



# PRYSMIAN GROUP **2015** YEARLY OVERVIEW

## **Beyond expectations**

A deeper experience, a wider horizon

**Prysmian**  
Group

# MAKING THE WORLD GO ROUND





## Securing growth, sustainably

"2015 was a year of important achievements for us and our stakeholders. We managed to secure growth and profitability in a still uncertain global economic environment, mainly thanks to our continuously improved execution capability and to our disciplined financial attitude. We are now looking at the future with a degree of optimism, as a strong order backlog gives us some visibility."

"The year has closed with better-than-expected results as our ability to defend the more strategic, high value-added businesses continued to be decisive. The market for submarine cables and systems has rewarded our project execution capability, which has been further enhanced by investments in technological innovation, production capacity and in installation. In the Telecom business, the recovery of optical fibre competitiveness and our ability to develop innovative technological solutions for broadband, are allowing us to take full advantage of the opportunities in what is proving a solid market. All this, combined with careful financial management, has helped to ensure strong cash flows and a considerably better net financial position than expected."

"As the global leader of the cable industry, Prysmian helps to provide the economies of the world with power and communication, it lights cities up, it helps people to move and communicate, and it makes a contribution to lasting and sustainable industrial development. Our world is our clients, that means the main power and telecommunication operators of the globe, and the entire global society that benefits from their services. We shoulder a great responsibility. That's why we believe in sustainability and make it happen, by constantly searching for innovative technological solutions."

"I hope this publication, starting this year, will be of some help to our stakeholders for a better understanding of who we are, what we stand for and where we are heading."

**Valerio Battista**  
CEO of Prysmian Group

**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

Schwerin

Nurnberg

Wuppertal

Berlin

**Italy**

Arco Felice

Battipaglia

Giovinazzo

Livorno

Merlino

Pignataro Maggiore

Quattordio

**Norway**

Drammen

**Oman**

Muscat

Sohar

**Netherlands**

Eindhoven

Delft

Amsterdam

Emmen

Delfzijl

Nieuw Bergen

**Czech Republic**

Velke Mezirici

**Romania**

Slatina

**Russia**

Rybinsk

**Slovakia**

Presov

**Spain**

Vilanova y la Geltrú

Santander

Santa Perpetua

**Sweden**

Nassjö

**Tunisia**

Grombalia

**Turkey**

Mudanya

**U.A.E.**

Fujairah

**UK**

Aberdare

Bishopstoke

Wrexham

Washington

**Hungary**

Balassagyarmat

Kistelek

**SOUTH AMERICA****Argentina**

La Rosa

Quilmes

**Brasil**

Joinville

Sorocaba (2)

Santo André

Vila Velha

**APAC****Australia**

Dee Why

Liverpool

**China**

Baoying

Tianjin

Wuxi

Wuhan

Haixun

Shanghai

Suzhou

Zhongyao

**Philippines**

Cebu

**India**

Pune

Chiplun

**Indonesia**

Cikampek

**Malaysia**

Kuala Lumpur

Melaka

**New Zeland**

Auckland

**Thailand**

Rayong

**NORTH AMERICA****Canada**

Prescott

**Mexico**

Durango

**USA**

Abbeville

Lexington

North Dighton

Bridgewater

Rocky Mount

Claremont

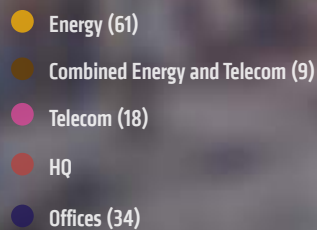
Schuylkill Haven

**9 plants**

North America

**7 plants**

South America

**88 PLANTS 50 COUNTRIES 19,000 EMPLOYEES**

**54 plants**

EMEA

**18 plants**

APAC

**17** R&D CENTRES **7.4** BILLION SALES IN 2015 **OVER 550** R&D PROFESSIONALS

# TOWARDS THE FUTURE

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The Prysmian Group is world leader in the energy and telecom cables and systems making today and tomorrow's world go round.

It is structured in the operating segments of Energy Projects, Energy Products and Telecom. Its operations in the energy industry encompass underground and submarine cables and systems for power transmission and distribution, special cables for industrial applications and medium and low voltage cables for buildings and infrastructure.

Its operations in the telecom industry involve the manufacture of cables and accessories for voice, video and data transmission, with a comprehensive range of optical fibres, optical and copper cables and connectivity systems.

Prysmian is an independent public company listed on the Italian Stock Exchange. Over the years it has completed ground-breaking projects, which meet and exceed the highest customer expectations, creating lasting value for stakeholders and shareholders.

Our approach is to look at the market from the customer's viewpoint, which always remains paramount. We do this inspired by our **VISION**, driven by our **MISSION**, and in keeping with our **VALUES**.

## OUR MISSION

We provide cables and systems for energy transport and telecommunications. A strong reputation for performance and innovation helps us deliver sustainable growth and profit.

But we don't just want to be good for business. We want to be good to do business with. That's why our values are so important to us. The things we do and the way we approach them are an opportunity to show our pride in our work.



## OUR VISION

Energy and Information help communities develop.  
That's why it's so important they're always available and supplied effectively, efficiently and sustainably.

Whatever the business of our customers, wherever they are, however harsh the environment they operate in. We're committed to keeping them connected. Every day, we have the chance to bring our vision to life in our actions. No matter how big, or small, the things we do on a daily basis build up over time and help us deliver on our mission.



## OUR VALUES

Excellence. Integrity. Understanding.

**EXCELLENCE.** Good is never good enough.

We combine rigour and business instinct to deliver innovative complete solutions for every type of business.

**INTEGRITY** When it comes to ethics, no challenge is too big, or too small, if it means doing things right.

**UNDERSTANDING.** We have strong respect for different opinions and ideas, and a keen focus on our customers' needs.

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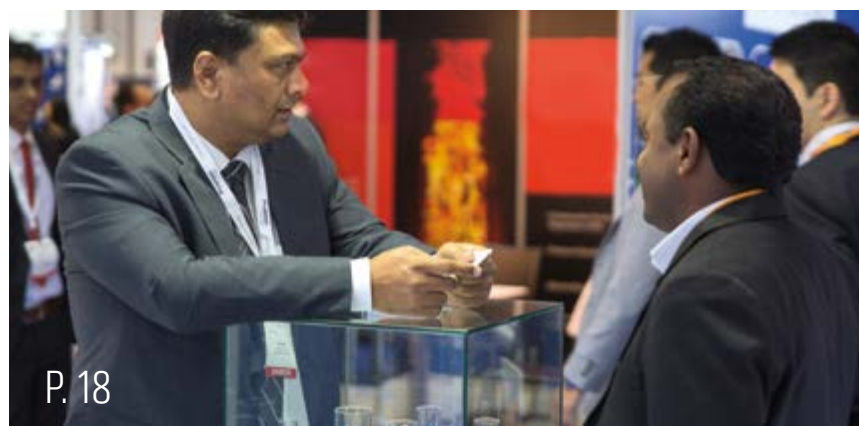
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## 3. OUR CUSTOMERS, OUR WORLD

Customer Centricity is the key to our market approach. A centricity meaning the ability to anticipate and satisfy every need by offering innovative products and systems, inspired by a solution-driven rationale.

## 4. MAKING IT SUSTAINABLE

All the numbers of responsible business. What Prysmian does in terms of the environment, safety and social responsibility. Governance and transparency. Ethics and integrity. Pillars of the Code of Ethics. Attention to people and communities.

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## 5. EFFICIENCY CONTINUOUSLY INCREASING

## 6. REAL PEOPLE, REAL VALUE

In Prysmian people are the most important resource. Through people you create the cohesion and strength to compete at the highest levels throughout the world. People pursue and realise the goal of generating sustainable and lasting value for shareholders and all stakeholders.

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## 7. CONSTANTLY AHEAD IN INNOVATION



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## 9. THE STRENGTH OF OUR REPUTATION



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## 10. ALWAYS AIM FOR THE PODIUM

Fabio Romeo, the Group's Head of Corporate Strategy and Development, explains why it is important always to be in the top three in any sector, region.

# WORLD CABLES MARKET: SIGNS OF RECOVERY

## A still adjusting global market

In this context, global cable demand reported moderate growth in 2015. The level of demand in some sectors, such as optical cables and submarine interconnections, showed marked acceleration compared with 2014.

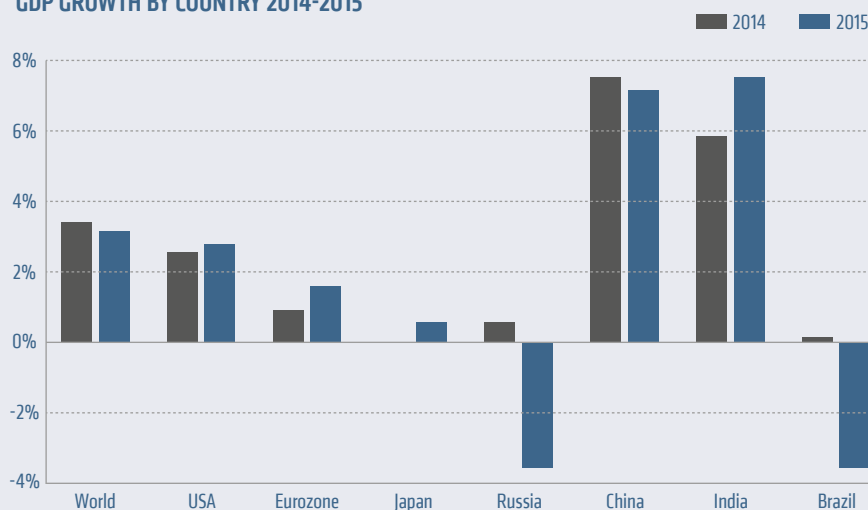
Global demand for power cables posted a moderate increase in sales volumes, mainly thanks to growing demand in emerging countries (mainly China and India) and, to a lesser extent, in the United States and Western Europe. The Telecom cables industry reported a slight contraction on 2014 mainly due to lower demand for copper cabling, as a result of replacement with optical cables, which in contrast enjoyed strong growth.

## A year of complex stabilisation

The 2015 economic scenario saw slowing growth in the major emerging economies, from Brazil to China and Russia, partially offset by gradual recovery in Mediterranean Europe which had suffered most during 2014, and stabilisation of growth in the United States and the United Kingdom.

The steep decline in oil prices amplified concerns about economic growth and volatility in financial markets. As a result, the major international research institutes gradually downgraded their global GDP growth estimates for 2015 to a final figure of just over 3%.

### GDP GROWTH BY COUNTRY 2014-2015



Source: IMF World Economic Outlook Update – January 2016

## A recovery initiating in Asia

**Asia continued to post new records in 2015. The sharp acceleration in the Indian and ASEAN markets, and China's reconfirmation as the world's largest market, generated more than 50% of the industry's global growth.**

Important signs of recovery were also seen in the main West European nations, particularly in the Nordic countries and the Mediterranean, thanks to monetary easing by the ECB which fostered a recovery in the construction industry.

Demand in the United States expanded albeit to a lesser extent than in 2014, like in the Middle East and Africa. Russia and Brazil experienced the largest downturns, caused by the EU and US trade sanctions in Russia's case and by the economic slump in Brazil's.

## From the depths of the sea to cities: value added runs on cable

The various segments of the market had a mixed performance, with strong expansion by higher value-added ones like high voltage and extra high voltage submarine cables and optical fibre cables, which benefited from growing demand for data transmission capacity, in turn making it essential to upgrade existing network infrastructure, especially in some European countries like Italy, France, Spain and the United Kingdom.

Global demand for optical fibre cables also benefited from growing investments in network infrastructure by China, the world's largest market by volume, and from the sustained growth of the US market, in which new content providers are appearing with projects for very high capacity dedicated networks.

## Prysmian consolidates its leadership, record year for submarine

The Prysmian Group, the world's top producer of optical cables, benefited from this trend, consolidating its leadership in the European market. It was a record year for the submarine cables business, thanks to interconnection contracts awarded by leading network operators, particularly in the North Sea, where the Prysmian Group won new orders worth in excess of Euro 1 billion. There were also encouraging developments in the Original Equipment Manufacturing (OEM) sector, with considerable progress in the areas of nuclear energy, rail transport and port cranes, while the mining and shipbuilding industries recorded a slowdown. Oil & Gas applications were affected by the oil price slide, especially those products serving the Maintenance, Repair and Operations (MRO) business.

In the telecom business, Prysmian benefited from the global growth in demand for optical cables, especially in North America, Europe and Australia. Multimedia (MMS) applications also displayed strong growth thanks to the development of new data centres in Europe.

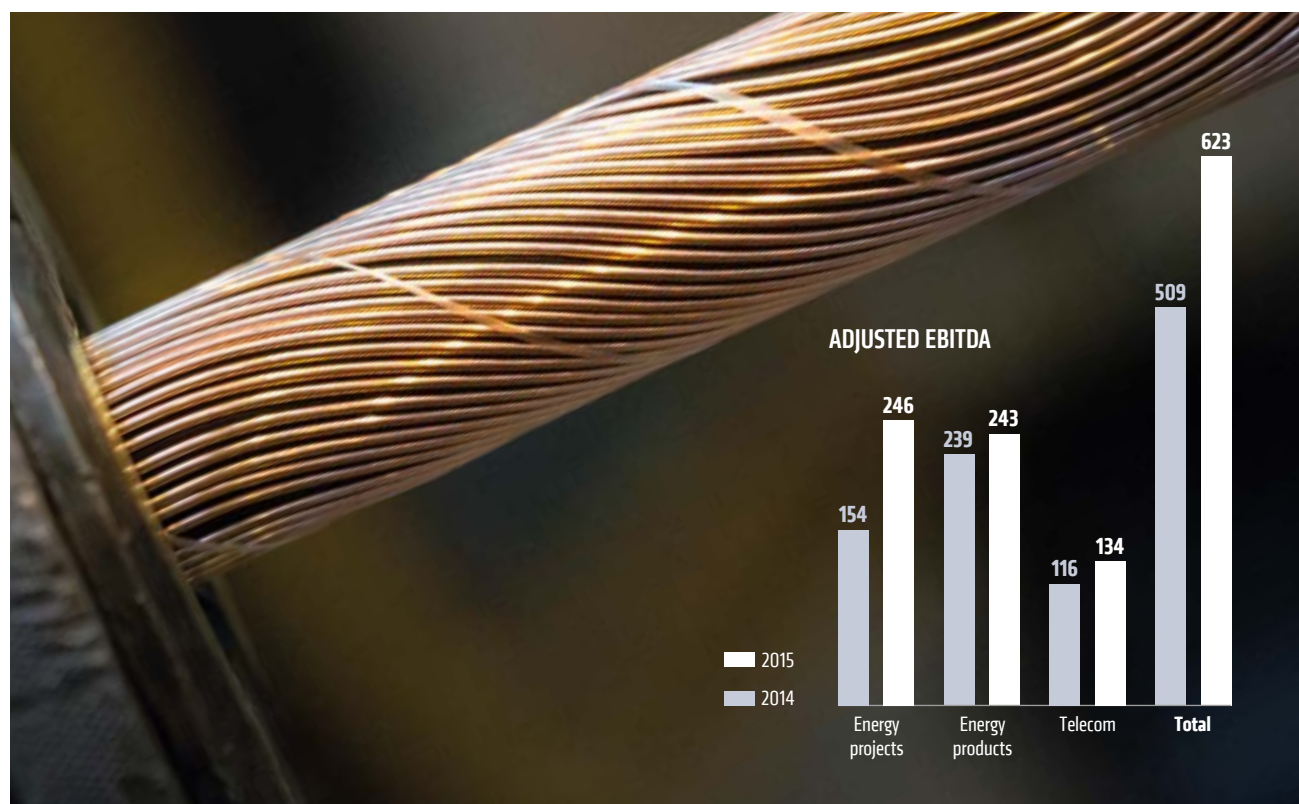






# HEALTHY RESULTS, WHEN STRATEGY WORKS

The year 2015 closed with a better-than-expected improvement in the key performance indicators, starting with profitability. Value creation capability confirmed, market leadership strengthened.



# A YEAR BEYOND EXPECTATIONS

Revenue growth, improved profitability and solidity of the financial structure are what characterises 2015 for Prysmian. A year that has closed with better-than-expected results.

