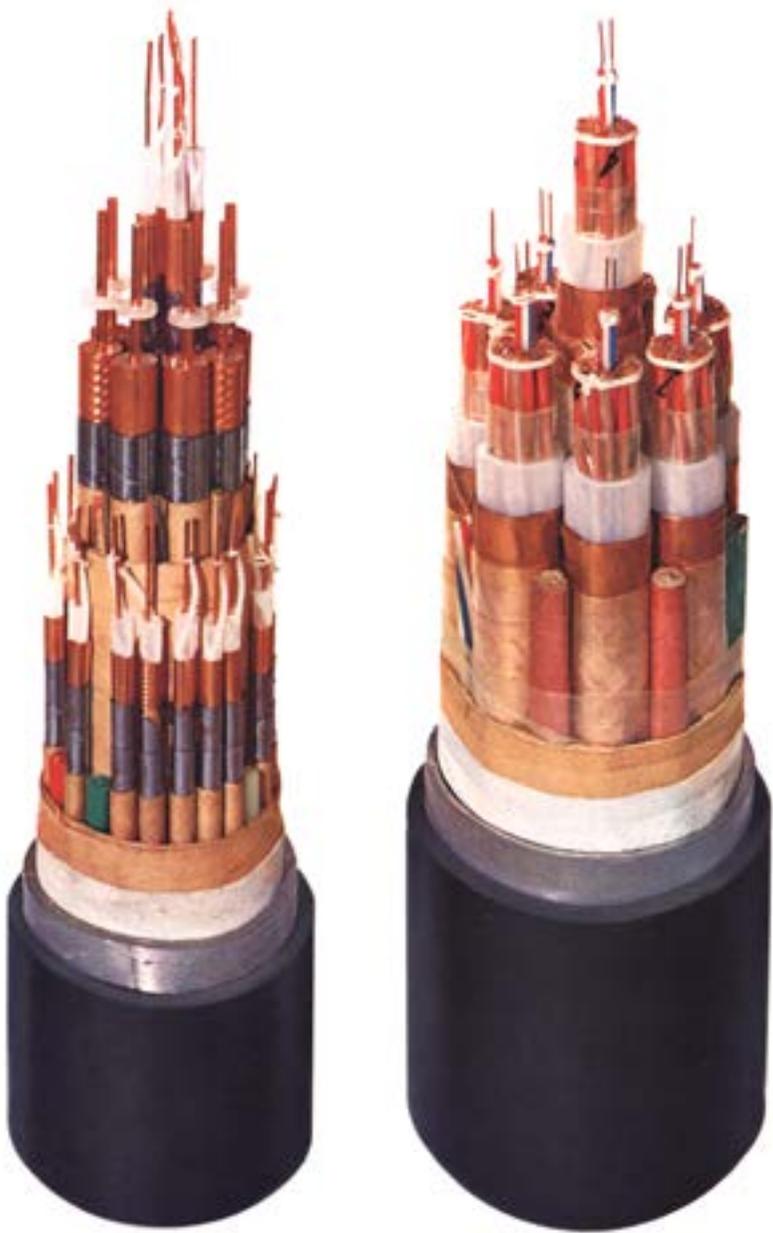
## The rising star.

**T**hus began a steady upward trajectory through various divisions of Pirelli Group. In 1993 he was put in charge of two additional bases of operations – one in Turkey and one in Germany – shepherding the business through various crises, including the complete destruction of a factory by fire, and the fact that Germany’s operations were bleeding cash. In February 1993 he warned his boss, “we are going to lose a lot of money in Germany this month. There are a lot of people, a lot of costs and no output.” The business lost two million Deutsche Marks, or a little over one million Euros, prompting the head of tyres in Milan to say, “either you restructure the German factory, or I’ll find someone who will.” It was a command Battista has since used to sharpen the focus of his own team.

This was another formative experience for Battista who, along with his boss at the time, spent an exhaustive three days restructuring German operations, redesigning the company from scratch. He reduced the number of employees from 960 to 260 in two years while maintaining productivity and efficiency, enabling the German operation to thrive for the next two decades, until the economics of doing business in Germany forced the plant to close.



Submarine cable pulling and termination to an offshore platform.



Coaxial and twisted pair communication cables, '80s, Pirelli.



HV underground cable, 400 kV, Prysmian.

In 1997, when his superior was moved to Turkey, Battista was made director of the entire Steel Cord Group, which became one of the most successful business units of the tyre division, with 220 million euros in revenues, and a 15 percent gross return on sales. By now, the rising star's reputation was firmly established within the whole Pirelli organisation, and he became head of purchasing for the tyre division in 2001 in Milan. In January 2002, he was called to work as General Manager of the Energy Cable Division (he would add management of the telecoms division to his duties two years later).

It was already well understood that if anyone could turnaround this business unit, it was Battista.

## On the precipice.

As a result of multiple missteps and bad timing, the cable division was almost bankrupt. Under the cable division, CEO Giuseppe Morchio had made those huge acquisitions mentioned earlier, including the UK's BICC and the Siemens and Nokia cable divisions, which almost tripled its size right before the downturn. The leadership also made some important strategic decisions to divest.

In 2000, the company sold its core fibre-optic systems business to Cisco Systems for a sum of approximately \$2.2 billion, and then divested its optical amplifier components division to Corning for \$3.6 billion.

Morchio had been a strong leader with a magnetic presence, and his bold moves had made the cable unit a global leader in its industry. But the Pirelli Group had other plans for the cable division, taking its five billion euro cash surplus to acquire Telecom Italia. Overnight, the Group went to three billion in debt - an eight billion swing. It could no longer afford to carry businesses that weren't at least breaking even. The tyre division was doing relatively well compared with the cable unit, which, after all the acquisitions, was



FOS – Optical fibre plant in Southern Italy.

burning cash. The business had to be right-sized at a far faster pace that most businesses can manage following multiple acquisitions.

The entire cable business was about to fall off a cliff.

As Battista became Head of the Energy Cable division, he discovered the consequences of the aggressive acquisition wave: 40 million euros EBITDA and 600 million in debt. Although the acquisitions contributed to a quantum leap for the cable division, the accounts were out of control. “There is too much of everything,” he told Tronchetti Provera once he had assessed the situation. It was time to take action.



Construction of Electrical screen of a medium voltage cable.

## Total transparency.

Every scrap of wisdom and experience Battista gained during the course of his career prepared him for this moment. He was the man uniquely qualified to pull the cable division off the precipice. He'd done his time on the factory floor, working closely with blue-collar employees to improve conditions and efficiency. He understood the fine balance between productivity and profit margins.

He knew operations inside and out, understanding where the leaks were and cutting waste with the precision of a surgeon with a scalpel.

Moreover, he led by example. Just like the young sub-lieutenant who led his men into the woods outside his encampment, it was Battista who went into the factories to announce the painful but necessary cuts. He didn't hide behind his desk and expect others to do it for him. This gained him the respect and loyalty of the organisation from the top down during the most painful period in the company's history.

“Since the beginning Battista was very honest,” recalls Rutschmann, “He was tough in saying what was wrong and what lay in front of us, yet totally transparent and direct with everyone - this is the problem and this is how we are going to solve it. There was zero politics.”

Within a year and a half, the company saw the closure of the least profitable plants (from 63 to 52), a drastic downsizing of executives, from 240 to 122, an overall reduction of staff from 4,050 to 2,800, and the laying off of blue-collar workers from 10,500 to 6,500 - for a total 25 percent reduction of the entire cable unit population.

Each day, several executives and managers would troop through the top leadership's offices for that painful conversation. There were tears and, occasionally, outbursts of anger. These were not just close colleagues, but friends who had grown up together in the company. Instead of dragging out this phase and prolonging the uncertainty, Battista chose to move swiftly and aggressively.

“If I must lose a limb, it is better that I cut it off quickly, so that the healing process can begin,” he told his fellow officers.

This period was devastating to the morale of those who remained in the company. But because the leadership was consistent and persistent about communicating the situation's level of urgency, disclosing the economics of the company, and the target that was being set, their actions were accepted as necessary by everyone in the organisation from the top, down.

It also helped that the executive team led by example. Battista chopped their expenses down to the bone. No more perks for anyone, himself included. On business trips they flew economy class. Battista gave up his driver, events such as business lunches and dinners were scrutinized for unnecessary costs.

Above all, Battista stayed on message, staying consistent in both his actions and his words.

“He likes to say he is very tough,” says Rutschmann. “I don’t think he is so tough. He is clear and consistent. He doesn’t change, as it sometimes happens with leaders, where on Monday they think one thing and on Tuesday they think something else.”

He has his eye on the goal, remaining disciplined and focused despite the external pressures that are inevitable during a period of drastic downsizing.

“You can imagine when you do such a turnaround, you have thousands of claims, explains Rutschmann. “If you cut this, I will not deliver; if you cut this person, I cannot support you anymore.” But if you want to get it done you have to stick to the path and give a clear vision in terms of how the turnaround is going to be achieved, why we are doing it and where we want to go. This was the daily challenge.”

## The healing begins.

The lessons were never forgotten. On a lesser scale, this process of efficiency and consolidation has been continuous ever since.

In fact, more restructuring followed. Between 2003 and 2005, the cable division of Pirelli dismissed the non-strategic businesses of enamelled cables and transposed wires. Overall, the ongoing restructuring, including the downsizing of plants from 63 to 52, resulted in a significant enhancement in manufacturing efficiency and a reduction in fixed costs.

By now, the cables had become profitable again. But suffering huge losses from the burst of the telecoms bubble, and seeing the boom of the construction market, Pirelli had a difficult choice to make. Various strategic factors prompted the Group to invest resources in its fast-growing, high-margin real estate business – and sought a buyer to take over all divisions of energy and telecom cables.

Right page: Prysmian ladies at the Arco Felice factory.



ATTENZIONE  
AI CARICHI  
PESANTI

# The birth of Prysmian.

CHAPTER FOUR





**PRYSMIAN**

**A**t the end of August, 2004, Battista got the call from Claudio De Conto, then the CFO of Pirelli:

“Valerio, the board has decided that the cable business is ready to be sold,” De Conto told him. Battista was relieved and said, simply, “thank you.”

Almost immediately, a vendor due diligence began. By October, three people were selected to be in charge of the selling: Luciano Gobbi, head of Finance at Pirelli, joined Claudio De Conto and Valerio Battista, as the Chief of the cable division, and together they decided which banks would be most reliable in the process and sift through the 28 investment funds that would be participating in the auction.

It was the golden age of private equity investment and leveraged buyouts. An industrial acquirer was not even entertained. Finding the right financial institution was the goal, because they had more to spend – debt at that time was almost free – and a move towards a competitor would not have been received well by management.

“Competitors who had the opportunity to buy us were substantially out of the game,” recalls Battista.

After a flurry of interest, six non-binding offers were made, three extremely proactive, and Battista and his team spent long hours in the due diligence process before the Goldman Sachs offer was selected.

The timing could not have been better. The second half of 2004 was characterised by the first signs of economic recovery. The reorganised cable divisions had been primed to feel the full benefit of the upturn, which made it increasingly attractive to Goldman Sachs private equity, paving the way for independence from Pirelli through a leveraged buyout the following year, when Goldman signed the acquisition contract, and Prysmian was born.

Of course, at that time, Prysmian still did not have its name. The company that was used as the vehicle for its sale to Goldman Sachs was called, appropriately enough, Athena, after that shrewd Greek goddess of wisdom, inspiration and courage.

Getting the deal finalised required all of these qualities, and nerves of steel. There were some tough and tense negotiations up until that point. Goldman Sachs and another equity partner were sparring hard for this prize. Goldman Sachs was preferred, but the management team shrewdly kept the competing offer alive to raise Goldman's offer.

In April, in the final run up to the agreement, and to keep the game going, Battista met with Goldman's rival, despite concerns that a competitor may have been behind their offer.

“Of course, I didn't show myself being sceptical,” he recalls. “I was there to sell.”

The management team won that round of the negotiation game. A contract with Goldman Sachs was signed in May. But the real moment of sale was the 28th of July 2005 – in London, where Battista used his leverage still further. As an executive of Pirelli at that time, he was not a part of the spin-off. It was up to him to decide if he wanted to join the new company. Goldman Sachs (in particular Hugues Lepic and Stefan Goetz, who had a key role during the spinoff and the following listing of the company) was happy with a debt leveraged at seven times EBITDA. Battista was not.

**“I needed to decide whether I wanted to go. I told Goldman ‘Over 5x the leverage... I will not join the NewCo’ – and they agreed.”**

# The debt headache

Of course, Battista hated carrying this huge debt burden, which went against every principle of fiscal prudence he held dear.

“That day in July, with a certain dose of unconsciousness, I found myself in front of three tables covered with documents to sign in order to unlock the loan,” Battista recalls. “The day after, I had a huge headache.”

It took him 12 hours to sign all of those pages, but the worse part of cementing the deal was the thought of Goldman Sachs breathing down his neck to recoup all that debt.

“So the goal was just cash, cash, cash... nothing else. People could have sold even their mother... everything that mattered was bringing home the money. Fortunately, the business was accelerating thanks to the booming construction industry. So, we didn’t need to sell anything. We generated cash, results. We were lucky. Why? While we were busy with all the transaction activities (the company name, the customers, everything), the business went on alone.”

Battista mobilised to repay this debt in record time. By obsessively controlling processes and costs, and putting all expenses under a microscope, he did what he is best known for: driving profit through ruthless efficiency. The consummate pragmatist reminded his core team: “a company needs to be run as a shop – each evening you should open the cash register and find some money there.”

That sense of ownership had deep roots. In June 2006, almost a year after the deal was closed, Prysmian’s top management was invited to buy 7.5 percent of equity in the controlling company of Prysmian. Battista spent the better part of the year negotiating these terms, dedicating his evenings to studying each point of the contract. Battista, along with 17 other managers and board members, bought stock in the controlling company and, for many, the bulk of their income – dividends – is predicated on the success of the company. Battista himself invested all his money, “everything but my house in Arezzo.”

Why? “Because it is better to invest in what you are managing that in something you don’t know,” he says.

To this day, he walks his talk, keeping his own expenses to a minimum – a fiscally responsible style that the rest of the management team follows.

This combination of an engineer’s precision and discipline with Goldman Sachs’ financial sophistication enabled Goldman to recover its investment with dividends by the end of the first year. This signature strategy set up Prysmian for the next big wave of success and winning the fight or its long-term future.

## A new order

Of course, the real work was just beginning. As a spinoff, it was no longer enough for a group of engineers to focus solely on projects and products. The new leadership needed to build major corporate functions from scratch, integrating staff functions into the following areas: Personnel & Organisation, directed by Gianmario Ubbiali; General and Legal Affairs, led by Ennio Bernasconi; Internal Audit, overseen by Tim Leather; Industrial Property, managed by Mario Tedeschi; External Relations, run by Lorenzo Caruso; Administration, Finance and Control, and IT, headed by Carlo Cammarata; Purchasing, led by Tayfun Anik; Operations, run by Stefano Bulletti and Logistics, directed by Javier Arata. While the Energy Business was entitled to Fabio Romeo, and the Telecom Business to Giovanni Battista Scotti, the Research and Development department was split into two new functions: Research & Innovation, dedicated to scientific research on specific and highly innovative projects, directed by Sergio Belli; and Product Development and Quality, focused on materials and process development, as well as the coordination of development activities in all countries, led by Agustí Valls Prats.

The Group also deployed a new worldwide organization with very experienced managers leading countries, like Armando Comparato Jr in Brasil, Francesc Acin Jover in Spain and Italo Mazza in the Danubian area.

## What's in a name?

As the newly born entity was busy building its corporate infrastructure, it also needed an identity – a name that would suggest something about the company's DNA and faintly echo its storied past, while showing its new face to the world. First, the new leadership took it to the rest of the employees, asking for suggestions, but the ideas weren't exciting. That kind of creative messaging was brand new territory in a company made up of engineers and technicians.

"From hundreds of names we had the problem that there was not one that was available for us to use all over the world – or wasn't a swear word in one language or another," recalls Battista. "There were over 100 names selected by management, and we couldn't use any of them."

The consensus was a need to convey that the company had "the same knowledge, different name," recalls Fabio Romeo, Chief Strategy Officer, who was head of the energy division at the time.

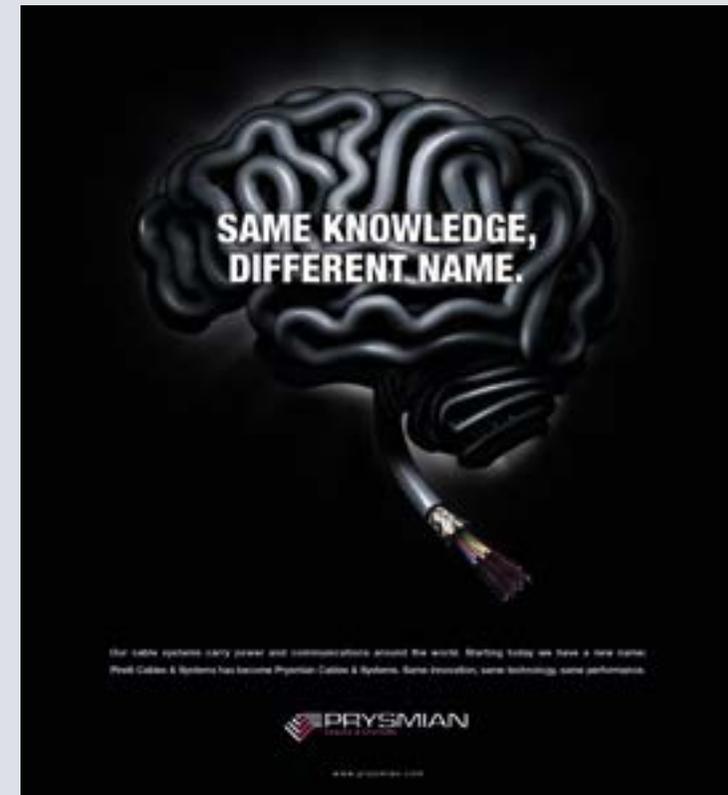
"We wanted this message to combine the fact that we are looking forward, but also the fact that we are embedded in history."

The difficulty was finding the perfect name that didn't have any trademark issues.

After much research and rumination over the dozens of iterations offered by an outside branding firm, Interbrand, the leadership came up with a final shortlist. Finally, they chose "Prysmian." It comes from the idea of "Prysm" referring to prism – a beautiful

geometric shape that splits and refracts light, evoking the technology of the company's optical fibre cables, and power grids that light the world. More abstractly, light refers to the company's knowledge and expertise as innovators on the leading edge of its industry. The rest of the word, "ian," suggests something that is in motion. So Prysmian it was. Prysmian was the company with an exalted past whose experience, knowledge and innovation would carry it forward into the future.

After going through the necessary trademark checks, and making sure that there were no negative or unintended connotations in the 50 or so languages spoken by the company's global employees, it was finally settled. A logo was designed, in the abstract shape of a prism, with lines emanating from one side like a network of cables connecting the shape to the "P". With a new name and visual identity approved, the company was ready to be reborn.



“Prysm” referring to prism – a beautiful geometric shape that splits and refracts light, evoking the technology of the company’s optical fibre cables, and power grids that light the world. More abstractly, light refers to the company’s knowledge and expertise as innovators on the leading edge of its industry.

# Pulling together

But it's one thing to create an identity for the world to see, and quite another to embrace and internalise it as your own. At best, the branding effort was met with benign indifference. At worst, in the case of Brazil, "it was a nightmare," recalls Romeo. Pirelli's reputation was so strong in that region that their company badge could be used as a credit card in supermarkets – a major advantage at time when Brazil's economy was undergoing rampant inflation. Coupled with their deep attachment to the Pirelli name was the profound shock and uncertainty of having left the mother ship after more than a century of history together.

"We were leaving the safe harbour and starting to enter uncharted waters," Romeo explains.

The solution was to be direct and transparent, and, to set a common goal that everyone could rally behind.

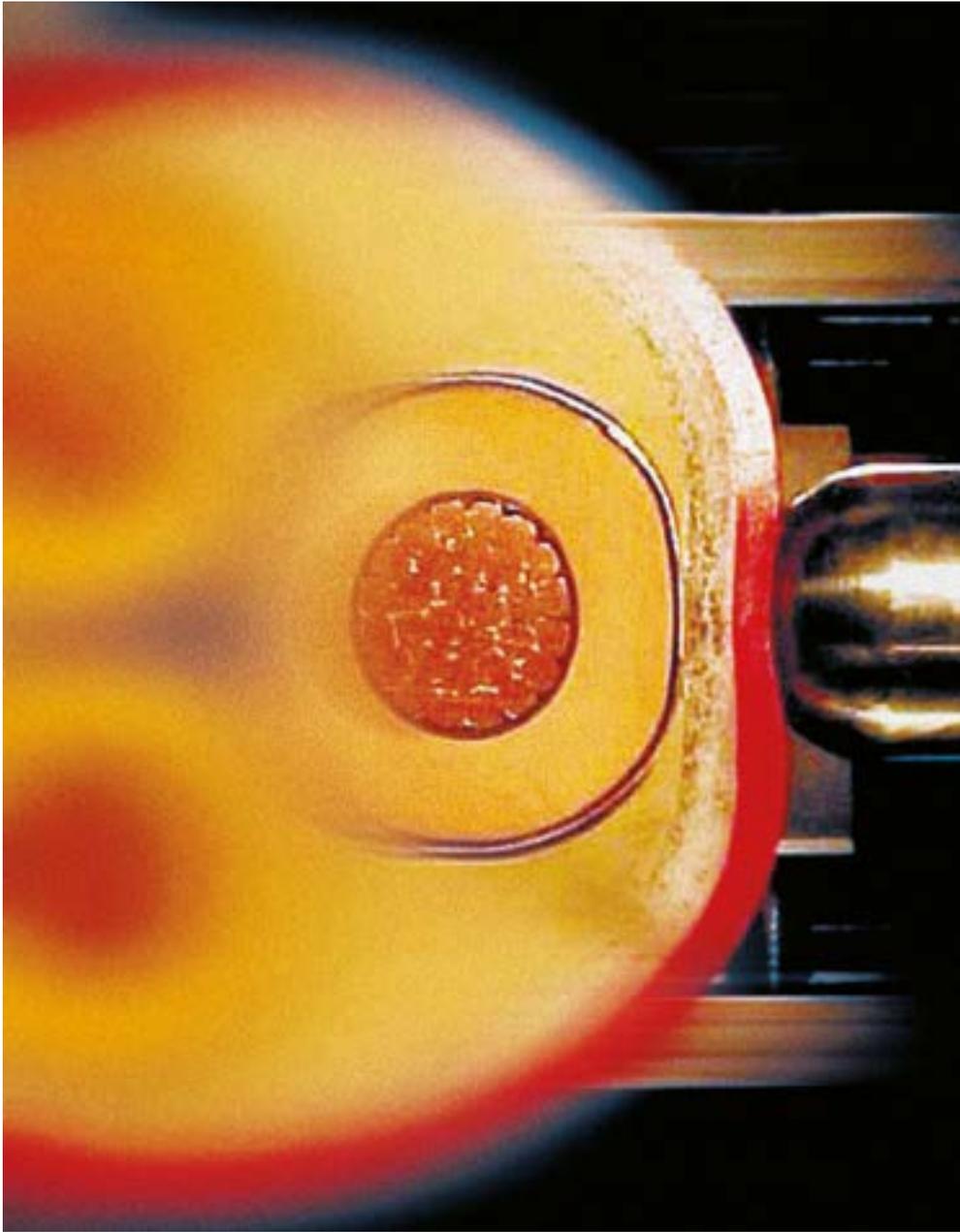
Attempting to persuade Prysmian's employees that this was a positive change, he asked them, "Do you want to stay with a company that simply doesn't want to sell, or go to somebody who wants to buy us?" His point was that, by agreeing to a leveraged buy-out, Goldman was demonstrating that it truly believed in Prysmian's future. The more he repeated this question, the more he noticed people were coming on board. He then reminded them that the future success of the new spun off company was in their hands.

"Listen guys," he told them. "We are on our own and we have these new shareholders. We have a lot of debt, and we need to make a lot of money to repay them."

