

OPTIMISING TRANSPORTATION

The Logistics function 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:

- engineering to order (ETO): used mostly for submarine and high voltage cables, being businesses in which the Prysmian Group supports its customers from the design of the "system" to the final laying of the cables;
- assembly to order (ATO): allows rapid response to demand for items that use standard components and which are only differentiated at the final stages of production or in terms of packaging. This methodology ensure quick response to market demand while also minimising inventories of finished products;
- make to order (MTO): allows the activation of production and the shipment of goods solely after receipt of the customer's order. This approach significantly reduces the level of idle inventories and increases the turnover of raw materials and finished products;
- make to stock (MTS): used for the most standardised products, reflecting an inventory management policy that is capable of responding rapidly to demand.

Roll-out of the "SAP Consolidation" project continued during 2014. Once implemented in all Group countries, the logistics function - in particular - will benefit from much improved vis-

ibility, the integration of processes and centralisation in both decision-making and operational terms. This will result in the more efficient use of resources, greater information sharing and a marked reduction in the time taken to respond to market needs.

Again in 2014, work continued at all Group units, in partnership with customers and suppliers, to recover, recondition and reuse packaging, in order to minimise the related environmental impact.

All contracts for the purchase of materials envisage delivery to the specified destination, with transportation managed by the supplier. As part of action to improve the efficiency of the metals supply chain, the Group has developed an algorithm and a proprietary information system that, based on monthly requirements and current contracts, optimises the allocation of requirements among the various suppliers. This tool is able to optimise the total cost, taking account of the different types of raw material qualified for the various types of production and contractual constraints with suppliers. This results essentially reflects optimisation of the logistics flows, with consequent containment of the transportation required and the related impact on emissions. The system has been developed for both copper and aluminium and, by optimising the flows, reduced distribution costs by up to 4% in 2014 compared with the prior year.



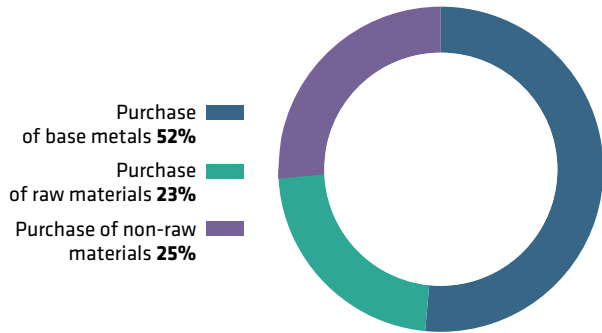
COMMITMENTS FOR THE FUTURE

During 2015, the Fibre division will noticeably reduce the number of air journeys between North America and Europe, with a view to reducing the carbon footprint of the Group.



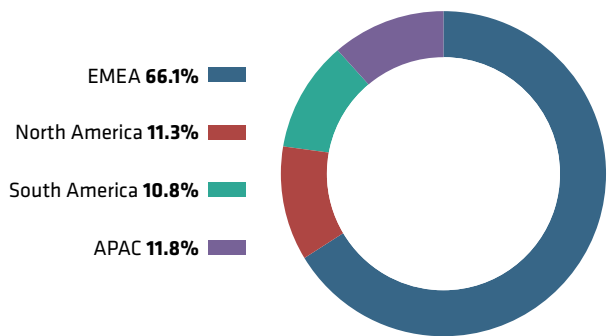
SUPPLY CHAIN

TOTAL PURCHASES FROM SUPPLIERS, BROKEN DOWN BY BASE METALS, RAW MATERIALS AND NON-RAW MATERIALS



In 2014, 52% of total Group purchases related to base metals, with the remainder split between raw materials and non-raw materials.