The Group's ability to defend the more strategic, high value-added businesses has continued to be decisive. The market for submarine cables and systems has rewarded our project execution capability, as further enhanced by investments in technological innovation, production capacity and in installation with the new cable-laying vessel "Cable Enterprise". In the Telecom business, the recovery of optical fibre competitiveness and our ability to develop innovative technological solutions for broadband, are allowing us to take full advantage of the opportunities in what is proving a solid market.

**This endeavour, combined with careful financial management, has helped to ensure strong cash flows and a considerably better net financial position than expected.**

The Group has also continued to focus on containing costs and reorganising its manufacturing footprint.

The profit targets have been reached, allowing us to distribute a dividend in line with 2014.

## Execution capability decisive

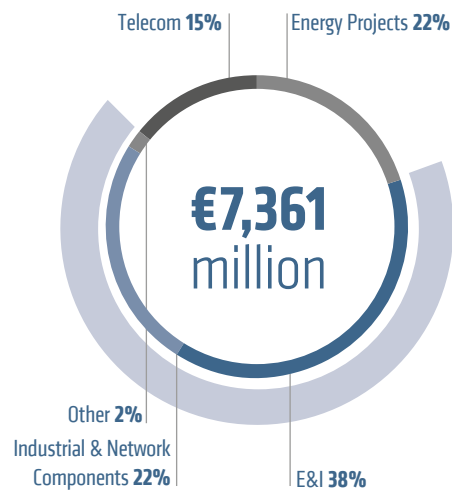
The capability to execute the many important submarine cable projects in the order book made a decisive contribution to the increase in the Group's sales.

High voltage underground sales remained stable, while SURF (Subsea Umbilicals Risers Flowlines) posted a positive performance, especially thanks to umbilical sales. Sales by the Energy Products segment saw a slight recovery for Trade & Installers and a good performance for Power Distribution. The downturn in O&G and Automotive hurt the overall result of the Industrial cables business.

Lastly, in the Telecom segment the Group benefited from the continued growth in demand for optical cables and improved competitiveness of its products.

Profitability also benefited from recovery in the performance of the Western Link project, but was adversely affected by the effects of fair value changes in metal derivatives. The strong upsurge in net profit and marked improvement in the net financial position helped generate strong cash flows and reduce net working capital.

## SALES 2015 BY BUSINESS AREA



**+5.3%**

Organic sales growth on 2014

**+15.8%**

Excellent performance by Energy Projects

**+9.9%**

Solid trend for Telecom

**+1.2%**

Recovery by Energy Products

**+22.6%**

Adj. EBITDA €623M

**€214 million**

Net profit soars 86.2%

**€750 million**

Better-than-expected  
Net Financial Position

# ENERGY PROJECTS

Excellent performances, with increase in Submarine and SURF demand, and continued stability for our HV Cables.



Senior Vice President  
Energy Projects business  
**Massimo Battaini**

"In the Energy Projects segment we see an improving trend with growth in Submarine, general stability in High Voltage underground and a slight contraction in SURF".

The Energy Projects Operating Segment encompasses the following high-tech and high value-added businesses whose focus is on projects and their execution, including customisation of products and systems: High Voltage underground, Submarine and SURF (umbilical cables, flexible pipes and special Downhole Technology cables for the oil industry).

Prysmian engineers, manufactures and installs high and extra high voltage cables for underground and submarine power transmission directly from power stations to primary distribution networks.

Through Prysmian PowerLink, the Group develops the most advanced "turnkey" submarine cable systems for installation at depths of up to 2,000 metres, possible thanks to the "Giulio Verne", one of the largest and most technologically advanced cable-laying ships in the world.

Prysmian also offers advanced services for the construction of submarine power lines for offshore wind farms, ranging from project management to cable installation, with the assistance of its cable-laying ship the "Cable Enterprise".



## A 2015 of excellent performances

Energy Projects posted excellent performance in 2015 for submarine cables, with order intake of approximately Euro 1 billion. A year of stability for High Voltage underground while SURF revenue grew thanks to Umbilicals. Total segment sales reached Euro 1,587 million, with organic growth of 15.8% and a major rebound in profitability. Adjusted EBITDA came to Euro 246 million, soaring 59.7% from Euro 154 million in 2014.

Sales performance by Submarine Cables and Systems for power transmission was very buoyant, particularly thanks to the capability to execute the

numerous projects currently in the order book. The Group worked on completing major contracts such as the Italy-Montenegro, Dardanelles Strait and Greece-Cyclades interconnectors, connections for offshore wind farms such as Borwin3 and Dolwin3 in Germany, and the Exxon Mobil project in the United States. The adverse effects related to execution of the Western Link project were also reduced by Euro 30 million. The submarine projects order book stood at Euro 2,600 million at the end of December 2015, with order intake exceeding Euro 1 billion in 2015 alone.

# ENERGY PRODUCTS

The Trade & Installers division posted a slight recovery throughout 2015 while Power Distribution scored positively.



Senior Vice President  
Energy Products business  
**Hans Nieman**

"The Energy Products segment saw a positive performance for Power Distribution cables in 2015 in almost all markets driven by new investments in the distribution networks of the utility companies, while our Industrial cable segment realized a negative organic growth mainly due to a strong down turn in the Automotive cable segment that was only partially compensated by a positive development in other segments".

The Energy Products Operating Segment offers a complete and innovative product portfolio designed to meet the various and many demands of the market, and encompasses: Energy & Infrastructure (including Power Distribution and Trade & Installers) and Industrial & Network Components (comprising Specialties & OEM, Oil & Gas, Elevators, Automotive and Network Components).

The segment manufactures medium voltage cables and systems to connect industrial and residential buildings to primary distribution grids and low voltage ones for power distribution and the wiring of buildings.

Prysmian solutions are developed to support utilities and grid operators, industrial companies, installers and wholesalers in the electricity sector.

The Group's integrated solutions serving the Industrial market constitute the most comprehensive and technologically advanced response to the needs of a wide variety of industries, while its cable solutions for the Specialties and OEM market serve many different specific industrial applications such as trains, aircraft, ships, harbours, cranes, mines, the nuclear industry, defence, the electro-medical sector and renewable energy.

## Endeavour that stimulates growth

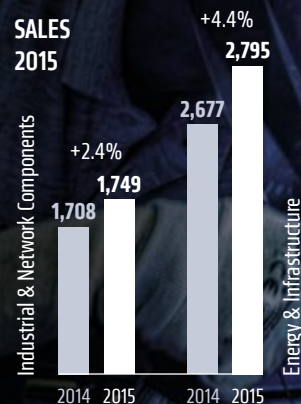
The year 2015 was one of stabilisation for Energy Products, with a slight recovery by Trade & Installers, excellent performance by Power Distribution and an organic decrease for Industrial, mainly triggered by the downturn in Oil&Gas and Automotive investment expenditure.

Sales by the Energy Products operating segment amounted to Euro 4,665 million, reflecting positive organic growth of 1.2% due to volume recovery in Europe, North America, Oceania and Argentina.

Adjusted EBITDA came to Euro 243 million versus Euro 239 million in 2014 (+2.1%). Energy & Infrastructure achieved an Adjusted EBITDA of Euro 128 million, having improved from Euro 108 million in 2014. Static organic growth and stable prices characterised the performance of Trade & Installers.

The performance of Industrial & Network Components, with Adjusted EBITDA at Euro 113 million, down from Euro 126 million in 2014, was affected by the instability of demand in some sectors. In Oil & Gas, the reduction in investments caused by falling oil prices had a particular impact on the more capital intensive sectors, such as offshore and the Maintenance, Repair & Operations business. Elevators performed extremely well in nearly all their geographic markets, particularly APAC and EMEA.

SALES BY THE ENERGY PRODUCTS OPERATING SEGMENT AMOUNTED TO **€4,665 MILLION**, REFLECTING POSITIVE ORGANIC GROWTH OF **1.2%** DUE TO VOLUME RECOVERY IN EUROPE, NORTH AMERICA, OCEANIA AND ARGENTINA. ADJUSTED EBITDA CAME TO **€243 MILLION** VERSUS €239 MILLION IN 2014 (+2.1%).



# TELECOM

Growth in global demand for optical cables, sales volumes and profitability, upward trend in multimedia solutions.



“In the Telecom segment, we expect demand for optical cables to continue to grow, albeit at a slower pace than in 2015. We are seeing significant differences between regions in the way the market is developing, with solid project execution in some countries and delays in others.”

The Telecom Operating Segment makes cable systems and connectivity products for telecommunication networks, with a product portfolio that includes optical fibre, optical cables, components and accessories, Optical Ground Wire and copper cables. With centres of excellence in Battipaglia in Italy, Eindhoven in the Netherlands and Douvrin in France, plus 5 production sites around the world, the Prysmian Group is a leading manufacturer of the core component for every type of optical cable: optical fibre. The Group also has at its disposal every currently available technology for the manufacture of optical fibre, allowing it to achieve optimal solutions for many different applications. Optical fibres are employed in the production of a wide range of standard

optical cables or those specifically designed for challenging or inaccessible environments, from underground ducts to overhead electricity lines, from road and rail tunnels to gas and sewerage networks. The Group also supplies passive connectivity solutions that ensure efficient management of optical fibre within networks. Growing demand for higher bandwidth has seen the deployment of optical fibre moving closer to the end user.

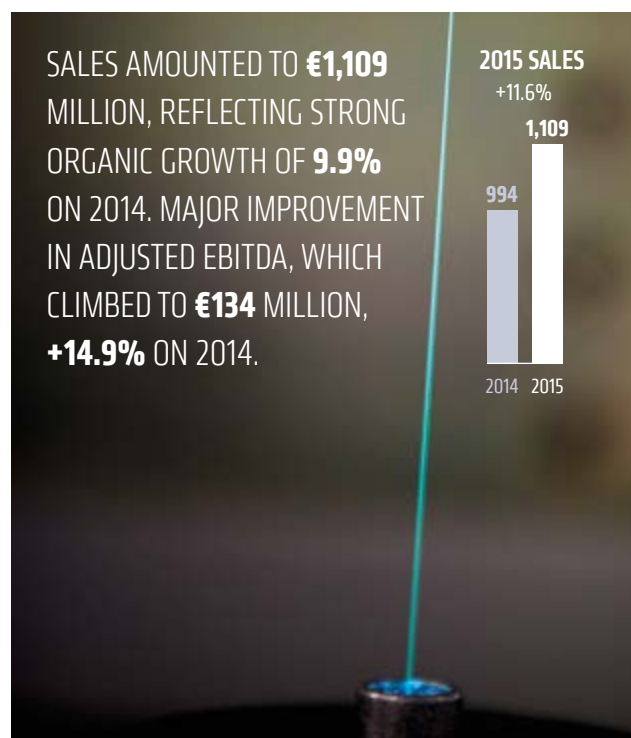
The Group is extremely active in this rapidly growing sector of the market, known as FTTx, where its approach is based on combining existing technologies with innovative solutions allowing fibres to be deployed in high-rise buildings and multi-dwelling units.

## More sales, more development: a virtuous circle

The year 2015 was one of improved profitability for the Telecom operating segment with a recovery in margins, thanks to growing demand for optical cables globally and higher sales volumes, accompanied by positive trends for Multimedia Solutions.

Sales amounted to Euro 1,109 million, reflecting strong organic growth of 9.9% on 2014. Adjusted EBITDA reported a major improvement to Euro 134 million, +14.9% on 2014, with higher margins achieved thanks to measures to rationalise manufacturing footprint and regain fibre cost competitiveness. Optical cables enjoyed increased demand in nearly all the major markets, particularly North America, Europe and Australia. In Europe, the Group won contracts for work on major projects to realise backhaul links and FTTH connections for leading operators, in particular Orange and Free in France and Telecom Italia in Italy. In North America the development of ultra-broadband and FTTx networks, providing 1 Gbps internet connections, also stimulated a continuous uptrend in demand.

The high value-added Connectivity business also enjoyed a positive trend, thanks to the development of new FTTx networks in Europe and North America, as did Multimedia Solutions in Europe.





## OIL & GAS

**Prysmian Group has established a new Business Area devoted to a key market with a more integrated approach.**



“The extremely wide range of solutions Prysmian offers can meet the most demanding requirements and thus expand the market share of the Group in this strategic space”.

With aggregate revenues of around Euro 400 million, the new Oil & Gas Business Area can boast a well-established market presence in North America, Brazil, Europe and in the Asia-Pacific region. The main production facilities are located in several countries: Norway, Italy, Turkey, China, Spain, Malaysia, Brazil and US. The new Oil & Gas Business Area has been entrusted to Cristiano Tortelli, who joins the Group as Senior Vice President. The Area will include the Oil & Gas Business Unit – previously part of Energy Products – and the SURF Business Unit – originally included in Energy Projects. The goal of this new organisational structure is to position Prysmian Group as one of the key global suppliers in the Oil

& Gas market, from Subsea (Umbilical & Flexible Pipes) and Down-hole technology, to the Core Cables products portfolio.

Technology will play a key role in meeting the new industry challenges, supported by a strong and multicultural project management organisation. In the context of today's oil prices, collaboration with Major and National Oil Companies and industrial service providers will be a key strategy in redefining the new industry standards, as well as a means to simplify the way capital projects are executed. Working together to design a fit-for-purpose system is the message that the new business area plans to promote to their customers and partners.



A man in a dark suit with an orange collar is shown in profile, looking towards a glass display case. In the background, other people in business attire are visible, and there are red and blue banners. The scene appears to be a trade show or exhibition.

# OUR CUSTOMERS, OUR WORLD

Customer Centricity is the key to our market approach. A centricity meaning the ability to anticipate and satisfy every need by offering innovative products and systems, inspired by a solution-driven rationale.



# THE KEYS TO SUCCEED

**Quality, ability to innovate and offer high value-added solutions** characterise Prysmian's strategic approach in every sector: from those where technology is the distinguishing factor to more standardised ones.

At the core of this approach is Customer Centricity, meaning the ability to anticipate and satisfy customer needs by offering innovative products and systems, inspired by a solution-driven rationale. This is why Prysmian Group is constantly engaged in improving its Research and Development, its human resource development and environmental sustainability.

The Prysmian Group has perfected a market approach over the years that puts the customer at the centre of its strategic, organisational and business choices. Its commitment to analysing customer expectations and their evolution over time allows the Group to develop organisational and operating models that translate into rapid, effective and targeted responses.

**Customer Centricity is therefore expressed in the ability to anticipate and satisfy customer needs through a constant presence, from product design through to delivery, and the provision of a level of service that is monitored against agreed parameters that meet specific standards.**

The Group is able to serve very different segments and markets thanks to its matrix organisational structure that lets it have a local presence even for major global projects. In this way markets with high local specificity are served by country commercial and development teams, and markets with global products and customers are followed by integrated business unit teams, while those requiring both local presence and cooperation between countries draw on the matrix structure.



Prysmian Group is at the customer's side at every stage: from understanding their specific needs through to execution, completion and delivery of the project.

## LINKING ENERGY AND INFORMATION TO INNOVATION

A world leader in the supply of cables and systems for energy and telecommunications. It is a position we've achieved through passionate belief in one key efficient

organisations in many industries, we have a worldwide team of over 19,000 specialists, with 89 factories in 50 countries, backed by 17 R&D centres.

*We're always creating tomorrow*  
... is a cornerstone of our

# WE STAND BY YOUR SIDE

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This strategic approach is implemented by having a fast, smooth organisation throughout the supply chain, capable of expediting decision-making and time to market by adapting itself to the needs of the various industries through continuous investment in innovation. One of these ways is Factory Reliability, a process that makes it possible not only to improve the reliability of planning and the execution of output, in terms of both mix and volumes in ever faster response times, but also to have strict control over inventory for every type of component. This makes it possible to manage upswings and downswings in sales volumes and the associated variation in output in an optimal fashion.

**Customer Centricity and Factory Reliability are complemented by Supply Chain Integration projects with some of the most important global customers, with the goal of improving process effectiveness throughout the supply chain, from the producers of raw materials through to the end user.**

The goal of this strategic approach is for Prysmian to become a "preferred partner". For over ten years, the Group has used specific surveys, conducted every two years, to ascertain its customer satisfaction. The customer satisfaction surveys, carried out by a leading specialist in this field, measure in detail the level of customer satisfaction.