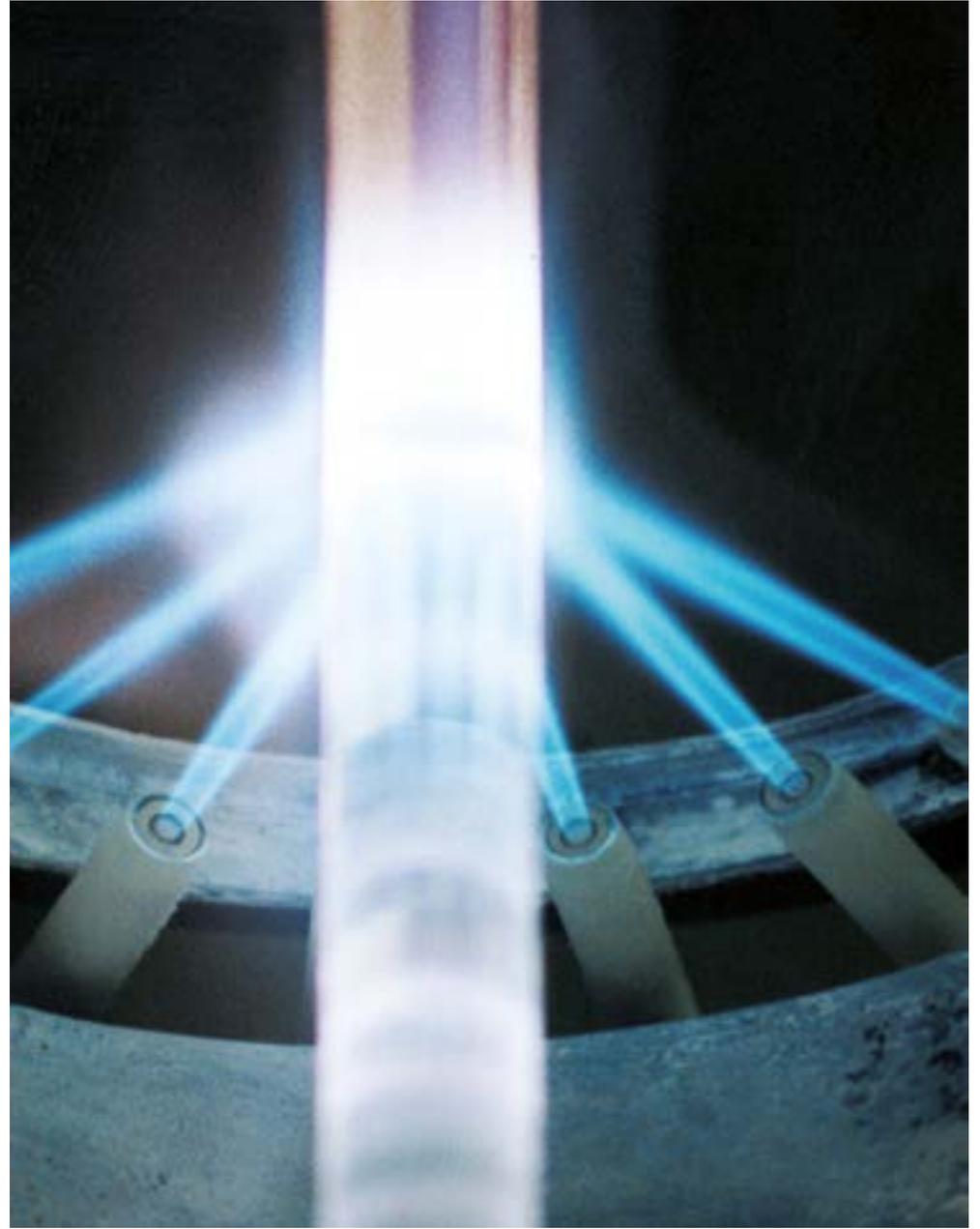
This was a turning point. Once again, Prysmian's leadership, management and employees sprang into action.



Armouring machine for submarine cables.



70 joule impact test on Air-bag® cable system.



Traditional optical fibre manufacturing process.

## Holding their own

The turnaround had begun well. In Prysmian's first year of existence, there was a 10 percent increase in sales. The pillars of growth were simple, consistent and effective: create an attractive business mix, strengthening high value-added business such as submarine and underground High Voltage; increase operational efficiency; and, continue to look for strategic acquisitions.

"The company and its employees have seized the significant opportunities to strengthen the company's position in the market," wrote Battista in his first shareholder's letter since the spinoff, in 2005.

The strategic decision to focus investments on higher value-added business in particular was already paying off. Within a few short months, Prysmian showed its leadership and competitive capacity through the acquisition of important global contracts, particularly in infrastructure, including land and underwater electrical power systems in the U.S., the Middle East and Singapore. These projects were worth between USD 170 million and USD 190 million each (more on these later).

The Energy business also fueled the company's early growth as an independent entity, with key projects involving the creation of High and Extra High Voltage links worldwide. Even the Telecom cable business showed signs of recovery, particularly in the optical fibre sector. Telecoms sales rose 5 percent in 2005 compared with 2004.



Cables ship Giulio Verne crossing Italden Fjord, Norway.

## Growth momentum

This trend continued in 2006, when the company grew earnings and cash flow, doubling Return on Capital Employed from 13.9 percent to 28 percent. The company was able to take advantage of the opportunities offered by buoyant market conditions, including substantial increases in demand as various utility companies began to expand and upgrade their transmission and distribution networks. Sales grew 28.5 percent in this market segment, while Prysmian saw an increase in the trade & installer market segment of 38.6 percent, due mainly to the growth in the construction industry and stricter building safety regulations. In telecoms, Prysmian posted an increase of 18.7 percent in sales volume for fibre optic cables, chiefly in the U.S. and Asia Pacific. The result was EBITDA reaching 407 million euros, up from 265 million in 2005 – some of the best performance figures in the sector. By 2007, EBITDA increased by 30 percent to 529 million euros.

Prysmian's commitment to growth during this 2005-2007 period also led to the purchase of the Tianjin Angel Group, a leading special cables manufacturer in China, and the acquisition of International Wire & Cable (IWC), a New Zealand company specialising in the manufacture of aluminium/neutral screened cables. Prysmian also signed an agreement with Nicco Corporation to set up a joint venture that would have gained Prysmian a foothold in the Indian market. In terms of organic growth, Prysmian also saw the full launch of a plant for the production of umbilicals in Brazil in 2007, as well as the construction of a High Voltage cable facility in the U.S.

In addition to improved sales on all fronts, the company moved swiftly to contain the rising costs of raw materials, keeping costs under control and prudently managing its working capital, significantly reducing its relative indebtedness from the ownership transfer.

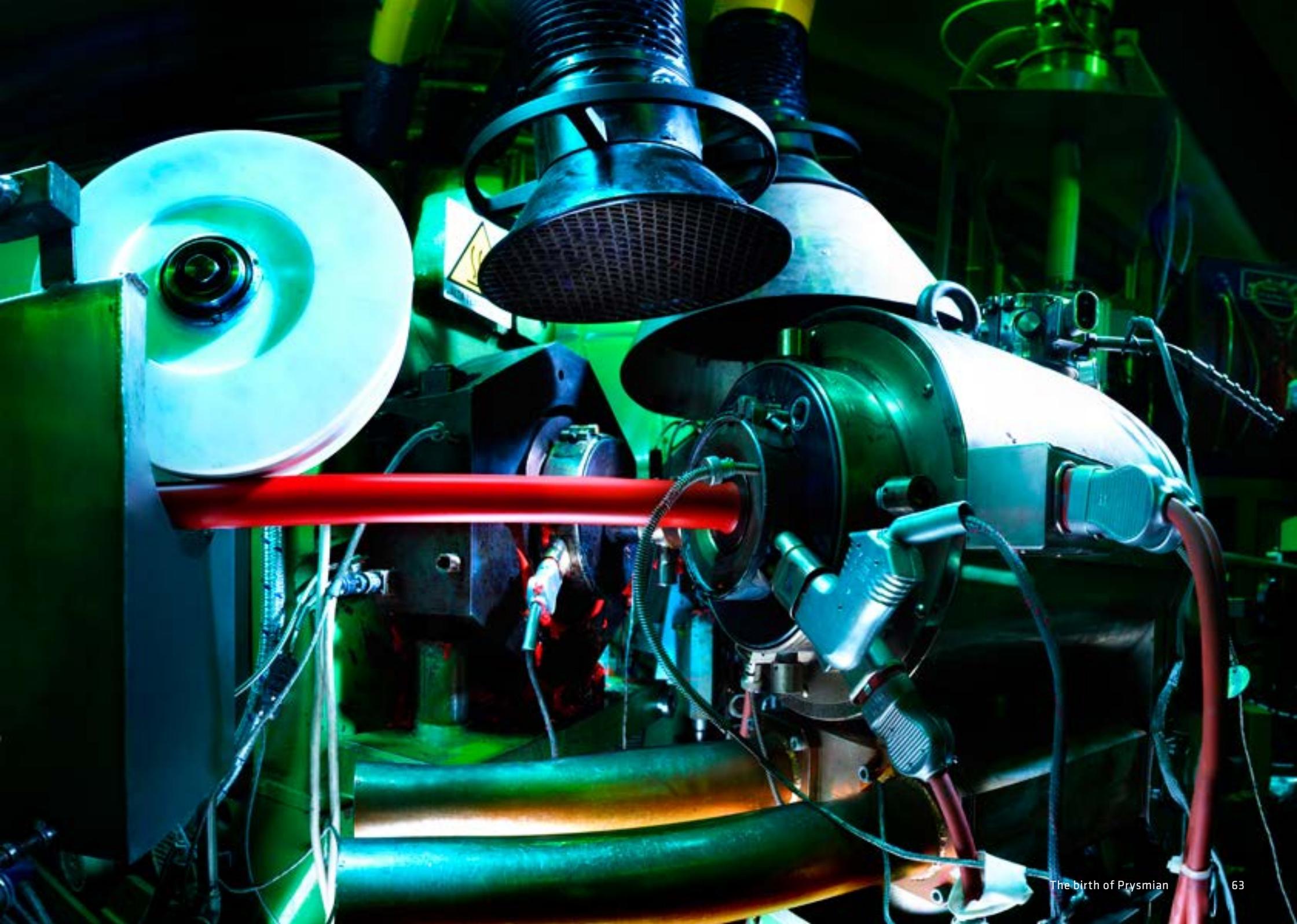
It also increased momentum in R&D, particularly in the energy business, with more than 340 employees working on projects

such as pilot production for the P-Laser® cable – a patented eco-friendly cable manufactured with thermoplastics, which has improved performance and substantially lowers manufacturing costs. It continued the development of Air-Bag® technology – a patented mechanical protection system for cables, and the Distributed Thermal Sensor (DTS), which is used for temperature monitoring from fibre optical sensors embedded to medium and high voltage cable systems – to name a few (more on these later). In Telecoms, the newly formed company also developed new high fibre count “micromodule” cables intended for use in major metropolitan networks, as well as a 24-fibre “fire resistant” cable for the German and Austrian markets.

In effect, the first years as an independent entity saw increasing expansion in the Prysmian product range. The success story was already unfolding. As Battista declared in this first letter to shareholders as CEO of Prysmian: “2005 was not only the year which led to the creation of Prysmian. The wisdom of organisational decisions taken and the new development strategies set in motion has already been illustrated. The capacity and vocation for growth are, therefore, borne out by the facts.”



The Vila Velha plant for the production of umbilicals and flexible pipes. Right page: sheathing of the P-Laser® Medium Voltage cable.



# Goodbye, Goldman!

CHAPTER FIVE





It was March 1 2007, at the analyst's presentation ahead of Prysman's initial public offering, when one of the company's most recent hires, CFO Pier Francesco Facchini, first knew the listing was going to make history. That atmosphere in that conference room at the Four Season's hotel in Milan was electric with excitement. It was all happening so fast. Battista, along with his partners at Goldman Sachs, had a habit of setting a goal and achieving it at a rapid speed. With little to no experience in the financial markets, Prysman was taking itself public the following month and less than five months after hiring Facchini, its first financial officer. Everyone was playing catch up. This crucial meeting – presenting the Prysman story to the market – was even the first day on the job for Investor Relations Officer, Luca Caserta, who sat in the front row with analysts, watching the management's presentation and taking it all in.

“Can you imagine the investor relations guy joining the very day of the analyst's presentation? This was fantastic!” recalls Facchini, with a chuckle.

But it was a career highlight for this seasoned executive who, after working in top management at giants like Fiat and Benetton, where he was CFO, had always wanted to shepherd a private company into a listed corporation. After three months of late night working with his colleagues, staying weekends and ordering pizza to be delivered to the boardroom as they prepared the prospectus, he'd grown close to the other members of this core team, and just as passionate about their shared vision for Prysman's future.

“Clearly a small team of people working around something they truly believed in with a very clear target and catalyst for success was inspiring,” says Facchini. “This is exactly the path I was looking for.”

This path was a continuation of Prysman's determined journey towards total independence.

## Perfect timing.

Of course the timing could not have been better. The economic upturn that had begun by the middle of 2004 helped fuel the steady profit growth. This was enhanced by the fact that Prysman was now a significantly restructured company with a much lower breakeven point, putting it in a perfect position to benefit from the economic upturn. The fact that Goldman Sachs had come on board 12 months after the beginning of this economic recovery showed what astute investors they were being. “They were likely smelling the upturn,” recalls Facchini.

These positive results happened so quickly that, as early as September 2006, the company's leadership first floated the idea for the IPO, putting together its top team, including Facchini, in January 2007 – wasting no time as it got up to speed on matters of corporate governance. It helped that it had a positive and supportive relationship with its main shareholder, Goldman, which gave Prysman plenty of much-needed guidance, including a crash course in the financial markets.

Their speed of execution was key.

“The rapid pace of these activities and what we have done at Prysman is something that is really unbelievable,” remarks Ennio Bernasconi, the Group's General Counsel who first joined Pirelli in 1990. “Our preparation for the IPO is one of many examples of our efficiency and focus on a goal.”

One of the challenges was the presentation. Prysman was populated by engineers who were more used to taking pragmatic action than articulating their achievements and goals. It was up to Facchini to pull together information to build the equity story in a simple and effective way.

“The challenge was to take the full complexity of a large industrial multinational company and to make it understandable and appealing to the financial investors, without diluting its engineering

DNA which clearly was a point of attraction for the financial market” Facchini recalls, referring to Prysmian’s veteran executives.

But they were adapting fast, eager to learn this new game and present their story to the global market. So eager and focused, in fact, that the top management was spending about 80% of its time in preparation for the listing. Again, timing favoured Prysmian, because an underperforming business in a struggling economy could not have afforded its leadership to be less focused on day-to-day operations. Any other year, diverting management’s time and attention would have resulted in a clear trade-off.

“But it was funny, because the less we looked after the business, the better it performed,” Facchini jokes.



One of Prysmian’s R&D – Electrical Testing laboratories.

## On the road.

All that preparation culminated in a two-week road show at the end of April in France, Germany, and the U.S. – Boston and New York. After the Prysmian team returned from the U.S. they took showers at the airport before heading straight to their next meeting in London. The questions from analysts became repetitive and predictable to the point where the team knew exactly when it was their cue to speak.

“Valerio Battista’s was about the management of the corporate team, my question was always about non-recurring items, Fabio Romeo’s was about the future outlook of the energy business,” recalls Facchini.

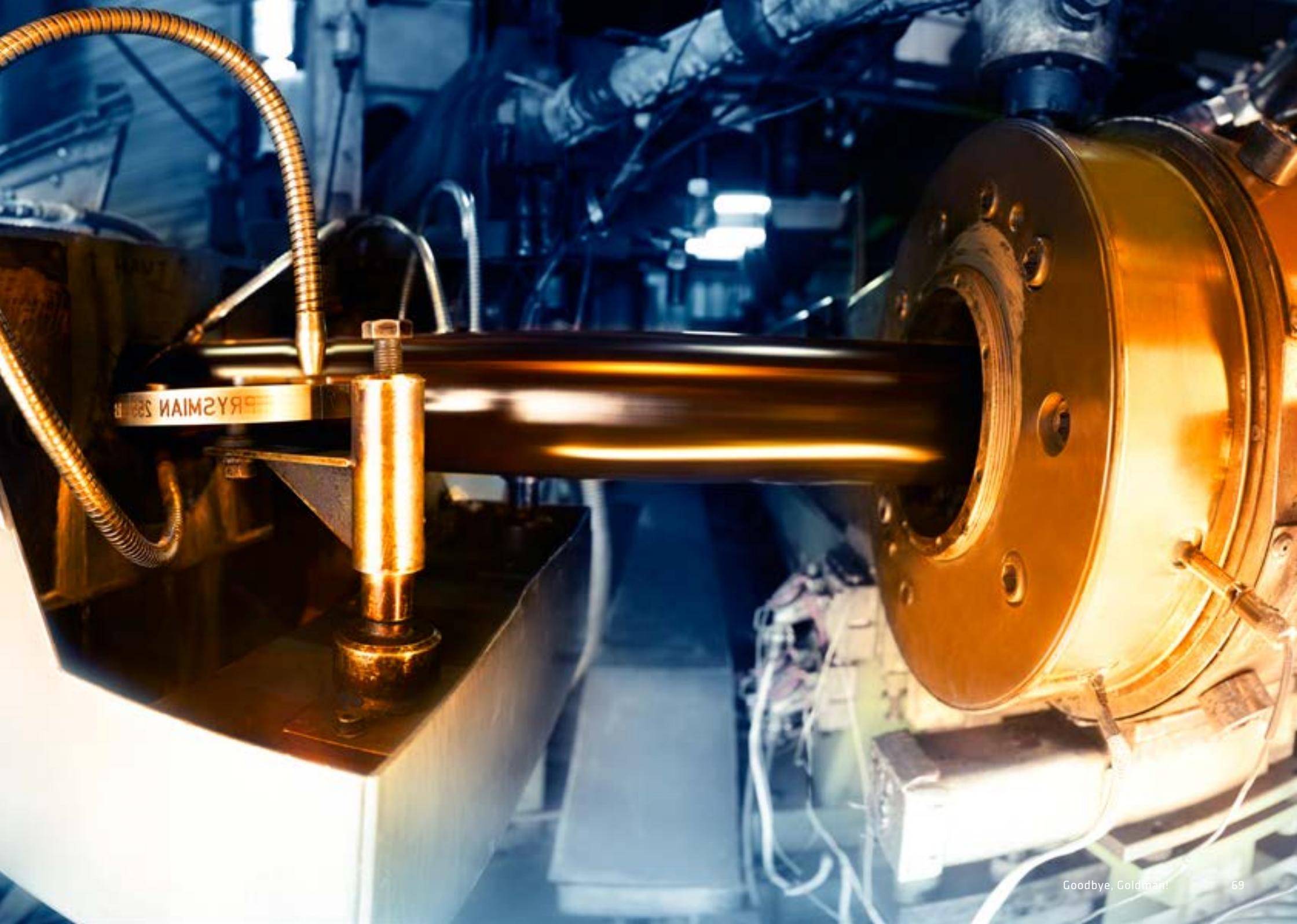
Giovanni Battista Scotti, at that time Head of the Telecom Business, even created a humorously captioned pamphlet with photos of the executives desperately trying to catch some sleep in flight – now a cherished memento of this whirlwind trip.

“Here is the CFO with his usual poker face,” said one caption, of Facchini; “the strength of 90% of Prysmian’s business, energy,” said another of Fabio Romeo, who held that role at the time. “The agility and speed of fibre optics,” Scotti wrote below his own photo. Of course, the joke was that all of these executives were either captured in a state of exhaustion or deep slumber.

At the end of the trip, the team met at the Goldman Sachs offices in central Milan to decide the price of the IPO. The executives expected to have a long discussion to determine a share price within the range of 13.5 and 16.5 euros.

“We went expecting a lot of haggling with the private equity team,” recalls Facchini, “but despite the very crowded room, the discussion was quite short and simple, with a senior Goldman invest-

Right page: manufacturing of Extra High Voltage cables in Gron, France



ment banker clearly explaining that a deal above 15 euro was a bet, as many big investors had indicated this price as their upper limit to buy. Most of our Goldman private equity colleagues swallowed this a bit bitterly, as they had clearly hoped for a deal at the top of the range, but in the end we were all very happy.”

The price was just right. Prysmian’s listing became a huge success – shares offered to institutional investors were four times oversubscribed. The listing resulted in an equivalent market capitalisation of 2.7 billion euros. Of course, at the time of the IPO it still had about 1 billion euros of debt on its books, so the enterprise value was closer to 3.7 billion, or at least triple the price Goldman paid in the leveraged buyout in less than two years. (As of March 2015, the market capitalisation was about 4.11 billion euros.)

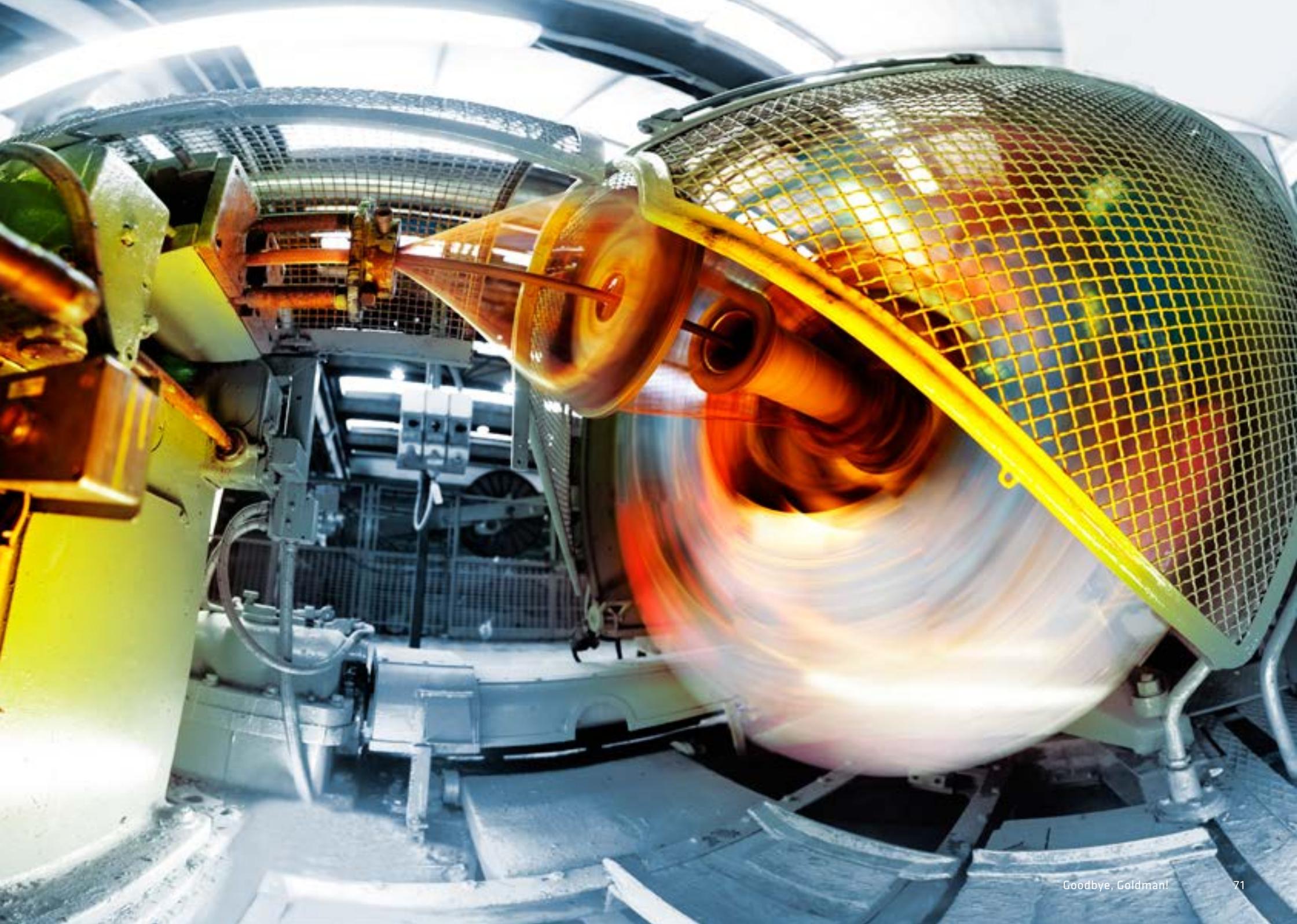
Considering that it was unusual for funds managed by Goldman Sachs to make direct 100% purchases of businesses, it was something to celebrate. “Usually their business model was to work alongside their clients as advisors and contribute with a minority stake in these investments”, explains Bernasconi. So this IPO was not only a win for Goldman Sachs, it launched their growth as an investment and sealed their global reputation.

