

Optimisation of transportation

The Logistics function manages all the Group's intercompany flows, both at annual budget and monthly operational level, with the aim of satisfying demand in all markets that do not have a local production source due to capability or production capacity reasons. The Logistics function also manages short and medium-term production allocations and planning through the Sales & Operations Planning (S&OP) process, which links the demand cycle (sales) with the supply cycle (manufacturing and procurement). The Group's planning activities differ, depending on how the product is classified. "Engineer to Order" products are used mostly in Energy Projects for submarine, high voltage and umbilical cables, being businesses in which the Prysmian Group supports customers from the design of the "system" to the final laying of the cables. "Assemble to Order" products allow the Group to respond rapidly to demand for items that use standard components, and which are only differentiated at the final stages of production or in terms of packaging, while maintaining minimum inventories of finished products. "Make to Order" products are only manufactured and shipped after receiving an order from the customer, thus reducing the level of slow-moving inventories considerably while increasing the rotation of raw materials, components and finished products. The "Make to Stock" approach is generally used for the most standardised products, which require an inventory management policy capable of responding rapidly to demand. This last model is mostly applied in the "Energy Products" and "Telecom" areas.

Specific attention was dedicated to all aspects of inventory management during 2015, specifically:

- raw materials, with a growing commitment to the planning and logic of materials procurement, including metals in particular (copper, aluminium and lead), where more reliable forecasting of local requirements has significantly reduced the levels of buffer stocks;
- semi-finished products, with the implementation of various lean and six-sigma projects at the factories considered most critical;
- finished products, with an emphasis on the accuracy of sales forecasts and a constant focus on the reduction of slow-moving items.

At the same time, the Logistics function has focused further on customer centricity by strengthening its service (on-time delivery) parameters and by faster order entry.

Actions and projects of this kind confirm the Group's commitment to the ever more efficient use of resources, greater information sharing and reducing the time taken to respond to market needs.

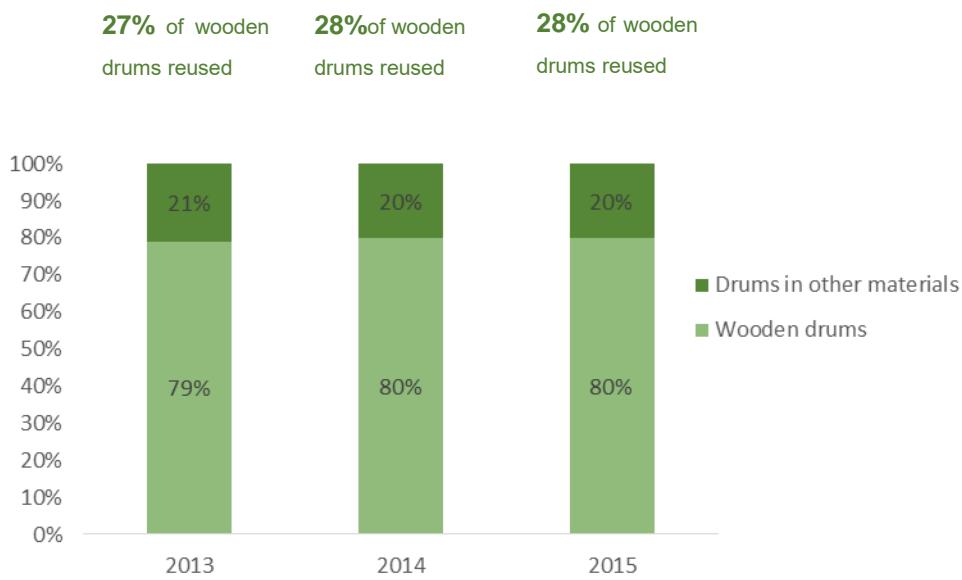
The increased attention paid to market dynamics, the optimal management of inventories and the procurement and distribution processes combines with strong awareness about the movement of materials, highlighting the Group's commitment to reducing the environmental impact and improving the sustainability of its production and distribution processes.

In the context of the Prysmian Academy, during 2015 the Logistics function began the process of training the logistics-manufacturing personnel who work for the Group's affiliates around the world. Implemented over a period of several days and using internal lecturers, the objective of this course is to facilitate networking, enhance the professional standing of the individuals concerned and share ways to improve the Group's logistics and make them more efficient.

COMMITMENTS FOR THE FUTURE

During 2016, the Optical Fibre business unit will continue to prefer sea shipments between North America and Europe, rather than air shipments, with a view to reducing the environmental impact of product transportation.

DRUMS MADE OF WOOD AND OTHER MATERIALS

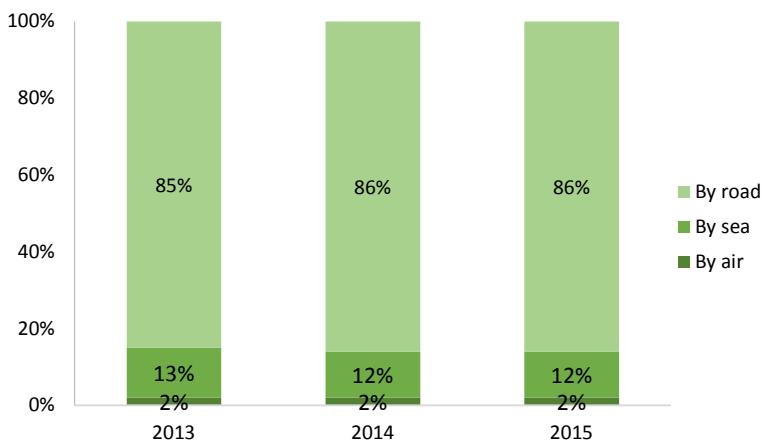


Small diameter drums are made from plastic/plywood, wood is used up to 3 metres in diameter, while larger drums for cables are made from steel. In general, the drum material selected depends on the diameter and length of the cable, criteria for the optimisation of logistics in order to reduce the carbon footprint, and specific requests from customers associated with regulatory aspects in the destination country. The Group is heavily committed to maximising the re-utilisation of drums and lowering their environmental impact. For example, this involves using wood from replanted forests and implementing lagging solutions that reduce the recourse made to quality materials, while continuing to use recyclable materials. This commitment over the years has helped to improve the re-use rate of drums, as a consequence of our more precise and modern management techniques.

With a view to improving efficiency, the Prysmian Group has worked on logistics together with a Turkish supplier of steel wire: previously this wire was supplied on shipping drums and had to be transferred to drums suitable for use on production machinery. As a result, a batch of 300 drums has been introduced that are suitable for use both on Prysmian's machines and at the supplier's factory for deliveries to Prysmian, thus eliminating the transfer process.

In Brazil, the Group has launched a project that involves covering drums with plastic film, which increases their average life and facilitates their handling and storage at the shipping stage.

METHODS OF TRANSPORTATION



As regards transport, Prysmian not only gives preference to local suppliers but is also committed to optimising the carriage of goods by air and by sea, as well as to selecting road hauliers that seek to implement sustainable policies and actions. In recent years, the Group has increased efforts to minimise the adverse effects of transportation on the environment. As in previous years, road transport was the main type of transport used by the Group during 2015.