## **Satisfaction tests: performed in China and Hong Kong**

In addition to the biennial global customer satisfaction survey, Prysmian conducted specific surveys in China and Hong Kong in the summer of 2015. The first survey involved three participants: a contractor company, a Prysmian distributor and an end user and was conducted by first asking respondents to assess, on a scale of 0 to 10, the Group's performance regarding 20 aspects of its service, and then by carrying out a number of interviews in order to understand what improvements Prysmian's customers would like to see in the quality of the service provided.

With reference to the questionnaire, the feedback was positive, particularly on the quality of the products and the support from the Group in managing information and the service in general.

OVERALL, PRYSMIAN SCORED AN AVERAGE OF **7.9/10** FROM THE CONTRACTOR COMPANY, **9/10** FROM THE END USER AND **7.2/10** FROM THE AGENT DISTRIBUTOR.

The second survey conducted in Hong Kong aimed to identify the level of satisfaction of a key Prysmian customer. The methodology used, like that in China, included questions and interviews in which the customer identified possible actions to be taken to improve the Group's performance. Once again, the feedback particularly highlighted Prysmian's ability to meet customer demands in terms of product quality and breadth of product range.





## On time delivery

The Customer Centricity-driven approach also involves a series of actions to improve logistics services, in terms of lead-time flexibility, timeliness and efficiency.

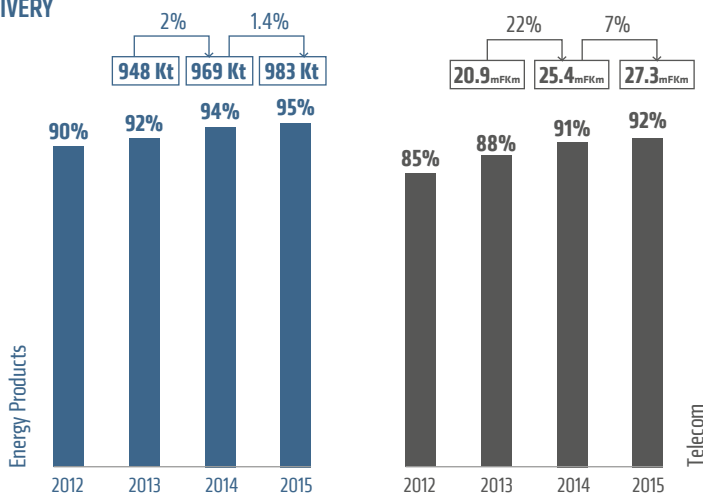
The On Time Delivery (OTD) statistics, measuring the ability to serve the customer by the delivery date agreed at the time of order confirmation, continued to improve in 2015 in both the Energy Products and Telecom operating segments. Besides the absolute increase in On Time Delivery, 2015 saw another decrease in the plants performing below the 90% mark.

During the year new projects were also started to reduce the time to market: the "Fast Order Entry" project made it possible to halve the time for entering and processing orders by the Customer Care team, while in terms of faster speed of execution, four lead-time reduction projects were implemented in as many critical Group plants, resulting in an average 17-day reduction in production time (-24%).

## -24%

Reduction in production time  
at 4 Group plants

### ON TIME DELIVERY





An extensive training program has been developed to teach the main methods for correctly analysing and solving problems related to the quality of both products and processes.

## PERFORMANCE, OUR HALLMARK

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We aim to be the benchmark for excellence in the markets in which we operate. Once again in 2015, we concentrated on improving performance, with the aim of increasing our customer satisfaction.

As part of this strategy and in response to the need to structure and control quality-related activities in a single environment shared by the entire business, Prysmian continued to implement proprietary software to allow the entire Group to have clear and immediate access to the performance of each entity within the Group.

**New indicators specifically aimed at monitoring response times have enabled the Group this year to identify important areas of improvement and raise awareness throughout the organisation about rapid and effective problem solving.**

Particular attention has been given to the continuous improvement of internal processes. Specifically, an extensive training program has been developed to teach the main methods for correctly analysing and solving problems related to the quality of both products and processes.

In addition, a series of continuous improvement projects has been launched in every factory, with the aim of taking advantage of further opportunities to increase the standards of quality and efficiency of internal processes, with clear benefits also for costs.

# QUALITY COMES FIRST

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Another mainstay of 2015 was the introduction of controls over the performance of key suppliers. In addition to the implementation of specific preventive measures, this has improved the relationship of trust between the different parties, by offering interesting ideas for development.

Furthermore, the definition of specific performance indicators has allowed the Group to have a broader and more complete picture and so factor in all the implications each supplier's activities have for individual departments in dealings with such suppliers. The Worldwide Quality Meeting, attended by

all the Group's Quality Managers, was held at the end of the year with the purpose of sharing best practices and guidelines for development: the results for the year were reviewed and the strategy presented, along with the main projects to be implemented in 2016.



Reflecting the constant attention devoted to its customers, once again in 2015 the Prysmian Group managed to keep the number of Customer Claims with the established targets.

# THE LANDMARKS OF THE WORLD

Once again, 2015 saw many important projects executed around the world, marking fresh steps forward in terms of innovation and technological excellence.

**Submarine power interconnection** projects executed by Prysmian Group for utilities and grid operators include: the North Sea Network Link between Norway and Britain, which once installed will be the first power transmission line to connect the two nations; the record Western HVDC Link in the United Kingdom, which boasts a number of industry firsts for voltage (600 kV), insulated cable rating (2200 MW), a world record, and length (more than 400 km); the Trans Bay, Neptune and Hudson projects in the United States, which are allowing large areas around San Francisco and New York City to be illuminated with energy from different sources. In addition, Prysmian is world leader in submarine connections for offshore wind farms, including the cable to link a number of wind farms in the West of Adlergrund cluster in the Baltic Sea to mainland electricity grids in Germany.

San Francisco  
**Trans Bay**  
Submarine power links for utilities and grids, such as the Trans Bay Cable which is of strategic relevance to the development of the San Francisco Bay region.

New York  
**World Trade Center**  
Our cables power elevators in some of the world's tallest and most prestigious buildings, such as the World Trade Centre currently being completed in NYC.

Brasil  
**Peregrino**  
The Group has taken part in several O&G projects designing and supplying high-tech umbilical products and flexible pipes for offshore oil extraction.



**Germany  
DolWin3**

World leader in offshore wind farm connections, including the landmark Germany's DolWin3 project in the North Sea, with a record power rating of 900 MW.

**Milan  
P-Laser HV**

HVDC underground cable systems leadership.

**Dubai  
Burj Khalifa**

Group's fire-resistant cables lie at the core of spectacular constructions like the Burj Khalifa in Dubai, the world's tallest building.

**Shanghai  
Metro line**

Prysmian has cabled some of the largest aircraft and ships, such as the Airbus 380 and Royal Caribbean's GENESIS fleet, as well as innovative trains and subways.

**Australia  
NBN**

The Group is working with the Australian government to create a Fibre-to-the-Premises network, bringing broadband to 93% of Australia.



In the **renewable energy** market, Prysmian technologies support the development of some of the most important solar farms in the world, such as the Ohotnikovo photovoltaic plant in Ukraine.

The Group's **Fire-Resistant** cables can be found at the very heart of the most spectacular, state-of-the-art constructions, like the Wimbledon tennis stadium, the futuristic Marina Bay Sands in Singapore and the Shard skyscraper in London, the tallest in Western Europe. In Milan, Prysmian Group cable solutions helped to ensure the safety of the millions of visitors from around the world who came to the International Exhibition in 2015.

In the **Elevator** business, the Group's cables are present in some of the world's tallest and most prestigious buildings, like the new World Trade Center in New York City. By cabling the Burj Khalifa in Dubai, the world's tallest building at 828 metres high, Prysmian has guaranteed the safety of every one of its 162 floors with elevator cables and fire-resistant cables the length of which is more than 1,300 times the tower's height.

In the **Transport** business, the Group has reached many exceptional milestones: it has cabled some of the world's biggest aircraft and ships, like the Airbus 380 or the Royal Caribbean's GENESIS fleet, some of the fastest trains, and some of the most innovative metro systems, like the one recently inaugurated in Shanghai. Three million passengers on the London Underground travel each day through 400 km of tunnels, thanks to Prysmian and Draka fire-resistant cables.

The Prysmian Group is the world's top manufacturer of **Telecom Cables**, with which



Expo Milan 2015

it contributes to developing infrastructure in support of information flows and communication between communities around the world. The quality of optical fibre and level of innovation used in its cables allow the Group to meet the most difficult and ambitious challenges.

Prysmian is helping Australia to build a Fibre-to-the-Premises network that will connect 93% of this country-continent's residential and commercial buildings, playing a key role in the largest infrastructure challenge ever faced in Australian history.



Sydney Harbour Bridge



**1,776 feet**  
1 World Trade Center

Our cables power elevators in some of the world's tallest and most prestigious buildings, such as the World Trade Centre complex being completed in New York City.

More than **100** elevators  
installed in the complex

Group cables provide power for elevator buttons, communications devices, emergency safety and more. Hoistway cables include fibre optic sub-units, used for high-speed communications throughout the WTC complex.





# MAKING IT SUSTAINABLE

All the numbers of responsible business. What Prysmian does in terms of the environment, safety and social responsibility. Governance and transparency. Ethics and integrity. Pillars of the Code of Ethics. Attention to people and communities.

# HIGHLIGHTS

Economic value

**€1,580 M**  
Economic value generated (+9.9%)

Indexes

Inclusion in  
**FTSE4Good** Index  
**+10pt**  
Dow Jones Sustainability Index

People

**96.2%**  
Employees with permanent contracts  
**5,000**  
Employees in the P3 Prysmian People Performance program

Adopted Policies

Code of Business  
Conduct implemented  
Diversity & Inclusion  
Policy adopted

**€10 M**  
Invested in HSE

**+4%**  
OHSAS 18001 certifications

**6,189,327 GJ**  
Energy consumed (+4%)

Environment

**718,667 t**  
Emissions of CO<sub>2</sub> equivalents (+10%)

**-7.8%**  
Ozone-depleting substances



### **A shared success**

Prysmian can feel more than satisfied with its contribution to the success of Expo Milan 2015: the Group contributed by supplying the necessary cables to wire the site, in particular eco-friendly MV P-Laser power distribution cables and LV Afumex fire-resistant cables.

# AT THE FOREFRONT FOR THE ENVIRONMENT, COMMUNITIES AND SAFETY

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In 2015 Prysmian also celebrated its 10th anniversary by entering the FTSE4Good Global Index which measures the performance of companies globally recognised for having high CSR standards, and by making its contribution to the success of Expo 2015 in Milan, especially in terms of eco-sustainability.

### **Ethical and transparent governance**

In 2015 Prysmian Group joined the prestigious FTSE4Good Global Index of the FTSE Group, consisting of companies that demonstrate ethical and transparent governance practices and implement good sustainability policies in their business processes.

The FTSE4Good Index Series has been designed to measure the performance of companies that meet globally recognised standards of social responsibility and to facilitate investment in those companies. Prysmian has met most of the strict requirements envisaged, going well beyond what the FTSE Group sees as "Good Practice".

## Proud of a great history

The history of the first 10 years of Prysmian celebrated in 2015 has been brought together and recounted in a special volume distributed to every employee, effectively underlining the Group's hallmark pragmatism. Activities and initiatives realised in 2015 were all developed to further strengthen the Group's brand and identity and to enhance the commitment of its people who have contributed to its success. Such initiatives also served to form a closer bond between the Group and its stakeholders, in support of Prysmian's growth and strategic development programs.



## The wealth of diversity

In particular, the Group was highly rated by the independent committee of experts in charge of drawing up the FTSE4Good Index for the high standards assured to its employees, thanks to Diversity and Inclusion policies based on the most effective international standards and to a human resources policy that fosters individual development through propagation of a common shared identity and several talent management programs within a highly multicultural environment

## Investing in responsibility

**Another point of excellence earning recognition is the considerable attention devoted to the entire supply chain, thanks to a Code of Business Conduct designed to spread and ensure responsible business practices throughout the supply chain.**

FTSE Group introduced the FTSE4Good Index in 2001 in response to growing attention to corporate social responsibility by those

investors looking for performance indicators regarding the implementation of strong Environmental, Social and Governance (ESG) practices by the companies in which they have invested.

On the one hand, the FTSE4Good index wants to be a tool to support the growth of socially responsible investment (SRI), on the other hand, it aims to provide concrete guidance to major global investors increasingly interested in understanding the relationship between CSR policies and the creation of shareholder value.

# REPUTATION FOUNDED UPON INTEGRITY

Prysmian Group is aware of the importance of a good system of corporate governance for achieving its strategic objectives and creating sustainable long-term value; such a system must ensure that governance is effective and respects institutions and rules, efficient, through good financial management, and fair to all the Group's stakeholders.

## Principles of effectiveness and transparency

With the goal of triggering this virtuous circle, the Group seeks to keep its system of governance constantly aligned with the relevant recommendations and regulations and compliant with national and international best practices. In addition, the Group has adopted principles, rules and procedures that govern and guide the conduct of activities by all its organisational and operating units, as well as ensuring that all business transactions are carried out in an effective and transparent manner.

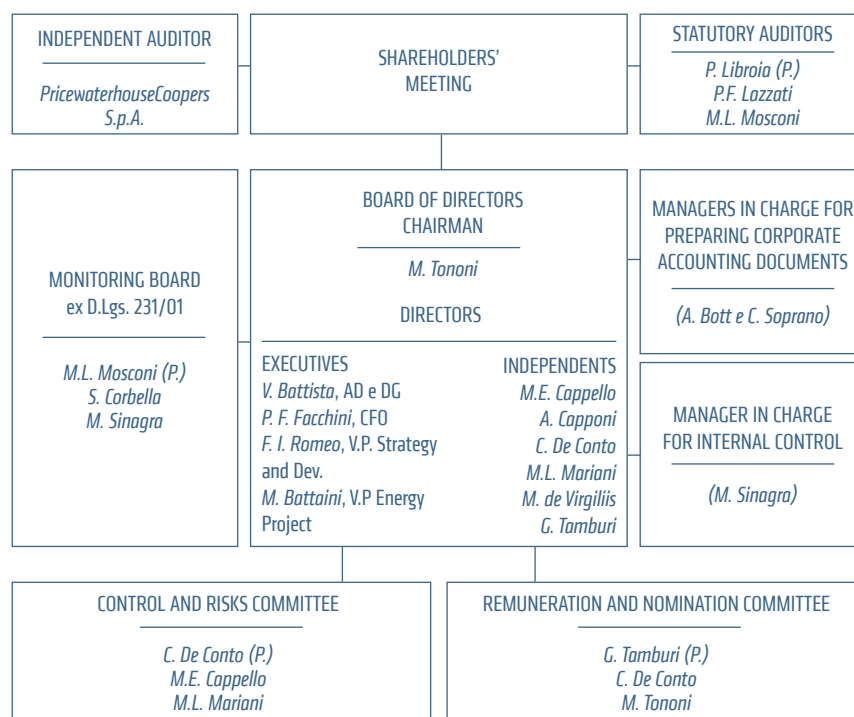
## Improve, always

Also during 2015, with a view to continuous improvement of its system of governance, Prysmian undertook several initiatives to implement the recommendations of the Corporate Governance Code for listed companies, adopted by the Group, and designed to strengthen the principles of transparency and integrity.