Goldman sold 46% of its shares and remained the majority shareholder, but with the understanding that they would continue to decrease their holdings, which they did gradually through a series of well-timed and strategic placements – but more on that later. Meanwhile, favourable market conditions continued for much of the following year. Not only was Prysmian recognised by financial institutions, it benefited immensely from improved access to capital markets, with enhanced growth prospects. Prysmian became the holding in charge of a Group that today forms the leading global cable company.

“Prysmian... is recognised as the primary IPO in Italy for the year and one of the most important in Europe,” a jubilant Battista told shareholders. “As the record shows, it has been a positive debut for Prysmian, and shares have quickly become part of the S&P/MIB index, exchanging at significant trading volumes.”



Stock exchange negotiations.  
Right page: conductor stranding machine.



## Sound strategy.

**P**rysmian's sustained positive performance opened the door to a new level of independence as the Group entered the rarefied world of blue chip stocks. Performance held steady, and the company filled its order book for underground High Voltage cables through until the end of 2008, and orders for submarine cables up until the end of 2009. They remained laser-focused on high value-added businesses – submarine, high voltage and some niche markets like oil & gas, as well as optical fibre and optical cables. This focus on value and growth potential, combined with continued cost cutting and efficiency, insulated Prysmian somewhat from the vicissitudes of one of the worst global recessions in living memory.

Prysmian managed to outpace its industry by applying a sound strategy it had set years earlier – investing heavily in the capacity of its submarine business, a long term driver that is less affected by the short-term economic cycle. To be sure, the recession hurt many of Prysmian's businesses, including power distribution and most industrial cable applications, but power transmission (submarine and terrestrial) as well as optical cables and some industrial cable niches suffered much less.

“Wise, long-term thinking, and a diverse business strategy, helped to mitigate the effect of the subprime crisis,” notes Facchini.

Prysmian even performed well in 2009 and 2010, as the global economic crisis was gaining momentum. The cable industry usually lags in terms of positive and negative impacts from the financial markets, but while many capital goods companies were posting huge losses in 2009, Prysmian proved resilient. It was also swift to take action on the costs and the industrial footprint of the business, restructuring and trimming overheads to stay ahead – exercising pragmatism by facing realities, adapting to the changing conditions, and anticipating what lay ahead. Prysmian was already starting to think of its next step in terms of changing its perimeters through acquisition.

“We realised the only way to survive in a sector which is so cyclical and where you have long periods of downturn and short periods of upturn is to consolidate the industry and to restructure,” explains Facchini.

The plan was to acquire a target, which was much less efficient than Prysmian, in order to expand market share, diversify into more high-margin, niche markets and, of course, restructure. This is consistent with Prysmian's history, and the history of this industry where the successful players tend to acquire, restructure and by doing so, constantly lower the break even. But now was the time for its boldest step towards this type of growth.

## Ultimate autonomy.

**M**eanwhile, Prysmian was working steadily towards its ultimate autonomy. In November 2007, Goldman Sachs put its first placements on the market – the beginning of its gradual exit as majority shareholder. At the same time, a South Korean conglomerate with a cable company, Taihan, which had already bought 10 percent of Prysmian's shares, made a backdoor play for a controlling stake in company via equity swaps. The chaebol – as Korean conglomerates are known - leveraged 20 percent of its capital to buy shares at a high price – about 15 euros – moments before the financial crisis hit. Their losses were so huge that a hostile takeover of Prysmian by Taihan was never a serious threat.

In March 2010, Goldman placed its residual shares on the market. At the time, Prysmian's leadership was having some intense discussions about the best way forward for the company. Goldman still had 12 percent, which it could have sold to a strategic buyer, potentially resulting in exchanging one majority shareholder for another. It was an option but, “as usual Goldman decided for us”, recalls Facchini, at least as far as financial issues were concerned. His and Battista's strong preference was to go public.

“Because I realised that being a public company was a unique concept in Italy,” he explains. “My view, knowing the shareholders and financial market pretty well, was that this would have been hugely appreciated in an environment like Italy.”

And so it was. Normally, on the last day of a placement, when the majority shareholder is selling, the share price goes down. But Prysmian's share price shot up by 10 percent. Institutional investors appreciated the conversion of Prysmian into a public company. For them it was a model for corporate governance and therefore deserved a premium – a valuation that has been maintained to this day. It would be the last time Prysmian would have its fate decided by an outside party. This was also the first and only example in the history of Italy's financial markets of a company becoming a pure public play, with no reference stakeholder.

From that point on, apart from Prysmian's biggest shareholder, which currently holds around 6 percent, all other holdings were less than 2.5 percent. So instead of large stakeholders calling the shots, the company answered to thousands of small shareholders, with no agenda other than the long-term profitability and growth of the company. This would bode well for the long term financial health, transparency and corporate governance of the company.

Becoming a pure public company was about so much more than the financial gains and ultimate independence from Goldman Sachs or any other majority shareholder. It was about reputation. Prysmian has consistently gone above and beyond in its efforts to create value for its shareholders, offer full disclosures and include them in all major decisions.

“Shareholders expect from us that we apply the best practice in terms of corporate governance,” says Facchini, who sees much of his role as “value manager.”



Coloured optical cable drums, Brasil.

## Answering to shareholders.

**M**ake no mistake, having distributed ownership does not mean more freedom for the leadership to do as it pleases.

“We are constantly under pressure from hundreds of shareholders who are influential,” explains Facchini. “They want us to be pragmatic, and they want us to manage according to margins, to return on capital and not according to market share volume.”

Prysmian's shareholder meetings have unusually high attendance rates of about 60 percent, and a recent meeting saw 1,200 shareholders, or funds represented by shareholders, from the full sweep of sectors and markets. These shareholders expect management's approach to be totally focused on creating value. And yet, considering the number of potential dissenting voices among this Group, the approval ratio for most decisions is about 97 percent or more of attendees, which is extraordinarily high for a publicly listed company with no majority shareholders.

Prysmian's corporate governance system, inspired by the rules laid down in the Stock Exchange Self-Discipline Code, as well as the efficiency and transparency standards of Prysmian itself, is based largely on the central role of the board of directors, which is the main body delegated to manage the company in the interests of the shareholders. This board, which expires every three years, is comprised of 11 members led by board chairman Massimo Tononi, a Bocconi University graduate, a former Goldman Sachs partner and current chairman of the Borsa Italiana Spa.

Since the beginning, relevant international personalities played their part on the board. The first board chairman was Paolo Zannoni, who was head of Goldman Sachs Italia during the IPO. Among the independent members were other well-respected individuals like former NATO head General Wesley Clark and Giulio Del Ninno, former CEO of Edison.

Today, in 2015, internal managers Valerio Battista, Pier Francesco Facchini, Fabio Romeo and Massimo Battaini sit on the board, along with the seven independent directors who make up the majority. These independent members, who have considerable direct and indirect experience of the industry, are Alberto Capponi, Chairman of the Board of Directors of Finaf S.p.A. (Holding Angelini Group), Claudio De Conto, a former top executive at Pirelli, Giovanni Tamburi, Founder and Chairman of Tamburi Investment Partners, S.p.A., and Massimo Tononi. In the board, women are also largely represented. After Maria Elena Cappello, who covered several key roles in Pirelli and Nokia Siemens Networks, Monica De Virgiliis, with long experience in ST Microelectronics and now T-Ericsson, recently joined, along with Maria Letizia Mariani, who spent several years at Hewlett-Packard and, now, Philips. Together, these prominent and experienced board members ensure consistency and transparency in operational decisions, effective internal controls, rigorous rules governing conflicts of interest and solid principles of conduct governing interactions with related parties.

Over the past decade, decisions in setting the strategic agenda of the company have been largely harmonious, despite the diversity of these independent directors.

“Because nobody just stands up in the morning and says, ‘Let's do this,’ explains Facchini. “Everything is well analysed, so that when anything is presented to the board it is something that absolutely makes sense.”



One of Prysmian shareholders' meetings.

## Walking the talk.

The one principle everyone agrees upon is integrity. A strict code of ethics is enforced throughout the organisation, particularly with regard to the accuracy and reliability of Prysmian's financial information, which influences the decisions of management and the Board of Directors, as well as the ways in which the outside world perceives and evaluates Prysmian. Ethical business conduct is critical to Prysmian's business and a shared responsibility of all members of the Prysmian Group. Each employee is responsible for protecting its most valuable asset: its reputation. This Code of Ethics applies to anyone conducting business on behalf of Prysmian S.p.A. or any of its subsidiaries, including all managers, officers, employees, agents, representatives, lobbyists, interns, contractors, suppliers and consultants, and seeks to guide the company's legal and ethical responsibilities, to deter wrongdoing. This code promotes compliance with applicable laws, rules and regulations, and honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

Full, fair, accurate, timely and understandable disclosure is paramount, whether in reports and documents that are submitted to government authorities or passed along through other public communications. In short, a key principle guiding Prysmian's corporate governance is total accountability – even when this transparency can negatively affect share price in the short term. Prysmian could not be more proud of its status as a pure public play, and the market has recognised and rewarded the fact that it “walks its talk” on sound disclosure principles with higher valuation than its industry peers, with a multiple three times higher than one of its major competitors. In fact, the company's multiples and valuation are comparable to some companies in capital goods industries, which tend to be much less cyclical and more attractive to investors.

“We believe Prysmian should be a core holding in European mid cap industrials,” an analyst wrote in a recent Barclays Equity Research report, which went on to praise the company for its stellar management, strong cash focus and exposure to high-margin businesses.

Put simply, integrity is paramount at Prysmian. It's a culture that says, “we do what we say and we own what we do.” This is the real meaning of being a public company.

“There is only one thing you cannot put at stake: the credibility of the management and of the company to the shareholder,” says Battista. “You can beat the expectations of the shareholders and you can disappoint – these things happen. But never risk the credibility of the company.”

While results are essential drivers of the business, Prysmian's management understands that this intangible quality of the disclosure, the transparency of corporate governance and responsiveness in giving good or bad news to the shareholder can have a substantial impact on the way a company is valued over the long term.

So Prysmian's successful IPO was just the beginning of a long journey to earn the trust of its customers and investors alike, as it meets the challenges and makes the hard choices for maintaining long-term sustainability and growth.

# The courtship of Draka.





By October 28, 2010, the financial news outlets had their lead story: “Nexans interested in all of Draka,” *Reuters* reported. “Nexans to Bid for Draka Holding,” *The Wall Street Journal* announced. The French cable giant, the biggest in the world and one of Prysmian’s most formidable competitors, had thrown its hat in the ring, and it was clear that the Dutch cable maker, which was bleeding cash, could use a new partner to help it consolidate its businesses. But make no mistake, this bid, however favourable in the minds of the family members who held the majority stake, would not be welcome by Draka’s management, who feared a total annexation. And Prysmian’s leadership knew it.

“When we heard the news, Valerio Battista and I looked into each other’s faces,” recalls Facchini. That’s how it was with Prysmian’s core leadership team – they worked so closely together they could read each other’s minds.

What both men simultaneously realised was that this was a golden opportunity that had to be pursued without delay.

By then, 2010, Prysmian had already had a long, albeit intermittent, history with the Dutch multinational. In 2000, Prysmian had acquired two energy cable-manufacturing plants from Draka Holding – in the Netherlands and Finland. In 2007, just as Prysmian’s leadership was preparing for its IPO in order to secure its future independence and access to capital markets, it was also thinking of ways to dramatically gain market share. In fact, a merger with Draka was seen as a possible alternative to an IPO, or in combination with the listing, so a meeting with Draka’s management was arranged. It went nowhere this time, but a long, drawn out courtship had begun.

## Prysmian’s M&A history thus far.

The secret to Prysmian’s success in an industry with limited organic growth opportunities, where margins are tough to maintain in a market characterised by price erosion, was twofold: first, to seek efficiency gains in every corner of the company; second, to use the cash generated by these savings to acquire and restructure underperforming rivals to generate yet more cash and make further strategic acquisitions.

Much of Prysmian’s DNA was based on companies it had acquired in the past, dating back to its earliest years as Pirelli’s cable division, but in more recent history, through Siemens, Nokia, NKF and BICC. The Siemens acquisition was perhaps one of the most critical of these deals in terms of lessons learned. Siemens, like Pirelli, started its cable business at around the same time, towards the end of the 19th Century, and was just as global, with a presence from the UK to India.

“They started differently, in the same age, and for 100 years they were competing, then the two companies came together,” observes Hakan Ozmen, CEO Prysmian North America.

The acquisition gave Pirelli’s cable division a huge presence in Germany, Romania and Turkey – all huge markets for Prysmian today. But mistakes were made.

“We failed to integrate well,” recalls Ozmen. “But we learned a lot from the errors we made, and it turned out well.”

There have been numerous other acquisitions of smaller firms, which were quickly absorbed into the Prysmian bloodstream, and a few strategic alliances, or joint ventures in emerging markets, with mixed results. But where the company excels, is in taking control, leveraging the strengths of a business in areas where it was weakest, and discarding the rest.

“Our main strategy is to grow through acquisitions,” notes Laurent Tardif, CEO Prysmian South Europe. This is what we have always done and what we are good at: buying, digesting, generating cash by reducing fixed costs, reducing debt... and then starting the cycle again.”

Of course, Draka was an altogether different story. This was not to be just another acquisition. This was to be a merger in the truest sense of the word.



Valerio Battista and Frank Dorjee

## The Draka DNA.

Draka’s DNA was also the product of many global mergers and acquisitions over the decades. By the time it came into Draka’s sights as an acquisition target, it had been mulling its own best way forward in this highly competitive industry.

Founded in 1910 by Jan Teewis Duyvis under the name *Hollandische Draad & Kabel Fabriek*, like Prysmian, Draka has a long history and storied heritage as an industrial cable company behind some of the largest development and infrastructure projects around the globe. Draka’s own “century of innovation” supplied the specialty wires and cables for the marine, oil and gas industries. Before the merger, its scope of business included everything from the smallest wire to the largest cables used in wind turbines. Draka Energy and Infrastructure comprised low and medium voltage cable activities, including installation and instrumentation, as well as fire-resistant and halogen-free cables.

Draka’s products and installations were as diverse as the geographic regions it served. Draka designed, manufactured and marketed optical fibre cables, as well as cables for power grids, commercial and industrial applications. One notable construction project, the Marina Bay Sands Integrated Resort in Singapore, completed after the merger, features a huge, 1-hectare rooftop park atop a design resembling vertically stacked playing cards. The casino resort’s complex structure relied heavily on Draka’s innovative construction cables.

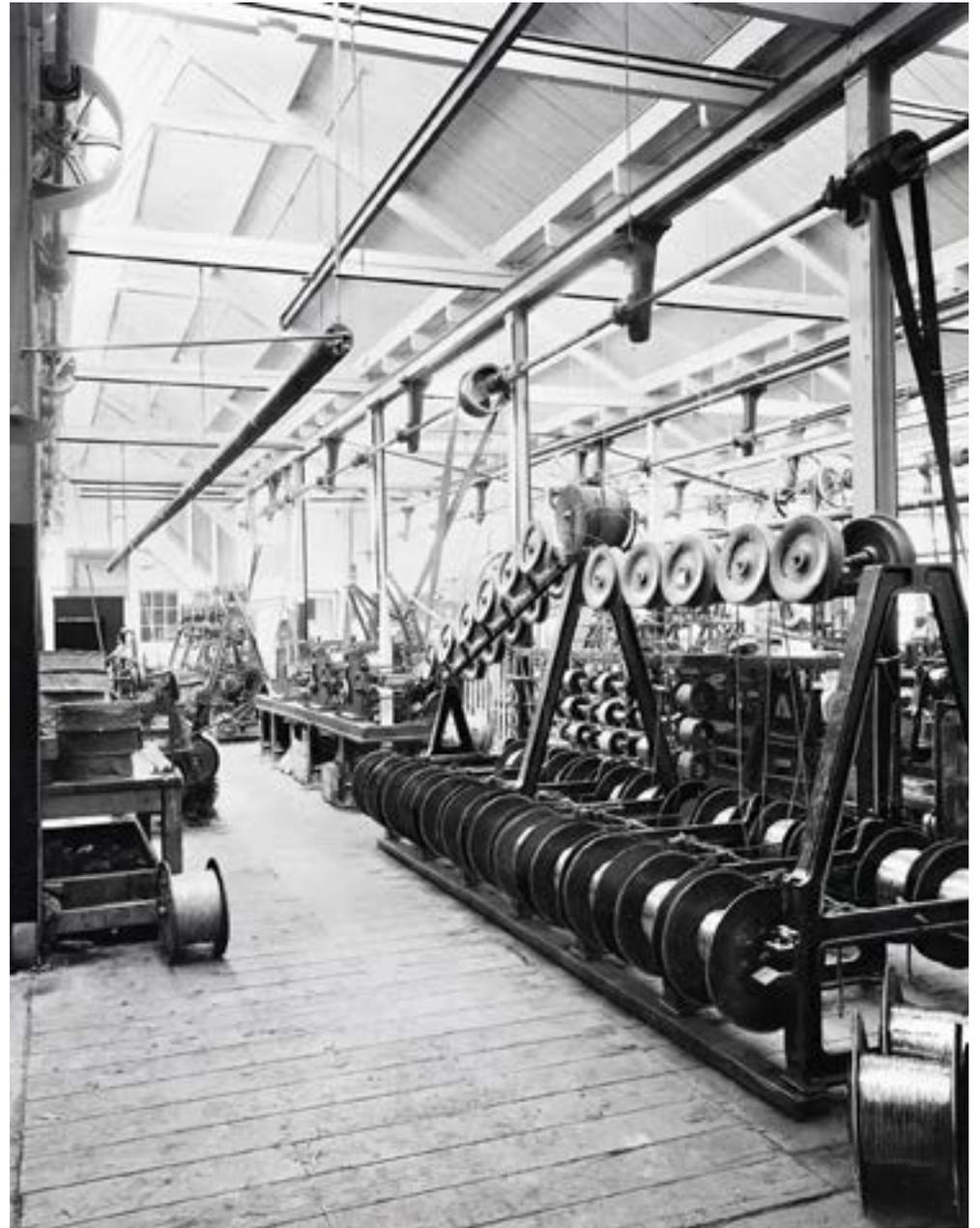
Draka also created fire resistant circuits for London's Underground, and specialised in developing and manufacturing innovative solutions for everything from aircraft and aerospace to wind farms, solar panels and elevators. Its cables division lit runways, powered the A380 airliner, wired observation satellites, and installed cabling systems at CERN – the world's leading laboratory for the study of particle physics (more on that later). Draka's diverse products also powered rail network signalling systems, irrigation machinery and cranes for moving cargo at major seaports such as Singapore and Rotterdam. Draka's communications division custom-designed fibre optic and cable solutions for any kind of connectivity.

So Draka's breadth of business, rich history and size made it both a peer to Prysmian, with its own distinct culture and set of core values, and a perfect complement.

Draka's strengths were many. It had a leading position in optical fibre production, counting of one of the three patents worldwide for the production of the fibre. Also, Draka was a market leader in elevator cables in North America with a strong position in Europe and recent foothold in the fast growing Chinese market. It held a leading presence in wind tower business globally, and was the world's number one independent supplier of advanced automotive cables, and principle supplier to Airbus. The merger would place Prysmian at number two worldwide in optical fibre – number one in Europe and China. It would also assure market leadership in data communication cables within Europe.



Here and next page: historic cable production at Draka plants, early 20<sup>th</sup> century.



But this scope of business and a distinctive company culture was also a challenge.

How do you absorb a business of this size?  
You don't. Instead, you become a partnership,  
leveraging each other's strengths and learning  
how to discard the weaknesses.  
Because companies as storied as Draka  
cannot simply be acquired.

In many respects, Draka's road to independence was as hard won as Prysmian's. In 1970, Draka was acquired by Philips and became part of the Philips' Wire and Cable division. Through a buyout financed by Parcom and Flint Beheer, Draka became independent in 1986 at which point the name Draka was born. It formerly had a joint venture with Alcatel-Lucent for manufacturing optical fibre, but bought out its partner's 49.9% stake for 209 million euros in December 2007.

By focusing in niche areas and pursuing organic growth with an emphasis on customer service and the autonomy of its business units, it had grown to include 68 operating plants in 31 countries throughout Europe, North and South America, Australia and Asia. It generated 54 percent of its turnover in Europe, 12 percent in North America, and 23 percent in Asia. Draka held the top-three position in the cable industry in Europe, and was number one in Singapore and Hong Kong. By 2009 it had a total of 9,599 employees around the world.

Draka's diverse geographical markets and complementary portfolio of business units and expertise made it a perfect target for a merger deal. By making Draka as efficient as Prysmian, entering a few interesting niche businesses (MMS and elevators) and geographic areas (the U.S. and North Africa), and getting access to some of its unique technologies, Prysmian had much to gain from the deal. Potential synergies were significant. This unique and highly complementary combination would increase coverage of



Quality testing in Saint Genevieve, France.

emerging markets, strengthen leadership in all value added market segments, and provide a strong platform for future organic growth and industry consolidation.

It particularly benefited Pysmian in North America, where it had the right mix of products and a strong presence – enough to help lift that market segment, which had been struggling under the weight of the recession.

“It was a huge jump forward,” says Ozmen. “We were at the bottom because of the global economic crisis and then the best of Draka came to North America. It was perfect. As a cable manufacturer you always want to see the kitchen of the other, and we saw the kitchen of Draka. It gave us the chance to bring material solutions into our perimeters while selectively reducing the costs. We were able to understand the products of Draka and the problems of Pysmian. We were able to combine strengths and push out so many new products into the market place, thanks to Draka. So even if the acquisition was difficult, it was fruitful.”

## Tough talks.

**O**f course, the devil would be in the details, and how quickly the company could work in partnership with a corporate entity that could make it the world's number one cable producer.

The first serious attempt at a merger took place at the beginning of 2009. Fresh from the Christmas break, Valerio and his team came back to work at a time when the global recession was impacting Pysmian's share price, but the effect on Draka's share performance was worse. This initial foray would take the form of a cross-border merger of the two companies, and formal discussions for a merger agreement between the two companies' management teams began in March, continuing well into the summer months.

The talks were tough. Though it was clear Pysmian was the dominant player, this form of merger did not spell this out, opening the door to multiple demands from Draka in terms of governance, management positions and who would sit on the board of directors.

“The technical form that we were using in this combination didn't help to clarify who was acquirer and who was acquired the party,” explains Facchini.

It became clear Draka would not easily give up control. Another stumbling block was that the two parties could not agree on an exchange ratio for the cross border merger. So, by September, the talks were aborted. Pysmian's leadership was frustrated.

After diverting his attention to the merger talks for more than six months, Battista in particular found it difficult to accept defeat. But the investment in time and resources wasn't in vain, because that deep and symmetric due diligence, carried out by both parties behind closed doors in 2009, enabled Draka and Pysmian to get to know each other extremely well. This, in turn, made it possible to mobilise quickly when a second opportunity came Pysmian's way.

This turnaround came one week in October 2010, when Nexans, the largest cable company worldwide at that time, issued a press release announcing its intentional offer on Draka for a price of 15 euros per share. The news reached Facchini and Battista while they were meeting in his office. Knowing Draka's management as well as they did from the previous round of negotiations, the pair instantly understood that a door had opened once again. Although the Nexans offer had not been presented as a hostile takeover, and that the move would have been agreed upon with Draka's founding Flint family, Draka's leadership would not have been receptive to the idea of being colonised by their French competitor.

Right page: blue collars workforce, Amsterdam.



Battista and Facchini, wasted no time in reaching out to Draka's management and the supervisory board. In November the executives, together with the investment team from Goldman Sachs and Banca Leonardo, flew to Amsterdam. They arrived on a Wednesday at Draka's headquarters – a surprisingly small office more suited to a financial holding company than a major industrial corporation – and spent the rest of the week, and the weekend, hammering out a complex merger protocol with their Draka counterparts.

Draka and Prysmian's deep reciprocal knowledge paved the way for a new and much more promising round of merger talks. By now, the two parties had become old sparring partners and friends, and the conversation flowed in the boardrooms, through countless lunches and dinners.

Together, they swiftly drew up a serious and substantiated industrial plan, which would be the basis of the tender offer in January 2011.

On Friday morning, a team of internal and external lawyers, organised and led by Ennio Bernasconi, started the negotiation of legal and contractual issues. By Sunday afternoon, their work was essentially done. That evening, the Italian team flew back to Milan, calling the Prysmian board of directors at 10 p.m. that very evening to share the news, and to get formal approval for merger protocol. This would empower Prysmian's management to sign the deal. The agreement was announced to the financial market the very next morning.

