The Prysmian Group continued the strategic focus on Customer Centricity during 2017, stabilising the high level of service achieved in terms of delivery reliability while, at the same time, starting work to reduce the lead-time between the receipt of an order to delivery of the product to the customer.

Very high throughout 2017, the focus on inventories and in particular on the turnover of stocks that has maintained also this year the excellent results of 2016.

## OUTBOUND LOGISTICS

### METHODS OF TRANSPORTATION

As regards transport, Prysmian not only gives preference to local suppliers but is also committed to optimising the transport of goods by air and by sea, as well as to selecting road hauliers that seek to implement sustainable policies and actions.
The cost of road transport - the most frequently used - is considered as a proxy and since it is the one with the greatest environmental impact, the Group has implemented a series of actions aimed at monitoring $CO_2$ emissions deriving from the transport of products

In 2017, the outsourcing projects of the logistics activities (3PL) were completed in North America (US and Canada) and in Australia, and the new contracts were characterised by the introduction of monitoring of their environmental impact.
The Supply Chain department defined in 2017 a series of initiatives for the monitoring and subsequent reduction of Green House Emissions in logistics (scope 3).
In particular, in the United States, Prysmian North America became in 2017 official partner of Smartway, the US environmental protection agency (EPA) that helps companies to measure and compare the sustainability levels of its Supply Chain, as well as improve the efficiency of the transport system.

The optimisation of the distribution chain has continued in 2017 at the operational macro-region level, with a particular focus on the consolidation of warehouses/distribution centres and the outsourcing of logistics services in order to lower distribution costs.

In 2017 the Distribution Logistics market partially stabilised with respect to last year's downturns in demand and supply. The consolidation process with the main global carriers succeeded, especially in the second half of 2017, in balancing the demand with the offer, although on the one hand there is still an excess of transport capacity for all air carriers and on the other the transport via sea has continued to show unused capacity due to the large size of fleets and containers. Prysmian has focused its activities on improving physical distribution in Europe, North America, and Oceania.

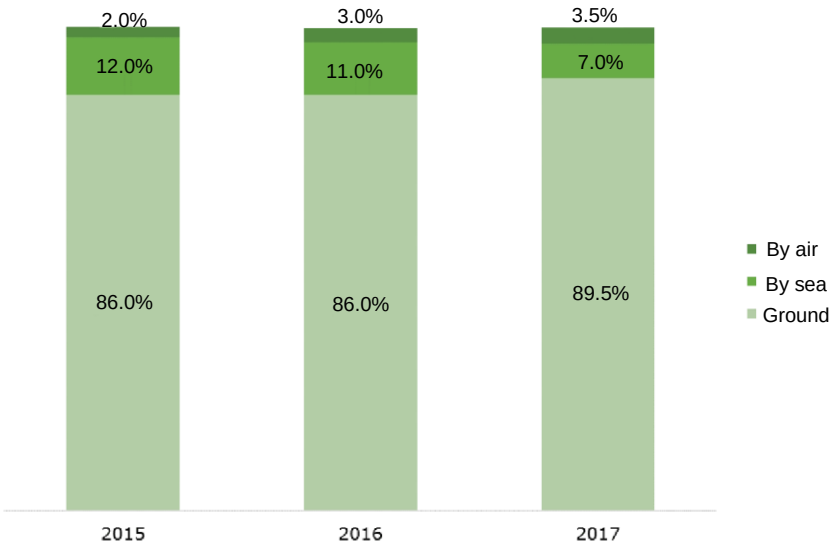
To manage all transport activities, the Group's North American subsidiary has partnered with **Transplace**, a company with a very high level of commitment to environmental sustainability. Transplace uses its own software (*Transmatch*) to optimise shipments and manage the daily execution of deliveries, including the conversion from road transport to inter-modal shipments with consolidation activities on the North American territory.
Transplace enables Prysmian to collect and monitor emissions for the entire inbound and outbound logistics process, with subsequent reporting of data to the SmartWay government agency.

In Europe, Prysmian UK has signed an agreement with **Ceva Logistics** for a 4PL contract, where logistics activities are expected to be outsourced, with advanced transport integration capabilities and the possibility to $CO_2$ emissions.

As in prior years, ground transportation was the main type of transport used by the Group in 2017.

This year, the Group used road transport together with rail transport; in particular, for the route to and from China / Europe: this is the so-called "New Transsiberian", which allows a significant reduction in crossing times, in addition to the considerable benefit in terms of environmental impact.

**TYPES OF TRANSPORT IN PERCENTAGE[45]**




**DRUMS MADE OF WOOD AND OTHER MATERIALS**

For the transport of cables, Prysmian uses plastic drums for the smallest diameters, in wood up to 3 meters and in steel for larger diameters.
In general, the choice of drum material is made based on the size and length of the cable, on criteria of optimisation of logistics flows with a view to reducing the Carbon Footprint, and also on the basis of specific requests formulated by the customer and linked to regulatory aspects specific to 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.

[45] The calculation of the percentage of transport routes is carried out on the basis of expenditure