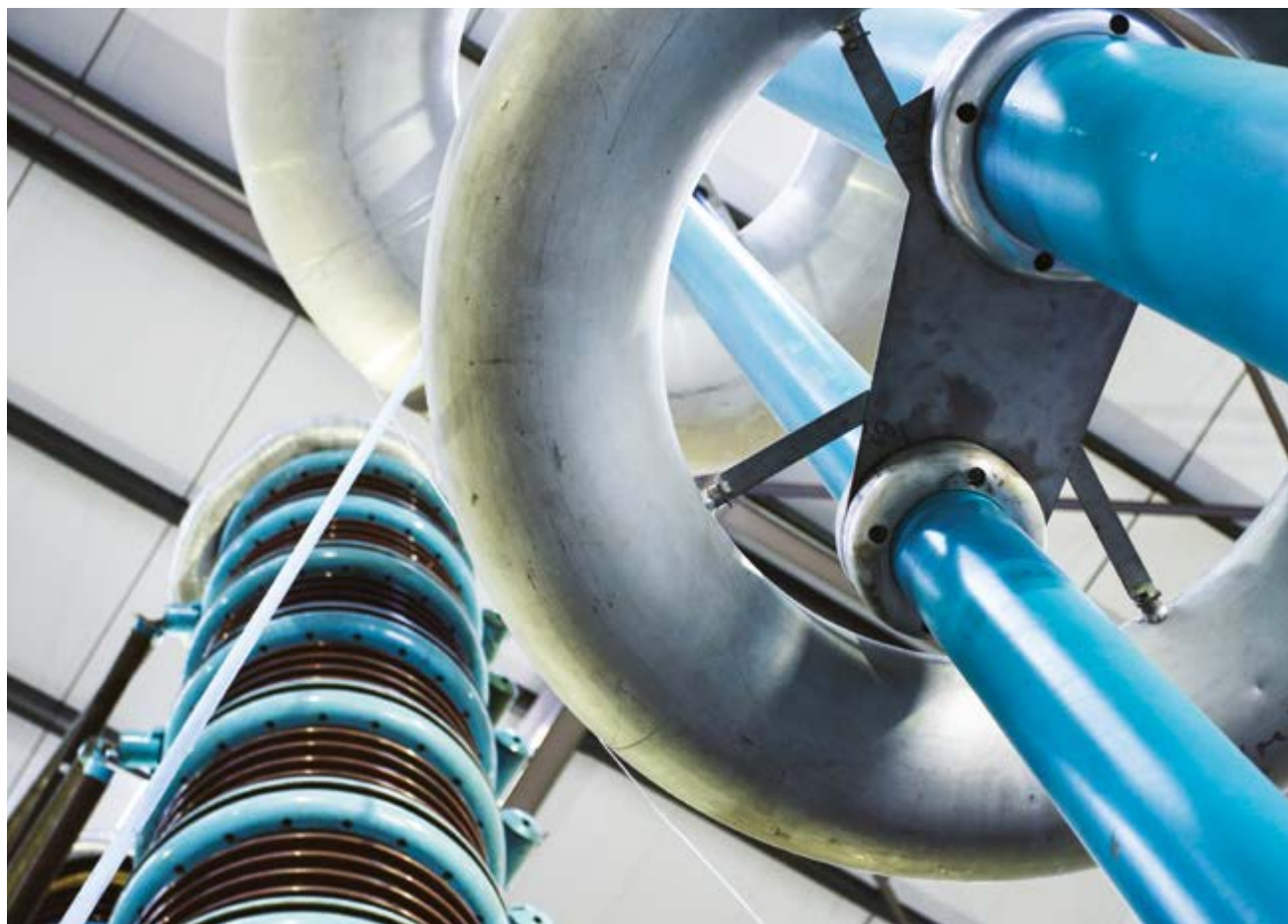
## Governing sustainability

In July 2015 the Italian Stock Exchange's Corporate Governance Committee approved a number of changes to the Corporate Governance Code for Listed Companies, highlighting the principles to be followed in the area of Social Responsibility and the actions to be taken to guarantee the transparency and legality of business processes. In response to the Corporate Governance

## GOVERNANCE STRUCTURE



Code's invitation to formalise the corporate approach to these matters, as from 1 January 2016 the Prysmian Group Board of Directors has put the Compensation and Nominations Committee in charge of supervising sustainability issues associated with the Group's operations and its dynamics of interaction with all its stakeholders.



# 360-DEGREE ETHICS

## Managing risk

The Prysmian Group adopts a rigorous system of internal controls and risk management based on consolidated tools and reporting processes. These enable the Board of Directors to take strategic decisions and establish the system's guidelines in an informed manner, taking account of the business environment and possible related financial, environmental and social risks.

## Proactive risk management

The Prysmian Group's policy of value creation has always been based on the effective management of risks. Since 2012, by adopting the provisions on risk management contained in the "Italian Stock Exchange Corporate Governance Code for Listed Companies", Prysmian has strengthened its governance model and implemented an advanced system of Risk Management that promotes proactive management of risks using a structured and systematic tool to support the main business decision-making processes.

## From awareness to action

In fact, the Enterprise Risk Management (ERM) model, developed in line with internationally recognised models and best practices, allows the Board of Directors and management to evaluate in an informed manner those risk scenarios that might compromise the achievement of strategic objectives, and to adopt additional tools able to anticipate, mitigate or manage significant exposures.

## Sustainability Risk Model

**Strategic Risks:** arising from external or internal factors. **Financial Risks:** associated with the amount of financial resources available and ability to manage volatility. **Operational Risks:** arising from the occurrence of events that affect value creation. **Legal and Compliance Risks.** **Planning and Reporting Risks.**

STRATEGIC	FINANCIAL	OPERATIONAL	LEGAL & COMPLIANCE	PLANNING & REPORTING
<ul style="list-style-type: none"> <li>• Macroeconomic, changes and Geopolitical environment</li> <li>• Industry Trends and competitive environment</li> <li>• Stakeholder expectations (incl. sustainability ratings)</li> <li>• Natural Environment / Human Capital Responsibility</li> <li>• Operative Green CAPEX</li> <li>• Organizational sustainability (framework &amp; governance)</li> <li>• Sustainability M&amp;A, JVs, business partners</li> <li>• Sustainability Strategies and Business integration</li> <li>• Sustainable R&amp;D</li> <li>• Law &amp; regulation evolution</li> <li>• Country Risk &amp; Ethical Culture</li> </ul>	<ul style="list-style-type: none"> <li>• Economic and Financial Integrity</li> <li>• Capital availability / cost risk</li> <li>• Sustainable Financial counterparties</li> <li>• Commodity risk and natural resource security</li> </ul>	<ul style="list-style-type: none"> <li>• Eco-conscious customers and Green Sales</li> <li>• Green Products and Technologies</li> <li>• Product Lifecycle Footprint</li> <li>• Sustainable Supply Chain</li> <li>• Environmental (water, energy, emissions, waste, etc.)</li> <li>• Labor Practices &amp; Human Resources (incl. Health &amp; Safety)</li> <li>• Outsourcing</li> <li>• Sustainable Information Technology</li> <li>• Contract execution / liabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability Intellectual Property rights</li> <li>• Compliance to environmental and social laws and regulations</li> <li>• Compliance to Code of Ethics, Environmental and Social Policies &amp; Procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability Budgeting &amp; Strategic planning</li> <li>• Sustainability Tax planning &amp; Reporting</li> <li>• Management Reporting</li> <li>• Sustainability (Environmental and Social) Reporting</li> </ul>

## Undertaking given in Europacable Industry Charter

The Prysmian Group is a signatory to the Europacable Industry Charter, which expresses and formalises the collective commitment by the cable industry to supporting principles and objectives of ethical, sustainable and high-quality cable development and manufacturing.

By signing the Industry Charter members of Europacable undertake to defend the interests of their employees, their customers, the wider community and the environment, not only by complying with the basic requirements of the law but also by taking a proactive role in monitoring and evaluating emerging issues and finding innovative solutions that seek to exceed the minimum requirements.



## A strict policy

Prysmian has adopted an Anti-Bribery Policy, which prohibits the bribery of both public officials and private individuals and with which Prysmian employees must comply. Under this policy, no employee may make, promise to make, offer or approve the payment of anything of value, either directly or indirectly, for the benefit of public officials, unless in compliance with all current laws and to the extent expressly allowed by Group Policy.

# CODE OF ETHICS: OUR THREE PILLARS

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Prysmian has recently drawn up its own "Constitution", serving as a charter of rights and moral duties. A shared document that defines the ethical-social responsibilities of each participant in the organisation.

## 1. In business

Ethics in business activities: the profit motive does not justify improper behaviour. Profit must be achieved by respect for the rules and competitors, and by fair and transparent actions that anticipate and meet market needs, thus generating value for distribution to all stakeholders.

## 2. With people

Ethics in internal relations: the bond with employees is strengthened by respecting their rights, expectations and needs and by fostering improvement in their living standards and professional growth. The individual is central to every activity, as the engine for future development.

## 3. For the environment

Ethics in environmental and social matters: given its strong belief in the principle of sustainable development, the Prysmian Group operates worldwide with respect for the environment and social communities; at the same time, it encourages the responsible use of resources and promotes local projects designed to enhance well-being in the areas concerned.

All companies within the Prysmian Group are committed to comply rigorously with the Code of Ethics, applicable regulations and the rules and procedures adopted from time to time by the Group. In order to ensure the widest possible distribution of its contents, the Code of Ethics - available in the 26 languages used by the Group - is also published on the website, [www.prysmiangroup.com](http://www.prysmiangroup.com).

# IN THE HEART OF COMMUNITIES

The Prysmian Group is aware of the importance of the people and local areas in which it operates and undertakes to pursue socially responsible business by supporting the economic, social and cultural development of such areas.

Relations with local communities represent the starting point for the creation of value around Prysmian.

Once again in 2015, the Group pursued its commitment through specific initiatives. In addition to direct economic contributions and donations in kind as allowed by the "Corporate Citizenship and Philanthropy Policy", Prysmian indirectly helps to support social projects via the hours paid to employees involved in charitable activities.

**Energy and telecommunications for growth thanks to work in Italy, Britain, Finland, Sweden, Germany, Spain, Romania, Estonia, Hungary, North America, Argentina and China.**

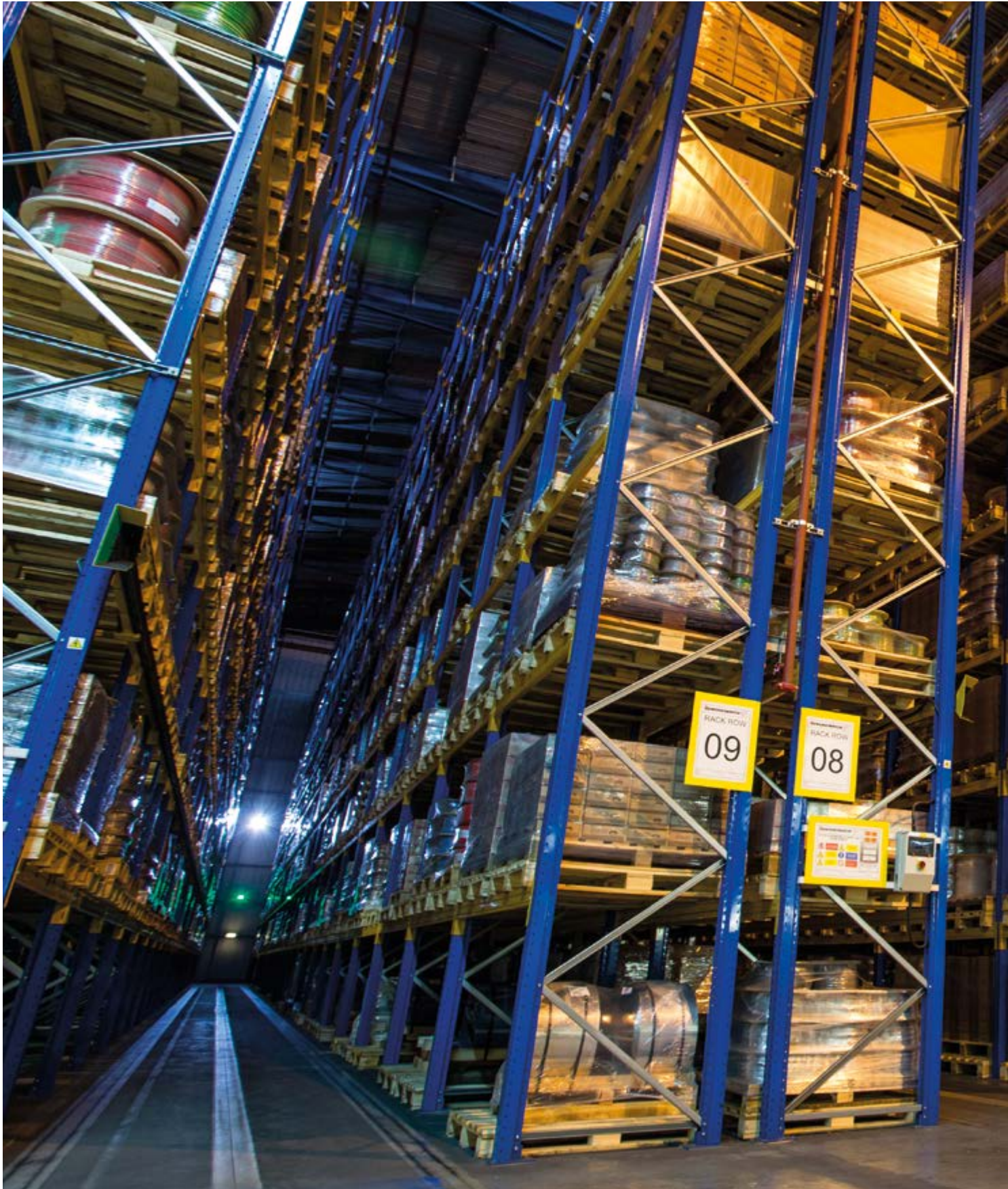
With a view to defining common, shared rules within the Group for identifying corporate citizenship and philanthropy initiatives, since 2014 Prysmian has updated its policy regarding activities that benefit local communities.

The Group believes that, in the twenty-first century, access to energy and telecommunications is a fundamental prerequisite for the economic and social development of local communities. This is why corporate citizenship and philanthropy activities promoted by the Group must be primarily directed at supporting initiatives that facilitate access to energy and telecommunications by local communities, especially those in developing countries.

Prysmian worked with UNHCR (United Nations High Commission for Refugees) to provide rapid assistance to the victims of the earthquake that hit Nepal on 25 April 2015. The Group invited its some 20,000 employees to make a donation, even of a symbolic nature, which it then matched for the same amount.

These donations allowed the purchase of 19,000 plastic tarpaulins to provide immediate shelter to the earthquake survivors and 8,000 solar-powered lamps, needed because the earthquake had not only destroyed homes, offices and public buildings, it had also disrupted the electricity supply in the worst hit areas.







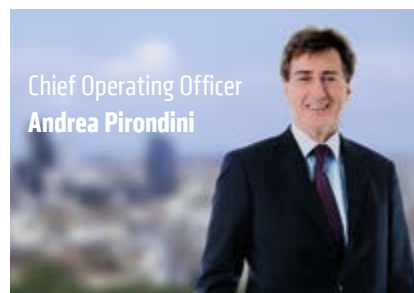
# EFFICIENCY CONTINUOUSLY INCREASING

Prysmian's goal is to continuously enhance its extensive global production network while also concentrating its manufacturing activities for high value-added, high-tech products.



# GLOBAL REACH, LOCAL EXCELLENCE

Work continued in 2015 to boost efficiency to enhance the extensive production network around the world but also to concentrate manufacturing activities for high value-added, high-tech products.



Chief Operating Officer  
**Andrea Pirondini**

"Factory reliability helped us improve quality, customer service and efficiency yet again in 2015. Investments are focused on developing centres of excellence throughout the supply chain, with particular attention to improving the environmental and social objectives".

Prysmian Group's manufacturing activities are highly decentralised in 88 plants in 31 different countries. This is a strategic factor enabling it to react quickly to different market needs worldwide.

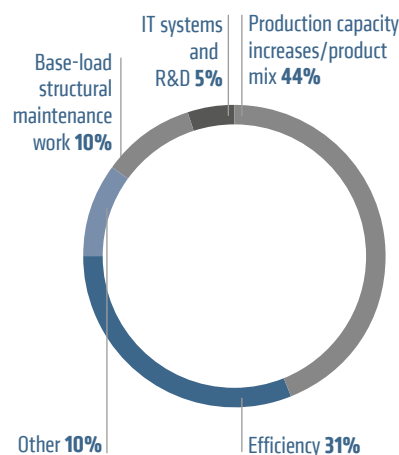
Once again in 2015 Prysmian pursued its strategy of concentrating on higher value-added, high-tech products in a limited number of manufacturing facilities, which thereby become centres of excellence enabling economies of scale and reductions in capital employed, and of making the commodities area ever more efficient, with a wide geographical presence to minimise distribution costs.

## **+29% increase in capex**

Capital expenditure increased by 29% in 2015 to Euro 210 million, mainly reflecting the significant resources invested in manufacturing footprint projects, as well as the usual level of investment in the submarine cables and optical fibre businesses.

About 44% of total expenditure was to increase production capacity and change the mix.