“We capitalised a lot on the deep knowledge that we had built one year before,” recalls Facchini, who had negotiated directly with Frank Dorjee, Draka's CEO at the time. “This allowed us to have a very quick due diligence, using all the information we already had.”

Of course, it was a little premature to celebrate. The following Monday, at the joint Draka/Prysmian conference call to investors to announce the acquisition, Communications Director Lorenzo Caruso looked nervous. He'd just seen the news that a Chinese company – Ximao – had accounted an intentional offer on Draka, topping off Prysmian's by 20% at 21 euros per share... all cash and backed by a Chinese bank. At first glance, the offer looked much more attractive. Prysmian was offering 17.2 euros per share, to be paid half in cash and half in stock. Prysmian's stock price took a beating on the news. Draka's supervisory board had a fiduciary duty to take this intentional tender offer seriously.

Suddenly, it looked like this years-long courtship was going to be derailed by a rival suitor, and most market analysts predicted it would be a “knock out bid”. But something told the leadership of both companies that all wasn't as it seemed. The offer really was too good to be true. Draka kept the talks going with Prysmian while looking further into the Ximao offer. There was concern that another company was hiding behind Ximao, which, with 50 million euros turnover and insignificant EBITDA, appeared too small to go after a company with 2.5 billion euros in sales. It was also clear that, other than the short term gain for shareholders, financing that was 100% backed by debt would not be sustainable for the long term and could result in significant layoffs.

Facchini was charged with sharing these insights with Draka's supervisory board, outlining the financial indebtedness that would be incurred by the small company with no cash-flow and no results taking over much larger company with already a significant amount of debt.

“Apart from the shareholders selling at a high price, which is fine for them, I suggested to my future colleagues on the board of directors that this offer could not lead to a sustainable structure, and they were inclined to agree with me.”

Meanwhile, Prysmian had a game plan that would flush out its rival and expose Ximao for the weak contender it was. Knowing how quickly it could mobilise and prepare the prospectus to meet documentation requirements for both Italy and the Netherlands, Prysmian launched the tender offer on January 6, 2011, and gave Draka’s shareholders 30 days – the minimum term allowed – to accept the merger deal. The very same day, the Chinese withdrew their offer. They knew they couldn’t execute a tender launch ready within the time frame. From November, Prysmian’s management had worked long hours, through weekends and the Christmas holidays, to get the paperwork done, get the necessary approvals for financing, satisfy the regulatory requirements of both Italy and the Netherlands, and win over the trust of both the Italian and Dutch unions.

Prysmian had speed and experience on its side. Once again, Prysmian’s core leadership team was able to align to achieve a target they had set for themselves, getting things done in record speed. Once again, Prysmian’s pragmatism prevailed.

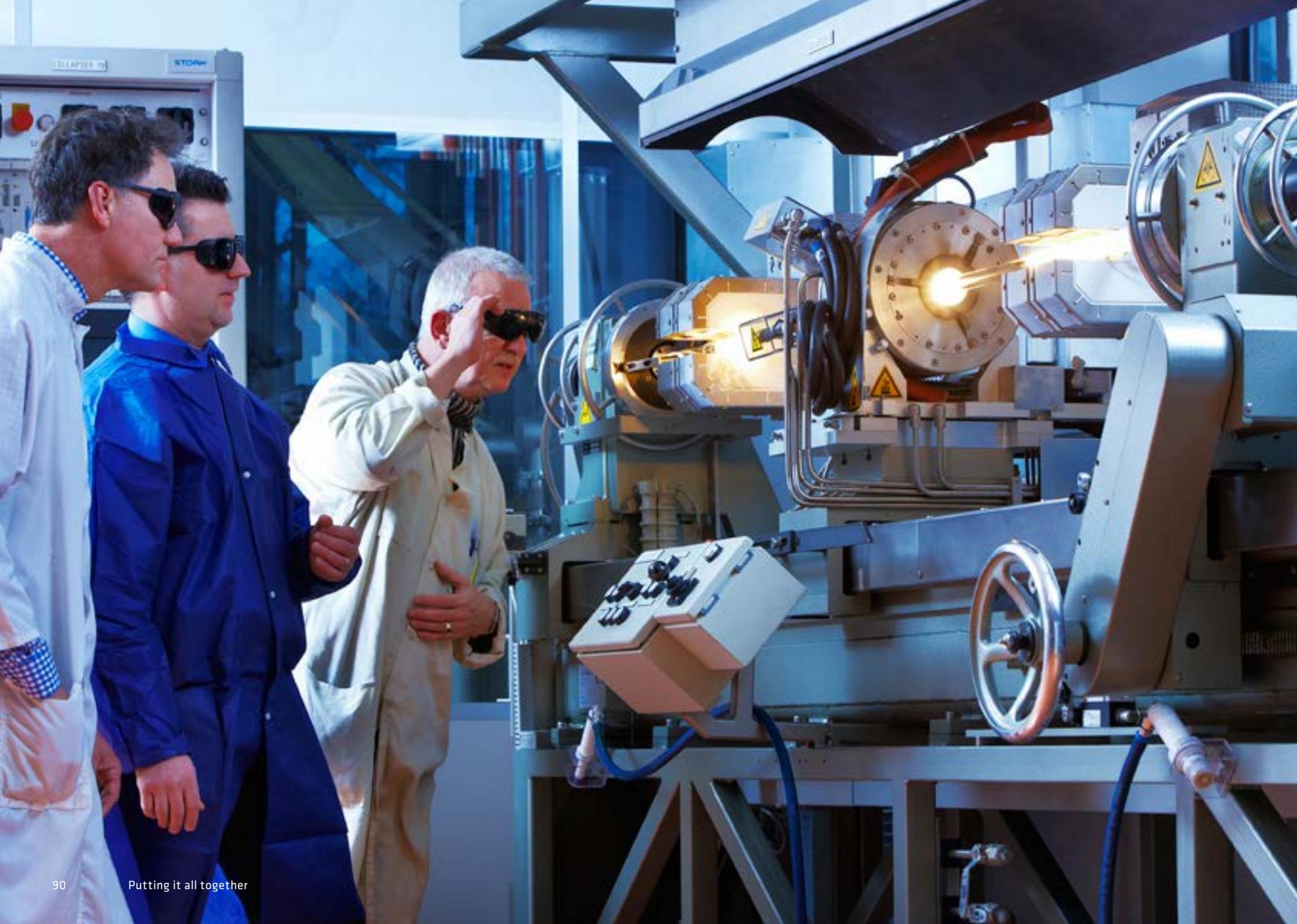


Prysmian and Draka, a successful union.

# Putting it all together.

CHAPTER SEVEN





In the early days following the Draka acquisition, transparency was key. There were some initial perceptions among the employees of Draka that Prysmian would not play fair. The tension between Northern and Southern European countries was real, “and in front of the Dutch, we Italians were not well perceived,” recalls HR and Organisation SVP, Rutschmann, with a chuckle. So, to dispel the notion that Draka’s new Prysmian colleagues were unreliable, or more inclined to favour the existing clan, the senior HR executive, with the full support of Battista and the rest of the leadership team, proceeded to do all they could to not only level the playing field, but go the extra mile to allay the concerns of Draka employees.

One of these steps involved protecting workers. During the protracted and intense negotiations that took place over Christmas 2010, just prior to the tender offer, a key point with Draka was the demand for a guarantee that there would be no factory closures in the Netherlands for the first three years following the merger.

“I must have spent 30 hours on the phone discussing this with Draka’s management and union leaders,” says Rutschmann, who honoured their request.

The Prysmian side also endeavoured to be scrupulously fair with white-collar employees. First, Rutschmann set up a process to quickly assess the key managers in both companies.

“Why? Because the first thing the management of the acquired company wonders is ‘am I going to lose my job?’ and this would end the uncertainty,” he explains. When there are two people in the same position, there is redundancy, so an external advisor was brought in to determine the best candidate, whether from Draka or Prysmian.

Everyone was in the same pipeline of assessment, with no favouritism. This open and democratic process was well perceived and essential for establishing the mutual respect and trust necessary to foster communication and build a cohesive management team between the two entities.

Again, the leadership acted quickly, to move out of the phase of uncertainty into productivity. It was a pragmatic and fair approach to “pull the bandage off quickly.”

Prysmian’s leadership also made a point of communicating continuously with all levels and sides of management. Again, this is not something Italians are known for, but by regularly communicating on what was happening at each step of the integration process, the management of the two organisations was able to come together with remarkable speed. The deal was closed in March, and by July 11 the two organisations had fully merged – at least at the top levels.

The merged business was structured according to the managers’ respective strengths. For example, the telecoms division was run by former Draka executives, as were most of the industrial cable businesses. So, in that sense, it was by no means a complete takeover by Prysmian.

This approach was a necessary departure from Prysmian’s usual tactic – a much friendlier form of merger. It had a long history of acquiring businesses in markets it wanted to conquer, consolidating and absorbing those smaller companies without having to adjust its own style of management, operations and protocols. This scenario played out many times at the end of the 1990’s, when Pirelli Cable and Systems went on its acquisition spree. Its culture always dominated in these types of transactions, and there was never any question of meeting the acquired business halfway. But this time it was different.

“We were similarly sized companies with long histories, so that’s not so easy to integrate,” recalls Rutschmann.

Draka had 10,000 employees, Prysmian had 12,000. Prysmian was acquiring a company of around 3 billion euros in revenues with around 5 billion euros as its starting point. But it wasn’t even about the money. It was about the culture.

A bolt-on strategy – where the acquiring company makes little to no effort to integrate management and operations – would ultimately have led to failure. The business case could work only by squeezing out synergies, so integration was a must.

Again, the potential rewards were huge, so it had to be done right. This unique and highly complementary combination of businesses was an excellent fit. A careful blending of strengths would leverage leading technology in all key cable segments. The energy and telecom businesses would create leadership positions for the newly combined corporations in a multitude of high-technology sub-segments. Prysmian, together with Draka, would become the leader in optical cables with global fibre production facilities. The deal would also give Prysmian full access to Draka’s unique fibre production technology. There would be extended product offerings and cross selling opportunities in its industrial cables portfolio, including mining, solar, crane, oil and gas. Not least, Draka and Prysmian’s complementary industrial presence would better serve the needs to customers worldwide. In particular, the improved manufacturing footprint would raise the service level and operating efficiencies in the Trade and Installers (T&I) business – the low-voltage cables and building wires that play a pivotal role in state-of-the-art resorts, residential and commercial developments around the world.



Drum for umbilicals in the Vila Velha plant, Brasil.

“After a merger, we are always at a risk of losing market share, but not in the first or second year,” observes Prysmian South Europe’s CEO Tardif. “We lose market share during the third or the fourth year if we are unable to satisfy client expectations and reduce product and brand overlaps.”

So far, it was win/win.

Prysmian’s merger with Draka created value for all of Draka’s stakeholders while preserving the interests of its own shareholders through a carefully executed integration of their teams that would respect existing corporate cultures as well as business units.

By being focused on improving efficiency and pursuing the most compelling industrial projects in terms of value, Draka’s team would gain a larger platform with global reach and resources, and the opportunity to take a leading role in the industry’s ongoing consolidation wave. Draka’s management would also benefit and be incentivised by the share component of the offer, which allowed them to own equity. Also, they would be part of a larger company with growth prospects. The opportunity to become part of a world leading team in the cable industry, with enhanced career opportunities, was an added bonus.

For its part, the Prysmian team would also benefit from a far-reaching global presence, as well as strong and sustainable profit growth, the merger of strengths between two highly complementary corporate entities, and the expansion of its geographical footprint, particularly in regards to attractive emerging markets. Draka was also a leader in customer service – an area of the business which Prysmian had long relegated to the back office. There was an opportunity to incorporate this more customer-centric approach within the framework of fiscal discipline, although this was not recognised and acted upon by Prysmian’s leadership until a few years after the merger (more on that later).

Instead, the immediate focus was on consolidation. Preliminary synergies estimated at an annual run rate of 100 million euros through the manufacturing footprint, materials procurement, overhead streamlining, and optical fibre sourcing as well as Draka’s and Prysmian’s highly complementary product portfolio.

## Costs versus benefits.

To be sure, improving the efficiency footprint would result in net restructuring costs, estimated at 170 million euros spread out over three years. But these would soon be more than compensated by a multitude of factors, including but not limited to:

- cross fertilisation in lean manufacturing and R&D know-how
- manufacturing footprint optimisation
- improved logistic flows in Europe
- a greater hedge against currency fluctuations through a broader geographical portfolio
- the opportunity to increase economies of scale, and,
- leadership in cost reduction and improving working capital.

Prysmian’s pillar of financial discipline, in particular, would be leveraged to make this exemplary among global mergers across industries. Cost synergies, under close control of management, which boasted an extensive track record in the integration of cable assets, was key.

The leadership would begin with a focus on products and service, limiting product diversification within regions, managing, as always, for cash. Meanwhile, long-term growth opportunities would be expanded upon, with a focus on innovative solutions, greater competition on a global basis, and further M&A opportunities, albeit taking a selective and surgical approach.

There were many approaches, and much work to be done on this long road to total integration between Draka and Prysmian. But the leadership understood that this would be a challenge at best, and impossible without a rational and fair approach to how its respective teams would be managed. In short, it was clearly understood that in order for a merger of this scale to succeed, “taking the people with you” was imperative.

Philippe Vanhille, Prysmian’s current Executive Vice President of the Telecom business, was head of Draka’s global Optical Fibre Business Unit at the time of the merger. At first he was excited by the news that a deal would be struck with Prysmian, because he understood that the move would create a global leader in the cable business, and that mixing the two cultures would create something positive. In fact, many members of his team welcomed the move.

“We knew that we were facing something impossible to solve in Draka,” he recalls. “It was also good news to be partnering with a European company. So, globally it was a positive thing.”

But the telecoms executive also knew that integration would be the hard part, and that it served no one to have any illusions about the challenges that lay ahead.

“Those first few months after joining Prysmian were a bit scary. Just to give a feeling of how we, Draka people, myself in particular, saw things: the impression when you entered Prysmian was that it would be difficult to like this company because of the constraints you face from a very organised, a very centralised Group. Draka was the opposite, as we had almost total autonomy. But then I realised this centralisation was the enabler for being effective in executing the Group’s strategy. When joining Prysmian, you immediately have had a very high respect for their way of doing things. But it would take another couple of years to like it.”

What helped was the track record of Prysmian’s team, which created an atmosphere of trust.

“You get to know the people, you see the quality in the people, because the level of professionalism in Prysmian is extremely high. So you feel respect very quickly.

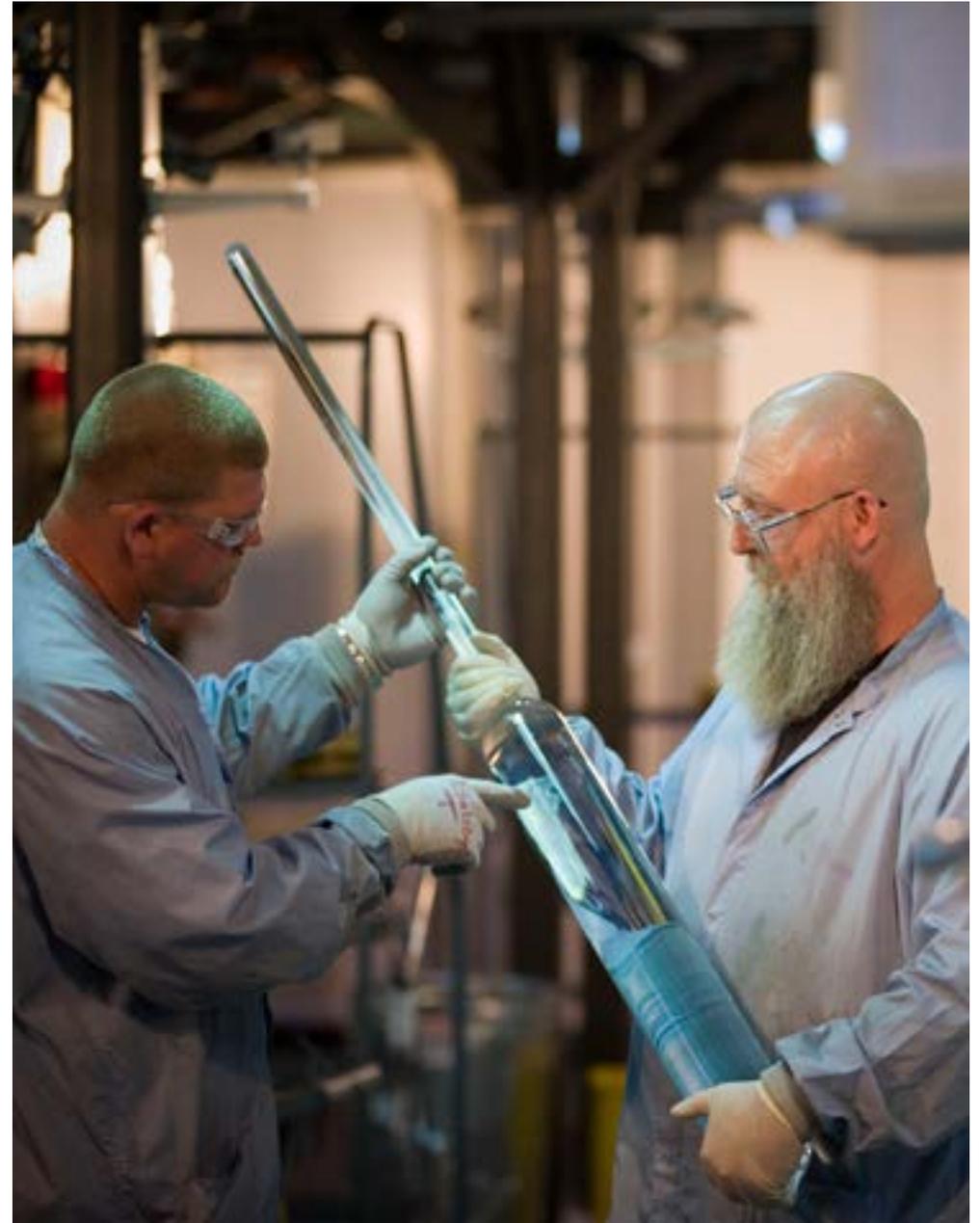
And then you have to learn and reach a deeper understanding before you can really appreciate it. Now I realise just how much stronger this merger made us.”



Optical fibre production in the Douvrin centre of excellence, France.



Chinese worker in the Suzhou plant.



Optical preform, Claremont, USA.

## The matrix model.

A difficult adjustment period was inevitable. The organisational structures of the two corporations were drastically different, but the newly merged leadership came up with a blend that would take the best from both. Prysmian's was top-down, lean and tightly controlled through a central office, with an emphasis on efficiency across the two major segments of its business: Energy and Telecoms. Its management philosophy was based on strong central functions, especially Operations, HR, and Finance, with powerful country CEOs. Draka, which had headquarters resembling a financial holding company, was more horizontally structured, giving its business units far more autonomy, building companies around them. This resulted in a duplication of resources and some redundancy, yet also enabled better customer service and innovation in niche areas. The excessive overheads were stripped down, and the loss-making, less profitable businesses were consolidated.

Prysmian's culture still dominated, but the two structures were combined, resulting in a matrix which is undergoing continuous rationalisation and fine-tuning as it combines three dimensions: geographies, businesses and central corporate functions such as Operations, HR, Finance, Procurement, Supply Chain, Purchasing, Engineering and Investment.

"The problem, which seems simple at first, is aligning objectives and behaviours within the organisation" explains Marcello del Brenna, former Head of BU Submarine, now CEO South America. "This is complicated from an operational point of view, but it becomes even more complex given the different cultures, different languages, and different personal aspirations that each member of the company's communities may have."

This matrix model ensures proximity to local businesses through country organisations, while a strong HQ organisation through business units results in effective global coordination. The integration of countries with central management in managing these businesses depends upon the nature and complexity of these units. Energy Projects, for example, which require a high degree of expertise and turnkey solutions, are managed vertically, from the top down, as is Optical Fibres. Businesses like Trade & Installers and Power Distribution, however, are managed locally. The HV and Telecoms units are instances where the management process is intermediate, or a combination of vertical and integrated. "The submarine cable business is a project-based global business with a high level of specialised skills and know-how," Del Brenna continues. "Every project is different. Prysmian is a contracting company, not just a cable-manufacturer. The technical knowledge is generally not available in local Prysmian affiliates."

The result is that Prysmian is able to mobilise quickly, across all units and functions of the company, to come up with practical solutions to any challenges that occur. As Fabio Romeo, Chief Strategy Officer, puts it: "if we identify a problem, like the one of customer centricity which spans across all businesses or regions, then the whole company mobilises and tries to find the best solution. With everybody working on a problem, the different speeds, and approaches lead to a much wider variety of possible solutions."

“If we identify a problem, like the one of customer centricity which spans across all businesses or regions, then the whole company mobilises and tries to find the best solution. With everybody working on a problem, the different speeds, and approaches lead to a much wider variety of possible solutions.”

## Identity umbrella.

Another key step in the integration was to link all 300 people in the top management of the newly formed entity – The Prysmian Group – via the same long-term equity plan. Everyone was given the same target and time frame of three years, with incentives linked to the generation of financial results for that time period, mostly in the form of shares. The philosophy of this incentive system for this group was simple: same goal; same reward. Although the level of trust between recently merged team members had room to improve, now everyone shared a common target.

This unifying approach was also reflected in a new post-merger marketing campaign.

The brand strategy was simple: create a single “umbrella” corporate brand – the Prysmian Group – under which there would exist the two strong commercial brands of Prysmian and Draka, with their individual identities intact. But their mission would always be carried out as one.

“The challenge was to keep the Draka brand alive and visible,” recalls Communications Director Lorenzo Caruso. “In putting together two strong brands, there was concern something would be lost. But we were able to avoid this outcome by building a multi-brand architecture under Prysmian Group.”



**WHAT LINKS ENERGY AND INFORMATION TO GLOBAL GROWTH?**

**LINKING THE FUTURE TODAY'S OPPORTUNITIES**

**OUR EXPERIENCE**

**Cable solutions to support the world's supply of energy and information**

Prysmian Group believes in the effective, efficient and sustainable supply of energy and information as a primary driver in the development of civilization. With this in mind, we provide major global organizations in many industries with best-in-class cable solutions, based in state-of-the-art technology.

Through two renowned commercial brands – Prysmian and Draka – based in more than 50 countries, we're constantly close to our customers, enabling them to further develop the world's energy and telecom infrastructures, and achieve sustainable, profitable growth.

[www.prysmiangroup.com](http://www.prysmiangroup.com)

**Prysmian Group**

**PRYSMIAN**  
**Draka**

First corporate advertisement after the creation of the Prysmian Group, 2011.

This multi-brand strategy has since been proven a success. According to the analysis made by Brand Finance, one of the world's leading brand valuation consultancies, the two brands are now worth \$767 million (\$507 million for Prysmian and \$260 million for Draka).

The strong and consistent messaging of the corporate branding campaign has also resonated with customers and employees alike. The tagline, "Linking the Future," summed up perfectly the vision of the newly merged corporate entity, and mirrored its own groundbreaking global integration process. Draka and Prysmian joined, or linked, forces, to service the full scope of customer needs.

As Valerio Battista put it:

"we build the nerves of the world that are fundamental to all areas of energy and telecommunications. Our cutting edge technology is the foundation for leading infrastructure projects and solutions around the globe."

Prysmian Group was now head and shoulders above the rest in the worldwide energy and telecom cables industries, with a particular edge in several high-technology segments. This judicious combination of people and business units created the largest cable company in the world both in terms of the size and wealth of the technology and expertise. By 2011, Prysmian had completely overtaken competitors, with 7.7 billion in revenues, and sustained momentum in profit growth, far surpassing the rest. Its DNA – a finely-tuned balance of Draka and Prysmian's strengths and know how – had set up the global giant for long-term success as a multi-brand company with a carefully crafted matrix model. The newly formed Prysmian Group would be the organisational, financial and industrial platform that allowed the two commercial brands – Prysmian and Draka – to operate with maximum precision, efficiency, financial discipline innovation, customer centricity and, of course, pragmatism.

The measure of this success was evident in the numbers. By the end of 2012, the extraordinary pace of the integration with Draka allowed for the achievement of higher-than-expected synergies, to the tune 65 million euros, or 20 million euros above the 45 million-euro target. These synergies had been realised in fixed costs and overheads, in procurement, and through early gains from optimizing Prysmian's industrial footprint.