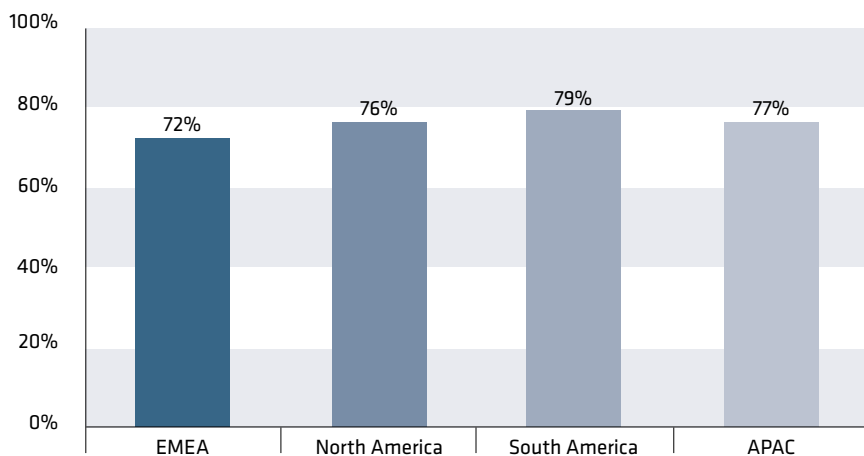
TOTAL NUMBER OF SUPPLIERS BROKEN DOWN BY GEOGRAPHICAL AREA



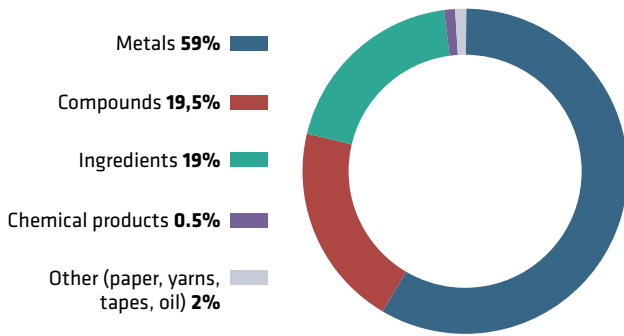
In 2014, out of 5,252 suppliers of base metals and raw materials, 66.1% were located in the EMEA area, much as in 2013. The remainder were split almost equally among the other geographical areas.

PERCENTAGE OF GOODS AND SERVICES PURCHASED LOCALLY

In confirmation of Prysmian's commitment to promote local buying, purchases of goods and services classified as "non-raw materials" from local suppliers exceeded 70% in all geographical areas of operation.



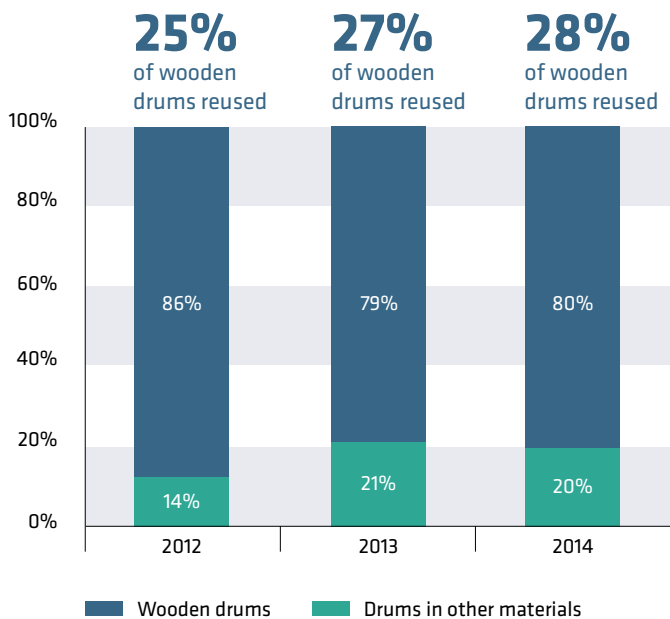
RAW MATERIALS PURCHASED BY THE GROUP IN 2014 (KTONNE)



Total raw material purchases rose slightly in 2014 compared with 2013 to about 1,200 Ktonnes. In particular, metals represented 59% of this total, consistent with the prior year.

In 2014, 11% of the raw materials used were sourced from recycled materials.

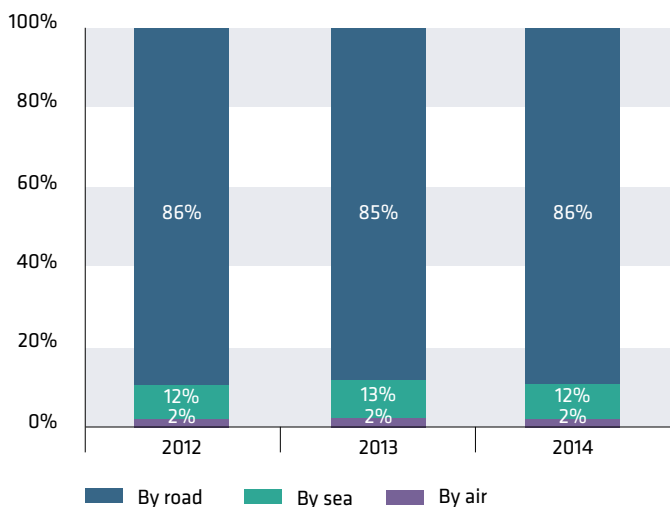
DRUMS USED MADE OF WOOD AND OTHER MATERIALS



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.

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 prior years, road transport was the main type of transport used by the Group during 2014.