## GROUP CAPITAL EXPENDITURE IN 2015



## In fast growing countries ...

Capital expenditure in the Energy Products segment continued to focus, yet again in 2015, on countries with the best growth potential:

- Suzhou and Tianjin, China: capacity increased for Trade & Installer, Rolling Stock and Elevator cables.
- Keila, Estonia: investments to create a manufacturing hub for LV cables to serve the North European market.
- Malaysia: new capacity created for instrumentation and control cables for the Far East market.
- Kistelek, Hungary: two projects being completed to serve the Central European market.

## ... in optical fibre

The Telecom segment continued working on major projects to verticalise the optical fibre production process at the Sorocaba plant in Brazil and at Claremont in the United States, for better serving the North American market. There were also continued investments to increase optical cable production capacity at the factory in Slatina (Romania), where work also started to build the new telecom cables plant.

## In submarine cables...

The Energy Projects segment saw significant investments in the submarine cable plants in Arco Felice (Italy) and Pikkala (Finland) to increase capacity for the "50 Hertz" contract; this contract, worth more than Euro 700 million and awarded to the Group in 2014, involves the design, supply and installation of high voltage cable systems between offshore wind farms in Germany.

Also in the submarine business, conversion work started on the new cable-laying ship known as "Pacifique", a third vessel dedicated to installation services which will join the "Giulio Verne" and the "Cable Enterprise" already in the fleet.

## In high voltage...

The High Voltage business saw completion of two major investments initiated in 2014, one at the Abbeville plant in the United States for the construction of a second vertical insulation line for Extra High Voltage extruded cables, and the other at the Slatina plant in Romania, to satisfy growing demand in the markets of South-East Europe.

The Delft plant in the Netherlands was also the subject of investment after winning a High Voltage project from TenneT, a German-Dutch grid operator.



## Ongoing drive for efficiency

The Group invested 31% of its total capex to achieve efficiencies and reduce costs, compared with 20% in 2014. In particular, the Energy Products segment made significant investments in efficiency in the metallurgical area, while the Telecom segment continued to invest in efficiency at its European optical fibre manufacturing facilities in Battipaglia (Italy) and Douvrin (France).

In Tunisia, the Group decided to start expanding the Gromballia plant to bring in-house work previously done by outside companies.

# A SUPPLY CHAIN DESIGNED FOR THE CUSTOMER

**Customer service continued to be a focal point during 2015, under the policy adopted in prior years with the objective of improving flexibility, reliability and time to market.**

Implementation of the “factory reliability” concept, introduced in 2010, enabled yet more improvements in 2015 in the quality of the planning and supply processes in terms of controlling volumes and inventory levels. Group suppliers source the main raw materials used by Prysmian: copper, aluminium, lead, various petroleum derivatives (such as PVC and polyethylene), components for power and telecom cable accessories, as well as special types of glass and sheathing for optical fibre.

The strategic approach to supply chain management is based on five priorities that also include environmental and social objectives.

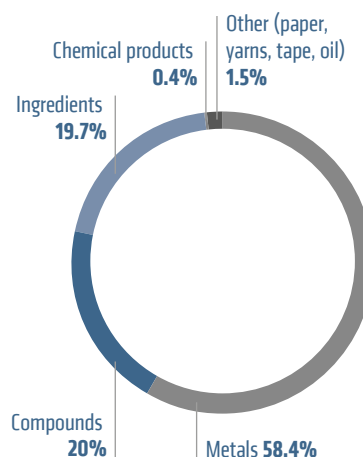
## Metals, key resource to manage

Metals, particularly copper and aluminium, are a key resource for Prysmian's production processes: in fact, they account for around 70% of the raw materials used. Prysmian purchases copper and aluminium wire rod from the world's leading manufacturers and only in special cases does it produce its own copper rod, the volume of which is nonetheless less than 10% of the total.

## Aluminium: simplification of logistics

Also in the case of aluminium, the Group has decided to concentrate increasingly on suppliers that are vertically integrated under a strategy that assures the security of supplies while also having cost and environmental benefits thanks to simplification of the logistics and elimination of the ingot re-smelting cycle.

## RAW MATERIALS PURCHASED BY THE GROUP IN 2015 (KTONNE)



Total raw material purchases amounted to 1,155 ktonnes in 2015, of which 59% represented by metals, consistent with the prior year figures. Once again this year, 11% of the raw materials used were sourced from recycled materials.



- ALWAYS AND ONLY USE QUALIFIED SUPPLIERS
- ONLY USE MATERIALS WITH APPROVED TECHNICAL CHARACTERISTICS
- GUARANTEE CONTINUITY OF COMMODITY SUPPLY AND AVAILABILITY OF REQUIRED VOLUMES
- GUARANTEE ON-TIME DELIVERY AND HIGH QUALITY STANDARDS OVER TIME
- ENSURE COMPETITIVE PRICES

## Copper: a major global player

The Group absorbs slightly more than 2% of the world's copper production and about 5% of the copper used globally in the electrical and electronic sector, representing one of this market's leading economic players.

The procurement strategy follows two directions: firstly, procurement from producers that are as integrated as possible with the ability to guarantee long-term supplies; secondly, procurement from all major global producers, in order to ensure efficient coverage of requirements and optimise the metals logistics chain.

The Group has developed genuine partnerships with the integrated suppliers, while also entering into short-term agreements with non-integrated suppliers to assure the necessary flexibility.

# A SUSTAINABLE SUPPLY CHAIN

**Prysmian devotes the utmost attention and rigour to selection of its suppliers, from an economic, ethical and environmental point of view.**

Suppliers are selected via a formal process based on an economic and financial analysis, which includes data about the risk of dependency or their technical and technological capabilities and skills. In order to monitor the sustainability of the supply chain, the Group also analyses all associated risks and opportunities. Prysmian carried out an internal review of key suppliers during 2014, assessing them against a number of sustainability criteria. This review covered about 51% of the Group's purchases.

## Constant attention to quality

Once again in 2015, Prysmian implemented many initiatives not only to strengthen its commitment to sustainability and ensure the quality of materials purchased but also to verify environmental and social aspects. The supplier qualification process begins with responses to a questionnaire, possibly followed up with further enquiry. During 2015, a total of 9 audits were conducted at European and American suppliers, and only in one case was an improvement plan necessary, resulting in a shift of the related purchases to other suppliers.

A specific section on sustainability was included in the questionnaire in 2015. The questionnaire is part of the "Supplier Quality Assurance" Operating Procedure, which requires suppliers to certify the existence of a specific corporate policy, of mechanisms that guarantee its implementation and any third-party certifications.



## Base Metals impact under control

During 2015, as part of its vendor management of base metal suppliers, Prysmian undertook a full mapping of all rod suppliers at Group level.

In fact, Prysmian considers base metals to have a particularly significant environmental impact throughout the production cycle, from extraction, to greenhouse gas emissions and the consumption of energy at the refining stage, through to rod production.

## Positive supplier self-assessment

The Group has required 47 wire rod suppliers, representing about 80% of the total volume of metal purchased, to complete a self-assessment questionnaire to investigate a number of aspects: integrity, fair trade, conflict of interest, human and labour rights, use of raw materials and energy, greenhouse gas emissions, water consumption and related risks. The responses were analysed by an independent body specialising in sustainability audit. None of the major base metals suppliers with whom Prysmian has renewed its business relationship for 2016 presents impediments in terms of sustainability.

# INTEGRITY HAS PRIDE OF PLACE IN CODE OF BUSINESS CONDUCT

With a view to spreading responsible business practices and ensuring that ethical, economic, environmental and social standards are met throughout the value chain, since 2014 the Prysmian Group has decided to promote a responsible and sustainable chain of supply by adopting a Code of Business Conduct, which as from 2015 is applicable to all employees and suppliers. The principles set out in the Code apply to the business transactions and daily activities of employees in all Group entities and their suppliers, business partners, sales agents, sub-contractors and distributors.

**The Code encompasses business integrity, human rights and those of workers, and the environment. The Group has published the Code on its website since 2015 and informs suppliers of its existence right from the scouting and qualification phases.**

## Purchasing Professional Academy

For the past three years the Professional School run by the Prysmian Group Academy, the Group's international school of management and vocational education and training, has offered specific courses on purchasing, with an annual class size of 30 people. Participation is open to buyers from all Group companies.

Since 2015 the Academy has offered a specific "Purchasing & Sustainability" module to understand the importance of sustainability issues. The module's focus is on sustainability within the Prysmian Group and how it affects the supply chain; it examines the particular activities and topics of interest to the purchasing function, including with detailed reference to the Group's Code of Business Conduct.

## Prysmian Powerlink: innovative approach to sustainability

Prysmian PowerLink has recently completed the implementation of a cloud platform to manage the vendor management process with the objective of improving the supplier qualification process by facilitating customer-supplier communication. This portal was developed during the first four months of 2015 and comprises two sections: Supplier Information Management (SIM) and Supplier Performance Management, for ex-ante management of the qualifying phase and ex-post performance evaluation respectively. The purpose of the system is to improve the quality of service with an overall reduction in costs and associated risks. The supplier is evaluated according to specific requirements, such as compliance with technical requirements, HSE and Quality, level of contractual and commercial flexibility.

## The case of Norway

In Norway, the Group has set up a local management and scoring system for suppliers, which are evaluated on the basis of ISO9001, ISO14001 and OHSAS18001 certified management systems, of the efficiency of their logistics processes and, in particular, the traceability of their raw materials. The process also involves the implementation of a supplier scorecard and, in the case of negative assessments, critical suppliers are contacted to discuss areas for improvement.

## Commitments for the future

Confirming its commitment to managing sustainability risks among its top-tier suppliers, Prysmian plans to visit 20 suppliers for audit purposes during 2016.

TO DATE MORE THAN **85%**  
OF SUPPLIERS HAVE PASSED  
THE QUALIFICATION PROCESS.



## EFFICIENT LOGISTICS TO MEET EVERY TYPE OF DEMAND WORLDWIDE

The Logistics function manages all the Group's intercompany flows at the level of both annual budget and monthly operations, with the aim of satisfying demand in all markets without a local production source. The function also manages short and medium-term production allocations and planning through the Sales & Operations Planning process, which links the demand cycle with the supply cycle.

Production planning differs according to product classification: "Engineer to Order" products are mainly used in the Energy Projects segment for Submarine, High Voltage and Umbilical cables, businesses in

which Prysmian supports its customers right from system design all the way through to final cable laying, while "Assembly to Order" products enter production in rapid response to demand for components.

"Make to Order" products are manufactured and shipped only after receipt of a customer order. The "Make to Stock" approach is generally used for more standardised products, for which inventory management policy is important in order to be able to provide a rapid response to demand. This model is mainly applied for products used by the Energy Products and Telecom operating segments.

### Inventory management

Inventory management for every kind of stock received particular attention in 2015; in particular: raw materials, with increasing effort devoted to the planning and procurement of all materials, particularly metals; intermediate products, with various "lean" and "six sigma" projects implemented at the most critical plants; finished goods, with emphasis on the accuracy of sales forecasts and continued focus on reducing slow-moving items.

# AT PRYSMIAN VALUE IS GREEN

Commitment to the environment and the conservation of natural resources is essential to create sustainable value, benefiting both the Group and its stakeholders.

A commitment that for Prysmian is expressed not only in the product's intrinsic characteristics, but also in how its production systems are managed, with the focus on prevention and reduction of environmental impact through efficient use of resources, optimisation of logistics and responsible waste management.

The Health Safety & Environment function worked with other functions to establish the Group's 2015 environmental objectives and targets, numerical and otherwise, which were endorsed by the Board of Directors.

During the year, HSE further consolidated its scope of action at various levels within the Group (corporate, country or region, business unit, production unit), by centralising activities and coordinating the work of the local HSE teams. Group policies for Health, Safety and Environment, as well as the related Operating Procedures and Technical

Standards, were maintained and extended to other operating units and, with support from the Group audit team, the effectiveness and proper application of the HSE rules at local level were periodically tested.

## Inspections and audits

During the year a total of some 160 inspections were carried out at the various plants, including certification audits and audits for maintenance of existing certifications, of which about one quarter by qualified Prysmian personnel and the remainder by auditors from independent certifying bodies.

In addition to these, there were 17 energy audits, as well as other internal audits on specific matters and periodic inspections by local independent certifying bodies.

## Constant monitoring

Once again during 2015, significant variables and indicators continued to be tracked in order to assess the effectiveness of HSE performance in areas such as compliance with occupational health and safety standards, energy consumption, waste management, water usage and atmospheric emissions of greenhouse gases. In particular, with reference to greenhouse gas emissions, the Group has improved the process of collecting energy consumption data to track both "direct" emissions (deriving from production processes) and "indirect" emissions (deriving from purchased energy). Monitoring and reporting have enabled the Group to participate, once again in 2015, in the Carbon Disclosure Project (CDP), an international initiative which seeks to contribute to the pursuit of the objectives agreed in the Kyoto Protocol regarding the global reduction of greenhouse gas emissions.



## **A constant commitment for the future**

Prysmian has undertaken several projects in recent years aimed at using resources more efficiently and reducing the impact of its production processes, leading not only to benefits for the environment but also lower costs. Prysmian has nonetheless felt the need to proceed in a more systematic and coordinated fashion, with the primary aim of improving the reporting of energy consumption and greenhouse gas emissions at Group level.

The first concrete step in this direction was the conduct in 2015 of 17 energy audits at European sites, in accordance with the requirements of the European Energy Efficiency Directive 2012/27/EU.

The audits, which will be repeated regularly in the future, took place in 16 selected operating units representing Prysmian's different types of production activity and in its Research and Development labs in Milan.

### **Investments...**

About Euro 10 million was invested in HSE activities in 2015, part of which in the "trigeneration" system at the FOS plant in Battipaglia, resulting in an estimated saving of about 2,000 TOE compared with 2014.

### **... and involvement in industry associations**

Prysmian has also managed and completed numerous activities, including active participation in various working groups and committees of industry associations, like for example the Europacable ECOE Committee, the Orgalime "Substances Task Force", the ANIE Environment Committee, the AICE environment working group, and the IEC Maintenance Team which is developing the standard for the environmental statement specific to energy cables.

# ENVIRONMENTAL AND SAFETY MANAGEMENT SYSTEM

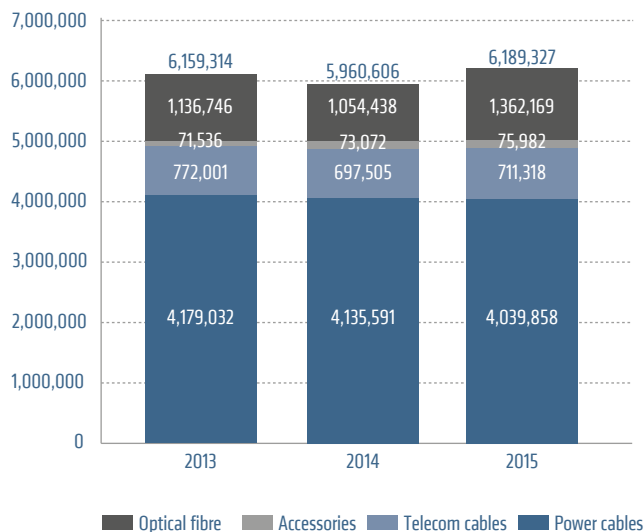
The environment and safety management system has been set up centrally to ensure a uniform approach across the Group and is coordinated by the central HSE function, which particularly establishes preventive and corrective actions applicable at Group level and audits their effectiveness at local level; this system has helped maintain and establish high standards, also thanks to the creation of a qualified team

of HSE auditors within the Group. In the future there will be even greater "coordination from the centre", with a gradual transformation into a "multi-site" model, certified by a series of annual audits by Head Office. The purpose is to make the most of synergies and efficiency gains that the system produces, in terms of better performance and even more cost efficiencies.

## Energy

Energy consumption by the Group totalled 6,189,328 GJ in 2015, an increase of 3.8% compared with 2014 mainly due to higher consumption in the optical fibre area.