"This has been a strategically important turning point for the Group," noted Battista, an executive not given to hyperbole.

"The launch of the new organisational structure, together with the development of a new mission, vision and values shared by both organisations, took place in record time. These initial results confirm the cogency of the decisions made by the shareholders and management of both Draka and Prysmian... and the expected benefits in terms of strengthening our market competitiveness have already become abundantly clear."



New branding on drums.

**Rolling up their sleeves.**

**CHAPTER EIGHT**





Walking into the R&D labs of Prysmian's Milan headquarters is almost like stepping into someone's home. Not that there's anything cosy about the industrial space, which innovates new products, manufactures prototypes and puts them through a battalion of tests. These tests range from acid and aging to extreme temperatures, in order to check the cables' safety, mechanical and electrical performance, flame resistance, performance and longevity. Next to the Bunsen burners, lab counters boasts signs with sayings such as "Chemistry is like cooking, just don't lick the spoon." Each room is like a torture chamber for cables, which, once subjected, pass through Ehsan Fallahmohammadi's room.

Fallahmohammadi, a nanotechnology research team member and recent hire from Iran, could not be more proud of Prysmian's new scan microscope, which has a resolution up to 1 nm and is the strongest nanotechnology instrument available for analysing particles in cable compounds. The day we chatted to him, he was doing corrosion testing and filler analysis for new polymers, examining the metallic layers of the base coating and identifying the causes of corrosion. His detailed, elemental analysis would identify the source of a particular corroding effect, which has been affecting the aluminium used for a cable joint, and how all the elements interface with each level of the cable's composition. It answers crucial questions about how certain high voltage breakdowns can take place, and under what conditions, enabling the designers, engineers and technicians to produce something that is long lasting and indestructible even under the most extreme conditions. These new products will have specific applications for the oil and gas industries, reducing costs while improving safety and efficiency for the customer. But, for Ehsan, the excitement is in the discoveries he's making with his new toy, which tells a story in minute detail.

"Look!" he gushes. "You can see the specific structure captured inside the polymer. It's so interesting!"

It's a pride of ownership that permeates the entire Prysmian Group organisation. "My wife tells me that I love Prysmian more than her," jokes Marcelo de Araujo Andrade, Senior Vice President of Research and Development, who came to Milan from Brazil in 2012, and has spent his entire career with the Group since graduating in 1988. Andrade and his team are among the many who work hard behind the scenes to make Prysmian an industry leader.

"Prysmian has so many silent heroes," says Hans Hoegstedt, CEO Italy/Switzerland. "I have never seen this anywhere else. When I worked in Turkey, I had a list of 50 silent heroes."

He should know. In 2013, while preparing for the 50 years' celebration in Turkey, Hoegstedt and his team were discussing what makes Prysmian so special and successful. They agreed that the biggest asset was Prysmian's many outstanding employees. What sets them apart, they realised, was not only their technical competence, but the fact that they give their heart and soul to the company on a daily basis. While starting to make a list of these dedicated and talented people for the celebration, it occurred to the local Turkish management team that these people were often largely invisible. They weren't necessarily to be found in the highest ranks with important job titles. Many worked inside Prysmian's plants or in back-office, administration, and purchasing – hence the term "silent heroes" – a term coined by Halil Kongur, Turkey's plant manager.

The silent hero phenomenon is not unique to Turkey. This passion for Prysmian is truly global. Indeed, there are countless employees for whom this is very much a family business. Consider the Crook family, in the UK, whose members have been associated with the company for three generations. In 1918, Leonard Crook joined to work in the manufacture of the new copper paired cable that was being introduced for telecommunications. His son Howard later came on board and spent the next 42 years working throughout the Middle East to help establish telephone networks. Howard was working at the company when his own son, Kevin, began working as part of a team on a project to develop the first fibre optic tower at the Eastleigh plant, starting the manufacture of glass fibre for the new generation of communication cables. Kevin Crook currently works in the Design Department at the Bishoptoke plant, where he designs fibre optic cables to meet the precise specifications of individual customers. Just like his father and grandfather before him, the majority of his working life has been dedicated to telecommunications at Prysmian. What keeps his interest is that "you never stop learning. There's always something new coming along."

Left page: Arco Felice plant storage rotating platform. Vertical laying-up machine in the background.

Another example is Fabio Fumagalli, Prysmian's Accountant and Worker Representative, who has been working at the Milan headquarters for more than 33 years – almost as long as his father, who worked at Pirelli from 1943 to 1983.

"I guess you could call it a kind of family tradition," observes Fumagalli, who has played a crucial role at key moments in Prysmian's history, including contract negotiations, collaborating closely with management to preserve blue-collar jobs.

## A blended family

Prysmian executives echo these sentiments. But this family has expanded considerably over the past decade. A core group of men and women who have been with the company since the Pirelli days has become blended with executives of differing cultures and corporate backgrounds to become a much more global, extended and inclusive group.

In addition to the cast of characters introduced in earlier chapters – Battista, Rutschmann, Bernasconi and Facchini – this core group includes Fabio Romeo, Chief Strategy Officer and one of the original Pirelli "veterans." A graduate of Milan's Polytechnic University, Romeo obtained his PhD in Electrical Engineering and Computer Sciences at the illustrious University of California in Berkeley. His early career includes a broad background in the electronics industry. Andrea Pirondini, Chief Operating Officer since January 2014, is another Pirelli veteran whose background is notably global. He started his career in Pirelli Group holding various positions in the UK, Italy, Turkey, Russia and Egypt over

a 24-year period, both in Tyre and Cables & Systems sectors, where he took part in the restructuring of the industrial system for Energy Cables.

Like his colleagues, Massimo Battaini, Senior Vice President Energy Projects and a graduate of Milan's Polytechnic University, with an SDA Bocconi MBA, is comfortable with challenges, and brings a global perspective to the job. He started his career in Pirelli Group in 1987 and held various positions in R&D and Operations over an 18-year period, including a stint in California. In 2005 he was appointed CEO of Prysmian UK, and in 2011 he became Chief Operating Officer of Prysmian Group.

Hans Nieman, Senior Vice President Energy Products, brings the broad perspective of an international diplomat to his role. After graduating cum laude in Literature at the University of Amsterdam, he was educated as a diplomat at the Dutch Ministry of Foreign Affairs during several national and international assignments. He switched to the private sector in 1992 and joined the cable industry almost 20 years ago where he held several positions for NKF, Pirelli and Prysmian.

Philippe Vanhille, Senior Vice President Telecom Business and another Draka alumnus, not only brings an international perspective to the table, but deep knowledge of other industries. After graduating as a mechanical engineer in Lyon (France) in 1989, he began his career as a research engineer for Renault Formula 1 development. He moved to the cable industry in 1991 with Alcatel Cable. Over the past 20 years he has held a number of senior operations and general management positions within the cable industry for Alcatel and Draka, successively in the Energy, Copper Telecom and Optical Fibre sectors. He was head of Draka's global Optical Fibre Business Unit at the time of the Prysmian merger.

To successfully compete in most cable segments, it is essential to have effective local teams, and Prysmian has this covered with high calibre management throughout the country, supporting regional teams. Most senior managers at Prysmian Group headquarters have, at some point in their careers, had to prove that they are able to run a local business. A relatively recent member of the senior management team, and an example of how Prysmian seeks to include diverse backgrounds is Hans Hoegstedt, current CEO of Prysmian Italy and previously CEO of Turkey and VP of E&I. Before joining Prysmian in 2006, he spent many years at Coca-Cola Company as a top marketing executive. From 2001 to 2006 he played a key role in the turn-around of

the Fiat Automobiles. Accessing managerial insights gained in his studies at Harvard Business School and Insead, he complemented the extremely strong industrial and efficiency mindset of the company with a fresh perspective on customer-centricity and innovation.

And Hoegstedt is just one example. There are scores more men and women at the management level – teams running both business units and countries – whose breadth of experience, knowledge and skills have helped steer Prysmian Group to its number one position in the world. There isn't enough room on these pages to cover all of their many contributions, but their corporate and cultural backgrounds are as diverse and numerous as the cables Prysmian invents, manufactures and sells.



P-Laser® line - insulation triple head.

## In their words:

“Our vision is to remain an extremely focused company. We are not willing to invest or to diversify away from what we have been doing for close to 140 years, because this is an instrumental business for society. We believe that contributing to the building of networks for energy and communication is a mission of paramount importance, so this is where we are staying. But that is not about maintaining the status quo. We are continually finding ways in which the technology, the knowledge can make a difference. We have been extracting resources from the less defensible business and injecting them into more defensible business – an instrumental approach that will assure our place as the world leader for decades to come.” – F. Romeo

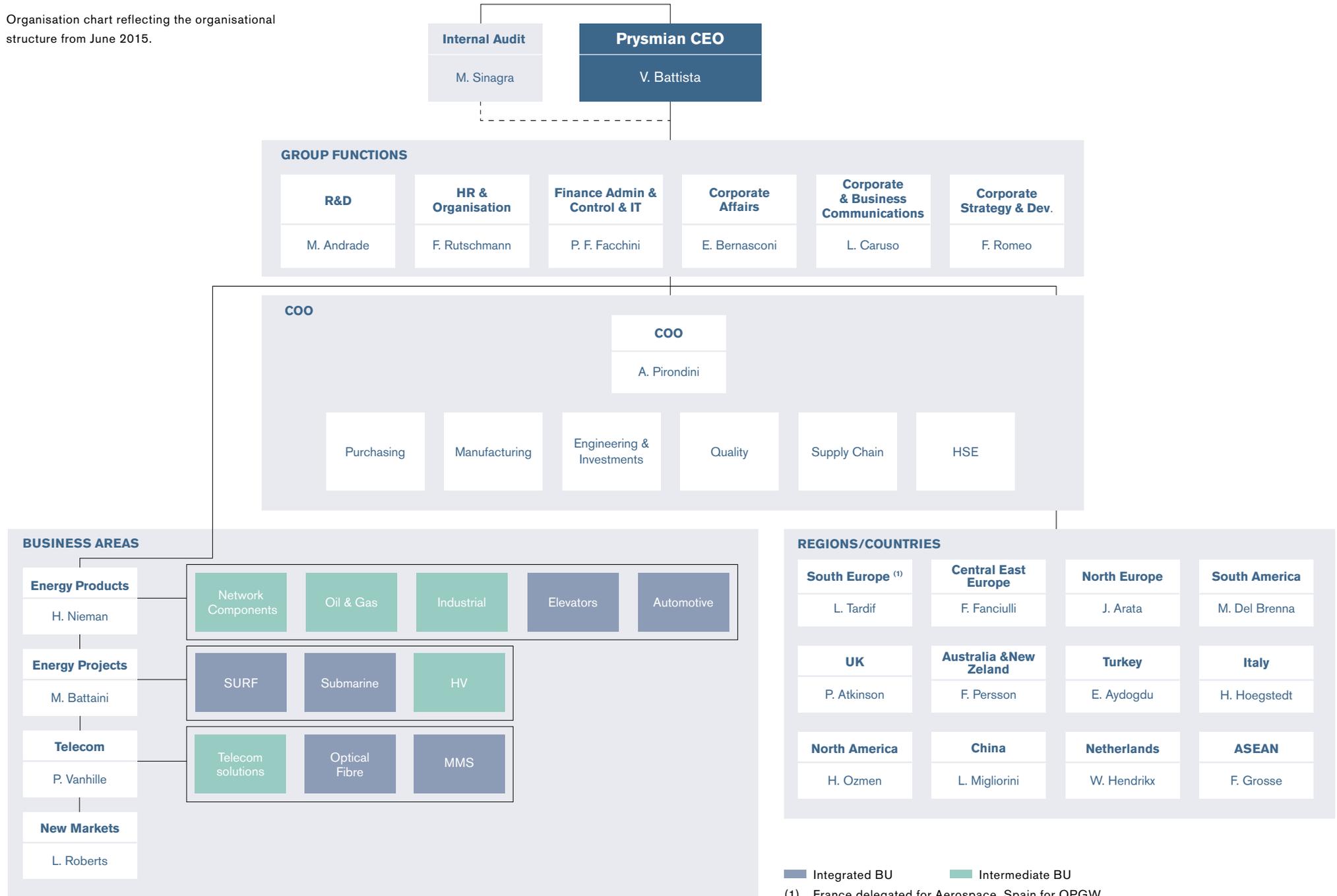
“Our solutions are very much evaluated on the basis of results. This is what drives the whole or a lot of activities in operations, as well as in the commercial area, but also in R&D. We're not starting from a theory on how we could improve company results, or how we could improve in terms of strategic orientation of the company... No, the starting points are always facts, are always the issues we have and from this we start from trying to identify pragmatic solutions. So this is, in a nutshell, our story. This is our strength.” – A. Pirondini

“What is great about this company is that we know how to handle a challenge. When we are under pressure we react to the extent that we change ourselves. We become more entrepreneurial and we don't limit our job to what is prescribed by the job description. We go beyond and try to help the other guy. We really put in the effort.” – M. Battaini

“There is always a high commitment and deep sense of pride among the people working in this company, particularly regarding what we have been able to reach in the last years. It was obvious from the beginning that the one thing that has to be absolutely top when you work in this business is our industrial efficiency, our cost to compete. I've seen many other players and I think Prysmian is absolutely the most focused. This has led to its ability to be profitable and generate cash – much more than the other players.” – H. Nieman

“All companies are looking for efficiency in their process. But Prysmian for me is unique, because it's a real obsession. It's the cultural basis of the company which we should never lose. We should build on it.” – P. Vanhille

Organisation chart reflecting the organisational structure from June 2015.



With such diverse backgrounds, the top leadership doesn't always agree, and discussions can get as lively and vociferous as at any family dinner table. Different opinions are expressed and heard among members of a team with a long history together. But it's a healthy debate between people who trust each other and know that the greater good of Prysmian is their shared goal.

“We have different people with different opinions,” notes Rutschmann. “I think there is value in that. There are leaders in our core team who are more business developers – who think we could have a more aggressive strategy – and people who are much more aligned to the vision of Mr. Battista, with the strict adherence to efficiency. So we have some hunters and farmers. Of course, the common threads are integrity, and being result-oriented.”

In other words, it's a tightly run, top-down approach, and yet the doors are always open. The leaders are accessible and deliberate in creating a culture in which everyone can be heard and feels they have a stake in the greater good of the organisation. Divergent ideas are welcomed, although, when a decision is made after some thorough analysis, there is a sense of unity and alignment in the execution. But this sense of ownership and inclusion doesn't just happen overnight after a major merger. It must be cultivated and maintained through a meticulous, multi-pronged approach.

This conscious effort includes a carefully crafted definition of what it takes to be a leader at Prysmian, based on the observation and evaluation of various success factors. These cognitive and execution skills, along with self-management and interpersonal skills, include: leading change, leading people and leading business.

They include a range of skills that involve building and maintaining a wide-ranging interest in the company's businesses and markets, including products, competitors, customers and market trends, and translating that knowledge into business insights, acting with Prysmian's overall value chain in mind.

These are the common threads that tie together the many cultures that make up the fabric of Prysmian.

But it's not enough to simply integrate pre-existing cultures. Prysmian has been working hard to build its own, from scratch.

## Building leaders

The establishment of the Prysmian Group Academy, conceived in 2011 and launched in 2013, and which has involved more than 1,000 people, was one of four fundamental processes that would give everyone in the organisation, regardless of their corporate DNA, the opportunity to grow. It has played vital function in the process of organisational and cultural integration, as well as in the development of a strong internal network and Group identity. The management school was developed in partnership with SDA Bocconi in Milan. It was set up to strengthen leadership and managerial skills. A professional school, also supported by Bocconi, was designed to consolidate technical skills and experience, thus ensuring the transfer of knowledge from senior experts to their more junior colleagues.

The Management School of the Academy was comprised of three elements: a post-graduate programme for recent graduates who just joined Prysmian, then an international leadership programme intended as a “pocket MBA” aimed at talent five to seven years on their career tracks, and finally an advanced leadership program for more senior management, who are selected after passing several tests and qualifications into a global executive MBA programme.

Overall, these initiatives would provide Prysmian employees with growth opportunities at each stage of their career. They also drove the recruitment and induction of new graduates, to help build a pipeline of future managers and professionals fully versed in the Prysmian way.

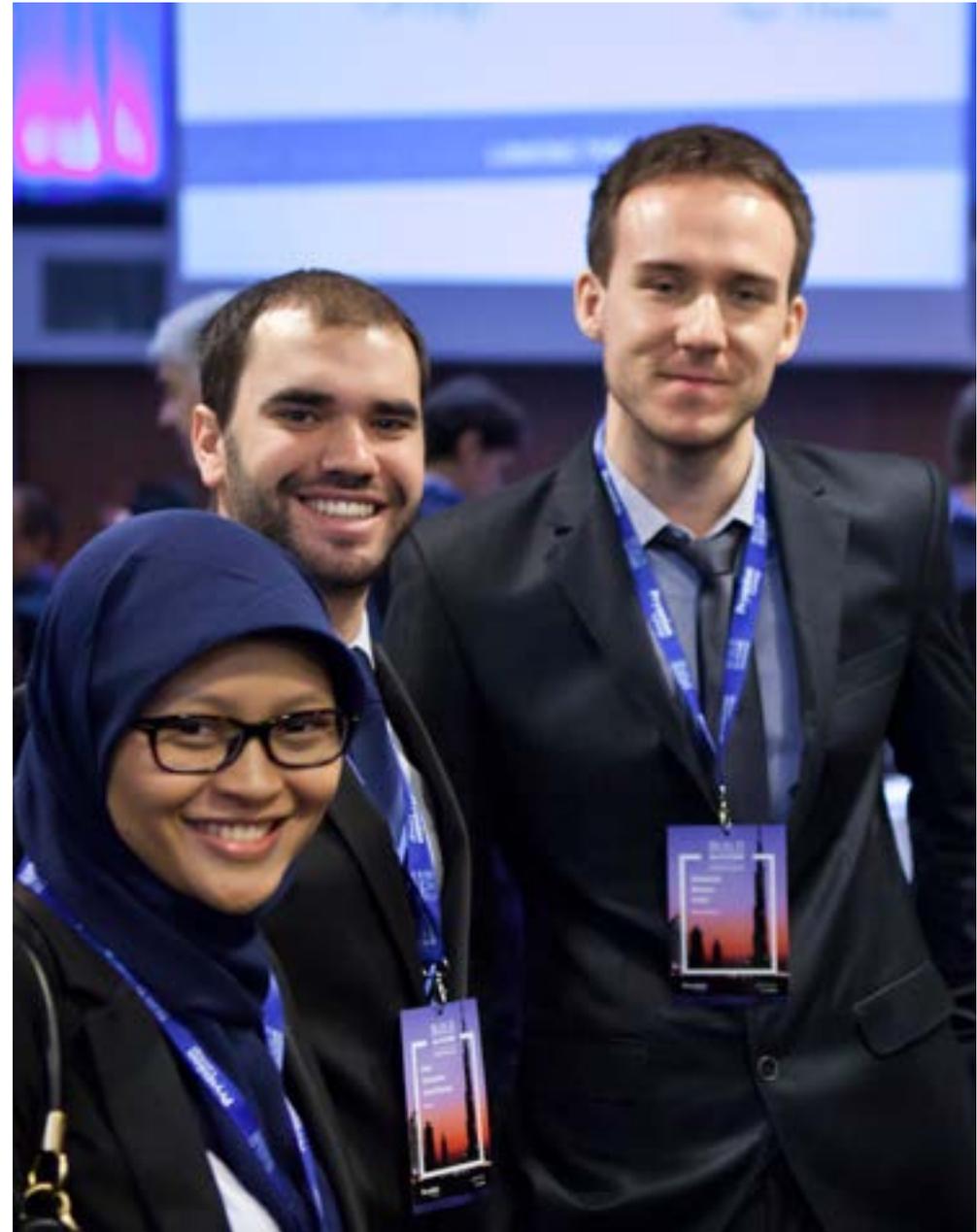
The post-graduate programme, for example, included a job rotation of 12 months, followed by a further 24 months at a foreign location, with the ultimate destination of a junior management role in Italy or abroad, thus ensuring a generation of Prysmian employees with truly global experience.

In 2014, Prysmian received more than 16,000 applications for 40 positions as a result of this effort – more than even Ferrari.

The graduates themselves are thrilled with the opportunities to work overseas and broaden their horizons.

“Spending some time abroad has allowed me to implement the best practices I have seen and bring to the company new perspectives and fresh ideas,” explains Natalia Duarte, a Brazilian working in R&D for Prysmian North America.

The third process used to integrate the Prysmian/Draka population was a talent and management succession process designed to identify, develop, and retain key people to help sustain the growth of the business over the long term, while developing and protecting critical knowhow. The fourth piece was the gradual introduction of a new performance appraisal system – Prysmian People Performance (P3) – which was rolled out in 2013. The new HR process was the first performance appraisal system in Prysmian’s history. It was designed to disseminate a Group culture based on the importance of constructive feedback, promoting two-way communication with immediate supervisors. This system would allow individual employees to grow, and recognise merit based upon objective criteria.



A group of young graduates at the Build The Future Meeting held in 2015.

It would also include feedback from the employees' perspective – letting the leadership know how they are doing. The first employee survey released in the first half of 2015.

“All of these initiatives help people understand it makes sense to stay in Prysmian, because it’s not just an organisation focused on cost-cutting and efficiency,” explains Rutschmann.

“We are a tough company but this is a place where people have a chance to grow.”

And, finally, the YES programme, also launched in 2013, offered everyone from middle management to the factory floor the opportunity of a stake in Prysmian’s future. The intention of YES, which stands for “Your Employee Shares,” was to turn employees into shareholders and created a sense of ownership. “I signed up for YES, because I believe in the company and the results we can achieve together”, says Shamala Theyan, Store Helper, Malaysia. “Being more integrated in the Group leads you to be more responsible in everyday choices.” At the time of printing this book, over 30 percent of all employees, or about 6,500, have come on board – an ongoing success story considering the time frame of about a year. Most significantly, blue-collar workers – the men and women in boiler suits on the factory floor, have been investing in the company shares through the programme, not only investing in Prysmian’s future, but their own.

Each of these efforts, inspired by the successful merger with Draka, were uniquely designed to engage everyone, and Prysmian’s leadership will continue to promote and improve these efforts, to further grow participation.

“It’s part of the success strategy to consolidate a one-company culture, which is a long process to go through,” explains Rutschmann. “Even Draka was coming from a long process of acquisitions. For example, the French company Alcatel was bought by Draka only a few years before. So we found in Draka not just

a single company but the mix of many differences, still with many people thinking, ‘I am Philips; I am Alcatel.’ So the new strategy since 2011 has been to form a company with a single identity. It was about building the future and creating a new generation that is not Pirelli’s, not Draka’s, not Alcatel’s, but Prysmian’s.

Because if you want to thoroughly consolidate in this industry it’s crucial to have the ability to integrate all these acquisitions relatively quickly. If you don’t, you risk adding a lot of complexity to the machine.”



Internal advertising campaign for the second wave of YES.

## Closer to the customer

This streamlined approach leverages the diverse backgrounds and experiences of its leadership, aligning the team towards the same goal. And it works.

At all levels of the organisation, Prysmian Group's people now feel a sense of ownership, which in turn creates accountability, and sparks innovation.

Placing stakeholders at the heart of operations also helps the Group to better anticipate customer needs. Prysmian remains close to its customers and their markets, serving as an enabler in partnership with them. Prysmian's people strive to anticipate, analyse and meticulously satisfy customer needs through the entire life cycle of the product from design to delivery, measuring and monitoring customer service performance against agreed upon guidelines. Prysmian provides a local presence for even the most major global infrastructure projects, with factory reliability (89 plants in 50 countries), for better planning and execution of manufacturing output, enabling the Group to more effectively and efficiently manage swings in sales volumes and other variations.

The fast, smooth organisation of the entire supply chain is another key move towards customer centricity. This integration of everything from raw materials sourcing and semi-finished products to the cable's end user helps accelerate decisions and time to market, while also adapting to the needs of various industries.

It gives Prysmian the flexibility to meet specific standards, as well as solutions that are customised to meet specific needs. As a result, Prysmian has become the "preferred supplier" of many major global customers.

To achieve this, in addition to the regular monitoring of key service indicators, such as reliability and speed, the Group has conducted specific customer satisfaction surveys since 2003. These surveys are carried out every two years, simultaneously involving over 2,500 customers in more than 20 countries around the world. The outcome of customer satisfaction surveys provides a basis for the corrective actions implemented in each country, involving all business functions under the supervision of senior management. And, with all of these organisation changes in place, the Group is in a position to more swiftly respond. Of course, as always, it is a work in progress.