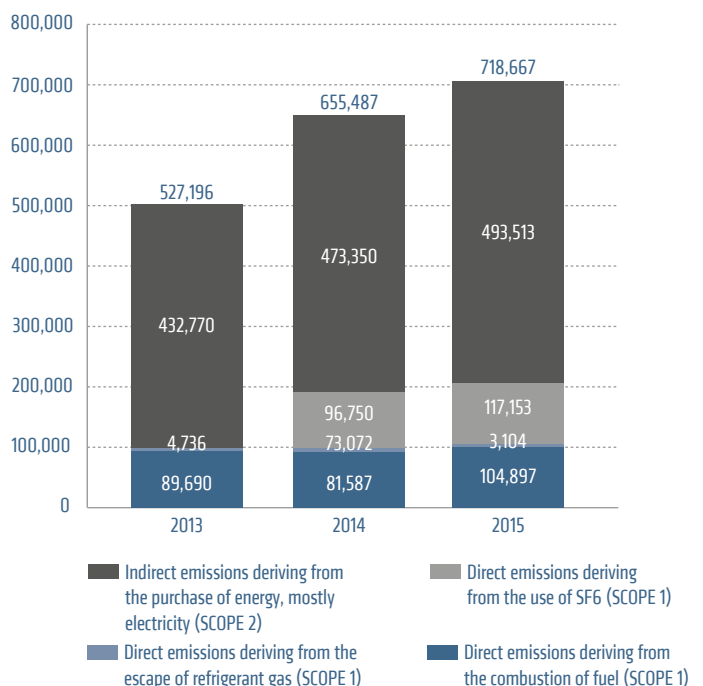
### ENERGY CONSUMPTION (GJ)



## Greenhouse gas emissions

Emissions of greenhouse gases, measured by CO<sub>2</sub> - equivalent weight, are calculated using the methodology contained in the "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition, 2004)", considering, for the purposes of SCOPE 1 (direct) emissions, fuel consumption data, the escape of refrigerant gases and use of SF<sub>6</sub>, and for the purposes of SCOPE 2 (indirect) emissions, purchased energy consumption (mainly electricity).

### CO<sub>2</sub> EMISSIONS, BROKEN DOWN BY SCOPE 1 AND SCOPE 2 (TCO<sub>2</sub>EQ)



## Worldwide reduction in the environmental impact of power cables...

In Cebu, the Philippines, a program to reduce production waste resulted in a dramatic reduction in 2015 in the quantities of non-hazardous waste compound (-37% reduction in waste disposal compared with 2014). In Delft, the Netherlands, there was a major reduction in the quantities of spent oil (-37% on the previous year) and in spent emulsions (-23% compared with 2014).

In Gron, France, there was a steep reduction in spent solvent sent for disposal, around 54% less per tonne of product in 2015 than the year before. In North Dighton, the United States, there was a steep reduction in water consumption (-35% per tonne of product compared with 2014).

In Brazil, water consumption per tonne of product at Sorocaba came down by 24% on 2014, while water consumption at Vila Velha was reduced by 58%. In Santa Perpetua, Spain, the quantity of water used was reduced by 27% on the previous year. In Slatina, Romania, waste packaging was reduced by 47% thanks to greater reuse.

## ... and Telecom

In Calais, France, a 36% reduction in water consumption was achieved compared with 2014. In Nuremberg, Germany, a 19% reduction in electricity consumption was recorded. In Washington, the United Kingdom, the use of a new type of ink reduced cleaning requirements resulting in a 76% reduction in solvent for disposal.

In Slatina, Romania, the telecom plant benefited from a dramatic reduction in packaging for disposal. In Eindhoven, the Netherlands, 2015 saw a sharp increase in the quantity of germanium-based waste sent for recycling.







# REAL PEOPLE, REAL VALUE

Are our most important resource. This is why Prysmian's human capital strategy helps them grow: in passion, motivation and competency.

# THE COMPETITIVE ADVANTAGE EMBODIED IN PEOPLE

Fabrizio Rutschmann, Senior Vice President Human Resources and Organisation, Prysmian Group, explains why the human factor is so important at Prysmian.

"At Prysmian, people are everything – and nothing less." Fabrizio Rutschmann, SVP Human Resources and Organisation at Prysmian, has no hesitation when asked how important the human factor is to the Group. Talented individuals capable of inventing solutions that pave the way to new horizons in technology and business, but also the thousands of factory workers who in all corners of the planet work with passion and professionalism for the world leader in the energy and telecom cable systems industry: "For each of its employees, Prysmian has a policy of attention and engagement."

Let us start with **talent**. How do you recruit talented people? "People management is a strategic factor for us," explains Rutschmann. "We find talented individuals and we help them grow inside and outside the Group, through recruitment, international mobility and training programmes." According to Rutschmann, "Talent represents an important competitive advantage for us." Some examples? "**Build the Future** is a concrete example: we are now in the fifth edition of a programme for recent graduates that we have decided to adopt on an ongoing basis, because we are always in search of promising young people who will build our Group's future."

For those who already have industrial training and experience, Prysmian recently created **Make It**, aimed at recruiting engineers and technicians with industrial experience, whom it offers a four-year professional pathway. "These are two examples of how strongly Prysmian believes in the value of human capital and the importance of investing in young people," comments Rutschmann.

The focus on the following step – training directly into the factory – is even more recent: Prysmian's **Manufacturing Academy** has become a reality at the plant in Mudanya, Turkey. The objective is to enhance our employees' technical, production and leadership competences by developing a solid Manufacturing Community. "This is a further step forwards that has great value for the Group and its employees," points out Rutschmann. "We expect the top talent in the manufacturing field in this venue where global and local experts can meet, discuss and exchange knowledge and experience: a centre of excellence focused on production, capable of enhancing the sharing of knowledge and strengthening best practices in the technical arena."

"At Prysmian, people are everything – and nothing less"





Senior Vice President Human  
Resources and Organisation  
**Fabrizio Rutschmann**

“The ability to unlock people's talent is key to make our company better. Our people development programs seek to reach a sustainable success in the long term.”

At this point, we have already entered the factory, so it is natural to extend the discussion to **YES**, which means “Your Employee Shares” and is a programme launched by Prysmian in 2013 to spread share ownership amongst its employees. Participation at the global level has reached and even exceeded 40%, with a one percent interest held – practically the level of a large international investment fund. “We wanted a programme,” says Rutschmann, “that would involve almost all employees at all levels. Thus far, participation has been high, with peaks of 60-70% in Turkey, for example.”

What is the point of employee share ownership? “It is perhaps the best way to align the long-term objectives of those responsible for the company's performance – its employees – with the interests of those who invest in the company,” says Rutschmann, who also explains, “It is no coincidence that this initiative has met with great interest and approval by a number of international funds who have invested in our company.”

# OUR PEOPLE, OUR MAIN ASSET

In Prysmian people are the most important resource. Through people you create the cohesion and strength to compete at the highest levels throughout the world. People pursue and realise the goal of generating sustainable and lasting value for shareholders and all stakeholders. The human capital strategy of Prysmian helps its people to grow in passion, motivation and competency.

The Group's human resources strategy is based on five pillars:

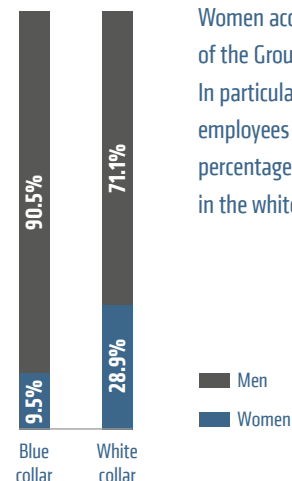
1. Development and spread of a shared common identity.
2. Inspiring model of management leadership.
3. Ability to attract top quality people.
4. Development and management of talent.
5. Internationalism and multiculturalism.



On 12 April 2015, the Abbeville plant, in South Carolina (USA), reached an important milestone in worker safety:

**1 million hours** worked without any working days lost to accidents.

## Diversity and equal opportunities

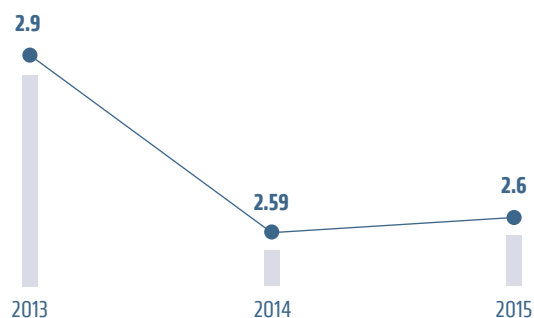


Women accounted for about 15% of the Group's employees in 2015. In particular, 9.5% of blue collar employees are women, while this percentage reaches almost 30% in the white collar category.

## Health and safety

A priority objective for 2015 was to reduce the time lost to accidents (OHSA LTA) as measured by the frequency rate. It is expected to reduce this rate by not less than 5% in 2016.

### FREQUENCY RATE<sup>1</sup>



The frequency of accidents at Group level has fallen in recent years, going from 2.9 in 2013 to around 2.6 in 2015.

1. Frequency rate:  
(Total number of accidents with loss of work \* 200,000) / Hours worked.

**Unlocking your talents.**

P4 is all about discovering and managing Talent within the business, enabling employees to maximise their potential.

**P4** PRYSMIAN PEOPLE PERFORMANCE POTENTIAL

TALENT & CAREER MANAGEMENT

Michelle, UK  
Raul, Spain

**Prysmian Group**

PRYSMIAN  
Draka

Prysmian People Performance 3 is the process designed to assess employee performance using a single worldwide approach. First introduced in 2012, during 2015 it involved some 5.000 staff.

P3 will have important new features from 2016: employees are given the chance to propose their own goals, while Action Plans can be defined with managers to help people achieve their targets.

P4 is the Group's way to unlock the potential of our people: all employees who have had an outstanding P3 evaluation for the latest two years can access the Process.

## LETTING PEOPLE ACHIEVE THEIR FULL POTENTIAL

Like all strategic assets, human capital must be developed, to enable it to express its full potential. This is why the Prysmian Group believes its people should be supported with adequate development programs so that they can best pursue the strategic objectives: continuous improvement in the quality of products, enlargement of markets, management of customers and acquisition of new business.

### Opportunities to grow for Prysmian men and women

Our Human Capital Development strategy is based on an integrated system of talent management, that is able to attract, develop, promote and retain high-potential people in the business. The system is based on four basic pillars: Recruiting and Talent Acquisition; Training and Development; Performance Management; Talent and Succession Management.

## GRADUATE PROGRAM

"Build the Future, the Graduate Program" is the international program for the intake of young high-potential graduates. Those selected attend an initial induction in Milan, followed by a one-year job rotation, an international assignment of at least two years and continuous training opportunities and participation in intercompany projects. The first half of 2015 saw the intake of 41 new graduates as part of the fourth cohort, while more than 20,000 applications were received in the second half of the year for the selection of another 40 graduates for the fifth cohort.

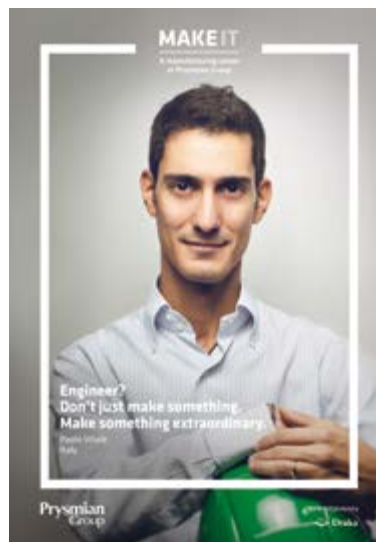
over **45,000** applications and around **170** new graduates selected in 2012-2016

**Creativity  
Passion.  
Independ  
That's the  
Prysmian  
way.**

## MAKE IT

This is the new international recruitment program particularly targeting engineers with 3-5 years of experience and interested in key and highly challenging roles in the Group's most important factories.

The first edition, launched in October 2015, received about 6,000 direct and indirect applications. In 2016 the program will include two weeks of training in Milan and two weeks at the new Manufacturing Academy in Mudanya, Turkey.



## ACADEMY

Created in 2012, the Prysmian Group Academy is an international school of management and vocational education whose mission is to develop and strengthen the leadership and technical skills of the Group's management.

All training is monitored using systems to measure its effectiveness and participant satisfaction. Prysmian Group Academy is the Group's Corporate University, comprising a Professional School and a School of Management.

# A POLICY OF ENGAGEMENT FOR EACH AND EVERYONE

The Prysmian Group invested in its human capital in 2015 not only in terms of skills development, but also by focusing on the overall growth of individuals by always placing them at the centre of attention.

## Inclusion

The importance of equal opportunities has been underlined in a Diversity and Inclusion Policy containing the principles to be applied to all employees.

## Engagement Survey

This has been conducted to assess the strength of the relationship between Prysmian and its people, their sense of belonging and their degree of job satisfaction. The survey involved about 5,000 white collar staff around the world and a pilot sample of around 2,200 blue collar workers, and included measurement variables describing the working environment, employee management practices and internal communication.

## Manufacturing

In the training sphere, a new Manufacturing section of the Professional Academy was launched at the end of 2015, also involving an investment in creating a practical training environment at the plant in Mudanya, Turkey.

## An ongoing commitment

In 2016 the Group will pursue its initiatives to develop human resources by continuing and strengthening a series of programs: as part of the global recruitment initiatives, with a program to recruit key professional figures in the areas of Production, Logistics, Quality and R&D; with the publication of the results of the Group survey and implementation of actions in response; with the 5th edition of global recruitment of new graduates through the "Build the future" program. The performance management process (P3) will also be improved by giving employees the chance to propose their own performance objectives in

order to increase their involvement and participation in the target-setting process. The Senior Leadership Program, forming part of the Leadership Academy, will be completed for senior managers with the aim of creating a common business language designed to cope with the challenges of management.

215 people  
of 27 nationalities  
in the expatriate population

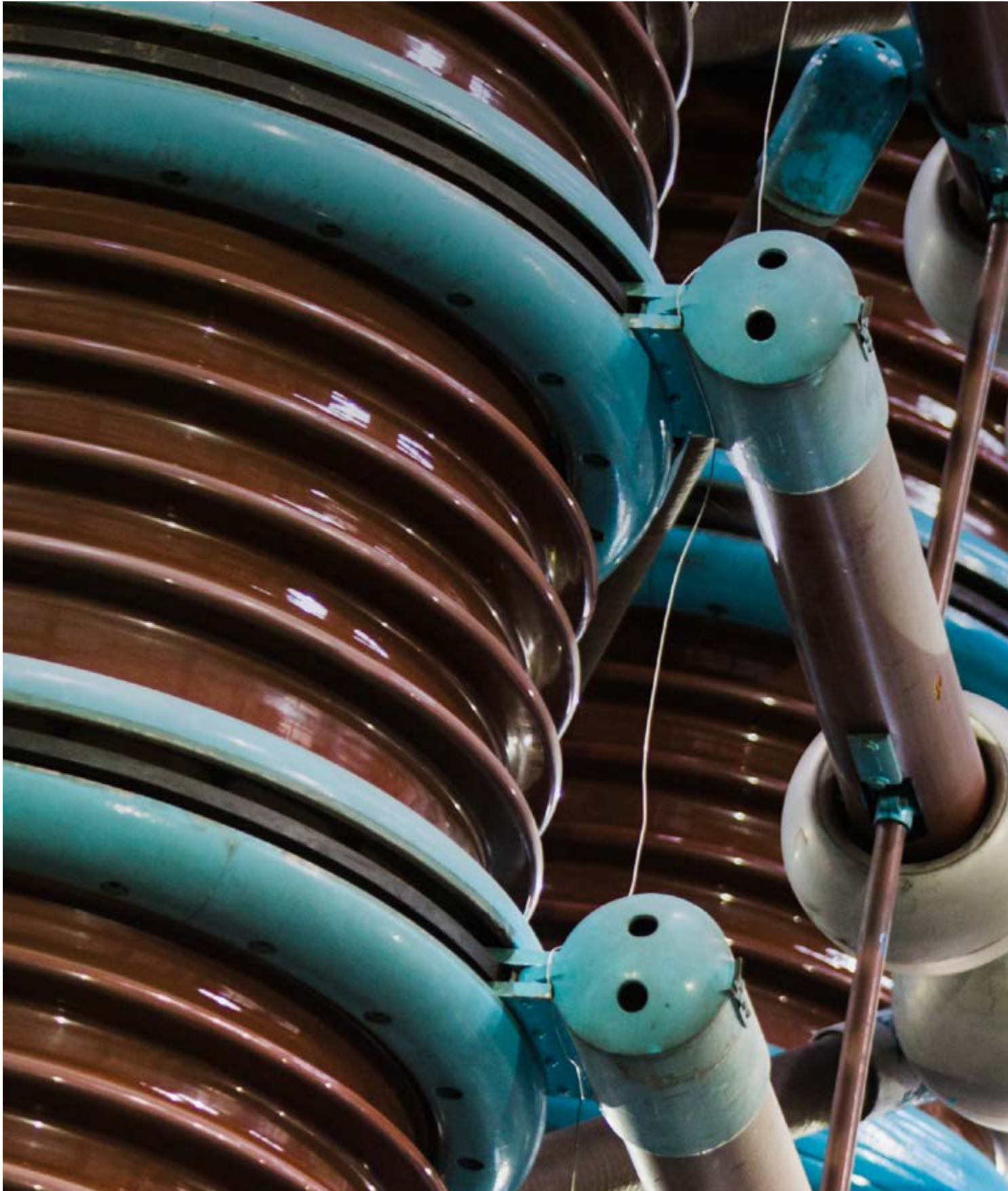


## Remuneration

With a view to ever greater transparency, a weighting system has been introduced to enable faster reviews of internal equity and market alignment, including guidelines to link remuneration policies at all levels of the organisation and variable remuneration packages with the evaluation of individual performance.