Prysmian Group, partner of the world key players.

**An efficient footprint.**

**CHAPTER NINE**



# GLOBAL PRESENCE

## APAC

Australia  
Dee Why  
Liverpool  
China  
Baoying  
Tianjin  
Wuxi  
Wuhan (2)  
Haixun  
Shanghai  
Shzhou  
Zhongyao  
Philippines  
Cebu  
India  
Pune  
Chiplun  
Indonesia  
Cikampek  
Malaysia  
Kuala Lumpur  
Melaka  
New Zealand  
Auckland  
Thailand  
Rayong

## EMEA

Ivory Coast  
Abidjan  
Denmark  
Brøndby  
Estonia  
Keila  
Finland  
Pikkala  
Oulu  
France  
Amfreville  
Angy  
Charvieu  
Chavanoz  
Gron

Neuf Pré  
Paron  
Xoulces  
Douvrin  
Calais  
Sainte Genevieve

Germany  
Neustadt  
UK  
Schwerin  
Nurnberg  
Wuppertal  
Berlin

Italy  
Arco Felice  
Ascoli Piceno  
Battipaglia

Giovinazzo  
Livorno  
Merlino  
Pignataro Maggiore  
Quattordio  
Norway  
Drammen  
Netherlands  
Eindhoven  
Delft  
Amsterdam  
Emmen  
Delfzijl

Nieuw Bergen  
Czech Republic  
Velke Mezirici

Romania  
Slatina  
Russia  
Rybnsk  
Slovakia  
Presov  
Spain  
Vilanova y la Geltru (2)  
Santander  
Santa Perpetua  
Sweden

Nassjo  
Tunisia  
Grombalia  
Turkey  
Mudanya  
U.A.E.

Fujairah  
UK  
Aberdare  
Bishopstoke  
Wrexham  
Washington

Hungary  
Balassagyarmat  
Kistelek

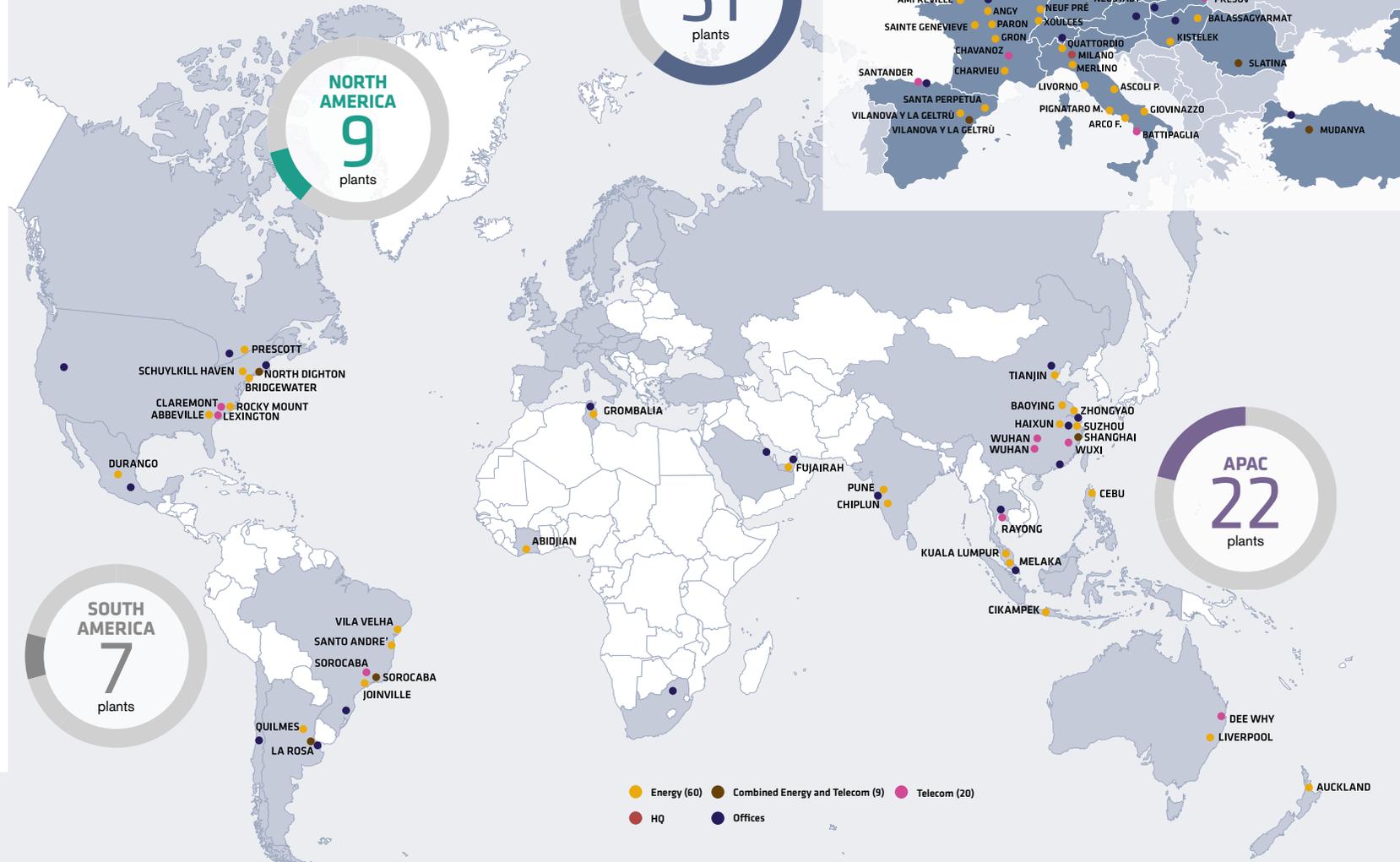
## NORTH AMERICA

Canada  
Prescott  
Mexico  
Durango  
USA  
Abbeville  
Lexington  
North Dighton  
Bridgewater  
Rocky Mount  
Claremont  
Schuylkill Haven

## SOUTH AMERICA

Argentina  
La Rosa  
Quilmes  
Brazil  
Joinville  
Sorocaba (2)  
Santo André  
Vila Velha

50 COUNTRIES  
 89 PLANTS  
 17 R&D CENTRES  
 19,000 EMPLOYEES



**NORTH AMERICA**  
9  
plants

**EMEA**  
51  
plants

**SOUTH AMERICA**  
7  
plants

**APAC**  
22  
plants

● Energy (60) ● Combined Energy and Telecom (9) ● Telecom (20)  
● HQ ● Offices

Of course, Prysmian Group would not be able to react and respond so rapidly to the various requirements of global markets without an industry strategy focused on efficient productive output and tight discipline when it comes to capital expenditure.

Following the merger with Draka, this involved more tough decisions that continue to this day. But Prysmian had the track record, and Andrea Pirondini, Chief of Operations, remembers well the early lessons of the 2002 consolidation: “I take inspiration from that experience and always think one of the key characteristics of good quality management is to be able to summarise, to identify the priorities and key issues, and focus on them. Not to get lost in a sea of details and issues,” he says. “So the company has a big opportunity to make a step forward in terms of creating centres of excellence.”

The general philosophy is “less is more,” in terms of the number of plants, but always with the appropriate scale and quality.

“There is a strong opportunity to rationalise and leverage our size and competences,” says Pirondini. “Today, we are sometimes spread across too many smaller factories. Considering our size in some regions, we could work with fewer, larger scale operations. So, I believe that exploiting this element would allow us not just to reduce our cost, which remains a very important element in this industry, but also to have better quality management. Because very often our factories are too small, or do not have the scale to attract top quality manufacturing management. High quality, bigger factories help in that respect and I believe that management can make the difference.”

Building efficiency had to take place on multiple fronts. Facets of this approach included focusing on higher value-added products and maintaining a well-diversified geographical presence in order to minimise distribution costs. Again, there needed to be a concentration of high-tech product manufacturing at a limited number of factories, in order to focus technological skills and leverage economies of scale thus increasing manufacturing efficiency and reducing the capital employed.

But, “efficiency has to come with quality,” notes Frederick Persson, CEO Australia.

Confident in Prysmian’s high product quality, he launched a marketing campaign that took on cable imports from quality point of view, combining humour with a sense of urgency – Aussie style.

“We showed a picture of a fireman pouring some water on a burned-down building next to the claim: ‘At least the cables were cheap. You think? We think it’s time you got your priorities straight. There are A-cables, B-cables and evidently also E-cables (the name of the low-cost manufacturer starts with an E). For a second time in a matter of months we hear of hazardous, life threatening cables being sold and installed in Australia.’”



People gathering around Prysmian’s booths in major international exhibitions.



Neustadt plant in Germany producing special cables for industrial applications.



Pikkala factory in Finland, specialised in a wide range of energy cables, including submarine extruded.

## Innovating for the future.

Increased efficiencies in products and manufacturing processes are inextricably linked to Prysmian's emphasis on research and development, which, in turn, is essential for future growth. Indeed, cost reductions resulting from a "design to cost" programme totalled 16 million euro in 2014 – yet more concrete evidence that this approach has been successful.

The commitment to innovation is clear: there are 500 skilled professionals working at 17 Research & Development Centres of Excellence, with headquarters in Milan. With about 5,000 patents and patent applications and partnerships with major universities and research centres, along with various incentive programmes for sourcing ideas and sharing knowledge, Prysmian has established a culture of innovation that cuts across the entire organisation. Numerous key collaborations include those with Politecnico di Milano and Centro di Ricerca Nazionale di Roma in Italy, Centro para el Desarrollo Tecnológico Industrial in Spain, Delft University in the Netherlands and USP in Brazil. Additionally, in North America the Prysmian Group is an honorary member of NEETRAC (National Electric Energy Testing Research and Applications Centre) at the Georgia Institute of Technology. Collaboration with the universities is strategic for Prysmian, in order to keep constantly updated about all technological innovations and ensure adoption of the most advanced technologies available to the scientific community. Beyond these patents and partnerships is annual investment of approximately 70 million euro in 2014 for research, development and innovation, confirming its steadfast commitment to and focus on long-term sustainable growth.

The result is more innovative products and technology that enhances the existing range, reducing production costs, and increasing profit margins – it helps Prysmian get it right the first time, with zero defects, better serving the customer.

Three recent examples of cost saving, and safety enhancing R&D innovations, are high-voltage cables that don't require the vulcanisation process to obtain crosslinking of the cable insulation. The cables can be produced on one production line only, and do not have to be heated up to 350°C. Prototypes are under development that, depending on the dimension of the cable, could reduce production costs between 10 and 25 percent. Combined with the shorter production line and delivery time, and the lower stock required, this could lead to a savings closer to 30 percent – a significant gain. Meanwhile, Prysmian R&D has developed flexible and lighter cables which are less susceptible to external mechanical damages through its Airbag® technology, a radical solution that protects the cables through a kind of "shock absorber." This mechanism is comprised of polymeric extruded layers that work together as an effective defence system. Among other innovations, the Group has also produced the Afumex® cables, which do not emit smoke and toxic gases in the event of a fire.

Of course, there is more to be done in R&D. Andrade is focused not just on short term advancements, but long term innovations that may take a decade to develop, such as replacing the copper wire to pass energy within a cable with something lighter and more sustainable, based on CNT - Carbon Nano Tubes.

He's also a proponent for new materials, which Prysmian labs are preparing for, as well as composites for much lighter cables, which could potentially service at depths of up to 3,000 metres. "This is a challenge in our culture of efficiency, where we are focused on shorter term results," says Andrade. "But we need to anticipate our customers' problems and stay ahead on their solutions. So you can't think just in terms of six months, but more like six years."

# Innovation is key for Prysmian Group

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Third-generation Afumex® fire-resistant cables, using insulating materials that comply with the safety requirements of the new European Building Directive.

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In the Trade & Installers business, the new Afumex® Green cable was developed in Brazil; this is a building wire that is insulated with halogen-free polyolefin obtained from sugar cane.

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The “Intelligent Protolon” system, designed for applications in the field of port logistics in order to monitor the state of cable wear and tear.

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A range of optical cables developed with micromodule technology that allow the same number of fibres to fit into a narrower cable; beneficial in tight spaces.

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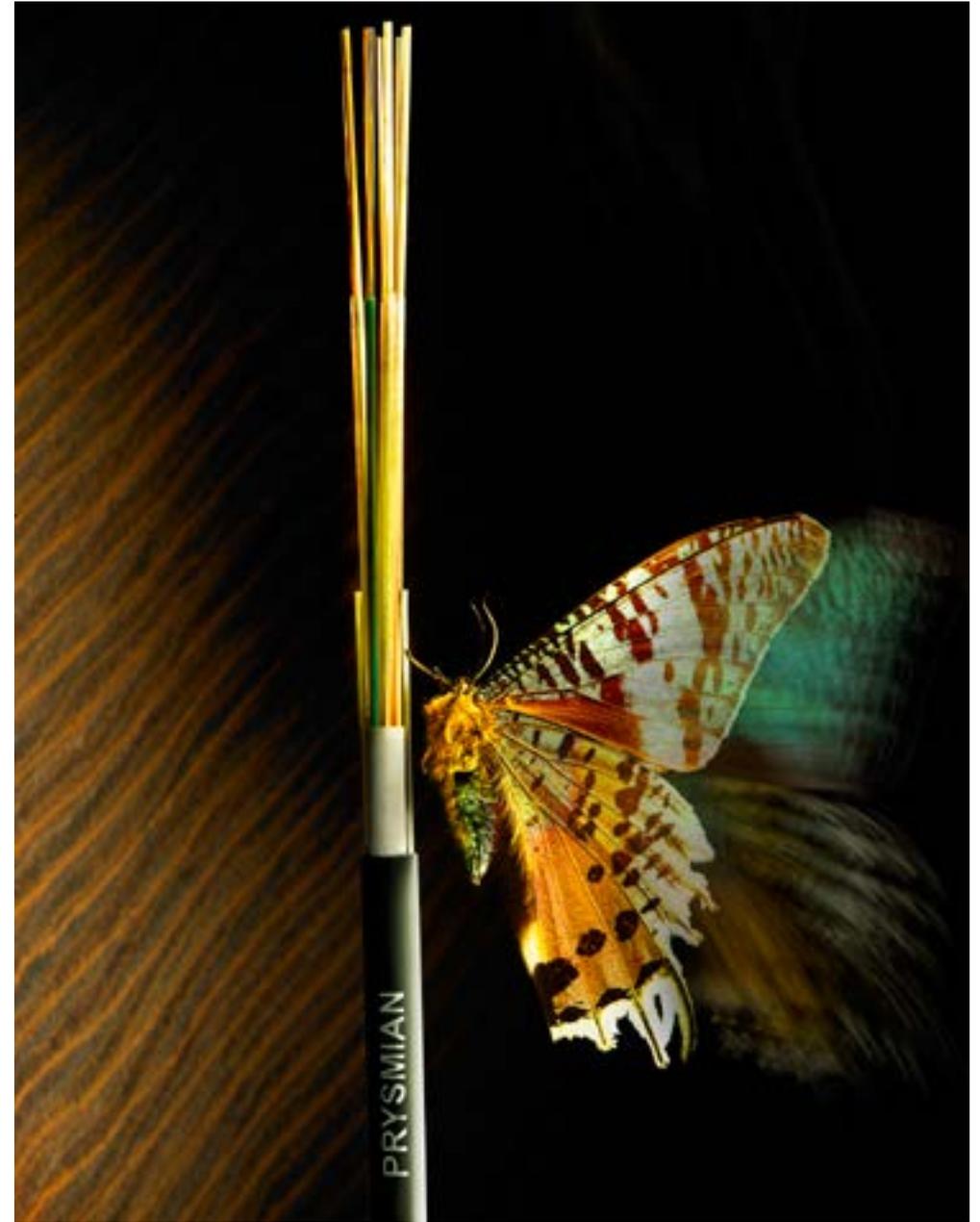
In the optical fibre field, new bend-resistant fibres, including BendBright<sup>XS</sup>, the first-ever commercialised bend-immune singlemode optical fibre, with a bend improvement of almost 100 times compared to standard technologies; and the “MaxCap-BB” multimode fibre, able to replace traditional standard multimode fibre and so offering high sales potential. Innovations include other families of optical fibre for special applications operating at high temperatures and in extreme environmental conditions.

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In the area of optical telecom cables, halogen-free and fire-retardant optical cables containing BendBright<sup>XS</sup> technology fibre; Flextube® 1728 fibre optics, the highest fibre density in a high fibre count cable (1728 f in 23 mm); A new hybrid optical-power cable for the FTTA (Fibre to the Antenna) market which can be installed in towers for 4G LTE systems.

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The Pry-Cam® partial discharge measurement and monitoring system, which allows a real-time and precise snapshot of partial discharges by different network components during normal operation.



Where Nature meets Technology.

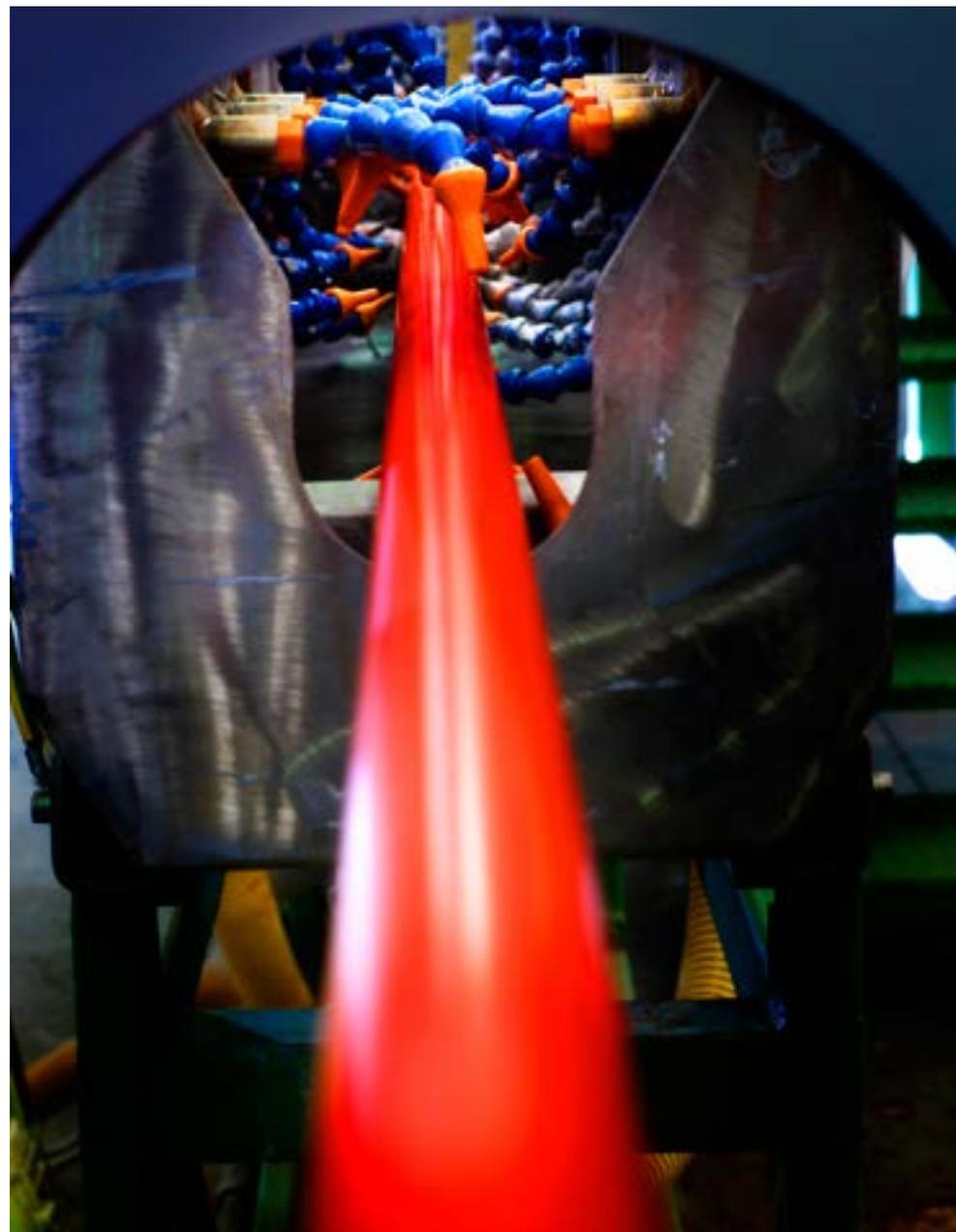
# Sustainability.

Such long-term thinking is precisely why Prysmian has become a leader in all aspects of sustainability. There is a particular focus on technological innovations for the environmental responsibility of production processes, as well as on environmental protection and the management of relations with the local communities in which the Group operates. Prysmian also emphasises safety at work and affirms belief “in the efficient, effective and sustainable supply of energy and information as the principal driver for the development of communities.”

But these aren't mere words. Consider products such as the P-Laser®, an eco-sustainable medium and high-voltage cable making innovation in power distribution. This product has revolutionary high-performance insulation using fully recyclable thermoplastic materials. Other examples of products and processes with a lower environmental impact include:

- The “Drylam®” range of products for installation in production systems, such as in the oil industry, where cables are exposed to attack by chemical substances such as hydrocarbons, solvents, acids and bases.
- Extension of the use of cross-linked polyethylene extruded insulation (XLPE) to high-voltage submarine cables for direct current connections, where a few years ago only layered insulation (paper, or paper and polypropylene) had been used. This product's environmental benefit lies in the absence of oil fluid needed for cables with insulating layers.

As part of the steady growth and development of the Group, there has been increasing need in recent years to adopt a responsible approach to the achievement of environmental and social objectives. The proper management of natural resources and protection of the environment are essential for the creation of sustainable value. Beyond merely improving performance, these represent value added in terms of business results, as well as responsibilities towards employees and local communities. Prysmian's efforts to reduce the environmental impact of its work include the responsible management of resources, raw materials and waste, as well as efforts to prevent and reduce the environmental impact of its production.



P-Laser® cable sheathing line cooling system.

## Pillars of growth.

Of course, sustainability is just one piece of several pillars of growth that make up Prysmian's strategy for the future. Many have already been touched upon throughout these chapters, but to reiterate, these carefully considered priorities include:

**Anticipating customer needs** – Prysmian continuously strives to improve its competence in research, innovation, customer centricity, employee development and environmental sustainability.

**Balanced growth** – Prysmian balances short and long-term objectives, and seeks healthy value creation through governance, and a business model that allow results to be sustained in the long run.

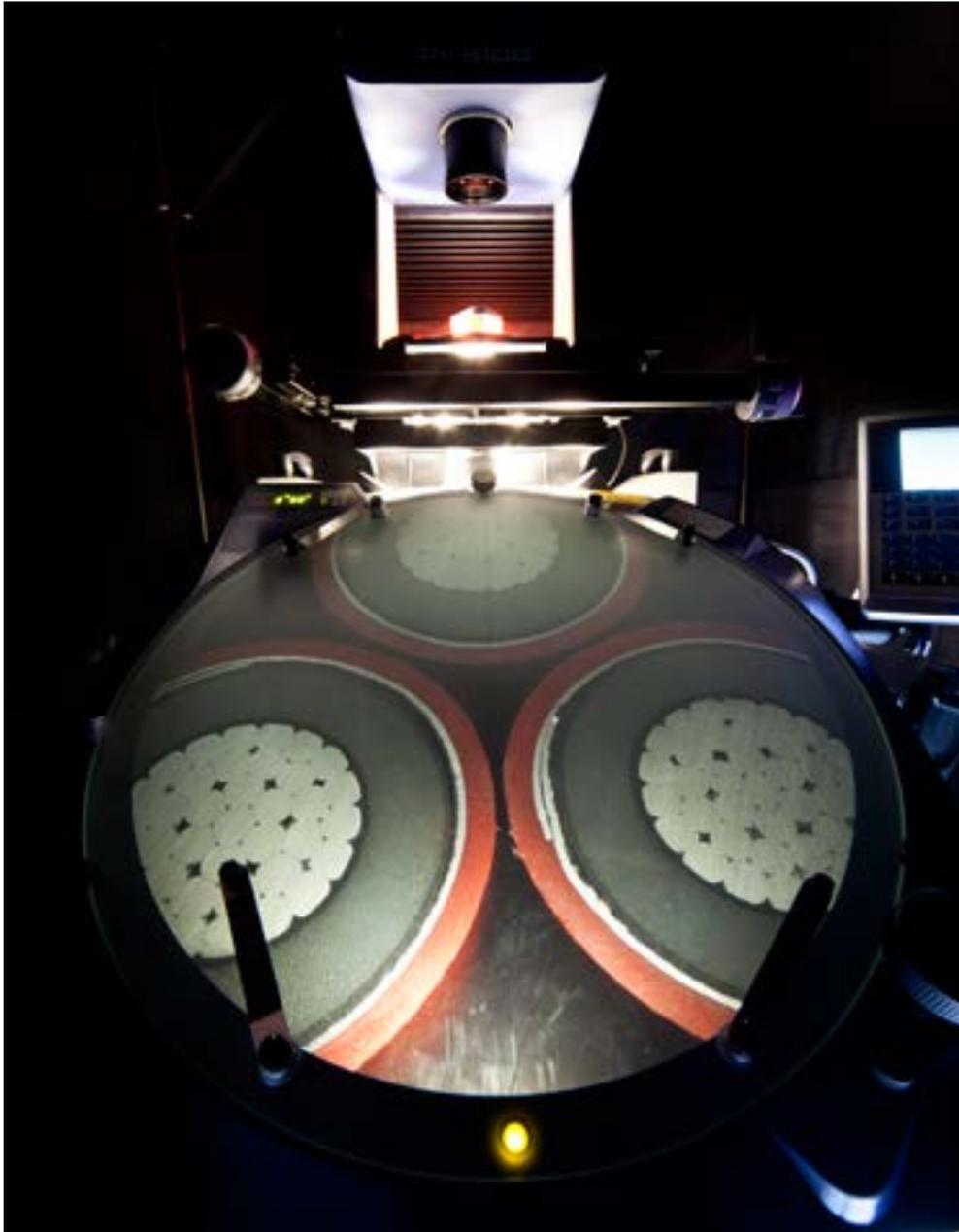
**Financial discipline** – Great attention is paid to the operating margin and cash generation, with a particular focus on working capital management, the reduction of fixed costs and employed capital.

**Market confidence** – As a public company, Prysmian is keen on ensuring strict maintenance of commitments and delivery of on-target results, using international best practices to promote transparency and credibility of decisions.

**Sustainable expansion** – When deciding where to expand, Prysmian gives priority to preserving adequate profitability, even at the expense of an increase in market share. In future, the company's goal is to be more strategy-driven rather than opportunity driven.

**Leadership through aggregation** – Prysmian is recognised for its ability to optimise industrial processes, including well-executed integration with acquired companies.

Again, these are fine words, but pragmatic Prysmian is in the business of showing, not telling. The demonstration of these pillars as a successful strategy can be found in the long list of technologically groundbreaking turnkey projects described in the next chapter. Prysmian doesn't just tell, it shows, time and again... in every corner of the globe.



Cross-section of a power cable viewed under microscope.

**Linking the world, project by project.**

**CHAPTER TEN**





**W**hat is the universe made of? How did it start? These are the kinds of fundamental questions that are being asked by the world's leading physicists and engineers at CERN, the European Organisation for Nuclear Research, located just outside of Geneva. And Prysmian Group's cables are helping to answer them.

At CERN's sprawling, cutting-edge laboratory, the world's largest and most complex scientific instruments are being used to study the basic constituents of matter – the fundamental particles of the universe. Accelerators boost beams of particles to high energies before the beams are made to collide with each other, or with stationary targets, at close to the speed of light, while detectors observe and record the results of these collisions. The process gives the physicists clues about how the particles interact, and provides insights into the fundamental laws of nature.

Prior to the merger, Draka had been providing and installing cables for the Large Hadron Collider (LHC), CERN's biggest purpose-built particle accelerator, which was being used by scientists to probe the origins and structure of the universe. The LHC is located in a 3.5 m diameter circular tunnel, with a length of 27 km, about 100 metres underground between France and Switzerland. It's probably the most complicated and expensive scientific experiment man has ever attempted. It's big, it's exciting, it's incredibly high-tech and it's packed full of Prysmian Group cables.

CERN contracted the company to supply and install optical fibre cables in and around the LHC. The key factor which led CERN to select the Prysmian Group was the flexibility and cost effectiveness of its JN micro-duct technology. This innovative cabling system allows for miniaturisation of the network, using small diameter cables installed in small diameter micro-ducts. With JN technology, microcables can be blown up to 3.4 km in one go at speeds of over 100 metres per minute. This technology also enables new cables to be added to an existing micro-duct structure, or quickly replace any damaged by radiation.

Prysmian's engineers installed approximately 1,500 km of optical fibre cables in the tunnel alone, conveying the enormous quantity of data generated by the experiments to the supercomputers, as well as regular data communication. In addition to the telecom cables, Prysmian is also the supplier of other cabling at the CERN premises.

## Jewels in the crown.

**C**ERN is just one of the many success stories Prysmian now celebrates through its marriage with Draka. It's noteworthy not only because of the extraordinary nature of the work they are doing in these Swiss labs, but because of the complex cable production and installation challenges the project presents, demonstrating just how diverse and uniquely qualified Prysmian has become.

The gallery of projects is extensive, and includes vital infrastructure in major world markets.

The Group has established strong relationships with major global players in each of the industries in which it operates, often delivering projects designed to specific customer requirements. Customer centricity, defined as the ability to anticipate and quickly meet customer needs, is a hallmark of the Group's activities, and is present from product design, right through to delivery. Prysmian's levels of service are constantly monitored using specific, agreed parameters, as a result, customer expectations aren't just met, they're often exceeded.

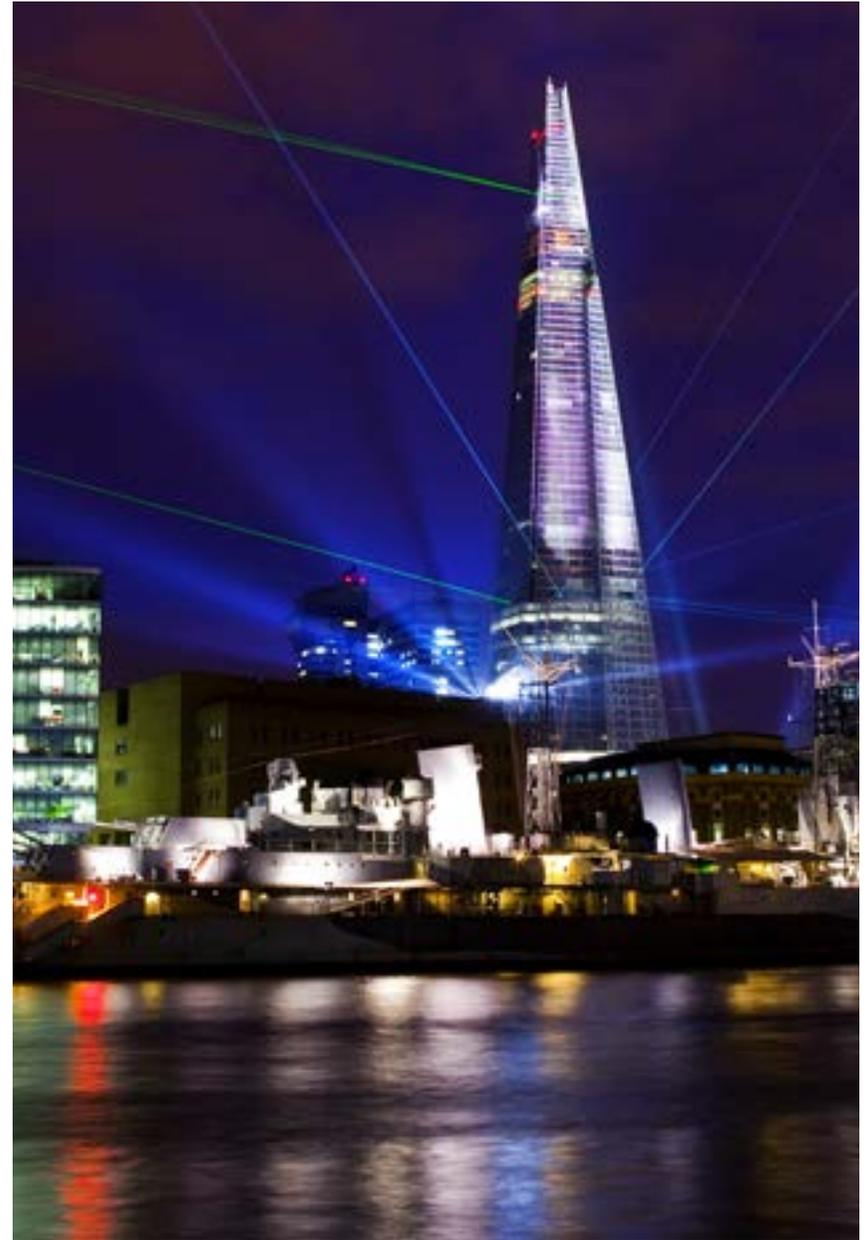
Prysmian Group is able to develop solutions that not only meet specific standards but also satisfy precise customer requirements. This is achieved by having a fast, smooth organisation throughout the supply chain, capable of speeding-up decision-making and time-to-market by adapting itself to the demands of the various industries and continuously investing in innovation. This is why the crown jewels in the project portfolio of the world's largest cable maker include some of the most advanced, large-scale and strategically important energy and telecom infrastructure developments in the world. These include milestones in the interconnections of offshore wind farms, cabling and connections of oil rigs, telecom networks, and advanced cabling solutions in the aerospace, construction and ship building industries.

The sheer scope of products is mindboggling, including everything from the installation of the elevator cables at the new

World Trade Center in Manhattan, to the laying of fire resistant power cables at Wimbledon's Centre Court, or at Guggenheim Museum in Bilbao and at the Marina Bay Sands in Singapore, the most luxurious casino and hotel ever built and one of the most challenging construction projects ever. At the Burj Khalifa in Dubai, Prysmian Group has taken safety on each of its 162 floors to new heights. The length of the fire resistant cables, fitted with over 700,000 fire-resistant accessories, is over 1,300 times the height of the tower. The Group has also supplied specially engineered cables to support the performance of elevators within the building that are among the world's fastest. There have also been numerous strategically important, turnkey projects dedicated to improving and developing infrastructures. An example is the Hudson Transmission Project between Manhattan and the New Jersey coast, which will strengthen the overall reliability of the power supply system in the New York City metropolitan region and become an infrastructure asset for many decades to come. The underground part of the cables for the Hudson project were produced in the Group's state-of-the-art EHV plant in Abbeville, SC. "Can you believe what it feels like working in the tallest building in South Carolina? Our vulcanisation tower is 373-ft. tall and when the plant was inaugurated in 2009 it was the tallest building in South Carolina. Amazing!" commented Shannon Wilson, VCV operator in Abbeville, at that time.



The Guggenheim Museum in Bilbao, equipped with fire-resistant and Afumex cables to reduce smoke and toxic gases in the event of fire.



The Shard - the tallest building in London and Western Europe, supplied with high-tech fire-resistant cables for power distribution.  
Right page: the outstanding Burj Khalifa in Dubai.



## Facing the challenge: transparency and integrity in action.

Such turnkey projects are not only interesting in and of themselves. They demonstrate key facets of Prysmian's corporate values. The story of Western Link is the perfect example of how Prysmian's people respond when put to the test. In terms of contract value and voltage level, it was to be the largest cable project in history – a High Voltage Direct Current (HVDC) submarine interconnector between Scotland and England, with a route extending in excess of 400 kilometres in length in the Irish Sea and including a short land section in Scotland and a significant land portion running through England and Wales.

This was a momentous deal for the United Kingdom. Facing a major challenge in how the country could meet its increasing energy needs and addressing the problem of climate change, National Grid and Scottish Power Transmission came together in a joint venture to build the Western Link, a one billion pound project to help bring renewable energy from Scotland to homes and businesses throughout England and Wales. Construction would be carried out by a consortium of Siemens and Prysmian, which was awarded the contract in February 2012. Prysmian would be providing the full service: design, manufacture, installation, testing and commissioning, using its most advanced High-Voltage cable technology.

Prysmian won the contract based on its innovative PPL (Polypropylene Paper Laminate) insulation cables. This material technology allows for higher voltage and power rating, with reduced cable dimensions and minimised energy losses in relation to equiv-

alent transmission capacity systems. In short, it was perfectly in line with the UK's desire to use more sustainable, energy efficient ways to source and deliver power.

"This milestone reconfirms our prominent role in the submarine cables sector," Fabio Romeo, Chief Strategy Officer, announced at the time. "Both in terms of market share and track record, and in terms of know-how and innovation capabilities. In addition, I would also like to highlight our ever-increasing commitment to the renewable energies sector, with a wide range of high-end products and technologies available to support the development of greener and smarter power grids."

It was a moment of celebration; the successful execution of the project would result in one of the company's most profitable years to date. Then disaster struck.

In April 2014, slight cable irregularities were noticed. Unusual intermittent bumps were found, and no one could say for sure whether the cables were physically, mechanically and electrically sound. Even the slightest uncertainty could result in catastrophe, so production was halted until the engineers and technicians could determine the underlying cause, and fix the problem. In an infrastructure project of this size, indeed on any project, they had to deliver perfection.

Financially, the impact to the bottom line was devastating, in the short term at least. Rather than wait until they knew more the following quarter, Prysmian's leadership team cut its profit guidance on July 31, estimating a delay of six to nine months for the project. The share price plummeted as market analysts assumed the worst. But Prysmian's policy of total transparency in serving both customers and answering to shareholders necessitated full disclosure, even when most corporations would have waited until the following quarter, when more details would have been known.

all of its inherent strength and pragmatism to bear on a crisis that would have destroyed the reputation of lesser companies. As Prysmian negotiates each obstacle, mobilising all of its resources on a problem, it comes through fire tested and stronger than ever, proving once again that it will be at the technological forefront of every facet of global infrastructure for generations to come.

## All hands on deck.

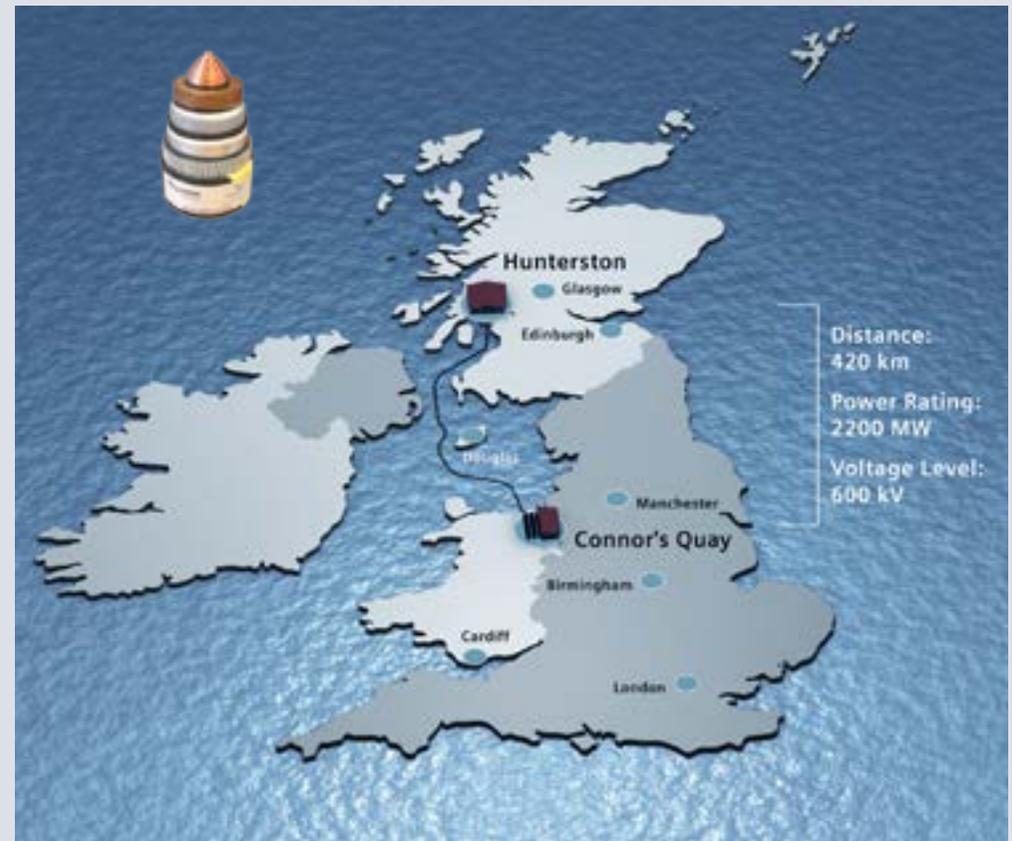
Meanwhile, everyone rolled up their sleeves. Prysmian's research labs spent months testing and re-testing the cables until they were confident they had isolated the problem. Manufacturing experts and technicians implemented all sorts of machinery upgrades to fine-tune the production process. Then, as production resumed, employees at all levels stayed around the clock, giving up evenings at home and weekends with their families to watch as the cables came out. Even senior managers got their hands dirty, literally blackened, touching the cables and feeling for bumps. This time, there were none. The project was back on track thanks to the cohesiveness of the Prysmian team.

"It was a tough job," recalls Battaini, SVP Energy Projects, who has been hands on from the beginning. "But they didn't care. Everyone was completely focused on the same thing: to fix the problem, no matter what it took."

It was a costly setback. But Prysmian's performance, both at the top leadership level in dealing with the market place and serving the customer, and on the factory floor, where personal sacrifice saw the job through to completion, solidified its reputation for integrity and commitment.

"In the short term there was pain, and it's still not over. But you can't put a price on the confidence and trust we have gained in the marketplace," notes Battaini. "I will remember forever a statement our client Graham Edwards, Western Link Project Director, made: 'paradoxically, this experience does not weaken our relationship with Prysmian, it makes it stronger, instead. Should we have a new project in the future, we would award it to Prysmian for sure because we know they would never let us down in any event'."

At the time of writing, the Western Link issues were ongoing. But the incident shows the Group's typical response to challenges. Once again, crisis mode focused its people and united them towards a common goal. Prysmian in this new era brought



The Western HVDC link cable route and technical features.

# Setting industry standards in submarine cables



**Western HVDC Link**  
Scotland - England  
± 500 kV - 400 km

**Shannon River Crossing**  
Ireland  
220 kV - HVAC

**Guineville I**  
France - Jersey Island  
90 kV - HVAC

**HTP - Hudson Transmission Project**  
New Jersey - Marquette, NY  
345 kV - HVAC

**TBC - Trans Bay Cable**  
San Francisco Bay, California  
± 200 kV - 95 km

**Exxon**  
Oil Platforms - California  
40 kV - MV

**Neptune**  
New Jersey - Long Island, NY  
± 500 kV - 106 km

**Wimble**  
Spanish mainland - Mallorca  
± 300 kV - 230 km

**Ibiza - Mallorca**  
Balearic islands interconnector  
± 132 kV - 123 km

**Spain - Morocco II (Remo)**  
Spain - Morocco  
400 kV - HVAC

**Messina II**  
Syracuse - Rizziconi  
Sicily - Italian peninsula  
400 kV - HVAC

**MON-ITA**  
Montenegro - Italy  
± 500 kV - 400 km

**SARPE I**  
Sardinia - Italian peninsula  
± 500 kV - 430 km

**Capri - Torre Annunziata**  
Italy  
150 kV - HVAC

**Cardanelles I & II**  
Turkey  
300 kV - HVAC

**Zakum oil field**  
Abu Dhabi - U.A.E.  
11 kV and 33 kV - MV

**QCCIA**  
Saudi Arabia - Bahrain  
400 kV - HVAC

**Doha Bay crossing**  
Qatar  
220 kV - HVAC

Philippines  
Negros - Panay Islands  
230 kV - HVAC

Phi Quoc Island  
Vietnam  
150 kV - HVAC

**Italy - Greece**  
Italy - Greece  
400 kV - 163 km

**Cyclades**  
Syros - Greece mainland  
150 kV - HVAC

**Basalink**  
Victoria - Tasmania  
± 400 kV - 300 km

## Two Ships

Prysmian has been uniquely equipped to tackle these most challenging projects from start to finish through the Giulio Verne, whose ancestor vessel laid those telegraphic cables across the Atlantic over a century ago, and the Cable Enterprise. These ships play an integral role in the Group's turnkey products and services.

Today's Giulio Verne has the largest operation capability in the world, with advanced technological features, which allow it to function effectively in even the most adverse sea and weather conditions. This unique asset allows Prysmian more comprehensive control of the supply chain. Prysmian is able to internally source all the installation work and extend its installation services to the medium voltage sector.

The Cable Enterprise, meanwhile, is a cable-laying barge that can operate in shallow waters, thus extending the range of turnkey projects Prysmian can service. In 2014, this barge received an upgrade, becoming an autonomous vessel without the need of tugs during cable laying. It now has a stronger power supply, new decks, and a new cable tank for HVDC projects. Together, these ships have laid more than 10,000 kilometres of cable around the world, and counting!



Cable Enterprise before upgrade works operating in the Normandie 3 project.

## Full-service partner

Of course, the many projects mentioned and pictured throughout this book are just a small sample of the ways Prysmian leverages its unique combination of technology, experience and customer service. Besides breaking records for the highest power rated, most fire-resistant and deepest laying depth, Prysmian's turnkey capabilities, which include installing and maintaining its cables in the most complex projects and under the most challenging conditions, make the company unique among global cable manufacturers. It's a full-service partner in some of the most diverse and technologically advanced industries, from physicist research labs, to satellite observation, and oil and gas exploration.

But, for all of Prysmian's recent accomplishments, it needs to do more to hone its strategy.

**A global leader can never afford to become complacent. The completion of integration and consolidation of Prysmian and Draka is ongoing.**

The Group is streamlining its organisational structure by moving from country units to regional, which will cut down on overheads and layers of management and facilitate the creation of cross-border synergies. Some of Draka's diverse niche businesses may have to be sold or consolidated. It is a question of focusing on high-margin cable businesses, such as submarine interconnections and underground High Voltage, SURF and telecom cables. It is also a question of selecting the right niche markets for Prysmian. The challenges ahead are many but, as always, Prysmian is prepared to meet them.

# Laying the future.

CHAPTER ELEVEN





When a Citigroup analyst report recently described Prysmian Group as “best in class, in a bad class,” it expressed what the cable giant’s leadership team had long been thinking about its future direction. The point the analyst was trying to make was that, while Prysmian is head and shoulders above the rest of its larger peers in the industry, the cable business is hardly a high enough benchmark for a company of this calibre to aspire to.

With its usual dose of pragmatism, focus and candour, the Group’s leadership has recognised certain obstacles in its ability to maintain a mature market and continue drive growth, and makes no bones about saying so.

With the last decade’s successes and challenges as a foundation, Prysmian’s CEO guidelines offer a wealth of insights on ways its business will continue to thrive for the next century and beyond. In this document, Valerio Battista outlines a clear path forward, and identifies the right goals, aspirations and role models for Prysmian Group going forward:

“We first need to look for new classmates. We can definitely learn a lot from our smaller, local competitors that are able to serve the needs of our customers better and faster than we do. But, we can also learn from some of our internal businesses. Take the example of elevator: they make only about 50% of revenues with cables; the rest comes from after-sales and OEM. Another example worth mentioning could be Technip, which is selling the physical product just to reach the higher margins during the maintenance phase. Our questions should be: can we replicate this model in other areas? What are the services and solutions that we could offer to our customers? Look at the washing machines’ business - they created a “replacement” business by redeploying end-of life components. Of course for Prysmian this is a dream. But never say never.”

## A higher benchmark

While Prysmian managed to outpace its competitors in the past 8 years with an EBITDA CAGR at 6%, twice as high as the industry average, it’s not enough. To reach one billion Euro EBITDA by 2020 [from 600 million in 2014], Prysmian will need a CAGR that is higher than 6%. The Group’s EBITDA has always been driven by a specific compelling case. In 2002 it had to turn the cable division around to attract investors. Then it grew the business to get listed in the stock exchange. This allowed Prysmian to survive the economic downturn in 2009 and, later, to grow its EBITDA by 50% with the acquisition of Draka in 2010 and by a further 10% in 2012, thanks to the commercial synergies of the merger. But, without a clear compelling case, EBITDA began to fall in 2013 and 2014, highlighting the need to invest more time in strategic thinking. Recent performance demonstrates the need for staying the course while at the same time opening up to new opportunities for innovation and entrepreneurship. A diverse and value driven portfolio of services and products is one result of this more expansive approach. But they have to make sense.