## Mobility

The policies and processes have been revised as from January 2016 in order to align them with the most advanced market practices, to help expatriates even outside headquarters, to standardise compensation packages and to segment the different types of assignment.





# CONSTANTLY AHEAD IN INNOVATION

What it means to be a leader in creating ever new solutions and technologies. Staying close to the environment. And joining forces with the world of scientific research and universities. Cables of the future.

# WORKING ON RESEARCH, ALWAYS

## Being leader means knowing how to innovate.

Prysmian generates innovation, quality and know-how to develop innovative products with lower environmental impacts and high value added for customers. Prysmian's spending on Research, Development and Innovation totalled approximately Euro 73 million in 2015, confirming its steadfast commitment to and focus on sustainable long-term growth. Activities to optimise costs via the Design To Cost (DTC) program have also continued. Design To Cost is a methodology used in order to lower production costs, both when developing a new product and when re-engineering an existing one. Thanks to DTC, Prysmian has reduced its costs by almost Euro 14 million. The Group's continuous drive for innovation is supported by 17 Centres of Excellence, with Headquarters in Milan, employing more than 550 experienced professionals.

Senior Vice President  
Research and Development  
**Marcelo Andrade**

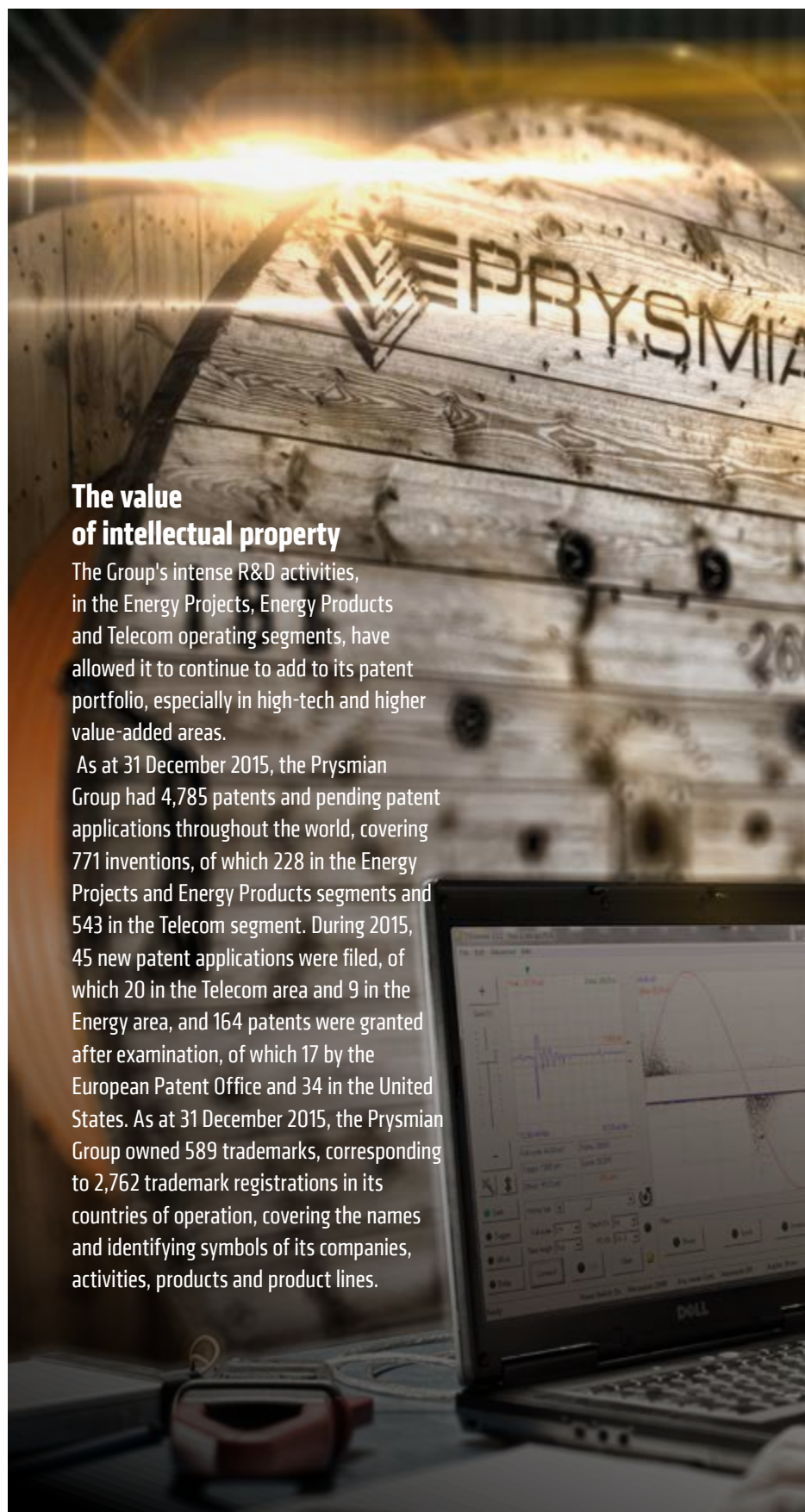


"Prysmian Group is highly focused on innovation, we believe that materials knowledge is fundamental to the development of high performing products".

## The value of intellectual property

The Group's intense R&D activities, in the Energy Projects, Energy Products and Telecom operating segments, have allowed it to continue to add to its patent portfolio, especially in high-tech and higher value-added areas.

As at 31 December 2015, the Prysmian Group had 4,785 patents and pending patent applications throughout the world, covering 771 inventions, of which 228 in the Energy Projects and Energy Products segments and 543 in the Telecom segment. During 2015, 45 new patent applications were filed, of which 20 in the Telecom area and 9 in the Energy area, and 164 patents were granted after examination, of which 17 by the European Patent Office and 34 in the United States. As at 31 December 2015, the Prysmian Group owned 589 trademarks, corresponding to 2,762 trademark registrations in its countries of operation, covering the names and identifying symbols of its companies, activities, products and product lines.





## Joining forces with the world's universities

Prysmian has a number of established collaborative relationships with major universities and research centres in various countries around the world: China, the Netherlands, New Zealand, Brazil, Finland, United Kingdom, United States, Spain and Italy. These relationships include those with Politecnico di Milano in Italy, Centro di Pesquisa e Desenvolvimento em Telecomunicacoes in Brazil, Universitat Politecnica de Catalunya in Spain and the University of South Carolina in the United States. In 2015, the Prysmian Group devised, in collaboration with the Politecnico di Milano, the new "Design driven funnel" method of innovation to develop new solutions for cable systems. A team comprising members from the Prysmian R&D department and its business units has identified four solutions from a pool of 70 ideas. Design driven funnel is an important example of Open Innovation and has been successfully applied to the Oil & Gas and SURF businesses.

## Rewarding the professionals...

The latest edition of the Prize for Inventions held in 2015 made awards for patents granted in 2013. A total of 30 patents received awards, reflecting the intense work of Prysmian's R&D professionals, who have ensured a steady stream of new patents for the Group's patent portfolio, especially in high-tech and high value-added segments.

## ... and aspiring innovators

The best degree theses on "Technology for Human Beings" received awards as part of an initiative promoted by Prysmian Group together with Human Foundation, an organisation active in the field of social innovation. The competition was very well received by many Italian universities, as confirmed by the large number of students who took part, six of whom were prize winners.

### Submarine cables

Development work in 2015 was mainly focused on enlarging the range: the 3-core AC cable range saw successful qualification of the 220 kV cable for the 50 Hertz project, which will be used for long-distance transmission of energy produced by offshore wind farms.

### Telecom and optical cables

The Flextube cable family has proved to be the most efficient technology for optimising and reducing the size of high-fibre-count cables, thanks to success factors such as the combination of micro-module flextube technology and BBXS 200 micron diameter fibre.

### Oil & Gas

In the Downstream segment, the two main initiatives implemented in 2015 involved the development, in various subsidiaries, of an improved solution for low temperatures ("Arctic onshore"), typical of projects carried out in Russia (Yamal LNG and ZapSib 2).

### Underground cables

In the area of extra high voltage (EHV) cables, an important milestone was reached with the successful qualification of extruded insulation systems for voltages exceeding 500 kV: in fact, the type test was successfully completed for the 525 kV HVDC solid-insulated system.

## CARE FOR THE PLANET: AN EVER CLOSER GOAL

### The importance of materials

Prysmian is intensifying its exploratory research into materials due to the strategic role they play in cable and accessories technology.

The main achievements in 2015 included:

- Completion of a preliminary study that will let Prysmian formulate a compound with variable resistivity for use in the manufacture of joints for very compact HVDC cables.
- Completion of the feasibility study on a proprietary formula for primary and secondary coating of optical fibres.
- Studies on the protection of copper in order to improve or prevent oxidation of large section conductors and on the protection of aluminium.
- Studies on carbon nanotubes to identify possible uses as conductors, with a graphene manufacturer contacted to perform experiments on the new material.

## New green high-performance products: P-Laser

Produced using recyclable raw materials, P-Laser reduces the environmental impact of circuits grids while increasing their efficiency and power transmission capacity. The Prysmian Group's R&D department has completed a project to compare the environmental impact of two different systems for the production of medium voltage power cables: P-Laser and XLPE. This study was conducted using the Carbon Footprint methodology to quantify the entire environmental impact of each system in terms of its emissions of CO<sub>2</sub> equivalent. The results showed that the CO<sub>2</sub> emissions associated with P-Laser cables are 30% of the total emissions attributable to XLPE cables, being about 800-1,000 kg of CO<sub>2</sub> for each kilometre of cable produced.

## The future of broadband is getting closer

Prysmian received Frost & Sullivan's "European New Product Innovation" award in 2015 for its BendBrightXS optical fibre, which paves the way for a multitude of innovative cable solutions applicable to a wide range of network configurations and able to combine exceptionally low sensitivity to macro-bending with a micro-bending performance in line with industry standards.

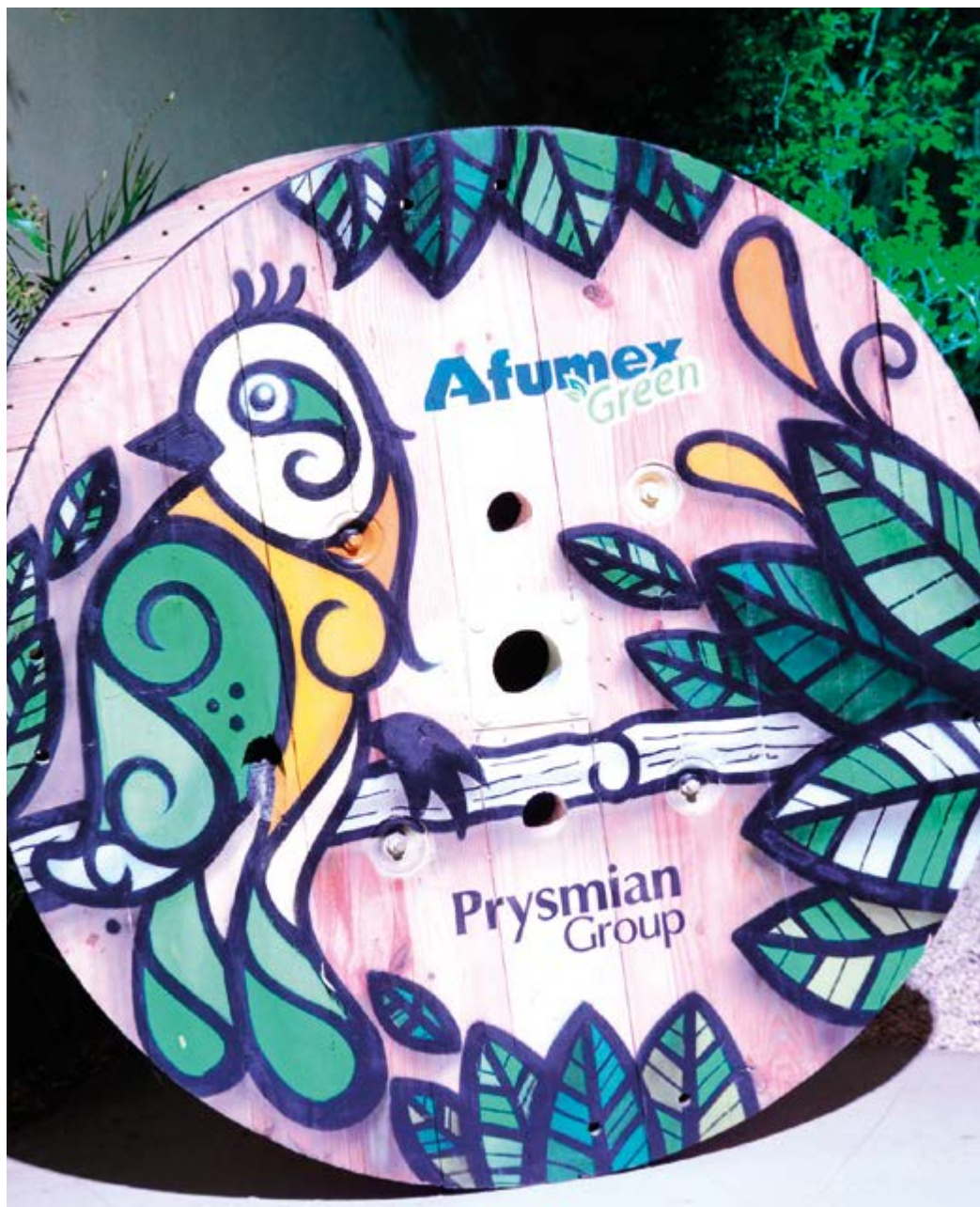
## Afumex Green: created for the planet

In keeping with the main developments in the field of safe, reliable and sustainable technologies, Prysmian has once again demonstrated its pioneering spirit and capacity for innovation by expanding its line of AfumexGreen cables, with the introduction of Afumex Green 1kV, the safest and most sustainable cable currently on the market. Traditional petroleum-derived polyethylene used for insulation has been replaced in

this new cable with biopolyethylene (green polyethylene), a material obtained from sugar cane, which is 100% recyclable, internationally certified and able to reduce emissions of CO<sub>2</sub>. It is estimated that for every tonne of green polyethylene produced, more than two tonnes of CO<sub>2</sub> are captured and removed from the atmosphere during the sugar cane's cultivation.

### Green polyethylene

Green polyethylene, green plastic or green PE: are the names usually used for linear low density polyethylene (LLDPE) made from renewable sources (ethanol), i.e. not derived from petrol, unlike ordinary polymers. This innovative technology, based on the use of sugar cane, has been developed by Braskem, a Brazilian company and supplier of raw materials to Prysmian.







nian  
group

# BUILDING ON OUR BRAND

With value not only in terms of market reputation and recognition, but that can also be estimated economically. By investing in the brand we also create value for the business and all its stakeholders.



# THE MAIN MARKETING COMMUNICATION TOOL

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The brand defines the business, its identity, its objectives, its place in the world and in the economy. The Prysmian Group provides its customers with highly innovative solutions with which to meet tomorrow's challenges, in short it is linking the future! And this is also the essence of the Prysmian Group brand.

Prysmian Group presents itself on the market with a single unique corporate brand, used not only when talking about the company in general or speaking on its behalf, but also as the employer brand, meaning the brand for which employees know they are working and to which they are bound by a special loyalty and sense of belonging.