Prysmian now has a track record of success in product niches. It has integrated them into the current business and transformed them into growing, high-margin little jewels. Submarine, elevator and high voltage niches have each achieved impressive results in terms of EBITDA. However, there are also less successful niches, which the Group has failed to manage properly. So what are the desired characteristics of new niches? First, they must have the chance to become either number 1 or number 2. Second, barriers to entrance must exist. Finally, they need to have a substantial link to Prysmian’s current capabilities.

Left page: looking to the future: young talents and top executives from around the world during a meeting in Milan.

## The next big leg

Going forward, Prysmian must also create a second home region. As Fabio Romeo puts it:

“We have a big leg in Europe, another, smaller in South America, but we need a stronger presence in large markets, where there is a big opportunity. The question is: which is the choice for the second big leg? ASEAN or North America? Frankly, I think that even if China had huge opportunities we could only consider increasing our market share, but never growing to 20%. We do not have enough resources to become market leader in more than one region after Europe. Also, we are already very big, and the complexity of our organisation would make it impossible to concentrate efforts on more than one region simultaneously, while maintaining the quality we are known for, so we need to choose. We need to do more homework to be able to commit to a specific region, but we know that by 2020, we would prefer to have a revenue distribution of 40% (Europe), 40% (second home market) and 20% (the rest) rather than 68% (Europe) complemented by a fragmented presence in many geographical areas.”

Finally, as Battista correctly reminds us, Prysmian must never forget where it came from, remaining competitive in mature markets.

“Creating a second home region and investing in niches is only possible if we manage to defend and reinforce our existing business.”



Giulio Verne's master Cataldo Muollo looks to the future: which will be the next project?

“We increasingly face competition from formerly local firms that have become regional, suffering from their capability to combine flexibility with economies of scale. To beat them, we need to divest from areas in which we have no competitive base, where the EBITDA and the sales growth are negative and use the resulting free cash flow to strengthen our legacy assets.”

## Positioning for success

As Prysmian celebrates its 10th anniversary, there is certainly much to be proud of, but many expect grim market conditions ahead, so now is the time to be circumspect. As one analyst put it, “while Prysmian can’t laugh, its competitors will be crying hard.”

Bulking up its presence in higher-margin businesses, while strengthening its position in cyclical businesses through the combination with Draka will allow Prysmian to reap benefits once markets recover.

Meanwhile, it may not be too soon to consider a repeat of the Draka success story, seeking more struggling players in Europe and the Americas to consolidate a fragmented cable market.

Prysmian Group has become extremely adept at this process. As Paul Atkinson, CEO Prysmian UK observes, “The Prysmian of today is the result of a series of takeovers and mergers that has allowed us to access the strengths of many excellent businesses. It is, in effect, a distillation of the best of all their organisations.”

So when the question is asked: “who are Prysmian’s peers? Is it Nexans or General Cable?” The answer will be clear – none. Prysmian will be in a class of its own in the cable business. It will search for inspiration from other high-performing industries to further increase its level of excellence.

And this will surely happen.

Pragmatic Prysmian has a long history of adapting, responding to the realities on the ground swiftly, and with utmost efficiency. Time and again, its people have been galvanised to work and make sacrifices for the long-term future of the business, even when they face some short-term pain. They get behind their leadership to effect the necessary changes, regardless of personal feelings.

This happened 10 years ago, when the company first came into existence as Prysmian. The sense of uncertainty was profound and yet, “everybody got to work and thought about how to pay back the debt – yet another instance of how pragmatism really works in this company” recalls Romeo.

At each crossroads, Prysmian’s people performed because they could see that the leadership was making decisions in the interest of everyone’s future. Put simply, they felt a part of things.

“Then there was this IPO, we wanted to go public and everyone was excited,” Romeo recalls.

“The fact that our leading shareholder was leaving us was a source of pride, because we would become the first truly public company in Italy. And then there was the YES programme, making our employees part of the shareholding structure, which was the next step. Each time it was simply a question of clearly explaining to people what we wanted to do and saying, ‘I believe in it; I think it’s the right thing to do.’”

It’s that collective spirit – where everyone goes all-in for a goal – is something Prysmian’s leadership is looking to leverage on a more consistent basis.



R&D laboratories are key for the success of the Prysmian Group.

A set of core values must drive performance at all levels of the organisation and remain constant despite the ever-evolving business and economic environment. A common vision that goes beyond the demands of quarterly and annual reports will ensure its next century as the world's leading provider of cable solutions. But, let's be clear. These values aren't lofty ideals of perfection, because setting such unattainable goals gets in the way of success. Rather Prysmian's core values are the essence of pragmatism.

## The DNA of pragmatism

So what is Prysmian's pragmatism? These questions have been answered in the CEO guidelines, which lay down a kind of blueprint for action and responding to the realities on the ground by doing the following:

Simplify. The fact that Prysmian is the biggest cable manufacturer does not automatically imply that it has to be the most complex one.

Its complexity is generated by the number of products it offers, the number of geographies in which it operates and the number of clients it serves. That complexity must be kept under control, and Prysmian's size must be leveraged as a strength.

A first step could be to merge single countries into regions. This has worked well in regions like Southern Europe, where strong R&D capabilities in France and Spain have combined to provide innovative products and solutions for this mature market's demanding and diverse customer base.

"The historically strong industrial presence in these countries is a key asset for Prysmian Group, helping us act as a real local producer," notes Tardif, the region's CEO.

Processes also are to be simplified and made more efficient. This will start with the reporting process, and more streamlined chain of command to shape the way decisions are made. There also needs to be an improvement in information systems usage.

Trade accuracy for speed. Simplicity will certainly make Prysmian faster. But it is not enough. The Group needs to actively push for speed even if this, sometimes, comes to the expense of accuracy. A 15% or 17% margins does not matter if business is lost due to a failure to act. The company cannot continue to waste time making calculations to avoid uncertainty. It needs to serve the customer as fast as possible by speeding up all its processes, from making commercial offerings to allocating resources. In order to do this, the Group will need to reduce the time to take decisions regarding product development, process rationalisation and cost recovery. It also needs to speed up the process for completing investments, allocating products and taking portfolio decisions.

Innovate, innovate, innovate. Being large should not preclude being nimble. Growing geographically and expanding activities into new and attractive niches is not enough to maintain a competitive advantage.

The Group did not invest enough energy in innovation. To defeat its faster, smaller, and often low-cost competitors, it needs to invest in truly innovative products and services to enforce its unique selling propositions.

As Francesco Fanciulli, CEO Prysmian Central Eastern Europe states: "None of my competitors is a Western European producer. My biggest competitors are the two or three multinational companies active in this area that are able to export more than the 70% of their production to Western Europe."

To restore its reputation as innovators, the company needs to search for smart products, which are able to self-identify failures and to extract extra performance. It needs to create user-friendly solutions like cables and terminations instead of cable drums or kits comprising complementary products sourced by third parties (one-stop-shopping). Another key step will be an improvement in after-sales services, including the offer of timely repair interventions, quick failure identification and quick products repairs. As one Prysmian executive put it, “we slept for many years – now it is time for us to wake up.”

Foster customer intimacy. There needs to be more attention paid to customers at every touch-point. Of course, satisfying customer needs comes at a cost and striking the right balance is essential. Nevertheless, the Group’s internal focus following the merger has come at the cost of customer goodwill.

It’s time to consider the customer’s needs by regularly measuring customer satisfaction. Co-design may be another way to help bring the customer’s voice into the company.

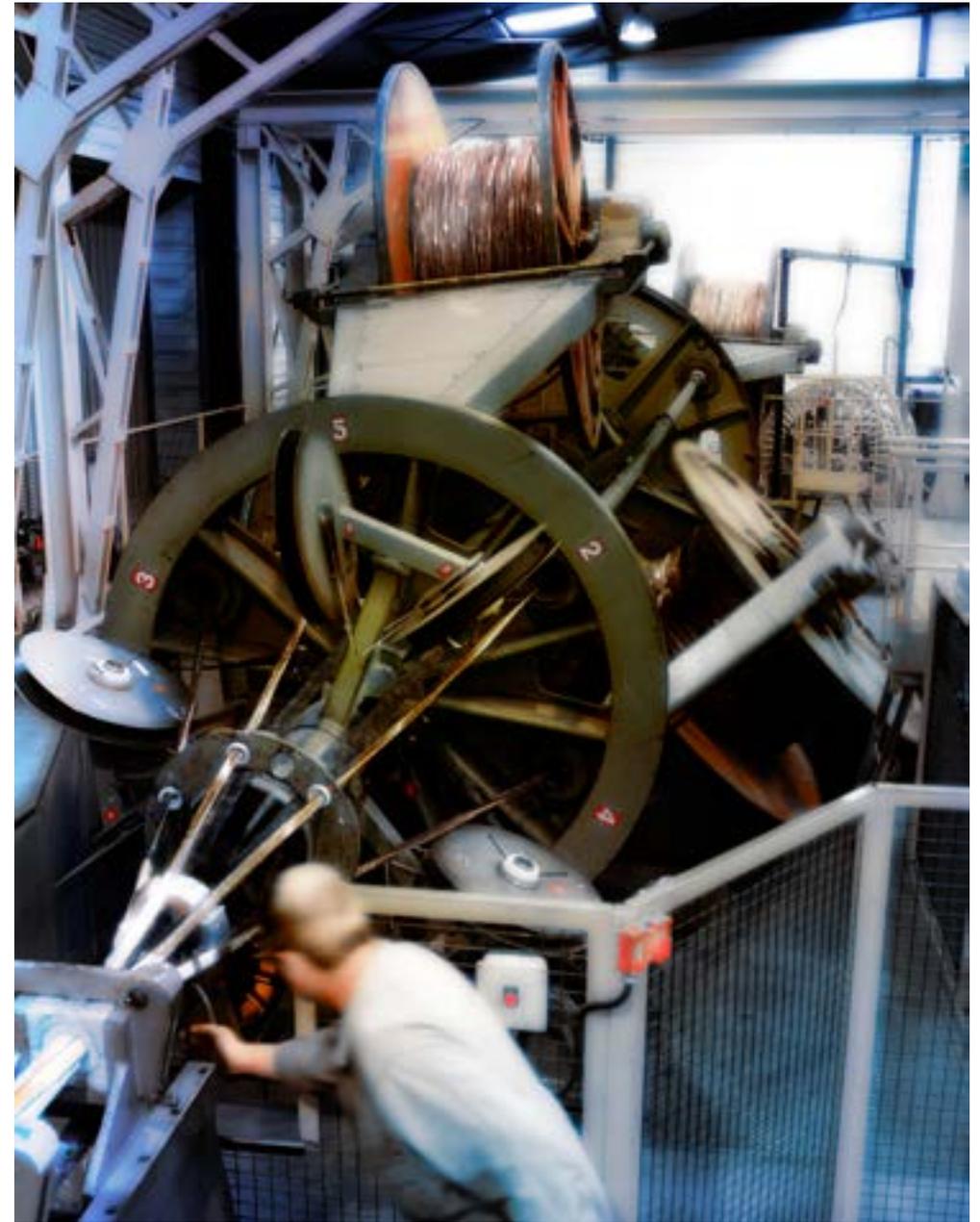
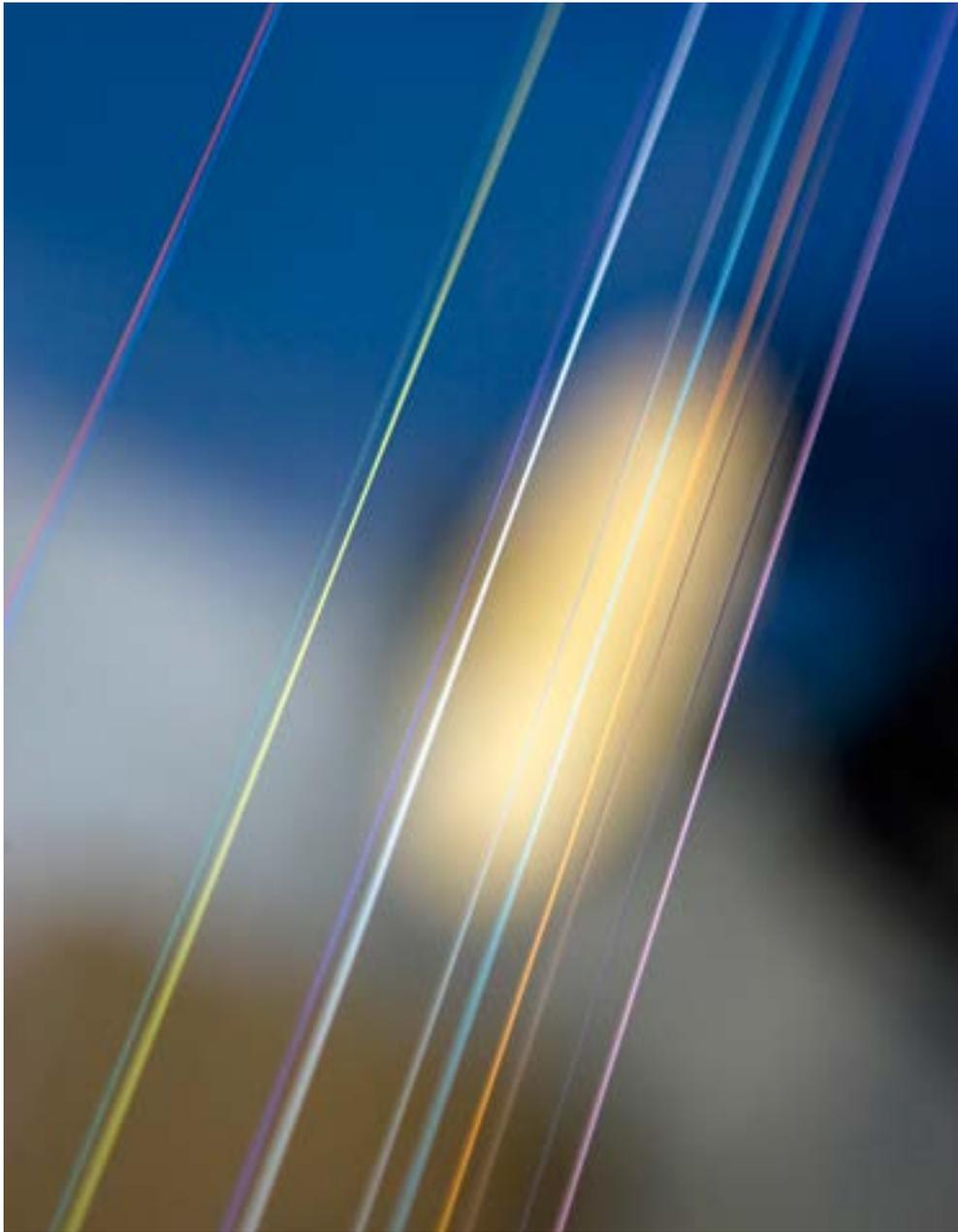
The Group also needs to develop a deeper understanding of its customers’ businesses and liaise with the ultimate decision makers, striving to achieve the highest share of wallet. The goal should be to become the partner of choice, whether through technology, knowledge, best value for money, reliability, or robustness, and to deliver the best possible service and quality.

Promote corporate entrepreneurship – without losing control. Fight for new ideas and listen with an open mind. Prysmian’s leadership needs to challenge itself, to scavenge new business opportunities. They need to find new ways to enlarge or modify customer accounts, and accept some risks for a higher reward. As Battista says,

“Some initiatives may not reach the expected (or desired) results, some opportunities may be delayed and some ideas may open unexpected business behaviours. But be brave – we will reward entrepreneurship in our incentive schemes and give autonomy on decisions and accountability.”



Valerio Battista, CEO of Prysmian Group.



From the smallest to the largest: coloured fibre optic strands and a conductor stranding machine for underground cables.

Finally, build a sustainable and resilient corporate entity that benefits the community both within and outside of the organisation. A sustainable approach to the business includes:

- Economic sustainability – Reliability, accuracy and transparency of information, along with best practice and corporate governance compliance, and great attention to risk management. Corporate governance structure will be discussed in detail here.
- Environmental sustainability – Continued commitment to environmental stewardship and the conservation of natural resources, as well as production systems focused on prevention of environmental impact, through efficient use of resources, optimisation of logistics and responsible waste management (success stats include: 93% of plants certified ISO 14001, 59% of plants certified as OHSAS 18001 and 28% of wooden drums reused and recycled).
- Social sustainability – Put people first. Pay attention to local communities and always remember that human capital at all levels of the organisation – particularly blue-collar workers, who make up for 70% of the workforce – is the basis of Prysmian's competitive edge. Investing in human resources means developing innovative ideas, products and services.
- State the long-term vision – To find new ways of connecting people around the globe through vital infrastructure projects in energy, communication, and any other aspect of human industry. To create not just the nerves of the world, but to be its nerve centre through innovation, design and execution.

Of course, all the lists and statements about Prysmian's core values and vision mean nothing until they are challenged and put into action.

This can be seen daily in the hard work, blood sweat and tears of Prysmian's employees, at all levels of the organisation.

The swift response to the Western Link, where white and blue-collar workers alike pitched in, sacrificing their own personal time with their families to fix a problem, is just one of thousands of examples of pragmatism at work. Around the clock and around the globe, Prysmian Group's people are devoting themselves to

the development, manufacture and installation of cables that make the world a safer and better place to live. Whether through more secure and efficient elevators in Burj Khalifa, the world's tallest building, in Dubai, or under the rolling waves of the North Sea, where workers and engineers are braving the harshest conditions to install submarine cables to interconnect offshore wind farms, Prysmian's people are getting the job done.

Consider, for example, the installation of the HVDC submarine cable for the BorWin2 offshore wind farm cluster in Germany in late 2013, when the Giulio Verne had to face a terrible storm. Winds were blowing at a speed of up to 80 knots per hour and waves were up to 13 metres high. As Antonino Sorrentino, Prysmian Powerlink Marine Installations, recalls, "it was impossible to get the job done in such conditions. We were forced to cut the cable, leave it on the seabed and head back to the harbour. When the storm was over we returned to the site, recovered the cable and joined it to the cable on board the ship, in order to resume the activity and finish."

The true measure of a company's greatness is not just its success stories, but the resilience and integrity it shows in both good times and bad.

As passionate as they are pragmatic, Prysmian's people will continue to roll up their sleeves and do all they can to adapt to realities on the ground, sustaining this company's success as the world's leading provider of cable solutions, well into the 21st Century – and beyond.

The Prysmian Group, like its cables, was built to last.

Right page: cables ship Giulio Verne in operations by the HelWin Alpha and Beta platforms, Germany.



# Epilogue.



Massimo Tononi

As the preceding pages have demonstrated, Prysmian is unique in the context of Italy's corporate landscape. Why? Three fundamental features, three core strengths, of our company come to mind:

First, we are truly a global company, and unfortunately, there are not that many large global companies based in this country. Sure, we're headquartered in Milan, and there's no doubt our head and heart are proudly rooted in Italy, but we are a global corporation, with a geographic footprint spanning continents. After all, when you run 89 production sites in 50 different countries, as we do at Prysmian, it would be hard to argue otherwise. And because we are a global company, we need to think and act that way.

Second, Prysmian is the world leader in its industry. We are the largest manufacturer and the most profitable company. Prysmian's market capitalisation, i.e. how much the investor community out there thinks we are worth, is more than twice as much as that of our largest competitor. This is certainly something to be very proud of, but it also puts on our shoulders some additional responsibility. Being market leader means that we always need to be at the forefront of technological innovation, customer care, corporate governance practices, compliance, employee relations, and so on.

Third and finally, we are a public company without a controlling shareholder or a group of controlling shareholders. All of our investors are either retail or institutional shareholders. Most are global investors, and not just the usual US and UK institutions, but also investors like Norges Bank and the People's Bank of China. Moreover, among our shareholders, we are especially proud to include many of Prysmian's employees - more than 6,000 at last count. For me it is a huge source of pride that Prysmian has been one of the few companies to launch a share purchase plan for all our people, at all levels. What we want to achieve with this plan is for more and more of the 20,000 people who work at Prysmian, not just the top management, to feel part of the same effort, the same community, and to share the benefits of the company's success.

So, to sum it up, Prysmian is a global company, it is market leader, and it is a public corporation. But what does this mean in practice? What are the consequences?

It means that when things get tough in the global marketplace, we cannot just entrench ourselves in our home market. We cannot simply scrape by while waiting for better days. We do not have a home market, or, to put it differently, we have many home markets, because we compete in every continent with a few global compa-

nies like us, and many local players. Because of this, we cannot lean on a friendly government and ask for help; we do not have that luxury. We are on our own when it comes to facing market headwinds or dealing with new competitors.

It also means that we cannot look at other, more established companies in our industry and essentially copy them. Because we are the leading player in our sector, there are no peers we can emulate. We are financially stronger than our competitors; we have a better track-record, and a more experienced and cohesive management team. Therefore, we are the ones who are supposed to lead the way. This means that from time to time we need to take business risks and execute projects that many others would find too challenging. We will not always succeed straight away, and we will need to work our way through a number of hurdles and stumbling blocks. But I am confident we will succeed at the end. Western Link, although certainly expensive, time-consuming, even painful, is a perfect example of what Prysmian is capable of doing, and what makes us unique in the marketplace.

Being a public company also means that we cannot depend upon the support of one big and rich shareholder, ready to help us when needed. We do not have a controlling shareholder, and therefore we cannot count on the financial backing of a government, or a wealthy family, a large corporate, a private equity fund. Instead we must rely on thousands of shareholders. This is why we need to constantly work towards maintaining and retaining their trust. It is incumbent upon us to persuade them every year – every quarter – that it is in their interest to continue investing in Prysmian. Yes, we certainly have a fantastic track-record and an outstanding management team, but the goodwill that we have built over the years with our investors needs to be constantly nurtured. The moment we become complacent, is moment it turns, and the market will start looking at us differently, with a bit of suspicion, a bit of scepticism. We cannot afford that.

So being global, a market leader and a public company, can be challenging, but it is also immensely gratifying. We operate across continents, we take on assignments that others would find too complex, and we need to please all our shareholders, but no one in particular. Therefore we do not have to manage conflicts of interest, transactions with related parties, all those rather disagreeable matters. In a nutshell, we are free!

We have very few constraints. We do not owe anything to anybody outside Prysmian itself. We have a strong balance sheet and

incredible depth in terms of management expertise. Not only is this something to celebrate, it should never be taken for granted. We need to work very hard to retain all that we have. How? By remaining true to ourselves. And when I think about this, the two keywords that come to my mind are: transparency and meritocracy.

Transparency is crucial for a company that wants to preserve its leadership, its culture and its core values. And I am talking about transparency not just towards investors, but really towards all stakeholders, including customers, public authorities and employees. I know that at first sight you might think that being transparent is actually somehow expensive and possibly counterproductive for a company operating in a very competitive environment. After all, there are procedures to follow, decisions you are not sure you want to share with the market and your own colleagues, and so forth. But opacity is bad for companies: investors do not like it, and therefore it becomes more difficult and expensive to raise funds. Employees get confused, because opacity produces uncertainty in their career paths, it hinders meritocracy, and because of that it becomes harder to hire and retain the best talent.

The second keyword is meritocracy. For a company like Prysmian, this must be the mantra, because there is not a single reason why we should not adopt a fully meritocratic approach at every stage, from the hiring process, to performance reviews, to promotions and compensation. If we stop being meritocratic, sooner or later we will lose our leadership, and then we will lose our independence. The Board of Prysmian is aware of that, and it is fully committed to transparency and meritocracy. Effort, dedication, and commitment, will always be rewarded at Prysmian. This is why for a young and ambitious professional I cannot think of a better environment than Prysmian where to build your career, where to develop outstanding interpersonal and professional skills.

And that is why this book celebrates you – the people of Prysmian. Congratulations to all of us on our 10th Anniversary! Looking back on all that we have accomplished within the relatively short time span of a decade, I could not be more proud. I am also confident in the fact that we have all the ingredients it will take to celebrate many wins in the decades to come.

Massimo Tononi

Chairman of the Board of Directors  
of Prysmian S.p.A.

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He obtained his PhD in Strategy and Organization from the University of St. Gallen, and has since worked as a strategist in the manufacturing industry. He also founded his own consulting firm, and served as a member of the supervisory boards of several multinational firms.

Markus is actively involved in executive development in a wide range of industries. He also facilitates strategy workshops for top-management teams and offers consulting services to senior executives. He is a book author and frequent speaker at corporate and industry events on such topics as company resilience, internationalization strategies, strategic decision-making dynamics, global knowledge-management systems, and the development of formal planning and control processes in large multinational firms.



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