## Two distinct commercial brands for optimal customer service

The Prysmian Group corporate brand in turn operates on the market through two distinct commercial brands, Prysmian and Draka. These are two of the global cable industry's strongest brands, characterised by highly complementary products and services. The

two commercial brands are used when talking about products and solutions, and are the ones that customers buy and against which competitors contend. Each brand represents a specific part of the overall offering that the Prysmian Group presents to its customers.

# INVESTING IN THE BRAND MEANS CREATING VALUE

The brand has value not only in terms of reputation and recognition in the market, where it is associated with concepts such as quality, experience, execution excellence, and technological advances. It also has a value that can be estimated economically, a service fulfilled by a number of specialist companies around the world.

One of the most established and well-known

is Brand Finance, a leading British brand valuation consultancy renowned for its annual "Global 500" ranking covering the 500 most influential brands in the world. Brand Finance has put the economic value of the Prysmian Group brand at \$767 million, of which \$507 million attributable to the Prysmian brand and an estimated \$260 million attributable to the Draka brand.

How are these valuations reached? Brand value is estimated by considering a number of factors such as the opinion of stakeholders and the business performance of the brands themselves. Prysmian Group has invested considerably in these areas over the years, using different tools to increase, day by day, the brand's international visibility as well as its strength and awareness.



## Prysmian website enters the top 10 of Webranking by Comprend 2015

The Group has improved on its performance to rank among the top ten in the Webranking survey by Comprend, the purpose of which is to promote digital culture within companies and help them understand how to meet the growing expectations of stakeholders. The survey was conducted in Italy by Lundquist, a strategic consultancy specialising in online corporate communications. The survey ranked Eni, Telecom Italia and Snam as best

in class for digital corporate communications. The new names in the Top 10 are Edison International, a utility company, and Prysmian Group. Lorenzo Caruso, Corporate & Business Communications Director at Prysmian, noted that in recent years the Group has "invested time and energy in renewing our brand image and improving our reputation on the web, becoming a benchmark for our sector."

# BEING WHERE THE CUSTOMER IS

With the purpose of giving visibility to its brand, Prysmian Group has activated different touchpoints of communication, including trade fairs and exhibitions: in fact, every year the Group is involved in about 120 events worldwide, of which about 20% coordinated centrally with the purpose of showcasing its products and innovative solutions to the entire world.

Trade fairs and events are very important, especially as direct touchpoints to engage diverse players and audiences using different forms, methods and channels of communication, such as sponsorships, targeted editorial content, PR, advertising and a strong presence on the stand.

The Group's presence at international trade fairs around the world provides a unique opportunity to demonstrate concretely who we are and what we do, building, maintaining and strengthening the brand, displaying its products and innovative solutions, and setting - as market leader - standards and benchmarks for the entire industry. Our products are essential components of many different businesses and industries.

This is why we take part in the biggest international events for the various industry segments to which our products and solutions are supplied. The ultimate goal: to be close to our customers and to be present at events where our customers are.

Our goal to demonstrate to what extent and how Prysmian Group differs from its competitors, guiding customer choices, sharing with them our know-how and our special expertise, emphasising how nowadays it is essential not only to choose the right technological solution and the right product, but above all to have a reliable and trustworthy partner with whom to work. In fact, as market leader we want to be seen as the natural first choice of our customers.

## Recognition by the reputation institute

According to the Reputation Institute, an international firm specialising in the management of corporate reputation, Prysmian Group is one of the companies that enjoy a very high reputation. The Group entered the RepTrak Ranking in Italy for the first time this year, earning itself 21st place among the 50 companies ranked: the reputation of Prysmian Group was judged strong and robust with a score of 70.8 points, against an Italian average of about 67 points. The RepTrak Italy rankings are compiled on the basis of the results of 3,200 interviews, eliciting opinions on the 100 largest Italian companies using multiple inputs for evaluation purposes: direct experience, what the brand says about itself, communication and advertising, what others says in the press and on social media.

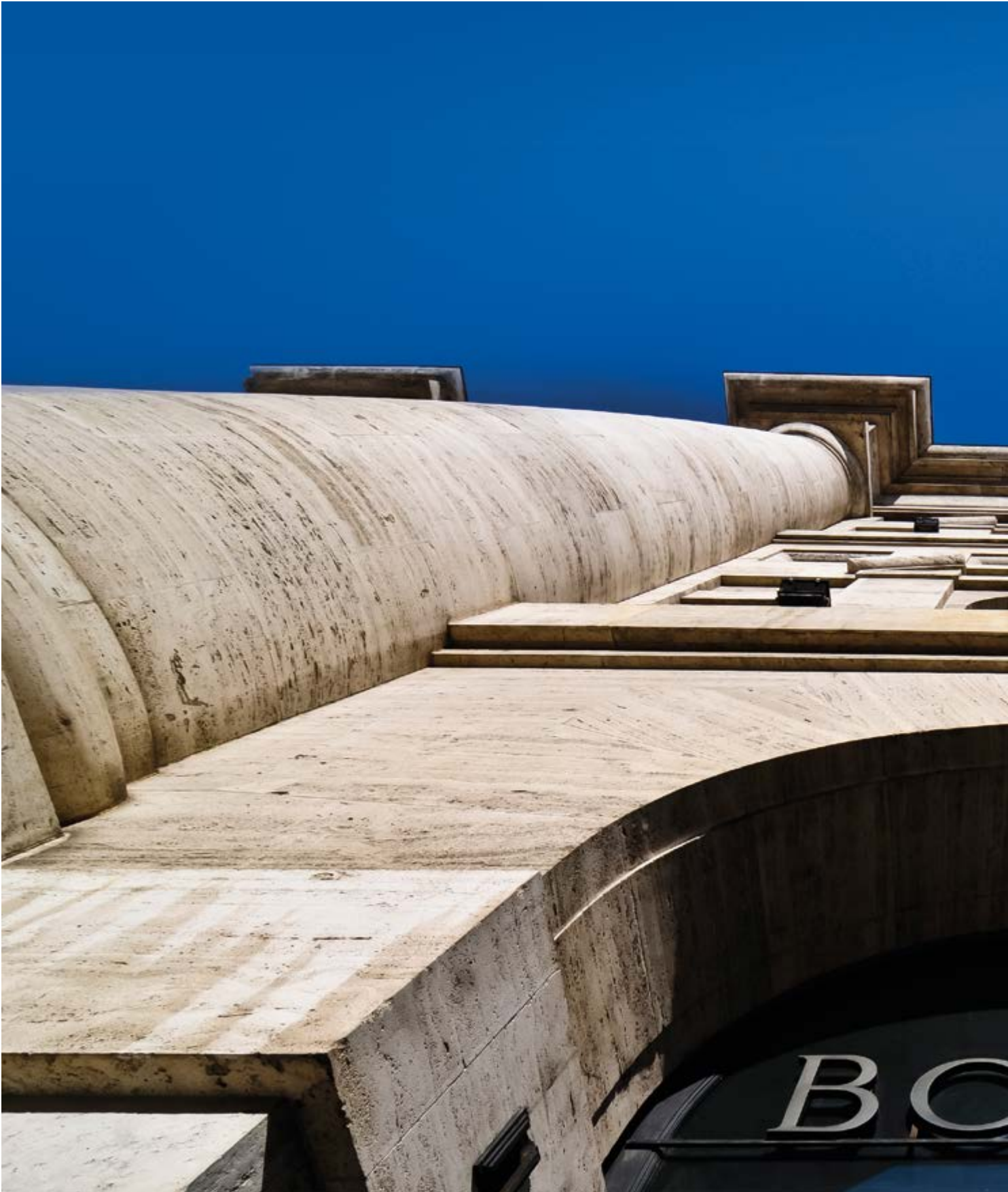




## **ALL OVER THE WORLD**

**Some of the main international exhibitions  
and events at which Prysmian Group showcased  
its products and services during 2015**

European Wind Energy Association annual event, Paris  
European Wind Energy Association offshore event, Copenhagen  
AfricaCom telecommunications event, Cape Town  
ADIPEC, Oil & Gas industry event , Abu Dhabi  
Jicable, international conference on insulated power cables, Paris  
Global Offshore Wind event, London  
Offshore Technology Conference, Houston  
Middle East Electricity, Dubai  
FTTH Council Europe conference and exhibition, Warsaw



# THE STRENGTH OF OUR REPUTATION

As a true Public Company we are in constant contact with the market and investors, openly and transparently.



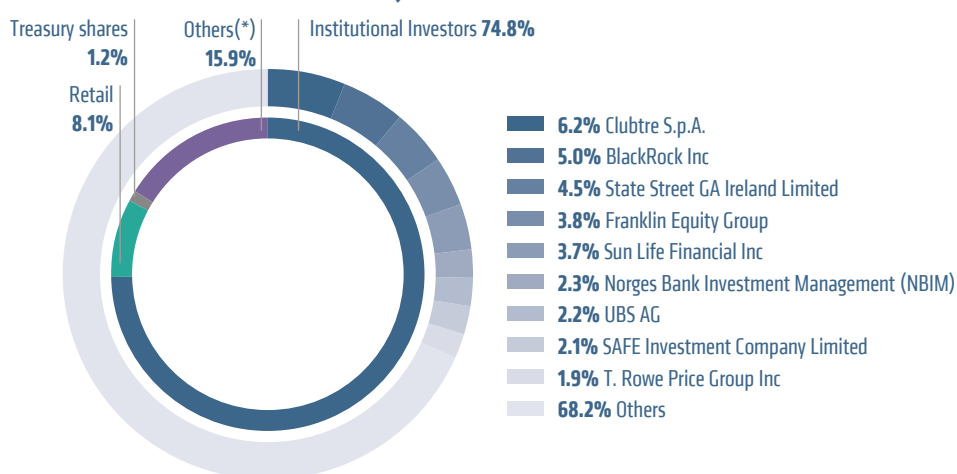


# A PUBLIC COMPANY WITH A GLOBAL SHAREHOLDING STRUCTURE

The Prysmian Group is a true Public Company, with a 100% free float and almost 80% of its capital held by institutional investors.

As at 31 December 2015, major shareholdings (in excess of 2%) accounted for approximately 22% of share capital, meaning that there was no majority or main shareholder. Prysmian is one of the few Italian industrial companies with a global presence to have achieved true public company status in recent years.

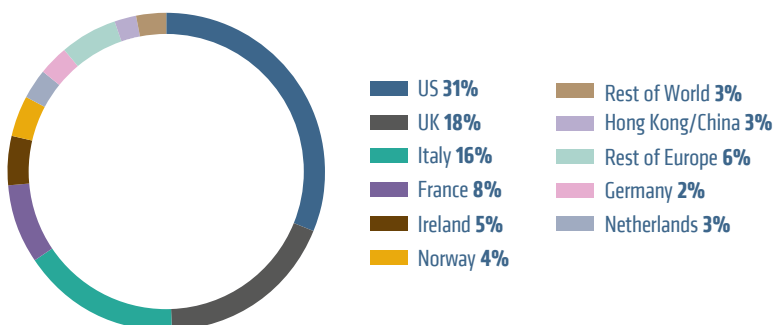
OWNERSHIP STRUCTURE BY TYPE AND MAJOR SHAREHOLDERS



Source: Nasdaq OMX, December 2015 (Ownership structure by type); Thomson One public sources and CONSOB, December 2015 (Major shareholders with over 2%).

\* Mainly includes shares held by non-institutional investors and shares with third-party custodians held for trading.

## INSTITUTIONAL INVESTORS BY GEOGRAPHICAL AREA



The ownership structure by geographical area confirms the predominance of the United States, which accounted for 31% of the capital owned by institutional investors, followed by the United Kingdom with about 18%. At the end of 2015 Italy accounted for around 16% of the capital held by institutional investors, while France's share was 8%.

## The answer for sustainable investors

Once again this year, the Prysmian Group was the subject of interest by many Socially Responsible Investors (SRI), whose investment strategy is linked both to financial objectives and evaluation of social and environmental impacts.

Prysmian shares are also included in the FTSE ECPI Italia SRI Leaders, comprising a basket of selected Italian shares that excel in terms of environmental, social and governance (ESG) practices.

## Always close to the market

Creating value for shareholders and other stakeholders is a key priority for Prysmian, whose policy of strategic and financial communication is based on the highest standards of propriety, clarity and transparency. Its actions and procedures are designed to provide the market with credible information, with the goal of boosting market confidence in the Group.

Relations with the financial market were intense during 2015: there were around 400 encounters with the financial market, involving conference calls and one-to-one and group meetings. Coverage of the Prysmian stock by market analysts remained very high and geographically diversified.




# BECOME A SHAREHOLDER. JUST SAY YES

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Towards the end of 2013, the Prysmian Group launched the YES (Your Employee Shares) plan, a share ownership scheme open to all employees.

Introduced in 28 countries, via an intensive communication campaign, the plan allows participating employees to purchase Prysmian shares on preferential terms with the agreement that they retain the shares for at least 36 months from the purchase date. The objective of YES is to increase the engagement, sense of belonging and understanding of the business of Prysmian men and women, in order to converge the long-term interests of shareholders, customers and employees and to strengthen the internal perception of Prysmian Group as truly "One Company".

A man with a beard and short dark hair, wearing a dark blue polo shirt with the Prysmian Group logo, is smiling and gesturing with his hands. He is standing in a modern building with a glass facade and a large circular skylight. The text "OBJECTIVE OF YES IS TO INCREASE ENGAGEMENT, SENSE OF BELONGING AND UNDERSTANDING OF THE BUSINESS." is overlaid on the image.

OBJECTIVE OF YES IS TO INCREASE  
ENGAGEMENT, SENSE OF BELONGING  
AND UNDERSTANDING OF THE  
BUSINESS.



**7,226**  
Employees

**28**  
Countries

### **A great international success**

The YES plan has proved a real success, with participation by 7,226 employees in 28 countries, representing 44% of the eligible company population. Plan participation in some countries was very high again in 2015, a year which saw the third subscription period close in December whose shares will be purchased in summer 2016. The scale of participation has convinced the company to extend the plan for another 3 years.

## ALWAYS AIM FOR THE PODIUM

Prysmian is the undisputed leader of the global cable industry and aims to maintain and consolidate this position. Fabio Romeo, the Group's Head of Corporate Strategy and Development, explains why it is important to be in the top three, even within the many segments and geographical areas making up the market. By growing organically but without excluding acquisitions.



Chief Strategy Officer  
Fabio Romeo

The Prysmian Group's growth strategy is based on a customer-centric market approach, which has resulted in Prysmian's global leadership and achievement of a particularly impressive financial performance, not least in 2015.

How will this strategy take shape in coming years, and with what objectives?

"We aim to be at least in the top three, with regard not only to the different sectors that animate the cable industry, but also to the different geographical areas in which the market is segmented," replies Romeo. "If we draw a line and do the sums we are already the global number one, but we want to be top in the individual segments, especially the higher value-added ones or those offering key positions including geographically."

One area in which Prysmian is already very strong is that of submarine cables and systems, particularly thanks to European projects: how do you plan to leverage this competitive advantage globally?

"We are indeed strong, with about 50% of the European submarine cables market. But you must remember that Europe is a special case, both for the impetus behind these projects, and for its geography, favourable to long submarine links that can bring energy from centres of generation to centres of consumption. In other parts of the world, a number of important developments could present themselves in South East Asia."

Why the decision to build up the Oil & Gas business at a time when the sector is suffering from an oil price slump?

Because it was the right time. We must remember that the sector in which we operate is quite anticyclical, with recessions affecting cable demand 6-12 months later; what's more, we have strengthened our business in a very particular niche technology, where specialisation makes the difference," notes Romeo. "In the future, growth outside Europe will be important, with the goal of raising market shares of around 15% now to 30% in those regions or market segments that count."

What areas could show the greatest development in the near future?

"Telecommunications, where being in the top 2 or 3 in the world with our optical cables is definitely an important goal," states Romeo. "However, at a sector level, the global market for elevator cables is very attractive, where Prysmian is very strong and aims to raise its share to over 25%. At a geographical level, we are looking at the MEA region with great interest and its likely infrastructural developments."

But for growth, is it preferable to rely on new investments to produce more in new markets or are acquisitions preferable?

"Today the global market, and not only with regard to the cable industry, is quite over-invested, and it may not make too much economic sense to add to capacity. If this continues to be the case, acquisitions would seem to be preferable, also because good opportunities could present themselves in the current economic climate."

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# PRYSMIAN GROUP **LINKING THE FUTURE**

**Prysmian**  
Group

